IMPORTANT: You must read the following before continuing. The following applies to the base prospectus (the "**base prospectus**") following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the base prospectus. In accessing the base prospectus, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from us as a result of such access.

This base prospectus has been prepared solely in connection with the proposed offering to certain institutional and professional investors of the securities described herein. The base prospectus has been approved by the Central Bank of Ireland, as competent authority under Regulation (EU) 2017/1129. Copies of the base prospectus are available to the public in accordance with the applicable rules.

THE FOLLOWING BASE PROSPECTUS MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THIS BASE PROSPECTUS MAY ONLY BE DISTRIBUTED TO PERSONS THAT ARE NOT U.S. PERSONS AS DEFINED IN REGULATION S UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITHIN THE UNITED STATES TO QIBs WHO ARE ALSO QUALIFIED PURCHASERS (EACH AS DEFINED BELOW). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS BASE PROSPECTUS IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.NOTHING IN THIS BASE PROSPECTUS CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DESCRIBED IN THIS BASE PROSPECTUS (THE "**NOTES**") HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE U.S. SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN SECTION 2(A)(51) OF THE U.S. INVESTMENT COMPANY ACT OF 1940 (A "**QUALIFIED PURCHASER**") THAT (A) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (B) IS NOT A PARTICIPANT DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (C) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN GAZ FINANCE PLC (THE "**ISSUER**"), (D) IS ACQUIRING THE NOTES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QUALIFIED PURCHASER, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN U.S.$200,000, (E) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (F) WILL PROVIDE NOTICE OF THE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THE NOTES ISSUED PURSUANT TO THE PROGRAMME ARE NOT, AND WILL NOT BE, QUALIFIED FOR SALE UNDER THE SECURITIES LAWS OF ANY PROVINCE OR TERRITORY OF CANADA. THE NOTES MAY NOT BE, AND ARE NOT BEING, OFFERED, SOLD, OR DELIVERED, AND NO OFFER TO PURCHASE THE NOTES MAY BE, IS, OR WILL BE SOLICITED, DIRECTLY OR INDIRECTLY, IN CANADA OR TO, OR FOR THE BENEFIT OF, ANY CANADIAN PERSON. THIS BASE PROSPECTUS OR ANY OTHER OFFERING MATERIAL RELATING TO THE NOTES MAY NOT BE, HAS NOT BEEN, AND WILL NOT BE, DISTRIBUTED IN CANADA OR TO, OR FOR THE BENEFIT OF, CANADIAN PERSONS. IN ADDITION, CANADIAN PERSONS ARE RESTRICTED FROM DEALING IN ANY WAY, DIRECTLY OR INDIRECTLY, IN THE NOTES, PURSUANT TO THE SPECIAL ECONOMIC MEASURES (RUSSIA) REGULATIONS.

"**CANADIAN PERSON**" MEANS ANY PERSON IN CANADA OR ANY CANADIAN OUTSIDE CANADA, WHERE "**PERSON**" MEANS AN INDIVIDUAL OR A BODY CORPORATE, TRUST, PARTNERSHIP, FUND, AN UNINCORPORATED ASSOCIATION OR ORGANIZATION; AND "**CANADIAN**" MEANS AN INDIVIDUAL WHO IS A CITIZEN WITHIN THE MEANING OF THE CITIZENSHIP ACT (CANADA), OR A BODY CORPORATE FORMED UNDER THE LAWS OF CANADA OR A CANADIAN PROVINCE.

Confirmation of your Representation: In order to be eligible to view this base prospectus or make an investment decision with respect to the Notes, you must be (i) a person other than a U.S. person (within the meaning of Regulation S under the Securities Act) or (ii) a QIB who is a Qualified Purchaser. By accepting the e-mail and accessing this base prospectus, you shall be deemed to have represented to us (a) that you are not a U.S. person or that you are a QIB that is a Qualified Purchaser that can represent as set out in (A)-(F) above and (b) that you consent to delivery of such base prospectus by electronic transmission.

You are reminded that this base prospectus has been delivered to you on the basis that you are a person into whose possession this base prospectus may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located, and you may not, nor are you authorized to, deliver, forward or distribute this base prospectus (or any reproduction of this base prospectus) to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction or place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Dealers (as defined herein) or any affiliate of the Dealers is a licensed broker or dealer in that jurisdiction, any offering of Notes shall be deemed to be made by the Dealers or such affiliate on behalf of the Issuer in such jurisdiction.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any jurisdiction or place where offers or solicitations are not permitted by law. Recipients of this base prospectus who intend to subscribe for or purchase any securities are reminded that any subscription or purchase may only be made on the basis of the information contained in the base prospectus and the series prospectus. This base prospectus may only be communicated to persons in the United Kingdom in circumstances where section 21(1) of the Financial Services and Markets Act 2000 does not apply to the Issuer.

Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Information contained in this base prospectus may not correspond to the risk profile of a particular investor, does not take into account one's personal preferences and expectations on risk and/or profitability and therefore does not constitute an individual investment recommendation for the purposes of Russian law.

This base prospectus has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently neither the Dealers nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the base prospectus distributed to you in electronic format and the hard copy version available to you on request from the Dealers.

Public Joint Stock Company Gazprom

Programme for the Issuance of Loan Participation Notes

issued by, but with limited recourse to,

Gaz Finance Plc, for the sole purpose of financing a loan to

Public Joint Stock Company Gazprom

Under the Programme for the Issuance of Loan Participation Notes described in this Base Prospectus (the "**Programme**"), Gaz Finance Plc, a public company with limited liability incorporated in England and Wales under the Companies Act 2006, having its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom and the company number 12185355 (the "**Issuer**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue loan participation notes (the "**Notes**") on the terms set out herein, as completed by a final terms document (each, "**Final Terms**") or a series prospectus (each, "**Series Prospectus**") setting out the specific terms of each issue. The aggregate principal amount of Notes outstanding will not at any time exceed €30,000,000,000 (or the equivalent in other currencies). This Base Prospectus supersedes any previous base prospectus, offering circular or supplement thereto relating to the Programme. Any Notes issued under the Programme on or after the date of this Base Prospectus are issued subject to the provisions herein. This Base Prospectus does not affect any Notes issued prior to the date hereof.

Notes will be issued in Series (as defined in "**Overview of the Programme**") and the sole purpose of issuing each Series will be to finance loans (each a "**Loan**") to Public Joint Stock Company Gazprom (the "**Borrower**," "**Gazprom**" or the "**Company**") as borrower, on the terms of an amended and restated facility agreement between the Issuer and the Borrower dated December 26, 2019 (the "**Facility Agreement**") and supplemented by a loan supplement to be entered into in respect of each Loan on each Issue Date (each a "**Loan Supplement**" and, together with the Facility Agreement, each a "**Loan Agreement**") between the Issuer and the Borrower. Subject as provided in the Trust Deed (as defined herein) the Issuer will charge by way of first fixed charge as security for its payment obligations in respect of each Series of Notes and under the Trust Deed (a) its right to principal, interest and other amounts as lender under the relevant Loan Agreement and (b) amounts received pursuant to the relevant Loan in an account of the Issuer (as described herein), in each case other than the Reserved Rights (as defined in the Trust Deed) and certain amounts relating to the Reserved Rights to the Trustee for the benefit of itself and the Noteholders (as defined herein) and will assign its administrative rights under the relevant Loan Agreement to the Trustee (the "**Assigned Rights**").

In each case where amounts of principal, interest and additional amounts (if any) are stated to be payable in respect of a Series of Notes, the obligation of the Issuer to make any such payment constitutes an obligation only to account to holders of the Notes ("**Noteholders**"), on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of such Series of Notes, for an amount equivalent to all principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the corresponding Loan Agreement. The Issuer will have no other financial obligations under the Notes. **Noteholders will be deemed to have accepted and agreed that they will be relying solely on the covenant to pay under the relevant Loan Agreement and the credit and financial standing of the Borrower in respect of the financial servicing of the Notes.**

AN INVESTMENT IN THE NOTES INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" BEGINNING ON PAGE 7.

The Notes and the corresponding Loans (together, the "Securities") have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act ("Regulation S")). Depending on the terms of the particular Series of Notes, the Notes may be offered and sold (i) within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) that are also qualified purchasers (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act")) in reliance on the exemption from registration provided by Rule 144A (the "Rule 144A Notes"); and (ii) to certain non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act (the "Regulation S Notes"). The Issuer has not been nor will be registered under the Investment Company Act. Prospective purchasers are hereby notified that sellers of the Rule 144A Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions, see "Subscription and Sale" and "Transfer Restrictions."

This Base Prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**") as a base prospectus issued in compliance with the Prospectus Regulation. The Central Bank only approves this Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Issuer that is the subject of the Base Prospectus nor as an endorsement of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes. Furthermore, such approval relates only to the Notes which are to be admitted to trading on a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments (as amended, "**MiFID II**") or which are to be offered to the public in any Member State of the European Economic Area. This Base Prospectus is valid for a period of twelve months from the date of approval. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Base Prospectus. The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Base Prospectus is no longer valid.

Application will be made to the Irish Stock Exchange plc trading as Euronext Dublin ("**Euronext Dublin**") for the Notes issued under the Programme during the period of 12 months from the date hereof to be admitted to the Official List (the "**Official List**") and trading on its regulated market which is a regulated market for the purposes of MiFID II. Reference in this Base Prospectus to Notes being "**listed**" (and all related references) shall mean that such Notes have been admitted to trading on the Regulated Market of Euronext Dublin. The language of this Base Prospectus is English. Unlisted Notes may also be issued pursuant to the Programme. The relevant Final Terms or Series Prospectus in respect of the issue of any Notes will specify whether or not such Notes will be listed on the Regulated Market of Euronext Dublin (or any other stock exchange). The Central Bank has only approved this document in relation to the Notes which are to be listed on the Regulated Market of Euronext Dublin, and the Central Bank has neither reviewed nor approved this document in relation to any unlisted Notes.

References to Final Terms in this Base Prospectus constitute final terms as per Article 8 of the Prospectus Regulation except when specified in the Facility Agreement, where references to Final Terms should be read as, in relation to a Loan, final terms issued specifying the relevant issue details of such Loan, substantially in the form of Schedule C of the Dealer Agreement.

Regulation S Notes will initially be represented by interests in a global unrestricted Note in registered form (each a "**Regulation S Global Note**"), without interest coupons, which will be deposited with a common depository for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream, Luxembourg**"), and registered in the name of a nominee, on its issue date as set out in the relevant Final Terms or Series Prospectus (the "**Issue Date**"). Beneficial interests in a Regulation S Global Note will be shown on, and transfers thereof will be effected only through records maintained by, Euroclear or Clearstream, Luxembourg. Rule 144A Notes will initially be represented by a global restricted Note in registered form (each a "**Rule 144A Global Note**" and together with any Regulation S Global Notes, the "**Global Notes**"), without interest coupons, which may be deposited with (i) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg, or (ii) Citibank, N.A., London Branch as custodian for, and registered in the name of Cede & Co. as nominee of, The Depository Trust Company ("**DTC**") on its Issue Date. Beneficial interests in a Rule 144A Global Note will be shown on, and transfers thereof will be effected only through, records maintained by either (i) Euroclear or Clearstream, Luxembourg or (ii) DTC and their respective participants. See "Clearing and Settlement." Individual definitive Notes in registered form will only be available in certain limited circumstances as described herein.

MiFID II product governance – The Final Terms in respect of any Notes will include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS. The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

Amounts payable under the Notes of a Series may be calculated by reference to one of LIBOR or EURIBOR, which are respectively administered by ICE Benchmark Administration Limited ("**ICE**") and European Money Markets Institute ("**EMMI**"). As at the date of this Base Prospectus, both EMMI and ICE appear on the ESMA's register of administrators and benchmarks under Article 36 of Regulation (EU) No. 2016/1011.

The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms or Series Prospectus. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 (the "**CRA Regulation**") will be disclosed in the Final Terms or Series Prospectus.

Arrangers and Permanent Dealers

GPB Financial Services Hong Kong Limited **J.P. Morgan** **UBS Investment Bank**

The date of this Base Prospectus is October 6, 2020

This Base Prospectus comprises a base prospectus for the purposes of Article 8 of the Prospectus Regulation and for the purpose of giving information with regard to the Issuer, Gazprom and Gazprom and its subsidiaries taken as a whole (the "**Group**") which, according to the particular nature and circumstances of the Issuer, Gazprom, the Group, the Notes and the Loans, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, Gazprom and the Group, the rights attaching to the Notes and the Loans, the reasons for the issuance and its impact on the Issuer, Gazprom and the Group. The Issuer (whose registered office appears below) and Gazprom (whose registered office appears on page 46 of this Base Prospectus) accept responsibility for the information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer and Gazprom the information contained in this Base Prospectus is in accordance with the facts and makes no omission likely to affect the import of such information.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

This Base Prospectus does not constitute an offer to sell Notes, or an invitation by or on behalf of the Issuer, Gazprom, the Dealers or the Arrangers (each as defined under "**Overview of the Programme**") to subscribe for or purchase any Notes.

The distribution of this Base Prospectus and the offer or sale of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer, Gazprom, any of the Dealers and the Arrangers to inform themselves about and to observe any such restrictions. In particular, the Notes have not been approved or disapproved by the U.S. Securities and Exchange Commission (the "**SEC**") and will not be registered under the Securities Act. Subject to certain exceptions, Notes may not be offered or sold in the United States or to U.S. persons. Further information with regard to restrictions on offers and sales of the Notes and the distribution of this Base Prospectus is set out under "Subscription and Sale."

The Notes issued pursuant to the Programme are not, and will not be, qualified for sale under the securities laws of any province or territory of Canada. The Notes have not been, and are not being, offered, sold, or delivered, and no offer to purchase the Notes may be, is, or will be, solicited directly or indirectly, in Canada or to, or for the benefit of, any Canadian Person. This Base Prospectus or any other offering material relating to the Notes may not be, has not been, and will not be, distributed, in Canada or to, or for the benefit of Canadian Persons. In addition, Canadian Persons are restricted from participating in any way, directly or indirectly, in the offering of the Notes (or any dealings related to the offering of the Notes), pursuant to the Special Economic Measures (Russia) Regulations.

"**Canadian Person**" means any person in Canada or any Canadian outside Canada, where "**person**" means an individual or a body corporate, trust, partnership, fund, an unincorporated association or organization; and "**Canadian**" means an individual who is a citizen within the meaning of the Citizenship Act (Canada), or a body corporate formed under the laws of Canada or a Canadian province.

No person is authorized to provide any information or make any representation not contained in this Base Prospectus and any information or representation not contained in this Base Prospectus must not be relied upon as having been authorized by or on behalf of the Issuer, Gazprom, the Trustee, any of the Dealers or the Arrangers. Neither the delivery of this Base Prospectus nor any sale made in connection herewith shall, at any time or in any circumstances, imply that the information contained in it is correct as at any time subsequent to its date. The websites of Gazprom and the members of the Group and the information posted thereon do not form any part of the contents of this Base Prospectus.

Neither the delivery of this Base Prospectus nor the offer, sale or delivery of any Note shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Gazprom or the Group since the date of this Base Prospectus.

None of the Issuer, Gazprom, the Trustee, the Dealers or the Arrangers or any of the respective representatives makes any representation or warranty, express or implied, to any offeree or purchaser of the Notes offered hereby, regarding the legality of an investment by such offeree or purchaser under applicable legal, investment or similar laws. Each investor should consult with their own advisors as to the legal, tax, business, financial and related aspects of any purchase of the Notes. To the fullest extent permitted by law, none of the Dealers or the Arrangers or any of their respective affiliates accepts any responsibility for any act or omission of the Issuer or Gazprom or the contents of this Base Prospectus or for any other statement made or purported to be made by the Arrangers or a Dealer or on its behalf in connection with the Issuer, Gazprom or the issue and offering of the Notes. The Arrangers and each Dealer accordingly disclaim all and any liability, whether arising in tort or contract or otherwise (save as referred to above), which they might otherwise have in respect of any act or omission of the Issuer or Gazprom or this Base Prospectus or any such statement.

Prospective purchasers must comply with all laws that apply to them in any place in which they buy, offer or sell any Notes or possess this Base Prospectus. Any consents or approvals that are needed in order to purchase any Notes must be obtained by such prospective purchaser. Gazprom, the Issuer, the Trustee, the Arrangers and the Dealers are not responsible for compliance with these legal requirements. The appropriate characterization of any Notes under various legal investment restrictions, and thus the ability of investors subject to these restrictions to purchase such Notes, is subject to significant interpretative uncertainties. No representation or warranty is made as to whether or the extent to which any Notes constitute a legal investment for prospective investors whose investment authority is subject to legal restrictions. Such prospective investors should consult their legal advisors regarding such matters. Neither this Base Prospectus nor any other financial statements are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, Gazprom, the Arrangers or the Dealers that any recipient of this Base Prospectus or any other financial statements should purchase the Notes. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Base Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Dealers or the Arrangers undertakes to review the financial condition or affairs of the Issuer or Gazprom during the life of the arrangements contemplated by this Base Prospectus or to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Dealers or the Arrangers.

This Base Prospectus is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "**Order**") or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as "**relevant persons**"). Any Notes will only be available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such Notes will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

This Base Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (each a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Regulation, from the requirement to publish a prospectus for offers of Notes. Accordingly, any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Base Prospectus as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus or supplement a prospectus pursuant to the Prospectus Regulation, in each case, in relation to such offer.

Neither this Base Prospectus nor the information contained herein is an offer, or an invitation to make offers, to sell, exchange or otherwise transfer securities in the Russian Federation to or for the benefit of any Russian person or entity, and it does not constitute an advertisement or offering of securities in the Russian Federation within the meaning of Russian securities laws. Information contained in this Base Prospectus is not intended for any persons in the Russian Federation who are not "**qualified investors**" within the meaning of Article 51.2 of the Federal Law No. 39-FZ "On the Securities Market" dated April 22, 1996, as amended (the "**Russian QIs**"), and must not be distributed or circulated into Russia or made available in Russia to any persons who are not Russian QIs, unless and to the extent they are otherwise permitted to access such information under Russian law. The Securities have not been and will not be registered in Russia and are not intended for "**placement**" or "**circulation**" in Russia (each as defined in Russian securities laws) unless and to the extent otherwise permitted under Russian law.

The Arrangers, the Dealers and their respective affiliates have performed and expect to perform in the future various financial advisory, investment banking and commercial banking services for, and may arrange non-public market financing for, and enter into derivatives transactions with, Gazprom and its affiliates. The Arrangers and Dealers are acting exclusively for Gazprom and the Issuer and no one else in connection with the Programme and the Notes and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to this offering.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, Gazprom or their respective affiliates. Certain of the Arrangers, the Dealers or their affiliates that have a lending relationship with the Issuer, Gazprom or their respective affiliates routinely hedge their credit exposure to the Issuer, Gazprom or their respective affiliates consistent with their customary risk management policies. Typically, such Arrangers, the Dealers or their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's, Gazprom's or their respective affiliates' securities, including potentially any Notes offered hereby. Any such short positions could adversely affect future trading prices of any Notes offered hereby. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The Issuer is a public company with limited liability incorporated in England and Wales under the Companies Act 2006. The Issuer is not a subsidiary of Gazprom. The registered office of the Issuer is located at 11^{th} Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom and the Issuer's company number is 12185355. For further information about the Issuer, see "Gaz Finance Plc".

This Base Prospectus has been filed with and approved by the Central Bank as required by the Prospectus Regulation.

Any investment in any Notes does not have the status of a bank deposit and is not within the scope of the deposit protection scheme operated by the Central Bank.

In connection with the issue of any Series of Notes, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in the applicable Final Terms or Series Prospectus may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, this is no assurance that the Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) will undertake stabilization action. Any stabilization action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Series of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Series of Notes and 60 days after the date of the allotment of the relevant Series of Notes. Any stabilization action or over-allotment must be conducted by the relevant Stabilizing Manager(s) (or any person acting on behalf of any Stabilizing Manager(s)) in accordance with all applicable laws and rules.

NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, IS MADE BY THE DEALERS OR THE ARRANGERS AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION SET FORTH IN THIS BASE PROSPECTUS, AND NOTHING CONTAINED IN THIS BASE PROSPECTUS IS, OR SHALL BE RELIED UPON AS, A PROMISE OR REPRESENTATION, WHETHER AS TO THE PAST OR THE FUTURE.

EACH PERSON RECEIVING THIS BASE PROSPECTUS ACKNOWLEDGES THAT SUCH PERSON HAS NOT RELIED ON THE DEALERS OR ANY OF THEIR AFFILIATES OR ANY PERSON ACTING ON THEIR BEHALF IN CONNECTION WITH ITS INVESTIGATION OF THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION OR ITS INVESTMENT DECISION. EACH PERSON CONTEMPLATING MAKING AN INVESTMENT IN ANY NOTES ISSUED UNDER THIS PROGRAMME FROM TIME TO TIME MUST MAKE ITS OWN INVESTIGATION AND ANALYSIS OF THE CREDITWORTHINESS OF THE ISSUER, GAZPROM AND THE GROUP AND ITS OWN DETERMINATION OF THE SUITABILITY OF ANY SUCH INVESTMENT, WITH PARTICULAR REFERENCE TO ITS OWN INVESTMENT OBJECTIVES AND EXPERIENCE, AND ANY OTHER FACTORS WHICH MAY BE RELEVANT TO IT IN CONNECTION WITH SUCH INVESTMENT.

THE NOTES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF NOTES OR THE ACCURACY OR THE ADEQUACY OF THIS BASE PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

NOTICE REGARDING CANADIAN PERSONS

THE NOTES ISSUED PURSUANT TO THE PROGRAMME ARE NOT, AND WILL NOT BE, QUALIFIED FOR SALE UNDER THE SECURITIES LAWS OF ANY PROVINCE OR TERRITORY OF CANADA. THE NOTES MAY NOT BE, AND ARE NOT BEING, OFFERED, SOLD, OR DELIVERED, AND NO OFFER TO PURCHASE THE NOTES MAY BE, IS, OR WILL BE SOLICITED, DIRECTLY OR INDIRECTLY, IN CANADA OR TO, OR FOR THE BENEFIT OF, ANY CANADIAN PERSON. THIS BASE PROSPECTUS OR ANY OTHER OFFERING MATERIAL RELATING TO THE NOTES MAY NOT BE, HAS NOT BEEN, AND WILL NOT BE, DISTRIBUTED, IN CANADA OR TO, OR FOR THE BENEFIT OF, CANADIAN PERSONS. IN ADDITION, CANADIAN PERSONS ARE RESTRICTED FROM DEALING IN ANY WAY, DIRECTLY OR INDIRECTLY, IN THE NOTES, PURSUANT TO THE SPECIAL ECONOMIC MEASURES (RUSSIA) REGULATIONS.

"**CANADIAN PERSON**" MEANS ANY PERSON IN CANADA OR ANY CANADIAN OUTSIDE CANADA, WHERE "**PERSON**" MEANS AN INDIVIDUAL OR A BODY CORPORATE, TRUST, PARTNERSHIP, FUND, AN UNINCORPORATED ASSOCIATION OR ORGANIZATION; AND "**CANADIAN**" MEANS AN INDIVIDUAL WHO IS A CITIZEN WITHIN THE MEANING OF THE CITIZENSHIP ACT (CANADA), OR A BODY CORPORATE FORMED UNDER THE LAWS OF CANADA OR A CANADIAN PROVINCE.

AVAILABLE INFORMATION

Each of Gazprom and the Issuer has agreed that, for so long as any Notes are "**restricted securities**" within the meaning of Rule 144(a)(3) under the Securities Act, Gazprom or the Issuer will, during any period in which it is neither subject to Section 13 or 15(d) of the U.S. Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner or to the Trustee for delivery to such holder, beneficial owner or prospective purchaser, in each case upon the request of such holder, beneficial owner, prospective purchaser or Trustee, the information required to be provided by Rule 144A(d)(4) under the Securities Act.

TABLE OF CONTENTS

Page

OVERVIEW

This overview may not contain all the information that may be important to prospective purchasers of the Notes and, therefore, should be read in conjunction with this entire Base Prospectus, including the more detailed information regarding our business and the Group's Financial Statements included elsewhere in this Base Prospectus. Prospective purchasers of the Notes should also carefully consider the information set forth under the heading "Risk Factors." Certain statements in this Base Prospectus include forward-looking statements that also involve risks and uncertainties as described under "Forward-Looking Statements."

Gazprom

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. For the year ended December 31, 2019, our sales net of value added tax ("**VAT**") and customs duties were RR7,659,623 million and our operating profit was RR1,119,857 million. For the six months ended June 30, 2020, our sales net of VAT and customs duties were RR2,903,148 million and our operating profit was RR189,985 million. As of December 31, 2019, we had total assets of RR21,882,348 million and total shareholders' equity (excluding non-controlling interest) of RR14,104,833 million. As of June 30, 2020, we had total assets of RR22,059,001 million and total shareholders' equity (excluding non-controlling interest) of RR13,786,452 million.

Reserves. We are a worldwide leader in terms of hydrocarbon reserves. In accordance with the Petroleum Resources Management System standards ("**PRMS Standards**"), as of December 31, 2019, we had proved and probable reserves of 24.4 tcm (158.3 bboe) of natural gas, 1,063.2 million tons of gas condensate (8.7 bboe) and 1,374.8 million tons of crude oil (10.1 bboe) for a total of 177.1 bboe.

Exploration and production. Our natural gas production represented approximately 68% of total natural gas production in Russia in 2019, compared to 69% in 2018 (based on CDU TEC (source: www.cdu.ru) and Gazprom figures). Our natural gas production in Western Siberia accounts for over 90% of our natural gas production. In the year ended December 31, 2019, we produced 501.2 bcm (3,252.9 mmboe) of natural gas and 16.7 million tons (136.7 mmboe) of gas condensate, as compared with 498.7 bcm (3,236.4 mmboe) of natural gas and 15.9 million tons (130.3 mmboe) of gas condensate, for the year ended December 31, 2018. In the year ended December 31, 2019, we produced 48.0 million tons (351.5 mmbls) of crude oil, as compared with 48.3 million tons (353.9 mmbls) of crude oil for the year ended December 31, 2018. In the six months ended June 30, 2020, we produced 221.5 bcm (1,437.7 mmboe) of natural gas, 8.0 million tons (65.3 mmboe) of gas condensate and 22.7 million tons (166.0 mmbls) of crude oil, as compared with 259.3 bcm (1,682.8 mmboe) of natural gas, 8.5 million tons (69.8 mmboe) of gas condensate and 23.7 million tons (174.0 mmbls) of crude oil in the six months ended June 30, 2019.

Gas transportation. As of December 31, 2019, the total length of our GTS in Russia was approximately 175,200 km (not including distribution pipelines and pipelines for the transportation of gas condensate and WFLH) and included 254 compressor stations on the pipelines, with an aggregate capacity of 46,800 MW, and 27 UGSFs with an aggregate capacity of 75.0 bcm. We control and manage the transportation of gas in the GTS network from our central dispatch management center located in Moscow.

Processing, refining and petrochemical production. We refine a large amount of the natural and associated gas, gas condensate and crude oil that we produce. In 2019, we refined 31.5 bcm of natural and associated gas and 67.1 million tons of unstable gas condensate and crude oil, as compared with 31.1 bcm of natural and associated gas and 67.4 million tons of unstable gas condensate and crude oil in 2018, respectively. In the six months ended June 30, 2020, we refined 15.4 bcm of natural and associated gas and 32.1 tons of unstable gas condensate and crude oil, as compared with 15.4 bcm of natural and associated gas and 33.0 tons of unstable gas condensate and crude oil in the six months ended June 30, 2019.

Gas sales. We supply most of the natural gas consumed in Russia and a significant portion of the natural gas consumed in the FSU countries. According to our estimates, we are also the largest natural gas supplier to Europe. In the years ended December 31, 2019 and 2018, we supplied in aggregate 506.9 bcm and 521.1 bcm of natural gas, respectively. In the six months ended June 30, 2020, our gas sales amounted to 230.7 bcm as compared with 263.4 bcm in the six months ended June 30, 2019.

Electricity. We own significant power generation assets accounting for approximately 14% of the electric power generated in Russia. The aggregate power generation capacity of our subsidiaries in Russia was approximately 40 GW and heat generation capacity was approximately 69 thousand Gcal/h as of June 30, 2020. We generated 149.0 billion kWh and 153.2 billion kWh of electric power and 122.4 million Gcal and 131.3 million Gcal of heat for the years ended December 31, 2019 and 2018, respectively. In the six months ended June 30, 2020, we generated 68.1 billion kWh of electric power and 65.5 million Gcal of heat as compared to 78.9 billion kWh of electric power and 69.5 million Gcal of heat during the six months ended June 30, 2019.

Relationship with the Government. As our controlling shareholder, the Russian Federation is able to determine our strategy, make policy decisions in relation to the main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Currently, the government of the Russian Federation (the "**Government**") regulates the tariffs that we charge for gas transportation through our trunk pipelines to independent gas suppliers, the wholesale prices for gas that we and our affiliated companies produce and sell in the domestic market, as well as some other areas of our business.

Strategy

Our strategic goal is to continue to be a leader among global energy companies by diversifying our product markets, increasing the reliability of our supplies, ensuring sustainable development, enhancing the efficiency of our operations and using advanced technology and scientific achievements to improve our operations.

To achieve this goal, our development strategy prioritizes investments in our industrial assets in gas production, transportation, processing and storage facilities to achieve efficient and integrated development. Our strategy allows us to make adjustments to our capital expenditure plans for the development of our production and transportation projects in response to any significant changes in the demand for gas in both the domestic and international markets. See "Gazprom—Investment Program."

We believe that our long-term forecasts of demand in our major markets, the projected economic efficiency of our projects and planned expansion of our capacities adequately respond to the market environment because they are based on a conservative approach. Therefore, we believe that our long-term strategy and projects are sustainable despite any changes in the economic environment.

We have consolidated our entire oil business within one subsidiary, Gazprom Neft. The core objective of Gazprom Neft through 2030 is to become a leader in the world oil industry. In particular, Gazprom Neft has the following priorities: (1) ensuring an annual production growth of liquid hydrocarbons in line with the industry to maintain a position among top ten public companies producing liquid hydrocarbons whilst observing the commitments under the OPEC+ agreement, (2) maximizing the per barrel added value through the efficient management of the whole value chain, (3) retaining the leadership in terms of return on invested capital through efficient management of the company's portfolio of assets and projects, with a focus on the maximization of profits, and (4) securing an industry leadership in technology and efficiency as well as health, safety and environmental matters. Gazprom Neft raises funding to finance its operations from Russian and other non-U.S. and non-EU credit and capital markets.

Exploration and production. To pursue the recovery of our hydrocarbon reserves, we perform geological exploration works in our main production regions, the most important of which are the Nadym-Pur-Taz region and the Yamal Peninsula in Western Siberia, as well as in promising gas production regions, such as the Russian continental shelf of the Far East and Arctic seas (including the continental shelf of the Okhotsk (Sakhalin), Barents, Pechora and Kara Seas, Obskaya and Tazovskaya Bays), Eastern Siberia and the Far East. In accordance with our programs for resource development, we plan to ensure the enhanced recovery of our gas reserves. See "Gazprom—Reserves and Production."

Assuming sufficient demand in Russia and favorable conditions in foreign markets, we expect our annual production (including production in Eastern Siberia and the Russian Far East) to reach approximately 580-610 bcm by 2030.

In order to reach these levels, we have commenced the development of new strategic fields in the Yamal Peninsula in Western Siberia, the Russian continental sea shelf, in Eastern Siberia and the Far East. The development of fields in these regions requires significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather and geological conditions.

We develop resources in Eastern Siberia and the Far East in accordance with the program adopted in 2007 by the Ministry of Energy of the Russian Federation authorizing us to create a unified gas production, transportation and supply system in Eastern Siberia and the Far East with the potential to export gas to markets in China and other Asia-Pacific countries (the "**Eastern Program**"). The Government has appointed Gazprom as the coordinator for the Eastern Program. Currently, we are engaged in the gradual development of the Sakhalinskiy, Yakutskiy and Irkutskiy gas production centers as well as gas production in the Kamchatka Territory. The production in these regions is expected to exceed 60 bcm of natural gas by 2025. We hold a 50% plus one share interest in Sakhalin Energy Investment Company Ltd. ("**Sakhalin Energy**"), the project operator of Sakhalin II. We have commenced production at the Chayandinskoye field in the Republic of Sakha (Yakutia) and are continuing preparations for commercial production at the Kovyktinskoye field in the Irkutsk Region. We have also started commercial production at the Kirinskoye field on the continental shelf of the Sea of Okhotsk and continue the exploration and development of other fields and areas in Eastern Siberia and the Far East. See “Gazprom—Reserves and Production—Exploration, development and production regions—Eastern Siberia and the Far East (Siberian and Far East Federal Districts)” and “Gazprom—Reserves and Production—Exploration, development and production regions—Russian continental shelf.”

We also intend to expand our reserves outside Russia and obtain licenses for exploration and development of hydrocarbon reserves in various international regions. Currently, the Group is involved in exploration and/or production projects in Algeria, Angola, Bolivia, Bosnia and Herzegovina, Denmark, Iraq, Libya, the Netherlands, Romania, Serbia, the United Kingdom, Uzbekistan, Venezuela and Vietnam. We are also considering participating in projects in other countries, in particular, in South America. See “Gazprom—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region.”

The currently operational production assets and those planned to be put on stream in the near future are expected to account for a major portion of Gazprom Neft’s production growth through 2030. Gazprom Neft intends to continue pursuing the efficient development of its mature resource base, while focusing in the long term on its new resource base which varies significantly by geographical location, as well as geological and technological parameters. In particular, Gazprom Neft plans to (1) carry on the development of its resource base in the Yamal Peninsula and construct a gas pipeline connecting the Novoportovskoye field with the UGSS, (2) engage in the development of fields in the strategically important Nadym-Pur-Taz region, which are considered unique in terms of liquid hydrocarbons reserves, (3) develop technologies for a commercially viable production from the Bazhenov formation and the Domanic and Paleozoic deposits; (4) commence production from the currently unviable remaining recoverable reserves through deployment of new technologies; and (5) developing oil rims, Achimovsk and Neocomian-Jurassic gas and gas condensate layers of our fields in Western and Eastern Siberia, including the Bovanenkovskoye, Kharasaveyskoye, Chayandinskoye and other fields.

Gas transportation and storage. Reliability of gas transmission in Russia and abroad, where we operate through our subsidiaries, is our primary objective in the gas transportation segment.

We reconstruct our existing, and develop new, transportation facilities to ensure the transportation of gas from the new production regions, to provide a reliable supply of gas to Russian consumers and to satisfy our contractual export obligations. In determining the sequence of the implementation of our new gas transportation facilities in the long term, we take into account the projected timing for achieving efficient utilization, optimal productivity of the existing gas transportation system and diversification of export routes. Our most significant current gas transportation projects in Russia are the ongoing construction of the Power of Siberia pipeline, which began gas deliveries in December 2019, and the GTS extension to enable supply to the Nord Stream II pipeline, including the completion of construction of the second branch and the start of construction of the third branch of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines and the Gryazovets-Slavyanskaya CS project. We are also constructing the Nord Stream II pipeline. See “Gazprom—Transport—Gas transportation projects in Russia” and “Gazprom—Transport—International projects in gas transportation.”

One of our long-term goals is the further development of gas transportation facilities in Eastern Siberia and the Far East. In December 2019, first deliveries were made via the Power of Siberia pipeline, a trunk gas pipeline from Yakutia to the border with China, to transport gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye and Kovyktinskoye fields, to consumers in the Russian Far East and China. In addition, we are extending the capacities of the Sakhalin-Khabarovsk-Vladivostok pipeline at the section from Komsomolsk-on-Amur to Khabarovsk. We are also considering the construction of a pipeline, which would extend from the fields in Western Siberia to the western part of the Russian-Chinese border and a gas pipeline from the fields in Western Siberia to China through Mongolia, as well as a gas transportation project to supply gas from the Russian Far East to China. See “Gazprom—Transport—Gas transportation projects in Russia,” “Gazprom—Transport—International projects in gas transportation” and “Gazprom—Distribution—Europe and Other Countries—Asia.”

One of the strategic goals we pursue in developing our gas storage business in Russia is the technical re-equipment, reconstruction and expansion of existing storage facilities as well as the construction of new UGSFs in order to increase our daily withdrawal capacity and active gas storage reserve. Our long-term plans contemplate reaching the maximum daily withdrawal capacity of 1.0 bcm by 2028. In particular, in our strategy for expanding our gas storage capacities we prioritize (1) the reconstruction and refurbishment of obsolete gas storage facilities and eliminating bottlenecks of our UGSFs and GTS to retain the current capacity of the UGSFs, (2) increasing the versatility of our UGSFs in Russia by expanding our peak-shaving gas storage capacities which allow us to maintain steady productivity while increasing withdrawal volumes during a heating season, and (3) ensuring enough gas storage capacities in the most demanding regions, including Northwestern Russia and the Siberian and Far East Federal Districts.

To implement our marketing strategy in Europe, we are engaged in the European gas transportation and storage sectors, particularly by contracting transportation and storage facilities to ensure reliable gas supplies to our customers as well as participating in investment projects aimed at the development of gas transportation and storage infrastructure in Europe. Our strategic goal is to increase the active capacity of our UGSFs abroad to 5% of our annual exports by 2030, with a priority to develop our own storage capacity. See "Gazprom—Gas Storage—Gas storage in FSU, Europe and Other Countries."

Refining. We intend to increase our production of refined products. Our goal with respect to our refining activities and our gas and petrochemical activities is to increase the degree of extraction and effective utilization of the valuable components of hydrocarbons that we produce, including associated gas, with the purpose of further processing such gases into forms with higher added value. At our existing processing and refining plants, we intend to increase the extraction of valuable components from our gas and increase the depth of our feedstock processing and our refining throughput by refurbishing and modernizing our existing processing capabilities and by constructing new processing capacities. See "Gazprom—Refining."

On a parity basis with AO RusGasDobycha ("**RusGasDobycha**") we have started the implementation of an integrated project for the construction of a natural gas refining and LNG production complex in the proximity of Ust-Luga in the Leningrad region, with a projected throughput capacity of 45 bcm of natural gas per annum. See "Gazprom—Refining—Projects in refining."

In addition, we are considering the construction of new gas processing facilities on the Yamal Peninsula and the increasing of our capacities used for the processing of gas with high sulfur content to refine additional gas volumes produced at the Astrakhan group of fields.

In accordance with the Eastern Program, we are considering gas refining capacity construction projects to develop the resources of Eastern Siberia and the Far East, which at the first stage are expected to be based on the resources of the Chayandinskoye and Kovyktinskoye fields. In particular, we are constructing a gas processing plant in the city of Svobodniy in the Amur Region (Amurskiy GPP) with a projected annual capacity of up to 42 bcm of gas to separate ethane and other valuable components from gas produced in the Yakutskiy and Irkutskiy gas production centers. See "Gazprom—Refining—Projects in refining."

Within the framework of its downstream strategy, Gazprom Neft continues the implementation of its large-scale program aimed at the refurbishment and higher operational efficiency of its refining capacities and the expansion of its retail network. For the period through 2030, Gazprom Neft focuses on further improvement of its value chain efficiency through organic growth, development of new products and modification of its sales model. In particular, Gazprom Neft has the following priorities (1) increasing its refining depth and light products yield to build up the market value of its product mix and thus ensure higher economic resilience and technological flexibility of the company's refineries under various market conditions, (2) improving the operational efficiency and technological standing, including optimization of costs and modification of business processes through the whole value chain, (3) diversification into the petrochemical industry to strengthen the traditional business of Gazprom Neft, and (4) retaining Gazprom Neft leading position and increasing its market share in its traditional and new product markets.

Marketing and sales. Our strategy in the Russian domestic market is to ensure reliable gas supplies to our domestic customers at an acceptable level of profitability. The Government regulates prices for natural gas produced by us and our affiliates and we are required to sell our gas within Russia at regulated prices below those which may be economically viable. Our main objective in the development of the domestic market is to achieve a transition from the regulated wholesale gas prices to market pricing principles, along with the regulated natural monopoly tariffs for gas transportation through trunk pipelines for all gas suppliers. See "Gazprom—Distribution—Russia."

As long as domestic gas prices remain regulated, we believe it is necessary to adjust regulated domestic wholesale gas prices to achieve an economically justified price level sufficient to supply gas in Russia at an acceptable profitability rate and accumulate funds to finance our investments in gas supply facilities for the benefit of Russian customers.

Government Resolution No. 323 dated April 16, 2012, as amended, adopted to promote the market pricing principles, permits the Group to sell on commodity exchanges and in trading systems up to 25 bcm of gas a year at unregulated prices and repeals the previously existed requirement for a parity between the gas volumes sold by the Group and the aggregate gas sales volumes sold by independent suppliers on commodity exchanges.

Transactions to sell and purchase natural gas are conducted on the Saint-Petersburg International Mercantile Exchange. We believe that launching gas trading at commodity exchanges is an important step to introducing market pricing principles in the domestic gas market that could provide necessary indication of market prices for gas. See "Gazprom—Distribution—Russia" and "Risk Factors—Risks Relating to Our Business—We are required to supply natural gas to customers in Russia at prices that are regulated by the Government and are below those which may be economically viable to us."

Our key objectives in the European market are to maintain our market-leading position, provide for reliable gas supply, and increase the efficiency of our marketing activities. We plan to achieve these objectives by developing relationships with traditional customers on a long-term contractual basis and using other forms of trade based on short-term and medium-term sales, gas exchange and spot transactions as well as sales through bidding. To increase efficiency of our operations in the European natural gas market and improve the reliability and flexibility of our gas supply, we intend to expand the use of leased gas transportation and UGSF capacity in Europe, subject to favorable market conditions. See "Gazprom—Distribution—Europe and Other Countries."

The key objective of our marketing strategy in the FSU countries is to ensure that Russian gas will continue to maintain its leading position in the energy sector of such countries, while adjusting the pricing and other terms with respect to sales to the FSU customers to terms that are similar to those we currently have with our European customers. See "Gazprom—Distribution—The FSU."

We are also seeking to cooperate with Central Asian countries in developing gas reserves as well as upgrading and modernizing gas transportation systems. See "Gazprom—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries", "Gazprom—Transport—Existing routes of gas export and participation in foreign gas distribution networks" and "Gazprom—Distribution—The FSU—Cooperation with FSU countries in gas marketing."

As part of our market diversification, we consider countries in the Asia-Pacific region as key new markets. In particular, in December 2019, we made first deliveries under our contract with China National Petroleum Corporation ("**CNPC**") for the supply of up to 38 bcm of pipeline gas from Russia to China annually via the Eastern route (the Power of Siberia pipeline) for 30 years. The contract provides for a gradual increase in delivery volumes to the contracted amount of 38 bcm in the early years of supplies. In addition, in May 2015 and December 2017, we signed a heads of agreement with CNPC to arrange for gas supplies to China via a Western route (which would extend from the fields in Western Siberia to the western part of the Russian-Chinese border) and a heads of agreement for natural gas supplies to China from Russia's Far East, respectively, and are currently negotiating the contractual terms. We are also considering supplying gas from our fields in Western Siberia to China through Mongolia. See "Gazprom—Distribution—Europe and Other Countries—Asia."

Electricity. We consider electricity to be a strategically important sector for the development of our business. We believe that we can improve the stability of our business and achieve additional revenue by increasing our share of the power generation sector. Our strategic goal in the electricity sector is maintaining a sustainable growth of profits while ensuring high reliability of power supplies to our customers. In implementing our electricity strategy, we plan to focus on the optimization of our power generating assets, reliable power supply, efficiency of operations and realization of synergies between our power generation and gas businesses. See "Gazprom—Electric and heat energy generation and sales—Russia."

We are considering opportunities to increase our gas supplies to electric power generating facilities outside Russia, in particular, through participation in power plant construction projects and acquisition of interests in power assets. Currently, we are constructing a gas-fired power plant in Serbia. See "Gazprom—Electric and heat energy generation and sales—FSU and Europe and Other Countries."

Diversification of products and activities. To diversify our business, we are integrating new products and activities with our traditional pipeline gas supplies.

One of our priorities while expanding into new markets is the gradual implementation of the production, maritime transportation and marketing of liquefied natural gas ("**LNG**"). We have accumulated a substantial LNG trading portfolio, including LNG purchased under contracts with Sakhalin Energy, Yamal Trade, Perenco Cameroon and LNG purchased from other market participants under short-term and spot contracts. See "Gazprom—Reserves and Production—Exploration, development and production regions—Russian continental shelf—Associates and development of associated projects in the region—Sakhalin II project" and "Gazprom—Distribution—Europe and Other Countries—LNG." We are planning to further expand our LNG trading. To reach that goal, we are planning to develop new LNG projects in Russia and expand our LNG operations by purchasing LNG from other producers. Our target markets for LNG sales are the countries of the Asia-Pacific region and countries having no access to Russian pipeline gas.

We intend to increase export of LNG from the Russian Far East. In particular, together with the other shareholders of Sakhalin Energy, we have developed the project documentation for the construction of the third production line of the Sakhalin LNG plant. In addition, we are performing a feasibility study of the project for the construction of an LNG plant near Vladivostok. See "Gazprom—Distribution—Europe and Other Countries—LNG."

We are also implementing a project to construct an LNG production, storage and shipment complex near the Portovaya compressor station and an integrated project for gas processing and LNG production in the proximity of Ust-Luga in the Leningrad Region. See "Gazprom—Distribution—Europe and Other Countries—LNG" and "Gazprom—Refining—Projects in refining."

We also plan to supply liquified petroleum gases and liquid helium from the Amurskiy GPP, which is currently under construction, and liquified petroleum gases, LNG and ethane from the integrated gas processing and LNG production complex in the proximity of Ust-Luga, which is currently being designed. See "Gazprom—Refining—Projects in refining."

One of our strategic goals is to enhance the use of natural gas as motor fuel. To enhance the efficiency of implementing our strategy in the gas engine fuel market, we established LLC Gazprom gazomotornoe toplivo ("**GGT**") and LLC Gazprom Gas Engine Systems ("**GGS**"). GGT is engaged in the development of the gas engine fuel market in Russia and abroad in cooperation with relevant state authorities, financial institutions, consumers and producers of methane utilizing equipment and vehicles. GGS is engaged in the production of compressed gas equipment. See "Gazprom—Distribution—Natural gas as motor and bunkering fuel and small scale LNG." Further, we are participating in a project to construct river vessels that are fueled by LNG.

RISK FACTORS

Prospective investors should consider carefully the risks set forth below and the other information contained in this Base Prospectus prior to making any decision to invest in any Notes. Each of the risks highlighted below could have a material adverse effect on our businesses, operations and financial condition which, in turn, could have a material adverse effect on our ability to service our payment obligations under the Loan and thus on debt service on the Notes. In addition, the trading price of the Notes could decline due to any of these risks, and you could lose some or all of your investment.

You should note that the risks described below are not the only risks we face. We have described only the risks we consider to be material. However, there may be additional risks that we currently consider not to be material or of which we are not currently aware, and any of these risks could have the effects set forth above.

Risks Relating to Our Business

The prices of the natural gas we sell in Europe and most FSU countries under long-term contracts are dependent on quotations of European energy trading boards and international prices for oil products. A decline in these price indicators have affected, and in future periods could continue to adversely affect, the amount of revenue generated by our natural gas, crude oil and refined product sales in Europe, the FSU and other markets where we sell under such terms.

We sell a substantial portion of our natural gas in Europe, which is our primary source of foreign currency revenues and cash flows. Such sales are generally pursuant to long-term contracts. The prices under our long-term contracts with customers in Europe and some of our customers in the FSU countries are linked to quotations of European gas hubs and international prices for oil products. Prices for gas, oil and oil products fluctuate widely in response to changes in many factors over which we have no control. The factors include, but are not limited to:

- global and regional supply and demand for gas, crude oil and refined products and expectations regarding future supply thereof and demand therefor;
- the impact of recessionary economic conditions on our customers, including reductions in demand for gas and oil products;
- global and regional socioeconomic and political conditions, particularly in the Middle East and other oil producing regions;
- the ability of members of the Organization of Petroleum Exporting Countries ("**OPEC**") and other crude oil producing nations to influence global production levels and prices;
- other actions taken by certain major gas, crude oil and refined products supplying or consuming countries or companies;
- prices and availability of alternative fuels and sources of energy;
- new technologies, including technologies for gas production from unconventional sources (e.g., shale gas);
- volumes and prices of LNG supplied, in particular, to Europe and Other Countries;
- Russian and foreign governmental regulations, relations and actions, including sanctions, antimonopoly regulation, export restrictions and taxes;
- domestic and international security, including potential terrorist activities; and
- weather conditions as well as natural and technological disasters or pandemics.

In March 2020, the OPEC+ participants failed to reach an agreement on a reduction of their oil production for a subsequent period. This coincided with a slump in international demand for energy resources, including oil and gas, caused by the outbreak of COVID-19 which led to a downturn of industrial production in many countries, disruptions in international supply chains and concerns about a slowdown of the global economy. As a result, worldwide oil prices declined considerably in March 2020, reaching the minimum levels for recent decades in April 2020. In addition, due to the foregoing reasons, aggravated by excess gas supply, gas quotes on the European gas trading boards approached historical lows in the first half of 2020. This deterioration of market conditions negatively affected our realized prices for and sales volumes of gas, oil and oil products abroad and resulted in a decline of our sales revenue in the six months ended June 30, 2020. As of now, in particular following conclusion of a new agreement by the OPEC+ participants, international oil and gas prices have recovered to a certain extent compared to the levels of March and April of 2020 but still remain relatively low. A possible further decline, or any extended period of low gas, oil and oil products prices, may adversely affect our business, results of operations, cash flows, financial condition and our ability to finance planned capital expenditures, any of which may adversely affect the value of the Notes. Further, such circumstances could lead to a reduction in our planned capital expenditures, if the price assumptions that we use for budgeting and capital expenditure purposes are not met.

The global prices for crude oil and refined products also affect our sales of crude oil and refined products and revenues. In addition, lower prices may reduce the amount of crude oil that we can produce economically or reduce the economic viability of crude oil development or processing projects planned or in development. We may reduce our planned capital expenditures if international crude oil or refined product prices fall below the price assumptions used in our estimates.

Occasional gaps between prices under our long-term contracts and natural gas market spot prices affected in the past, and in future periods could adversely affect, the amount of revenue generated by our natural gas sales in Europe, the FSU and other markets where we sell under such terms.

Fluctuations of supply and demand of gas in the European market, improving liquidity of gas trading boards, competition from alternative gas suppliers and energy sources, and other factors, including weather conditions, may cause European gas trading board prices to be at times lower than the prices determined by our long-term contracts, which, as it has happened in the past, could lead to occasional declines in sales under our long-term contracts. We experience such occasional unfavorable price differences from time to time and such pricing pressure may, if significant, affect our sales volumes under long-term contracts and reduce our revenues generated by our natural gas sales in Europe, the FSU and other markets where we sell under such terms.

Currently, alongside the link to oil-refined products, a significant portion of our export gas sales pricing is pegged to natural gas quotes on European trading floors. In addition to such direct link, we have also introduced pricing mechanisms that indirectly reflect trading floor price levels in our contract prices. As such, falling quoted prices on European trading floors may result in reduced sales revenues not only because of reduced gas sales volumes but also due to lower average realized sales prices.

At times our exporting subsidiary, LLC Gazprom export ("**Gazprom Export**") is involved in arbitration proceedings with our customers seeking revisions of gas prices we charge under our long-term contracts. The terms of settlement of our disputes with certain of these claimants have resulted in price revisions.

The effects of retroactive gas price adjustments are recorded in our accounting when they become probable and a reliable estimate of the amounts can be made. Retroactive gas price adjustments reflect, in the periods when a decrease is recorded, a downward revision of prices for previous periods and/or an increase in accrued liability, and when an increase is recorded, an upward revision of prices for previous periods and/or a decrease in previously accrued liability. As of June 30, 2020, the amount of our provisions accrued for such liabilities was RR3 billion.

No assurance can be given that any ongoing or possible future pricing negotiations with our customers will be successful and that possible future court decisions will be in our favor. Unfavorable court decisions and results of negotiations on pricing terms adversely affected our financial results in the past years, and any similar occurrences in the future may adversely affect our business, results of operations, cash flows and financial condition.

The volumes of natural gas and oil we sell are dependent on the economic conditions across the world and extraordinary events, such as the COVID-19 pandemic, could reduce demand for hydrocarbons.

The outbreak of COVID-19 has had a profound effect on economic conditions throughout the world and has negatively affected global demand for most commodities, including natural gas, oil and oil refined products. The consequences of the COVID-19 pandemic, including lockdowns, generally uncertain economic conditions and unstable commercial environment, have affected our customers, suppliers and local communities in the regions of our operations, and the prospects of a recovery of the global economy after the pandemic remain uncertain. As such, no guarantee can be given as to the time the economic revival may take and whether our business and results of operations would not be impacted by such factors as the lack of our customers' confidence, a possible deterioration of their creditworthiness and solvency of our suppliers and subcontractors.

A combination of mild winter weather conditions in Europe, high capacity utilization rates of European UGSFs, excess volumes of natural gas supply to Europe, including LNG, and COVID-19-related deterioration of global economic conditions resulted in a sizeable reduction of demand for natural gas in Europe, our main export market, in the first half of

2020 which resulted in corresponding declines in the physical volume of our exports compared to the same period of 2019. Aggravated by the fall of gas and oil prices to their lowest levels in decades, that had led to a decrease in our sales revenues by 29% in the six months ended June 30, 2020 as compared to the respective period of 2019.

Whilst there is an expectation that the governmental stimulus measures may help alleviate some of the challenges posed by the pandemic and the Russian government, for example, has taken a number of steps aimed at supporting companies and individuals by offering temporary tax relief, banking loan holidays and other forms of support, there could be no guarantee that the stimulus package would fully mitigate the impact of COVID-19 as the available recovery instruments, depending on the magnitude and length of the pandemic, may prove to be insufficient. Accordingly, investors should be aware that COVID-19 driven economic conditions and developments may adversely affect the business of the Group, its results of operations and financial conditions.

State regulated tariffs for electric and heat energy may not accurately reflect increasing costs in generating electricity and heat energy, and our wholesale prices for electric and heat energy are largely dependent on the economic conditions in Russia.

We supply electricity and power generation capacity to the Wholesale Market of Electricity and Power (the "**WMEP**") which has been formed and operates in accordance with Government Resolution No. 1172 dated December 27, 2010, as amended, that sets forth the rules regulating operations in the WMEP. The WMEP includes a regulated segment in which tariffs for electricity and capacity are regulated by the Government and other segments in which electricity and capacity is sold at free market prices.

The prices under our regulated contracts for the supply of electricity to the WMEP are regulated by the FAS. We provide them with information on the expenses we incur in generating electricity that the FAS takes into account while setting regulated tariffs for the relevant period. However, if the prices for the goods and services we use to generate electricity increase at a faster rate than the regulated tariffs, our margins from sales of electricity and capacity revenues may decrease which may adversely affect our financial results.

Prices for electricity in the free market segments are largely dependent on domestic demand, which correlates to other macroeconomic indicators, such as gross domestic product growth rates and industrial production in Russia. If economic conditions in Russia deteriorate, the prices for electricity in the free market segments could substantially decline, which could adversely affect our financial results. In addition, if the prices for electricity for the end consumers increase, no assurance can be given that special pricing mechanisms, including state regulated pricing, would not be introduced in Russia. Such developments could have an adverse effect on our results in the electricity generation and sales operating segment.

We sell heat energy at prices regulated by the FAS. In marketing heat energy, we often encounter issues relating to insufficient legal regulation with regard to the market for heat energy that could result in the regulated tariffs for supplies to the end consumers being lower than our cost of production, consequently reducing our financial results.

We are required to supply natural gas to customers in Russia at prices that are regulated by the Government and are below those which may be economically viable to us.

We are, and are likely to remain for the foreseeable future, a natural monopoly with respect to activities in natural gas transportation through trunk pipelines in Russia. Wholesale prices of natural gas that we and our affiliates produce and sell to consumers in the Russian Federation are regulated by governmental authorities.

Domestic regulated gas prices are expected to increase from 2021 through 2024 in line with the growth rates set forth in the Forecast of Social and Economic Development in the Russian Federation approved by the Government in September 2019 (the "**Forecast**"). See "Gazprom—Distribution—Russia—Domestic market conditions." However, no assurance can be given that natural gas prices in Russia will increase in line with the growth rates set forth in the Forecast, or increase at all. If the natural gas prices we charge to Russian customers do not increase as currently anticipated, our investment program could be scaled back and our future results of operations, cash flows and financial condition could be adversely affected.

Negative economic developments and conditions in the markets in which we operate can adversely affect our business and results of operations.

Our results of operations are significantly influenced by the general economic conditions in the countries in which we operate. In the recent decade, some countries of the FSU, Europe and Other Countries have experienced slowdowns of economic growth and, at times, recession. In particular, such countries have experienced declining GDP growth rates, reduced industrial production, increasing rates of unemployment as well as decreasing asset values. Russia also experienced an economic slowdown and recession in the past and may face such unfavorable economic conditions in the future.

The COVID-19 pandemic and the related lockdowns in the first half of 2020 arrested worldwide economic growth and resulted in a significant decline in demand for energy resources in many countries, including our core markets. Along with an excess supply of gas, sharpening competition in the European gas market and other factors, such circumstances have contributed to a decrease in our sales volumes, in particular, our gas sales volumes fell by 12% in the six months ended June 30, 2020 as compared to the respective period of 2019.

As the prospects of global economic growth and recovery of demand for energy resources in our core markets depend on the further development of the effective response to the COVID-19 pandemic and particular actions of governmental authorities, future changes in the balance of supply and demand in the global energy market remain uncertain. Any further decline in demand accompanied by excess supply may have a material adverse effect on our business, financial condition and results of operations.

Our long-term supply contracts with customers in Europe generally have "take-or-pay" provisions that provide for minimum annual volumes of natural gas. Customers that have failed to purchase the minimum amount stipulated in the contract are required to pay for some portion but generally not all of such amount. However, no assurance can be given that our customers will fulfill these obligations.

The sharp decline in global energy prices, sanctions imposed by the U.S. and EU on certain Russian individuals and legal entities and consequences of the COVID-19 pandemic have negatively affected the economic conditions in Russia. Additionally, the ongoing political crisis in Belarus, a country through which significant volumes of our natural gas are transported, may affect our relationships with the enterprises based there. The adverse economic and political factors cause capital outflow, depreciation of the ruble and exert an overall negative effect on the investment climate in Russia. In particular, these developments can lead to decreased value of Russian assets, credit rating downgrades, declined industrial output, contraction in consumer spending and higher inflation. Such circumstances had in the past, and may have in the future, an adverse effect on our business condition, cash flows and results of operations.

In addition, there can be no assurance that, in circumstances of especially stressful financial conditions in the Russian market, controls of capital outflow and restrictive currency controls will not be implemented. Implementation of such controls may have an adverse effect on our business condition, cash flows, results of operations and our ability to make payment on the Notes.

Delayed, non-collectible and non-cash payments by our customers could adversely affect us.

The failure of a number of FSU and Russian customers to pay us for supplies of natural gas and other products has from time to time resulted in a substantial increase in our accounts receivable. As of June 30, 2020, gross accounts receivable for sales of natural gas due from customers in the FSU countries and in Russia were RR500 billion and RR448 billion of which 95% and 87% were doubtful or overdue, respectively. See "Gazprom—Distribution—The FSU—Debt settlement" and "Gazprom—Distribution—Russia—Payments for gas deliveries in Russia." Furthermore, our cash flows could be affected by the inability or limited ability of our customers, particularly those in the FSU countries and Russia, to pay for our natural gas and other products we sell. As of June 30, 2020, we made provisions of RR475 billion and RR333 billion in our Unaudited consolidated interim condensed financial information for expected credit losses on our accounts receivable due from customers for gas sales in the FSU countries and in Russia. In addition, despite the high credit ratings of the majority of our European customers and payment obligations of some of our foreign customers being guaranteed by European banks, payments for natural gas, crude oil, oil refinery and petrochemical products we supply to certain customers in South and South Eastern Europe may be delayed or not made in full due to a reduced creditworthiness of such customers. As of June 30, 2020, overdue debt for gas supplies in Europe and Other Countries amounted to RR69 billion or approximately 28% of our gross accounts receivable from gas sales to Europe and Other Countries. In addition, stringent compliance procedures currently followed by some of our counterparties and intermediaries, including banks, as a result of the sanctions imposed by the U.S. and EU may sometimes result in delays in payments.

There can be no assurance that amounts owed to us by our customers will be paid in full or, if paid, that payment will be in cash. In addition, no assurance can be given that amounts owed to us by our customers will not be written off pursuant to intergovernmental agreements that may be entered into in the future, which could have an adverse effect on our financial position. As was the case with many Russian companies, we had to make use of and accept various forms of non-cash settlement, including negotiable promissory notes, bonds, equity interests in natural gas companies and goods and services as payment for gas supplies. Non-cash settlement of transactions had in the past, and may have in the future, an adverse effect on our ability to fund those operating or capital expenditures that we are required to make in cash and to make interest, dividends, tax and other mandatory payments when due.

We bear a substantial tax burden.

We are subject to a broad range of Russian taxes and charges imposed at federal, regional and local levels, and we are one of the largest sources of tax revenue for the federal budget, as well as for the regional and local budgets in those regions and locations and localities in which we operate. Addressing social and economic issues by federal, regional and local authorities increases the risk of raising tax rates or revision or abolition of regional tax benefits, which may result in an increase to our substantial tax burden.

Export duty rates for the products we produce are subject to frequent change. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation." There can be no assurance that future changes in export duty rates or objects of taxation will not cause our tax burden to increase, which could have a negative effect on our results of operations, cash flows and financial condition.

Starting January 1, 2015, the mineral extraction tax ("**MET**") rates for natural gas and gas condensate are determined pursuant to formulas, which take into account various factors such as prices for oil and gas, degree of difficulty of extraction of gas and gas condensate and other factors. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation." The application of the new method of calculating the MET rate for natural gas and gas condensate has increased our tax obligations.

MET for crude oil is calculated pursuant to a formula, which adjusts the basic MET rate depending on fluctuations of crude oil prices and degree of difficulty of oil extraction. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation." MET basic rates increased from RR857 per ton in 2016 to RR919 per ton from 2017.

Federal law No. 401-FZ, dated November 30, 2016 (as further amended and, most recently, by Federal Law No. 325-FZ, dated September 29, 2019) introduced amendments to the formula for calculating MET for natural gas and gas condensate for the period from 2017 and onwards. In particular, Federal Law No. 325-FZ, dated September 29, 2019, reversed the pre-scheduled expiration of one of the MET tax multipliers, which had been initially set to lapse from 2022, and made such tax multiplier permanent.

However, our actual MET burden in respect of natural gas and gas condensate production will also depend on other factors reflected in the MET formula, in particular, various macroeconomic indicators including oil and gas prices. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation." Our MET expense increased by 6% in the nine-month period ended September 30, 2019 as compared to the respective period of the prior year mainly as a result of an increase of the multipliers in the MET formula for gas. There can be no assurance that these or future changes in the MET taxation will not increase our tax burden adversely affecting the profitability and overall results of our operations.

The recent amendments to Russian tax legislation provide for a gradual elimination of regional and local tax breaks and an increase in the corporate property tax burden. The increase of the property tax rate may adversely affect our investment activity in Russia because a significant portion of the additional tax burden will be imposed on our new gas transportation facilities. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation."

The Government receives substantial revenues from export duties on natural gas, crude oil and refined products, and we have no control over changes to Russian customs law and the Russian Tax Code. The Government may institute changes in export duties or other taxes in an attempt to promote fiscal goals, while at the same time altering profitability dynamics of our operations negatively, including in ways that could have a material adverse effect on our business, financial condition or prospects and results of operations, as well as the value of the Notes.

The Government has exercised, and can be expected to continue to exercise, a strong influence over our operations.

The Russian Federation currently controls more than 50% of Gazprom's ordinary shares. See "Shareholding Structure of Gazprom." Nominees of the Russian Federation, including Mr. Miller, Deputy Chairman of the Board of Directors and Chairman of Gazprom's Management Committee, hold nine out of 11 seats on the Board of Directors. State authorities regulate the prices we charge for gas in the domestic market, the tariffs we charge for the transportation of third parties' gas through the GTS and other matters affecting our business. Through its shareholding, representation on the Board of Directors and role as the main regulator, the Government has a strong influence over our operations.

There could be no assurance that the Government would not require us (as well as other Russian companies) to take certain actions, such as the undertaking of projects and supply of goods and services to customers, that may not be in the best interests of the companies and their investors.

Further, in 2012, the President of the Russian Federation adopted Decree No. 1285 "On Protection Measures for the Interests of the Russian Federation in Foreign Economic Activity" dated September 11, 2012 ("**Decree No. 1285**"). Decree No. 1285 requires that certain companies, including Gazprom and its subsidiaries, obtain permission from an authorized governmental agency before engaging in certain activities, such as providing information relating to their business activities to foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states, amending certain contracts and business policies, as well as disposing certain assets. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Foreign Investments." Such permission will be refused if activities specified in Decree No. 1285 could harm the economic interests of the Russian Federation. If we are unsuccessful in obtaining permission as required under Decree No. 1285, it could have an adverse effect on our ability to dispose of our foreign assets, amend contracts with foreign parties or cooperate fully with foreign state agencies.

We may not be successful in our efforts to integrate recent or future acquisitions and we may be unable to finance acquisitions we believe could be beneficial to our existing operations on terms desirable to us or at all.

We have acquired, and may continue to acquire in the future, businesses and legal entities that are engaged in activities that are different from our gas business. The integration of any newly-acquired businesses may be difficult for a variety of reasons, such as differing culture or management styles, poor records or internal controls and difficulty in establishing immediate control over cash flows. As a result, the need to integrate acquired assets or any potential future acquisitions poses risks to our existing operations, including:

- additional demands placed on our senior management, who are also responsible for managing our existing operations;
- increased overall operating complexity of our business; and
- additional cash expenditures or debt service costs.

Acquisitions of businesses and assets also create the need to attract and retain a greater number of qualified management and other personnel, for which there is significant competition. Any failure to successfully integrate potential acquisitions could adversely affect our business, financial condition and results of operations. Moreover, even if we were successful in integrating any newly acquired assets and acquiring additional assets, expected synergies and cost savings may not materialize, resulting in lower than expected profit margins.

We also may be unable to generate and raise sufficient funds to finance future acquisitions that may be beneficial to our future operations or to do so at a reasonable cost. See "—Debt financing may not be available on desirable terms or at all." Lack of sufficient funds in the future may require us to delay or abandon some of our anticipated acquisitions.

Implementation of major international energy projects is associated with political and regulatory risks. If it becomes impossible or impractical to continue to implement such projects, they may be suspended or discontinued. As a result, our contractors may bring claims against us to recover damages and we may be required to record significant impairment provisions attributable to such projects in our financial statements.

While implementing our major international projects, such as the TurkStream and Nord Stream II pipelines, we have faced and may continue to encounter risks associated with changes in political conditions in various regions related to such projects, strains in relations between countries, and shifts in positions of our partners and regulators with regard to various aspects of the projects. In some instances, such changes may result in a project becoming impossible or impractical, which may cause the project to be suspended or cancelled. Consequently, claims could be brought against us seeking recovery of damages incurred by our contractors, and we may be required to pay substantial compensation, including damages, penalties, cancellation fees and make other payments. We may also be required to record significant impairment provisions relating to our investments in such projects and contingent liabilities associated with potentially unsuccessful litigation. In addition, such occurrences may result in reputational damage.

For instance, inconsistencies between the provisions of the Directive 2009/73/EC adopted in the EU in July 2009, also known as the Third Gas Directive, and the terms of bilateral intergovernmental agreements entered into by and between the Russian Federation and other countries that participated in implementing the South Stream pipeline project became one of the reasons for the cancellation of the project in 2014 and its substitution for an alternative project, the TurkStream pipeline. See "Gazprom—Transport—International projects in gas transportation—TurkStream."

In connection with the development of the South Stream pipeline project, we contracted with a number of international suppliers that supplied equipment, performed works, rendered services and otherwise engaged in implementing the project.

Following the cancellation of the project, certain of our agreements with such contractors were terminated early. In particular, that caused an arbitration dispute between our subsidiary South Stream Transport B.V., the project company for the South Stream pipeline project, and Saipem S.p.A., the contractor responsible for the pipelaying. Subsequently, the arbitration proceedings were terminated as the parties reached a settlement agreement. Due to possible uncertainties inherent in implementing our investment projects, in accordance with IFRS we may be required to record substantial impairment provisions in our financial statements attributable to the diminution in value of such investments. Depending on the amount of such provisions, they could have a material adverse effect on our results of operations and financial condition.

If our large infrastructure projects are suspended, cancelled or their key features are substantially revised, our financial condition and results of operations could be adversely affected.

Our licenses may be suspended, amended, or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations.

In accordance with Russian law, many of our business operations are subject to licensing or obtaining of various permits and authorizations. We have been able to obtain and extend licenses, permits and authorizations necessary to carry out our operations; however, no assurance can be given that we will be able to do so in the future. If we fail to obtain or extend significant licenses, permits or authorizations, our operations, financial position or the value of our assets could be adversely affected.

The licensing regime in Russia for the exploration and production of natural gas, gas condensate and crude oil is governed primarily by Federal Law "On Subsoil" No. 2395-1 dated February 21, 1992, as amended (the "**Subsoil Resources Law**"), Federal Law "On Gas Supply in the Russian Federation" No. 69-FZ dated March 31, 1999, as amended (the "**Gas Supply Law**"), Federal Law "On the Continental Shelf of the Russian Federation" No. 187-FZ dated November 30, 1995, as amended (the "**Continental Shelf Law**"), and numerous regulations issued thereunder. We currently conduct our operations under multiple geological study, exploration and production licenses. The licenses for our major fields have expiration periods ranging from 6 to over 200 years. In accordance with current legislation, we plan to extend our licenses that have a fixed term to the end of the economic life of the fields to which such licenses relate. Although historically we have been able to obtain such extensions, we may fail to do so in the future.

Most of our licenses also provide that they may be terminated if we fail to comply with material license requirements, do not make timely payments of levies and taxes for the use of the subsoil, systematically fail to provide information to regulatory authorities or fail to fulfill any license requirements in respect of exploration and hydrocarbon production volumes or timing requirements relating to subsoil use. In some instances, we have to engage in exploration activities in addition to those that are provided by the terms of our licenses, particularly, at the geologically complex subsoil areas that could result in changes of subsoil use periods. The Group has from time to time requested and received appropriate amendments to certain licenses, but has not had any material licenses revoked or suspended. There can be no assurances that the decisions of the Government regulators in the future will always be favorable to us. Moreover, an eventual decrease in demand among our principal customers could increase the likelihood that we will not be able to achieve the production targets required by our licenses. Russian law provides that the timeline for putting fields on stream stipulated in a subsoil license may be amended due to significant changes in consumption levels that have occurred due to circumstances beyond the subsoil user's control. However, if we fail to fulfill the specific terms of any of our licenses or if we operate in the license areas in a manner that violates Russian law, Government regulators may impose fines on us or suspend, amend or terminate our licenses.

The Federal Service for the Supervision of Environmental Use ("**Rosprirodnadzor**") performs regular planned and unscheduled inspections, occasionally issuing prescriptions that require us to remedy violations. If we are unsuccessful in complying with the prescribed requirements, the respective license could be suspended, amended or terminated or fines could be imposed on us. Any suspension, amendment, or termination of our licenses could have an adverse effect on our operations, financial position or the value of our assets.

We must make significant capital expenditures in order to replace diminishing production in our operating fields and maintain and develop our gas transportation system to meet our gas supply obligations in Russia and abroad. Certain of our projects and related capital expenditures may be revised, in particular, if the demand for and price of natural gas and other hydrocarbons that we produce diverge from our expectations or due to other reasons, including international sanctions.

In order to perform our obligations under our export contracts and supply gas to the domestic market, we must make capital expenditures in order to develop our natural gas, gas condensate and crude oil production capabilities in line with demand, maintain our natural gas transportation system and offset declines in our main producing fields, particularly our

Urengoyskoye and Yamburgskoye fields. In order to achieve such goals, we are developing satellite fields in Western Siberia and fields in the Yamal Peninsula, Eastern Siberia and the Far East, and increasing Gazprom Neft's oil production levels, which require exploration and development activity. The development of fields in these regions has required and will require significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather conditions. No assurance could be given that such new technologies would be sufficient for such purposes or that the applied solutions would bring the intended results.

Our current gas transportation projects, including the construction of the Power of Siberia pipeline and the second and third branches of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines for gas transportation from the Yamal Peninsula, the Nord Stream II pipeline and GTS capacity extension to facilitate supplies to that pipeline, our major projects in gas processing, including the Amurskiy GPP and the natural gas refining and LNG production complex in the proximity of Ust-Luga in the Leningrad region, or other currently ongoing or contemplated projects have required and(or) are expected to require significant investments in the future. In addition, considerable sums of money are required to maintain and develop the GTS, which we own and operate and which is responsible for the transportation, storage and delivery of substantially all natural gas in Russia. See "Gazprom—Investment Program." The GTS comprises an extensive network of pipelines and compressor installations that has been largely developed over more than 50 years. Most of the pipeline is over 20 years old, and some portions of the pipeline are over 40 and 50 years old, necessitating continuous inspection, capital repairs and reconstruction. See "Gazprom—Transport—GTS." A significant part of the pipeline is protected by electrochemical processes of limited duration and effectiveness. In addition, large segments of the GTS are located in regions with harsh climates, where construction, maintenance and refurbishment are difficult and costly. Given these factors and the imposition of international sanctions, the uncertainty with respect to future prices and demand for energy resources and other factors that are out of our control, we may have to revise the timeframe of, and investments in, certain of our prospective projects to avoid a build-up of excess capacities. We may also be unable to finance our capital expenditures at a reasonable cost, including the capital requirements necessary to maintain our production and the operation of the GTS. See "Gazprom—Investment Program."

It is possible, however, that we will be unsuccessful in meeting our long-term production targets as a result of possible decreases in our capital expenditures due to the foregoing or other reasons. In such circumstance, our ability to meet our contractual export commitments and domestic supply obligations could be adversely affected. In addition, an eventual decrease in our investment program may increase the risk that certain of our licenses will be suspended, amended or terminated. See "—Our licenses may be suspended, amended or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations." Additionally, a possible inability to obtain financing in or outside Russia as a result of international sanctions may cause us to divert funds earmarked for investment to pay off our debts.

Debt financing may not be available on desirable terms or at all.

We expect to fund our capital expenditures, working capital and any potential acquisitions through our operational cash flows, other internal sources and external financing. There can be no assurance, however, that we will be able to generate and raise sufficient funds to meet such capital requirements in the future or to do so at a reasonable cost. We depend on regular access to debt markets to meet a significant portion of our financing requirements.

As a result of the unfavorable market conditions emerged in the European gas market in 2019 and aggravated in the first half of 2020 by the outbreak of COVID-19 and other conditions, our operating cash flow decreased by 40% in the six months ended June 30, 2020 as compared to the respective period of 2019.

During periods of global bank and capital markets disruptions that have occurred in the past and may occur in the future, we experienced disruptions that were characterized by reductions in market liquidity, greater volatility, general widening of spreads, and, in some cases, lack of price transparency in money and capital markets interest rates. As a result, many lenders reduced or ceased providing funding to borrowers, particularly in the emerging markets, and there was a general increase in the cost of borrowing for corporate borrowers in such periods, including Gazprom.

Our ability to raise debt financing from capital markets or otherwise could be further affected by other factors that we do not control, for example, the imposition of international sanctions or actions of rating agencies. Against the background of a steep decline in oil prices and the Ukrainian crisis, S&P, Fitch and Moody's took negative rating actions in previous years resulting in downgrades of Gazprom's credit ratings. Currently, we are rated BBB– by S&P, BBB by Fitch and Baa2 by Moody's. However, there can be no assurance that no further downgrades of either Gazprom's or Russia's sovereign credit rating will occur, and any such downgrades could further increase our cost of debt financing or otherwise impede our access to debt capital markets on economically acceptable terms.

We face numerous operational risks in our gas and crude oil exploration, production, transportation and other core activities, which may result in losses and additional expenditures and which may not be covered by insurance.

We conduct our exploration activities in various geographical regions, including Western and Eastern Siberia, the Far East and the Russian continental shelf, which are characterized by their remoteness from population centers, challenging environmental conditions and high costs associated with these factors. For these reasons, the cost of drilling, completing and operating wells is often uncertain. As a result, we may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions, compliance with governmental requirements and shortages or delays in the availability of drilling rigs and the delivery of equipment. The ongoing sanctions have imposed significant restrictions on providing goods, services or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects. For example, in August 2015, the U.S. Department of Commerce's Bureau of Industry and Security (the "**BIS**") added our Yuzhno-Kirinskoye field to its Entity List. A designation on the Entity List effectively eliminates the availability of U.S.-made equipment to such entities or at such projects. See "—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition." We operate highly sophisticated and often customized equipment, and any supply shortages or delivery delays, including as a result of the imposed or further sanctions against Russian entities and individuals, as well as insufficient quality of such equipment, could cause disruptions in our operations and delays in the implementation of our projects.

In addition, our overall drilling activity or drilling activity in particular project areas may be unsuccessful in that we may not find commercially productive reservoirs.

Our core operations, including production, transportation, storage and refining of hydrocarbons, may also be adversely affected by many factors, including the breakdown or failure of equipment or processes, labor disputes, natural disasters, political disputes and terrorist attacks or sabotage to our extensive pipeline network and other equipment. Although our GTS has been designed and is operated in a way that seeks to minimize the risk that reliable gas supplies are disrupted and there have been no significant delays or curtailments of the supply of natural gas or crude oil to our customers due to these factors recently, no assurance can be given that such delays or curtailments will not occur in the future due to the stress and corrosion of pipelines, defective construction of trunk pipelines or compressor stations, insufficient maintenance or refurbishment of the pipeline system or other factors.

We maintain insurance coverage for most of Gazprom's and its main subsidiaries' operational risks, taking into account the available insurance conditions and coverage provided by Russian and international insurance markets. However, we do not have full insurance coverage for all of our activities. See "Gazprom—Insurance." Therefore, in a number of cases, we would have to cover financial losses from the above-mentioned or other factors out of our own cash flow.

We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers, and actions of antitrust regulators, structural changes in our markets or regulation can intensify this competition or otherwise adversely affect our operations or financial position.

We face varying degrees of competition in each of our major markets from other natural gas suppliers and providers of alternative fuels, such as crude oil, oil products and coal. No assurance can be given that we will be able to compete effectively with such providers of alternative fuels or with those who produce gas from unconventional sources including shale gas.

In Russia, we face competition from other crude oil and natural gas suppliers, in particular from Russian independent natural gas suppliers. See "Gazprom—Competition." Wholesale gas prices we realize in Russia are regulated by the Government. This limits our opportunities to compete with independent suppliers that sell their gas at unregulated prices allowing them to offer their customers more flexible pricing terms. In addition, our gas tends to be replaced by gas supplied by the independent suppliers in the Russian regions where the independent suppliers produce gas as well as in the adjacent regions. Independent suppliers increased their combined share in gas production in Russia from 27% in 2013 to 34% in 2016 and decreased to 32% in 2019. However, there can be no assurance that their share in gas production and sales to consumers in Russia would not increase in the future. See "Gazprom—Competition—Russia."

We are a natural monopoly in transportation of natural gas and according to Federal Law "On gas export" No. 117-FZ dated July 18, 2006 (the "**Gas Export Law**"), as the owner of the UGSS, we have the exclusive right to export natural gas produced in Russia, except for gas produced under production sharing agreements that had been entered into before the Gas Export Law came into effect and LNG produced in Russia by companies meeting certain legal requirements. Although the proposed Draft Energy Strategy of the Russian Federation until 2035 (dated February 1, 2017) indicates that the existing monopoly for export of Russian pipeline gas should be maintained, there can be no assurance that our exclusive right to export gas by pipelines will not be revoked in the future or our business or operations will not be otherwise reorganized by the Russian Government.

We encounter competition in Europe from other natural gas suppliers (especially from Norway, the United Kingdom, Algeria, Qatar and the Netherlands), which has affected and could continue to affect the prices and volumes of our sales of natural gas to Europe. In 2019, competition in the European gas market intensified due to a significant increase in LNG supplies from the United States. The emergence of new large suppliers of natural gas into Europe, including LNG, also results in an increased supply of energy resources, heightened competition and lower prices. See "Gazprom—Competition—Europe.".

In addition, in late 2017 Yamal LNG, a joint project executed by NOVATEK JSC ("**Novatek**") and their foreign partners on the Yamal Peninsula, commenced production and shipment of LNG for export, including to European countries. Senior management of Novatek has publicly stated that they intend to avoid competition of LNG supplied under long term contracts from Yamal LNG with our pipeline gas supplies. However, since the launch of the Yamal LNG project, a significant portion of its spot LNG shipments has targeted the European gas market and has become one of the major contributors to the growth of LNG imports in Europe since 2017 to the present. There can be no assurance that the LNG produced by this project, other projects on the Yamal Peninsula which are being currently developed or other similar projects that could be launched by independent producers in Russia in the future will not compete our pipeline gas exports in Europe or other markets.

An increase in European intra-pipeline trade also results in heightened competition with our pipeline gas. As a result of its liberalization in the recent decade, the Western European gas market has undergone a significant structural change. Directive 2003/55/EC adopted in the EU in June 2003 (the "**Second Gas Directive**") and Directive 2009/73/EC adopted in the EU in July 2009 (the "**Third Gas Directive**" and together with the Second Gas Directive, "**Gas Directives**") have brought about significant liberalization of the EU gas market by introducing greater competition into the market in order to reduce gas prices for the end-user. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Regulation Abroad—Gas Directives."

The Third Gas Directive, among other things, sets forth three alternatives for the vertical disintegration of existing gas producers and suppliers from operators of relevant gas transportation networks. The alternatives establish various restrictions imposed on gas producers with respect to ownership and management of the gas transportation networks, varying from restrictions on managing the networks imposed by a national regulator to a mandatory disposition of assets or requirement to transfer control over assets to an independent operator.

The requirements relating to vertical disintegration apply not only to European undertakings but also to foreign vertically integrated undertakings operating in the EU, including the Group. If, pursuant to the Third Gas Directive, an EU state has implemented the most restrictive measures in relation to participation of energy producers in ownership and management of the transportation networks, we are forced to dispose of our gas transportation assets in Europe. In light of the requirements of the Third Gas Directive and related national rules and regulations, we have restructured our assets in Europe and disposed of our holdings in gas transportation companies in a number of European countries, including the Baltic States.

In 2019, a set of amendments to the Third Gas Directive entered into effect. Such amendments, in particular, extend the application of the Third Gas Directive to gas pipelines from third countries extending into the territorial sea of EU member states. The EU member state that has the first interconnection with such pipelines from third countries is responsible for the application of the relevant rules of the Third Gas Directive and, in particular, such member state is authorized to grant a derogation from the otherwise applicable requirements for up to 20 years (subject to a possible renewal), provided that such derogation would not be detrimental to competition on or the effective functioning of the internal market in natural gas or security of supply in the EU.

For the Nord Stream II project, the amendments effectively create different regulatory regimes for the 54 km-long offshore part in the territorial sea of Germany, which is subject to the EU regulations, and the 1,181 km-long offshore part, which falls outside the scope of the Third Gas Directive. Gazprom is examining a range of alternatives to adapt the Nord Stream II project to the Third Gas Directive and, additionally, is considering and/or have resorted to available remedies to defend itself against the discriminatory nature of the amendments.

In May 2020, the German Federal Network Agency (*Bundesnetzagentur*) denied a previously submitted application of Nord Stream 2 AG seeking a derogation from the otherwise applicable requirements of the Third Gas Directive in respect of gas pipelines from third countries. We have appealed against this decision. See "Gazprom—Litigation and Investigations."

In July 2019 Nord Stream 2 AG filed a complaint with the General Court of the EU seeking to annul the foregoing amendments to the Third Gas Directive citing their discriminatory nature, violations of principles of equal treatment and proportionality, abuse of authority and breaches of the procedural rules. In May 2020, the General Court of the EU denied on procedural grounds the complaint filed by Nord Stream 2 AG. We have appealed this decision. Furthermore, in September 2019 Nord Stream 2 AG initiated UNCITRAL arbitral proceedings against EU based on the Energy Charter Treaty, which are currently continuing. See "Gazprom—Litigation and Investigations."

The restrictions imposed by the Third Gas Directive (including the amendments affecting Nord Stream II project discussed above) and possible amendments to it, if enacted, could affect our competitive position and our ongoing or contemplated projects, and, consequently, our results of operations. Absent a derogation or any exemption, it may not be possible for us to fully operate, own and control our gas transportation assets in Europe.

Further liberalization of the gas market in Europe may also result in a declining role for long-term contracts, which could, in turn, adversely affect the stability of our revenues.

In addition, from 2012 through 2018, the European Commission conducted a formal antitrust investigation regarding alleged violations of antimonopoly laws of the EU by Gazprom and Gazprom Export, which, in particular, included allegations of segmenting the European gas market, imposing unfair prices on customers and obstructing competition. In May 2018, as a consequence of Gazprom and Gazprom Export accepting certain pro-competition commitments, the European Commission announced the termination of the antitrust investigation against Gazprom and Gazprom Export in the markets of Central and Eastern Europe. In May 2018, Gazprom received a notice from the antimonopoly authority of the Republic of Poland ("**Polish Competition Committee**") in relation to the alleged violation of the Polish antitrust laws in connection with the arranging of funding for Nord Stream 2 AG. Additionally, PGNiG S.A. has filed application with the General Court of the EU against the decision of the European Commission on pro-competition commitments of May 2018 and against the European Commission denial to consider its anti-trust complaint in respect of Gazprom and Gazprom Export based on Article 102 of the Treaty on the Functioning of the European Union. Furthermore, on May 7, 2019 the European Commission received a complaint by National Joint Stock Company "Naftogaz of Ukraine" ("**Naftogaz**") accusing Gazprom of anti-competitive actions in breach of Article 102 of the Treaty on the Functioning of the European Union. For more information, see "Gazprom—Litigation and Investigations—International Litigation and Investigations." There can be no assurance that the outcome of the foregoing legal proceedings or other similar actions that may take place in the future will be favorable to us. As of the date of this Base Prospectus, it is not possible to assess their potential negative impact on our operations in Europe, including on the prices we charge to our European customers or our financial position as a whole.

Certain European countries have made efforts to diversify their energy sources with an intent to reduce the dependence of European customers on Russian gas supplies. In addition, the EU has repeatedly stressed the need for the diversification in connection with our gas price disputes with Ukraine (see "—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas"). In particular, the Trans-Anatolian pipeline was put into operation in 2018 and the Trans-Adriatic pipeline is expected to be put into operation in the fourth quarter of 2020. These pipelines, taken together, allow for natural gas transit from the Azerbaijani gas condensate field Shah-Deniz to Europe. In addition, other new pipeline projects, including the Interconnector Turkey-Bulgaria, Interconnector Greece-Bulgaria, Interconnector Turkey-Greece-Italy, Baltic Pipe (Norway-Denmark-Poland), a possible project of a gas pipeline from Iraqi Kurdistan to Turkey, where Rosneft may participate, the recently announced EastMed project to deliver pipeline gas from Israel and Cyprus to southern Europe, and other potential pipelines, are in varying stages of pre-construction development. The projects are designed to transport gas from Norway, the Caspian Region, Central Asia and the Middle East to Europe and Turkey. While we currently believe that the expected gap between gas demand and production in Europe in the long term will create room for various gas transportation projects, including our Nord Stream II and the TurkStream pipelines, there can be no assurance that alternative gas transportation projects will not compete with our gas supplies in the future if the domestic production and demand, or other factors in the European gas market, change differently from our expectations. In that case, our future results of operations, cash flows and financial condition could be adversely affected.

We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas.

Although our strategy includes seeking to diversify our export routes, we are currently dependent on pipelines in Ukraine and Belarus to deliver a significant portion of the natural gas we sell to customers in Europe, and we may not be able to prevent eventual disruptions in our transit of natural gas through Ukraine and Belarus. In the past, the FSU countries purchased our natural gas at fixed prices that represented a significant discount to the prices we realized under our European contracts. Since the late 1990s, we have been working to gradually align the terms in our export contracts with the FSU countries to the terms in our export contracts with European customers. However, our customers in the FSU countries have occasionally objected to the extension of our contracts on such new terms or even failed to fully pay for gas supplies. There have been instances in which our gas deliveries intended for our European customers were diverted as a result of our disputes with the FSU transit countries. For instance, in January 2009, in connection with a price dispute, Ukraine closed all major export pipelines going through Ukraine. We also had a price dispute with Belarus in 2010 that led to a temporary suspension of our gas supplies to Belarus, although deliveries to our European customers were not disrupted during that time. See "Gazprom—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Natural gas transit through Ukraine and Belarus." We have settled these disputes with Ukraine and Belarus.

Arbitration over our contracts signed with Naftogaz in 2009 for gas supplies to and gas transit through Ukraine began in 2014. In December 2017 and February 2018, the ICC Arbitration rendered its final decision in the gas supplies dispute (the "**Gas Supplies Award**") and the gas transit dispute (the "**Transit Dispute Award**"), respectively. We appealed against both arbitral awards. From 2018 through 2019, Naftogaz had been taking actions to enforce the Transit Dispute Award, in particular, in Switzerland, the Netherlands, the United Kingdom, Luxembourg and Latvia. In December 2019, Gazprom and Naftogaz agreed to end the disputes. See "Gazprom—Litigation and Investigations." Our gas transit to Europe through Ukraine has not been affected by these developments.

Any further disputes with Ukraine or Belarus, however, could potentially lead to a disruption of our exports to Europe through pipelines crossing these countries.

In addition to disruptions that may be caused by commercial disputes, our transit of natural gas through pipelines in Ukraine may also be disrupted if Ukraine is unable to properly maintain and ensure security of their pipelines due to the ongoing military conflict and(or) a lack of financial resources.

The current political unrest in Belarus and uncertainties regarding the future development of the situation also increase the risks for regular business of our subsidiary OJSC "Gazprom transgaz Belarus" ("**Gazprom transgaz Belarus**"), in particular, the risks of disruptions in the transit of our gas through the Belarusian section of the Yamal Europe pipeline.

To reduce transit risks, we have expanded our gas export capacity and diversified our gas export routes by completing the Blue Stream pipeline, the Nord Stream pipeline, and the TurkStream pipeline. We continue to invest further in the Nord Stream II pipeline project and our capacity to produce and sell LNG. See "Gazprom—Transport—International projects in gas transportation" and "Gazprom—Distribution—Europe and Other Countries—LNG." We are also expanding our access to UGSFs in Europe. See "Gazprom—Gas storage—Gas storage in FSU, Europe and Other Countries." However, no assurance can be given that such expansion will be sufficient to manage our transit risks in the future. Any significant disruptions in the transit of our gas could have a material adverse effect on our business, financial condition and results of operations.

A major disruption in the Transneft system and continuing increases in Transneft's fees could have a material adverse effect on our business, financial condition and results of operations.

The trunk pipelines for transportation of crude oil and petroleum products in Russia are controlled by PJSC Transneft ("**Transneft**"), a state-controlled monopoly. To date, we have not suffered significant losses arising from incidents at Transneft's pipeline system. However, much of the Transneft-operated pipeline system is relatively old and located in regions with harsh climates. As a result, the Transneft-operated system may experience outages or capacity constraints during required maintenance periods and it is likely we may experience delays in or be prevented from transporting crude oil through it. These delays, outages or capacity constraints could materially adversely affect our business, financial condition and results of operations.

In April 2019, crude oil delivered for export by major Russian oil companies through the trunk pipelines operated by Transneft to European countries was found to be contaminated. As a result, commercial usability of such crude oil was substantially limited. The disruption in deliveries and the necessity to undertake clean-up and other measures to remedy the consequences of the incident resulted in significant delays in transportation and additional costs incurred by Transneft's clients. The volumes of our crude oil being in transit through the affected trunk pipelines were not significant at that time. Moreover, in addition to the affected crude oil transportation pipelines we also rely on other export routes operated by Transneft, for example the East Siberia Pacific Ocean pipeline, as well as other means of transportation, including maritime transport. However, any possible recurrence of such incident in the future may result in adverse consequences for our activities and business or those of our subsidiaries.

We, along with all other Russian oil producers, must pay transportation fees to Transneft in order to transport crude oil through the Transneft network. The FAS is responsible for setting Transneft's fees, which have risen in recent years and may continue to rise. Failure to pay these fees could result in the termination or temporary suspension of Gazprom Neft's access to the Transneft network, which would adversely affect Gazprom Neft's operating results and financial condition.

In addition, increases in the fees for the use of Transneft's network raise our costs for the transportation of crude oil and petroleum products, adversely affecting our operating results and financial condition.

As an energy company we may incur material costs to comply with, or as a result of, environmental, health, and safety laws and regulations.

Our operations, which are often potentially hazardous, are subject to the risk of liability arising from various environmental, health and safety laws and regulations, including those arising from environmental damage or damage to third party's property. Environmental and health and safety laws regulate, among other things, emissions into the atmosphere, wastewater discharges and discharges to the sea, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination and employee health and safety. As a production company, environmental and health and safety liability risks are inherent in our operations. We may become involved in claims, lawsuits and administrative proceedings relating to environmental or health and safety matters in the future. An adverse outcome in any of these could entail the imposition of civil, administrative or criminal liability on the Group or its officers, which could have a material adverse effect on our business, financial condition and results of operations.

We have an established environmental policy and monitor our operations in an effort to meet applicable environmental legal requirements and standards. Decommissioning and site restoration costs that may arise at the end of life of any of our production facilities are recognized when (a) there is a current legal or a voluntarily assumed obligation which has arisen from past events, (b) there exists a probability of an outflow of funds due to the need to observe such obligation, and (c) a reasonable estimate of the obligation could be made. Assessment of the quantum of such obligations and determination of the timing of their occurrence are, to a large extent, based on judgement. Currently, Russian federal, regional and local authorities occasionally enforce existing laws and regulations more strictly than they have done previously and are imposing stricter environmental and health and safety standards, or higher levels of fines and penalties for violations.

Should we incur environmental liabilities in amounts above currently established provisions, or should environmental or health and safety laws be enforced more strictly than they have been previously, or be changed to provide for stricter standards than are currently in place, it may adversely affect our business, results of operations, cash flows and financial condition.

Environmental concerns and actions, such as initiatives to address climate change or direct action by activist groups or other means, may hamper our operations.

International policies and initiatives to address climate change, such as treaties and regulatory actions to reduce greenhouse gas (and, in particular, the entry into force of the Paris Agreement on Climate Change ("**Paris Agreement**")) and physical effects of climate change, such as increasing average temperatures, Arctic permafrost degradation and rising sea levels, could affect our business and operations and the balance of demand and supply for various types of fuels. The Paris Agreement, in particular, could have a positive effect on our gas business because it improves the competitive position of natural gas as compared to coal, but, on the other hand, could adversely affect our crude oil, gas condensate and refining businesses. Policy approaches that promote and subsidize the usage of alternative energy sources, including renewables, biofuels, hydro-electric power and wind power, initiatives to develop nuclear power generation and the provision of preferential factors for consumption of energy generated from such sources in Europe may have an adverse impact on our sales of hydrocarbons and financial results. The foregoing factors and the lower cost of carbon units diminish the market evaluation of the environmental advantage of natural gas relative to coal and could negatively impact our business in foreign markets.

Some of our current operations are, and planned activities are expected to be, carried out in environmentally-sensitive areas, in particular the Russian continental shelf of Arctic seas. While we continue to develop risk controls appropriate to manage the potential environmental impacts associated with our activities in these sensitive areas, including insurance for environmental liability, there remains a possibility that activist groups may attempt to disrupt our operations through direct action, or other means. Any similar concerns or actions causing disruption to our operations may adversely affect our business, results of operations, cash flows and financial condition and may result in reputational damage.

There are numerous uncertainties inherent in estimating our reserves of natural gas, gas condensate and crude oil.

DeGolyer and MacNaughton has evaluated our reserves of natural gas, gas condensate and crude oil according to PRMS Standards as of December 31, 2019. See the September 30, 2020 letter from DeGolyer and MacNaughton attached to this Base Prospectus as Appendix B (the "**D&M Letter**"). DeGolyer and MacNaughton has consented to the D&M Letter being included into this Base Prospectus. An evaluation of proved and probable natural gas reserves naturally involves multiple uncertainties. The reserves data included in this Base Prospectus represent only estimates and should not be construed as exact quantities. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the audit date, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas, gas condensate or crude oil may also affect our proved and probable reserves estimates, as well as estimates of our future net revenues and present worth, because the reserves are evaluated, and the future net revenues and present worth are estimated, based on price and cost forecasts as of the audit date. For the foregoing reasons, potential investors should not place undue reliance on the forward-looking statements in this Base Prospectus with respect to our estimated reserves.

In addition, our reserves reports are prepared in accordance with the Russian reserves system, which differs in certain material respects from PRMS Standards and reserves standards applied by the SEC ("**SEC Standards**"), in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. As a result of the adoption of the new Classification of reserves and resources of oil and flammable gases approved by Order No. 477 of the Ministry of Natural Resources and Environment of the Russian Federation dated November 1, 2013 (the "**Classification**"), as further discussed under "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves", we are replacing the reporting of geological gas reserves with that of extractable gas reserves. This transition involves estimating the reserves extraction ratio (the "**RER**") for each subsoil deposit. From the start of the transition period through December 31, 2019, RERs at our fields containing approximately 29% of our AB_1C_1 reserves had been evaluated, with the average RER being approximately 0.88. See "Gazprom—Reserves and production—Reserves." We continue assessing the RER for our fields. The results of such assessment may materially affect our AB_1C_1 natural gas reserves estimates in subsequent years. Over time, all our AB_1C_1 natural gas reserves will be presented using the RER metric.

Our reserves base grows as a consequence of geological discoveries, the obtaining of new licenses and other contributing factors. Investors should be aware that the application of the RER to our AB_1C_1 natural gas reserves, net of the effect of other contributing factors in the future, would result in a decrease in reportable AB_1C_1 natural gas reserves, to the extent the applicable average RER is lower than 1. Investors should also be aware that the application of RER does not affect our natural gas reserves as they are reported under PRMS standards nor does the RER metric retroactively affect any reserves amounts reported for prior periods.

PRMS Standards also differ in certain material respects from SEC Standards. The amount of estimated proved natural gas, gas condensate and crude oil reserves reported under SEC Standards could potentially be lower than those reported under PRMS Standards. An eventual decrease in the amount of natural gas, gas condensate and crude oil reserves reported by us could, if material, affect certain financial data reported by us in the Group's Financial Statements in future periods.

Violations of existing international or U.S. sanctions related to Iran and North Korea could subject us to penalties or prevent certain of our transactions that could have an adverse effect on us.

To our knowledge, we are in material compliance with the resolutions of the UN Security Council, Russian law and laws of other applicable jurisdictions. However, we are continuing to monitor international sanctions and relevant laws and cannot give any assurance that we will not be subject to additional scrutiny from relevant authorities in connection with any such sanctions and laws.

International and U.S. sanctions have been imposed on companies engaging in certain types of transactions with specified countries or territories, including Iran and North Korea, or companies and individuals in those countries or deemed to be engaging in sanctionable activity.

In January 2016, the U.S. and the EU amended their respective sanctions regimes against Iran to reflect the parties' participation in the Joint Comprehensive Plan of Action. As a result, portions of the U.S. and the EU sanctions programs with respect to Iran were suspended or lifted. However, in May 2018, the U.S. President announced a reinstatement of U.S. sanctions against Iran and on November 5, 2018 the Iranian sanctions that had been lifted or waived under the Joint Comprehensive Plan of Action were re-imposed in full.

In March 2006, we entered into a 25-year agreement with the Armenian government. In 2009, pursuant to the agreement, CJSC Gazprom Armenia (formerly CJSC ArmRosGazprom), which is currently our wholly owned subsidiary, completed the construction and refurbishment of the approximately 188 km long second section of the Iran-Armenia pipeline. CJSC Gazprom Armenia ("**Gazprom Armenia**") owns this section of the pipeline. In 2009, the Armenian government, the owner of the approximately 40 km long first section of the pipeline, leased the first section of the pipeline to Gazprom Armenia. Currently, Gazprom Armenia transports gas through the pipeline that the Armenian state-owned company obtains from Iran in exchange for electricity supplies. In addition, Gazprom Armenia uses a portion of this gas at its power generation facilities (Razdan-5) to produce electricity, which is subsequently supplied to the Armenian state-owned company.

In September 2011, Gazprom entered into separate memoranda of understanding with the Democratic People's Republic of Korea (North Korea) and KOGAS to explore the development of a pipeline through the territory of the Democratic People's Republic of Korea to the Republic of Korea (South Korea). To date, no binding agreement has been reached and no investment has been made.

In 2016-2017, Gazprom signed with National Iranian Gas Company ("**NIGC**"), National Iranian Oil Company ("**NIOC**"), the Iranian Ministry of Petroleum, Industrial Development & Renovation Organization of Iran and Oil Industry Pension, Saving and Staff Welfare Fund memoranda of understanding outlining the parties' intent to assess the prospects of cooperation in hydrocarbon exploration, production and transportation as well as gas processing, liquefaction and gas-to-chemicals projects in Iran. None of these memoranda are binding and we have not made any investments and/or been engaged in any operations thereunder.

We believe that we are not currently involved in any transactions relating to Iran or North Korea, which could result in the imposition of economic sanctions against us. However, no assurance can be given that sanctions in connection with Iran or North Korea may not be imposed in the future, and we cannot predict future interpretations of law, subsequent related legislation, or the implementation policy of the U.S. government with respect to the current or future U.S. sanctions programs.

If sanctions were imposed against us in connection with dealings with Iran or North Korea, the consequences could include a prohibition or limitation on our ability to obtain goods and services on the international market or to access the international capital markets, and could have a material adverse impact on our business, operating results, cash flows, financial condition, prospects, our ability to perform our payment obligations under the Notes, or the value of the Notes. See "—An expansion of U.S. or EU sanctions programs could adversely impact the trading market for the Notes."

The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition.

Following the political and military crisis in Ukraine that began in the first months of 2014 and the referendum that was held in Crimea in March 2014 and resulted in accession of the region to Russia, the United States, EU and a number of other nations have imposed sanctions against the Russian Federation, Ukrainian and Russian individuals, companies and organizations.

U.S. and EU Ukraine-related sanctions

The post-March 2014 United States and EU sanctions targeting the Russian Federation include, in particular, the restrictive measures that the U.S. President enacted through a number of executive orders empowering OFAC, in the specified circumstances, to make blocking designations, including travel restrictions and freezing of funds, ("**Blocking Sanctions**"), to restrict transacting in, providing financing for, or otherwise dealing in (i) new debt of longer than 14 days maturity in respect of certain financial sector entities or their new equity, (ii) new debt of longer than 60 days maturity for certain persons in the energy sector or (iii) new debt of longer than 30 days maturity of certain defense industry companies ("**Financial Sectoral Sanctions**") and to prohibit providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of exploration or production for deepwater, Arctic offshore, or shale projects (being developed with participation of certain Russian entities including Gazprom, Gazprom Neft and their subsidiaries) that have the potential to produce oil in the Russian Federation, or in the maritime area claimed by the Russian Federation and extending from its territory ("**Technological Sectoral Sanctions**"). On October 31, 2017, the U.S. Department of the Treasury widened the scope of the restrictions of the Technological Sectoral Sanctions in order to apply such restrictions to new projects commenced after January 29, 2018 outside Russia where the designated entity has control or has an interest not less than 33 per cent.

The EU introduced a largely similar sanctions framework apart from the restrictions imposed by the Countering America's Adversaries Through Sanctions Act of 2017. The EU's blocking sanctions generally have a similar effect as the sanctions administered by OFAC and involve travel restrictions and the freezing of funds and economic resources of the designated persons.

As of the date of this Base Prospectus, the Blocking Sanctions have been imposed with respect to an alleged interference of Russia in "the democratic processes and institutions" in Ukraine, against prominent Russian politicians, executive branch officials, members of the Russian Parliament, public figures, certain owners of large businesses in Russia as well as their assets and enterprises, and major defence companies of Russia. Further, OFAC has introduced the Financial Sectoral Sanctions against (a) major Russian banks, such as Gazprombank (Joint Stock Company) ("**GPB**"), Vnesheconomobank ("**VEB**"), VTB Bank (PJSC) ("**VTB**"), JSC Rosselkhozbank ("**Rosselkhozbank**") and Sberbank, (b) our subsidiary Gazprom Neft as well as other energy companies, including Rosneft and Novatek, and (c) State Corporation Rostec and other military industrial corporations. While we own 49.88% of ordinary shares of GPB, which we use as a provider of banking services, GPB does not form part of the Group and its financial results are treated as results of an associate in the Group's Financial Statements.

Furthermore, almost all of the largest Russian oil and gas companies, including ourselves and our subsidiaries, together with Gazprom Neft, and other major energy companies such as Rosneft, PJSC Lukoil ("**Lukoil**") and Surgutneftegaz have been named as targets of the Technological Sectoral Sanctions. Gazprom, its subsidiaries and our Yuzhno-Kirinskoye field, as well as a number of other leading Russian energy companies, are listed on the Entity List. Such designation on the Entity List results in any export, re-export from one foreign country to another, and certain in-country transfers, of all items subject to the U.S. Export Administration Regulations that can be used directly or indirectly in exploration for, or production of, oil or gas in Russian deepwater (greater than 500 feet or approximately 152 meters) or Arctic offshore locations or shale formations in Russia, or where the vendor is unable to determine whether the item will be used in such project, being prohibited without a license from the BIS.

The EU has put in place the individual sanctions against broadly the same individuals, organizations and companies, subject to a number of exceptions.

On April 6, 2018, a number of Russian companies and companies with assets in Russia and a number of Russian nationals, including Mr. Miller, Chairman of Gazprom's Management Committee, and Mr. Akimov, a member of the Board of Directors of Gazprom, were targeted by the Blocking Sanctions under the authority granted to OFAC pursuant to the Executive Order of the U.S. President No.13661 "Blocking Property of Additional Persons Contributing to the Situation in Ukraine" and other U.S. sanctions legislation. The Blocking Sanctions introduced by the United States against Mr. Miller and Mr. Akimov do not make Gazprom or any other member of the Group subject to such sanctions. Neither Mr. Miller nor Mr. Akimov are subject to any sanctions under EU rules and regulations.

The U.S. and EU sanctions apply to entities owned and/or controlled by sanctions-designated entities and individuals and, accordingly, may extend beyond Russia and Ukraine. In particular, U.S. sanctions apply to any entity in which the sanctioned persons or entities, directly or indirectly, severally or in the aggregate, own 50% or more, and EU sanctions apply to any entity or body whose proprietary rights are owned for more than 50%, or which is controlled, by the designated entities.

Separately, a set of comprehensive sanctions has been developed and given effect by the U.S. and EU that focus specifically on the Crimea region. Generally, subject to some exemptions, the U.S. executive order and the EU regulations prohibit virtually all investments into, imports from, and exports to the territory of the Crimea, aiming at severely restraining any U.S. or EU-related business contacts with this territory.

Gazprom is a Russian company and is not a U.S. or EU person and has no general obligation under applicable U.S. or EU law to comply with the respective sanctions regimes. However, U.S. sanctions law applies to any actions undertaken in the territory of the United States, including those by non-U.S. persons, and the EU sanctions laws provide that, where a transaction or business falls within the scope of applicable EU sanctions, the EU sanctions regulations shall apply, among others, to any legal person, entity or body in respect of any business done in whole or in part within the EU.

As of the date of this Base Prospectus, except for (a) Technological Sectoral Sanctions imposed on Gazprom and its subsidiaries, the Financial Sectoral Sanctions and similar EU sectoral sanctions affecting Gazprom Neft and Gazprom Neft subsidiaries, and (b) Mr. Miller, Chairman of Gazprom's Management Committee, and Mr. Akimov, a member of the Board of Directors of Gazprom, both of whom are subject to the Blocking Sanctions, no entity within the Group and no officer or director of Gazprom has been designated as subject to either U.S. or EU sanctions. EU energy technologies-related sanctions similar to Technological Sectoral Sanctions apply to the Russian Federation on a nationwide basis and, thus, to the Group indirectly. PJSC Gazprom is not restricted by U.S. or EU sanctions from borrowing loans from the Issuer funded by issuances of loan participation notes under the Programme.

The report under Section 241 of the Countering America's Adversaries Through Sanctions Act of 2017 prepared and released to Congress by the U.S. Department of the Treasury (the "**Report**") references, in addition to Mr. Miller and Mr. Akimov, two members of the Board of Directors of Gazprom, Mr. D. Manturov, Minister of Industry and Trade of the Russian Federation, and Mr. A. Novak, Minister of Energy of the Russian Federation. The Report states, and the OFAC further clarified, that it is not a sanctions list, and the inclusion of individuals or entities in it, its appendices, or its annex does not and in no way should be interpreted to impose sanctions on those individuals or entities, and moreover, the inclusion of individuals or entities in the Report, its appendices, or its classified annexes does not, in and of itself, imply, give rise to, or create any other restrictions, prohibitions, or limitations on dealings with such persons by U.S. or non-U.S. persons. However, no assurance could be given that a person included in the Report will not be selected from the Report and targeted by any U.S. and/or EU or other sanctions in the future.

Gazprom has dealings, such as banking operations and construction and service contracts, with certain Russian persons and their controlled entities that are currently identified by OFAC as targets of the Blocking Sanctions, the Financial Sectoral Sanctions and the Technological Sectoral Sanctions and by the Council of the EU as subjects of the similar restrictions. However, as we continuingly assess the effects of the sanctions on our operations and activities, we believe that our dealings with the persons covered by the Blocking Sanctions or similarly sanctioned persons under the EU Ukraine-related sanctions programs are not material in the context of the overall business of the Group or the Group's consolidated operations and results.

Should either the United States or EU decide to expand their respective sanctions programs to include other Group companies, additional existing or future counterparties of Gazprom, other sectors of the Russian economy or otherwise, such an expansion could result in greater financial difficulties for such persons, our dealings with designated persons could increase or the suspension or potential curtailment of business operations between the Group and the designated persons could occur. The introduction of additional large-scale sanctions on Russian companies or sectors of the Russian economy, including the Russian energy sector or projects undertaken in the energy sector (such as those contemplated by some of the sanctions bills that have been introduced into U.S. Congress), may further negatively affect the Russian economy and investment climate and lead to an acceleration of capital flight from Russia, weakening of the ruble and further deterioration of the Russian financial and other markets. Our counterparties and business partners may be forced to revisit their relationship with us because of compliance, political, reputation or other reasons, and our contracts with them may be terminated. In addition, our assets in European and other countries may be blocked as a result of new sanctions. Any of the foregoing could result in a material adverse effect on our business, financial condition, results of operations and prospects.

While we would consider and, to the extent possible, take measures available to us to discharge our obligations under the Loans, or facilitate the discharge of the Issuer's obligations under the Notes, as the case may be, an expansion of sanctions imposed on the Russian energy sector or financial services sector, including possible restrictions on transacting in U.S. dollars or euro, could negatively affect, among other things, the ability of Noteholders to receive payments under the Notes. Further, should we become subject to further U.S. or EU related sanctions, there may be significant restrictions or bans imposed on dealings with us which may also restrict or prohibit dealings with the Issuer, the Agents, the Trustee or the Notes, including their sale, purchase or transfer, which could negatively affect the Noteholders. See also "—Risks Relating to the Notes and the Trading Market—An expansion of U.S. or EU sanctions programs could adversely impact the trading market for the Notes."

The sanctions restricting our ability to purchase required equipment, technology and related services for deepwater oil exploration and production, Arctic oil exploration and production, or shale oil projects in Russia, as well as the same prohibitions with respect to similar gas projects imposed by the United States, have caused, and may continue to cause, delays in implementing some of our projects and/or increased our costs associated with finding alternative suppliers or developing substitute equipment or technology. We may not be able to substitute certain equipment quickly or at all with similar equipment of other producers or develop alternative equipment in Russia due to strict environmental requirements and standards applied in certain jurisdictions in which we operate, a lack of technical expertise or infrastructure or because such equipment is unique, or for other reasons. If we are unsuccessful in procuring necessary equipment and technology for our projects without significant delay or at all, our plans for developing respective projects could be materially revised.

On December 18, 2014, the U.S. Ukraine Freedom Support Act of 2014 was enacted, under which the U.S. President must impose sanctions on Gazprom if the U.S. President determines that Gazprom is withholding significant natural gas supplies from the NATO member countries, or further withholds significant natural gas supplies from countries such as Ukraine, Georgia, or Moldova.

Further, pursuant to the Countering America's Adversaries Through Sanctions Act of 2017, the U.S. President has a discretionary authority to impose and in coordination with allies of the United States, sanctions with respect to a person, if the U.S. President determines that the person knowingly makes an investment that directly and significantly contributes to the enhancement of the ability of the Russian Federation to construct energy export pipelines or sells, leases, or provides to the Russian Federation, for the construction of Russian energy export pipelines, goods, services, technology, information, or support that could directly and significantly facilitate the maintenance or expansion of the construction, modernization, or repair of energy export pipelines by the Russian Federation, in each case exceeding U.S.$1,000,000 in fair market value, or exceeding U.S.$5,000,000 in aggregate fair market value over a 12-month period (the "**Export Pipelines Investment**"). Pursuant to the public guidance issued by the U.S. Department of State on July 15, 2020, which substituted the previously issued guidance as of October 31, 2017, Nord Stream II and the second line of TurkStream are expressly named as the potential focus of U.S. sanctions policy under the Countering America's Adversaries Through Sanctions Act of 2017 and it is stated that any Export Pipelines Investments in respect of those pipelines constitute an activity for which the discretionary sanctions may follow, except where a person made such Export Pipeline Investment prior to July 15, 2020 and is taking reasonable steps to wind down the operations, contracts or other agreements as soon as possible after July 15, 2020.

Additionally, under the Countering America's Adversaries Through Sanctions Act of 2017 and the Ukraine Freedom Support Act of 2014, the U.S. President is required to impose, unless he determines that it is not in the national interest of the United States to do so, sanctions with respect to a foreign person if the U.S. President finds that the foreign person knowingly makes a significant investment in a special Russian crude oil project, defined as a project intended to extract crude oil from the exclusive economic zone of the Russian Federation in waters more than 500 feet deep, Russian Arctic offshore locations, or shale formations located in the Russian Federation (the "**Special Crude Oil Investment**"). Moreover, the Countering America's Adversaries Through Sanctions Act of 2017 mandates the U.S. President to impose sanctions on a foreign person if the U.S. President determines that such person knowingly and materially violates, attempts to violate, conspires to violate or causes a violation of a restriction introduced under any relevant executive order, the Countering America's Adversaries Through Sanctions Act of 2017 and the Ukraine Freedom Support Act of 2014 or facilitates a significant transaction or transactions for or on behalf of any person subject to U.S. Russian sanctions or his or her relatives.

The risk of the U.S. President imposing sanctions on a person making the Export Pipelines Investment or a Special Crude Oil Investment may result in delays in or otherwise impair or prevent the completion of the relevant projects by the Group. The Group's export pipeline projects and deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation or elsewhere in the world may face difficulties. Such consequences, if they were to materialize, could have adverse effects on the Group's business operations and financial results.

The United States has imposed sanctions on the Russian Federation under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the "**CBW Act**"). The initial round of sanctions under the CBW Act in August 2018 included, among other things, termination of sales of any defence articles and services and the prohibition on the export to Russia of certain national security-sensitive goods and technology. The second round of sanctions which came into force in August 2019, among other things, prohibits U.S. banks from participating in the primary market for non-ruble denominated bonds issued by the Russian Federation and from lending non-ruble denominated funds to the Russian Federation. Additionally, the United States is required to oppose the extension of any loan or financial or technical assistance to Russia by international financial institutions such as the World Bank or International Monetary Fund.

The National Defense Authorization Act for Fiscal Year 2020, a United States federal law, was signed by the U.S. President on December 20, 2019 and, following that, entered into force. The law, among other things, targets vessels that are engaged in pipe-laying below a depth of 100 feet for the construction of the Nord Stream II or TurkStream pipelines and requires that sanctions be imposed (including designation as a blocked person) on anyone who (i) sold, leased or provided such vessels or (ii) facilitated deceptive or structured transactions to provide those vessels for the construction of such a project.

After the foregoing law came into force, Allseas, the third party providing the pipe-laying services to Nord Stream 2 AG, elected to suspend the operations. Owing to that suspension, we are considering the available alternatives that would allow us to complete the Nord Stream II project, which we would aim, in spite of the foregoing events, to commission as soon as it is reasonably possible. See "Gazprom—Transport—International projects in gas transportation—Nord Stream II." The TurkStream pipeline was successfully launched in late 2019. See "Gazprom—Transport—International projects in gas transportation—TurkStream."

The U.S. and EU sanctions programs that target Russian persons and the application of these sanctions continue to be subject to interpretation (which may deviate from our interpretation) and implementation by various regulators and market participants (and, in particular, the scope of anti-evasion restrictions under the Countering America's Adversaries Through Sanctions Act of 2017, as well as many other terms and expressions thereunder, are vaguely formulated and there is limited guidance on their application). Application of these sanctions (including secondary sanctions under the Countering America's Adversaries Through Sanctions Act of 2017 or the National Defense Authorization Act for Fiscal Year 2020) to ourselves and our counterparties or of such varying interpretations could have a material adverse effect on our business, financial condition and results of operations or the legal positions of the Noteholders and/or the value of the Notes. Should the manner in which the sanctions are applied or interpreted change, the ability of Russian companies to transact with U.S. or EU persons could be affected, and, as such, Russian companies may be unable to make scheduled payments of principal and interest on their borrowings.

At the date of this Base Prospectus, the Borrower has no specific plans in relation to any of the proceeds it would borrow under a Loan. The Borrower shall not use the proceeds of such Loan for the purpose of funding any person (other than the Borrower), activity, business or transaction (whichever is applicable pursuant to the nature and scope of the relevant sanctions regime), that is, as of the date of such funding, subject to any sanctions (i) administered or enforced by the U.S. Government (including, without limitation, OFAC or the U.S. Department of State), or any enabling legislation or executive order relating thereto, or (ii) imposed by the European Union, the United Kingdom, the United Nations, the Swiss State Secretariat for Economic Affairs (SECO), including sanctions imposed against certain states, organizations and individuals under the European Union's Common Foreign & Security Policy. Please refer to "Use of Proceeds." and "Glossary of Selected Terms."

Canadian Ukraine-related and other sanctions

Canada has introduced economic sanctions targeting a number of former Ukrainian governmental officials, Russian governmental officials, Russian businessmen, Russian companies and banks and other persons. The list of such persons designated under Canadian sanctions legislation is largely similar to the list of persons designated in the United States and the EU. The designations in Canada were made in March 2014, under the authority of the Special Economic Measures (Russia) Regulations, the Special Economic Measures (Ukraine) Regulations, and the Freezing Assets of Corrupt Foreign Officials (Ukraine) Regulations, and were subsequently expanded several times in the following years. In November 2017, Canada also designated certain Russian nationals under the Justice for Victims of Corrupt Foreign Officials Regulations.

Under these Canadian regulations, all persons in Canada (meaning individuals, bodies corporate, trusts, partnerships, funds, unincorporated associations or organizations in Canada) and all Canadians (meaning Canadian citizens and Canadian-incorporated entities) outside Canada (collectively, "**Canadian Persons**") are generally prohibited from dealing in property held by or on behalf of persons that are designated under the Special Economic Measures (Ukraine) Regulations, the Freezing Assets of Corrupt Foreign Officials (Ukraine) Regulations, the Justice for Victims of Corrupt Foreign Officials Regulations or Schedule 1 of the Special Economic Measures (Russia) Regulations. Canadian Persons may not enter or facilitate any transactions related to a dealing with such designated persons or their property, make property available to such designated persons or provide financial or other related services to, or on the direction or order of, or for the benefit of such designated persons or dealings in their property.

Canada has also introduced sanctions against companies operating within specific sectors of the Russian economy, including, among others, financial services and energy sectors. As of the date of this Base Prospectus, Canadian Persons are prohibited from:

(i) transacting in, providing financing for, or otherwise dealing in new securities, or in new debt of longer than 30 days' maturity, in relation to a number of Russian entities (including major Russian banks, such as GPB) that are designated under Schedule 2 of the Special Economic Measures (Russia) Regulations;

(ii) transacting in, providing financing for, or otherwise dealing in new debt of longer than 90 days' maturity in relation to Russian energy companies – including Gazprom and our major oil producing subsidiary, Gazprom Neft – that are designated under Schedule 3 of the Special Economic Measures (Russia) Regulations; and

(iii) exporting, selling, supplying or shipping any goods designated under Schedule 4 of the Special Economic Measures (Russia) Regulations to Russia or a person in Russia for use in offshore oil exploration or production at a depth greater than 500 meters, oil exploration or production in the Arctic, or shale oil exploration or production, or providing any financial, technical or other services in relation to such goods.

The Special Economic Measures (Ukraine) Regulations also prohibit Canadian Persons from engaging in certain transactions and activities involving Crimea.

Other sanctions

Australia, Norway, Switzerland, Japan and certain other countries have also imposed sanctions on various Russian individuals and companies that, depending on particular jurisdiction, include any or all of the following: travel bans, asset freezes, restrictions on access to capital markets and prohibitions on exports of various equipment and technology. In addition, Ukraine has adopted a law on sanctions which envisages a possibility of imposing various restrictions and prohibitions against various domestic and foreign individuals, legal entities and foreign states in response to, among others, actual or potential threats to national interests, national security, sovereignty and territorial integrity of Ukraine. Potential restrictive measures include asset freezes, trade restrictions, suspension or prohibition of transit of resources through Ukraine, and other restrictions. In particular, Ukraine has imposed limited sanctions against our subsidiaries, LLC Gazprom flot and LLC Aviapredpriyatie Gazprom avia, restricting certain of their activities including, among other things, flights, transit of goods through Ukraine, entry into ports and landing in Ukraine.

Our efforts to develop our business outside the Russian Federation may not yield the expected results.

We are currently implementing hydrocarbon exploration and production projects in the FSU countries, Europe, Africa, Middle East, South America and South-East Asia. We are also considering enhancing our presence in the Asia-Pacific region and South America. We are also implementing a number of priority market development strategies in our traditional and new overseas markets. We factor in local business peculiarities and specific risks at the prospective project validation stage. In addition, our foreign representative offices interact with governmental authorities, companies and other organizations in the relevant countries and regions. However, we may have insufficient on-the-ground expertise or we may fail to take into account local factors which are otherwise reviewed and considered by local market enterprises. Despite our efforts and the steps taken to mitigate our exposure to which local market participants may not be subject, the development of our business outside the Russian Federation may not yield the expected results owing to economic, political or other factors relating to our overseas operations. If we are unsuccessful in developing our overseas business due to such circumstances, we may incur losses which may negatively impact our business, financial results and operations.

Risks Relating to the Russian Federation

We are a Russian company and substantially all of our fixed assets are located in, and a significant portion of our revenues are derived from, Russia. There are certain risks associated with an investment in Russia.

Emerging markets such as Russia are subject to greater risks than more developed markets, including, in certain cases, significant economic, political, social and legal risks. Financial turmoil in any emerging market could disrupt our business, as well as cause the price of the Notes to suffer.

Generally, investing in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, emerging markets. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Base Prospectus may become outdated relatively quickly.

The Moscow Exchange stock indices are highly volatile and sensitive to the fluctuations in global oil prices and global stock indices. During financial turmoil, which happened in the past and may happen in the future, investors may move their money to more stable, developed markets, resulting in sharp declines in prices of debt and equity instruments, and in extreme cases, causing market regulators to temporarily suspend trading on the Moscow Exchange. Deterioration of economic conditions in developed markets could result in cash outflow from emerging markets. As was the case in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and adversely affect the Russian economy. In addition, during such times, companies that operate in emerging markets can face severe liquidity constraints as foreign funding sources are withdrawn. See also "—Economic Risks—Economic instability in Russia could adversely affect our business."

Political Risks

Political instability or conflict could adversely affect the value of your investments in the Notes.

Political systems of different countries around the world, including in the regions where we operate, from time to time undergo changes, which are often difficult to predict, and which can have adverse business consequences. In particular, protests, strikes and other manifestations of the social unrest, which are often accompanied by political turbulence, could impede the regular conduct of business and could lead to the suspension of production processes, supply chain disruptions, delays in contractual settlements, increased volatility in financial markets, impairment of assets, liquidity crises in the banking sector and other adverse economic consequences.

Possible political changes or eventual lack of consensus between different governmental branches and(or) powerful economic groups in Russia could, particularly in the case of deteriorating economic conditions, lead to political instability, which could have a material adverse effect on the value of investments in Russia generally and the Notes in particular, and our prospects could be harmed.

Emerging markets such as Russia are also subject to heightened volatility based on economic, military and political conflicts. For example, the accession of Crimea to Russia in March 2014 and the ongoing crisis in Eastern Ukraine resulted in the imposition of economic sanctions on certain Russian companies and individuals by the U.S., EU, Canada and other countries which caused significant overall price declines in the Russian stock exchanges. The reaction of those countries, resulting geopolitical tensions and ensuing sanctions programs have had and could continue to have an adverse effect on the Russian economy, accelerating capital flight from Russia and resulting in volatility on the Russian market. See "—Risks Relating to Our Business—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition."

The current political crisis in Belarus and the uncertainty regarding the future developments of the situation also increase the risks of the emergence of political instability and complications in the relationship between Russia and Belarus. The emergence or escalation of any tensions in Russia or neighboring regions could negatively affect the economy of Russia and other countries that may be involved. Such tensions or conflicts may lead to reduced liquidity, trading volatility and significant reductions in the price of listed Russian securities. Furthermore, there is no assurance that, in case of challenging political or economic conditions, the Government will not introduce any measures to address capital outflow from Russia, including by adopting regulations imposing restrictions on transactions on capital and debt markets or otherwise, any of which could adversely affect investor interest and Russian economy generally. Such negative events, should they occur, can adversely affect the liquidity, stability and trading price of the Notes and our ability to raise debt or equity capital in the international capital markets.

Further, in 2016 – 2019 a number of geopolitical events occurred around the globe and, in particular, Europe, one of the principal markets of Gazprom and the place of domicile of the Issuer. In particular, in 2016, the United Kingdom, the jurisdiction in which the Issuer is incorporated, held a referendum in which voters approved the United Kingdom's exit from the EU, commonly known as "Brexit" and on January 31, 2020 the United Kingdom formally left the EU. The decision to leave the EU has caused and is expected to continue to cause political and economic uncertainty as well as volatility in global markets and, while the post-Brexit transition period applies until the end of 2020, material terms of the EU and UK new bilateral arrangements that will apply after the transition period ends are yet to be agreed. Additionally, the political relationship between the United Kingdom and the Russian Federation has at times been tense and has not necessarily been favorable to the bilateral cross-border trade and business. Further, over recent years, the United States government has taken certain steps and made a number of announcements that indicate a significant change in its international trade policies, including the imposition of additional tariffs and other protective measures aimed against cross-border "trade imbalances." Such measures have resulted in, and may further prompt other governments to respond with, retaliatory actions which, in turn, may end up with further rounds of reciprocal restrictions escalating to "trade wars". The events and circumstances described above may have a material adverse effect on the global economy, bilateral relationship between countries and volatility in the markets as well as the liquidity, stability and trading price of the Notes.

Conflicts between federal and regional authorities and other domestic political conflicts could create an uncertain operating environment that may hinder our long-term planning ability and could adversely affect the value of investments in Russia.

Russia is a federation of various sub-federal political units. Some of these political units exercise considerable autonomy over their internal affairs pursuant to agreements with the federal authorities. In practice, the division of authority between federal and regional authorities, in certain instances, remains uncertain and contested. This uncertainty could hinder our long-term planning efforts and may create uncertainties in our operating environment, any of which may prevent us from effectively and efficiently carrying out our business strategy.

For example, to achieve consistency in the regulation of natural gas supplies throughout Russia, the federal authorities have assumed responsibility for the development and implementation of state policy with respect to the supply of natural gas and the industrial and environmental safety of such supplies in Russia. However, regional and local authorities have a significant degree of autonomy in exercising their rights over the use of land and natural resources (including natural gas). Accordingly, the relationship between the relevant federal, regional and local authorities as well as between us and such authorities can have a significant impact on the conditions under which we can operate in any particular region. See also "—Risks Relating to the Russian Legal System and Russian Legislation—The Russian legal system and Russian legislation are at a developmental stage and this may create an uncertain environment for investment and for business activity."

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict. The conflict in Chechnya in the 1990s and 2000s, for example, brought normal economic activity within Chechnya to a halt for a period of time and disrupted the economies of neighboring regions. Violence and attacks relating to this conflict also spread to other parts of Russia and included terrorist attacks in Moscow, Volgograd and other Russian regions. In the future, such tensions, military conflict or terrorist activities could have significant political consequences, including the imposition of a state of emergency in some or all of Russia or heightened security measures, which could disrupt normal economic activity in Russia and materially adversely affect our business and the value of the Notes.

Economic Risks

The implications of the COVID-19 pandemic or an outbreak of other pandemics or epidemics in Russia or elsewhere in the world could have an adverse impact on our operations and financial results.

Since the beginning of 2020, there has been a developing outbreak of COVID-19, a virus disease causing, in certain circumstances, deadly respiratory tract effects. COVID-19 has been declared a pandemic by the World Health Organisation. In response to the spread of COVID-19 across the globe and the danger posed by it, unprecedented measures have been taken by a significant number of countries, such as suspension of flights, introduction of lockdowns and closing of borders. In the Russian Federation, foreign travel has been generally suspended, special rules of domestic travel and public conduct have been introduced, including a prescription to refrain from personal contacts and stay-at-home orders. The outbreak and the ensuing steps have affected the daily lives of millions of people, caused a disruption of global supply chains and, generally, have had, and are expected to continue to have, an adverse impact on macro-economic conditions. The extent to which the pandemic may further impact the socio-economic conditions across in the globe in general and Group's business, financial conditions and results of operations in particular cannot currently be accurately estimated or predicted and its impact is likely to persist until, at the very least, an effective vaccine is developed, clinically tested and widely applied.

The Group keeps assessing the implications of the outbreak of COVID-19, is observing the competent authorities' rules and requirements and has implemented specific business contingency plans. In particular, the Group has formed special task forces to reduce the potential impact of COVID-19. Among other things, a special regime was introduced at the Chayandinskoye field in the Republic of Sakha (Yakutia) following a COVID-19 outbreak at the field where the territory was designated into separated areas to protect health of the Group's personnel and employees of third party contractors, distribution of personal protective equipment was arranged and the regular disinfection as well as medical observations were set up. There can be no assurance, however, that the adherence to the guidelines and the implementation of contingency plans would guarantee success or would sufficiently mitigate the risks related to COVID-19.

Any growth of the COVID-19 outbreak may materially and adversely affect the Group's business, financial conditions and results of operations, result in asset impairments and, consequently, the Issuer's and/or the Gazprom's ability to service their obligations under the Notes or any Loan, as applicable, could be adversely impacted. Further, any new pandemics or epidemics (including as a result of a reoccurrence of the outbreak of COVID-19) may have a similarly disruptive effect and, were they to occur, could negatively affect our business, results of operations, cash flows and financial condition.

Economic instability in Russia could adversely affect our business.

The Russian economy has been subject to abrupt downturns. As Russia produces and exports large quantities of crude oil, natural gas and other commodities, the Russian economy is particularly vulnerable to fluctuations in the prices of crude oil, natural gas and other commodities on the world market. Prices for energy commodities reached record high levels in the first half of 2008 but declined substantially in subsequent years. The most significant reduction in oil prices was experienced in the second half of 2008, in 2014 and 2015 and in the first quarter of 2020.

The Russian economy is also vulnerable to external shocks. In particular, a recession in Russia in 2015 followed the increased political tensions emerged as a result of a military conflict in Eastern Ukraine and the subsequent economic sanctions imposed on certain Russian companies and individuals by the U.S., EU, Canada and other countries, as well as a sharp decline of oil prices in the second half of 2014. During the periods of economic crisis, the Russian economy was characterized by extreme volatility in debt and equity markets, reductions in foreign investment and gross domestic product. The slump and volatility in the global energy and financial markets following the outbreak of COVID-19 from the beginning of 2020 have had, and may have a further, adverse effect on macroeconomic conditions and increase the probability of unfavorable developments in the Russian economy. A possible deterioration of economic conditions in Russia can have a material negative effect on our financial position and results of operations. See "—Negative economic developments and conditions in the markets in which we operate can adversely affect our business and results of operations."

Moreover, events occurring in one geographic or financial market sometimes result in an entire region or class of investments being disfavored by international investors—so-called "contagion effects." Russia was adversely affected by contagion effects in the past, and it is possible that the market for Russian investments, including the Notes, will be similarly affected in the future by negative economic or financial developments in countries whose economies or credit ratings are similar to those of Russia.

In addition, we own approximately 49.88% of ordinary shares of GPB. Hence, a deterioration in GPB's financial position could directly affect the value of our investment and result in the recognition of an impairment loss or prompt further recapitalization of GPB, which would, in turn, adversely affect our results of operations and financial condition in the relevant period. From the beginning of 2017 through June 30, 2020, we provided perpetual interest-free subordinated loans to GPB in the aggregate amount of RR165,000 million. As the loans have no maturity and bear no interest, GPB recognized them as part of its equity capital. We have also placed a significant portion of our cash assets on short-term and long-term bank deposits amounting to approximately RR413 billion as of June 30, 2020. Should the financial condition of these banks deteriorate, our ability to withdraw cash from such deposits may be limited, which may have a material adverse effect on our financial position and results of operations.

If the economic conditions in Russia deteriorate, a resulting decrease in domestic demand for the products we produce, including natural gas, crude oil, oil and gas refined products, electricity and heat, could adversely affect our financial results.

There can be no assurance that current economic and political conditions, or a future economic crisis, will not negatively affect investors' confidence in the Russian markets, economy or ability to raise capital in the international debt markets, any of which, in turn, could have a material adverse effect on the Russian economy. In addition, possible future declines in the price of crude oil, natural gas or other commodities could disrupt the Russian economy and adversely affect our operating results and financial condition.

We face inflation and foreign exchange rate risks that could adversely affect our results of operations.

Approximately 51% of our gross sales (including customs duties and excise tax, net of VAT) are denominated in foreign currency, mainly in U.S. dollars or euros, while most of our costs are denominated in rubles. The relative movement of inflation and exchange rates therefore significantly affects our results of operations. In particular, our operating margins are adversely affected by appreciation of the ruble against the U.S. dollar or euro, because this causes our costs to increase relative to our sales revenues. The pressure on operating margins arising from ruble appreciation in real terms may be intensified by high inflation in Russia, which can further increase our costs. In addition, the high rate of inflation in Russia may reduce the value of our ruble-denominated cash assets, including ruble deposits, domestic debt instruments and accounts receivable. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Certain Factors Affecting our Results of Operations—Impact of inflation and changes in exchange rates on export sales and operating margins."

Even though the ruble's decline in real terms against the U.S. dollar or euro has a positive effect on our profit margin as it reduces our costs in real terms in relation to our sales revenue, it does however increase the ruble equivalent of our debt denominated in foreign currencies and the ruble equivalent of the cost of such debt which could be a factor adversely affecting our results of operations.

We are required to repatriate our export sales revenues, which could adversely affect our business. In addition, if we are required to convert any portion of our export sales into rubles in the future, it may also adversely affect our business.

We are subject to the requirement of the mandatory repatriation of our export sales revenues. This may adversely affect our business, results of operations and our ability to repay any Loan and thus the Issuer's ability to repay the corresponding portion of the Notes.

Currently, the CBR does not require any portion of our proceeds from export sales to be converted into rubles. In the past, however, we were required to convert into rubles a percentage of our proceeds from export sales, and at times this percentage was as high as 75%. There can be no assurance that the CBR will not require us to convert into rubles a percentage of our export sales in the future.

Russia's physical infrastructure is in poor condition, which could disrupt normal business activity.

Russia's physical infrastructure largely dates back to the Soviet period and in certain respects has not been adequately maintained and developed due to insufficient funding. In some areas the rail and road networks, power generation and transmission, communication systems and building stock are particularly affected. Road conditions throughout areas of Russia are poor, with many roads not meeting minimum requirements for usability and safety. Breakdowns and failures of any part of Russia's physical infrastructure may disrupt our normal business activity.

Further deterioration of Russia's physical infrastructure and/or significant increases in charges and tariffs may harm the national economy, disrupt the transportation of goods and supplies, add costs to doing business in Russia and interrupt business operations, any or all of which could have a material adverse effect on our business and the value of the Notes.

Social Risks

Social instability caused by weakening economic conditions and turmoil in the financial markets in Russia could increase support for renewed centralized authority, nationalism or violence and thus materially adversely affect our ability to conduct our business effectively.

Weakening economic conditions and turmoil in the financial markets in Russia may result in high unemployment or the failure of state and private enterprises to pay full salaries on time and the failure of salaries and benefits generally to keep pace with the increasing cost of living. These conditions led to a certain amount of labor and social unrest in the past, which may reoccur or worsen in the future. Such labor and social unrest may have widespread political, social and economic consequences, such as increased support for a renewal of centralized authority, increased nationalism, including restrictions on foreign involvement in the economy of Russia, and increased tension between the Government and its people. Any of these consequences could restrict our operations and lead to a loss of revenue, materially adversely affecting us.

Risks Relating to the Russian Legal System and Russian Legislation

The Russian legal system and Russian legislation are at a developmental stage and this may create an uncertain environment for investment and for business activity.

Russia is still developing the legal framework required by a market economy. Since 1991, Soviet law has been largely, but not entirely, replaced by a new legal regime as established by the Constitution of the Russian Federation, by the Civil Code of the Russian Federation (the "**Civil Code**"), by other federal laws and by decrees, orders and regulations issued by the President, the Government and federal ministries, which are, in turn, complemented by regional and local rules and regulations. These legal norms, at times, overlap or contradict one another. Several fundamental Russian laws have only become effective within the past five to 10 years while they are continuing to change as the Russian legal system develops. The recent nature of much Russian legislation and the rapid evolution of the Russian legal system impact the enforceability of laws and can result in ambiguities, inconsistencies in legal interpretations and other anomalies. In addition, Russian legislation sometimes leaves substantial gaps in the regulatory infrastructure. Among the possible risks of the current Russian legal system are:

- inconsistencies among (1) federal laws, (2) decrees, orders and regulations issued by the president, the Government, federal ministries and regulatory authorities, and (3) regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- limited court personnel with the ability to interpret new principles of Russian legislation, particularly business and corporate law;
- gaps in the regulatory structure due to delay in legislation or absence of implementing legislation;
- a high degree of discretion on the part of governmental authorities; and
- the inadequacy of bankruptcy procedures and certain violations in bankruptcy proceedings.

All of these weaknesses could affect our ability to enforce our rights under contracts, or to defend ourselves against claims by others.

The difficulty of enforcing court decisions and the discretion of governmental authorities to file and join claims and enforce court decisions as well as the ongoing judicial reform could prevent us or investors from obtaining effective redress in court proceedings.

The independence of the judicial system and its immunity from economic and political influences in Russia is also developing. The court system is understaffed. Russia is a civil law jurisdiction and, as such, judicial precedents generally have no binding effect on subsequent decisions. Additionally, court claims are often used in furtherance of personal aims different from the formal substance of the claims. We may be subject to such claims, and courts may render decisions with respect to those claims that are adverse to us and our investors.

State authorities have a high degree of discretion in Russia and at times exercise their discretion arbitrarily, without due process or prior notice, and sometimes in a manner that is contrary to law. Unlawful or unilateral state actions could include the withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities could also use common defects in matters surrounding share issuances and registration as a basis for court claims and other demands to invalidate such issuances and registrations and/or to void transactions, often to further interests different from the formal substance of the claims. Such state action, if directed at us, could have a material adverse effect on our business, and on the value of the Notes to be issued under the Programme.

There are also legal uncertainties relating to property rights. During Russia's transformation from a centrally planned economy to a market economy, legislation has been enacted to protect private property against expropriation and nationalization. However, it is possible that these protections may not be enforced in the event of an attempted nationalization, or in the event our business is reorganized. Our failure to receive what we believe to be adequate compensation in the event of the nationalization of any of our entities, their assets or portions thereof, or their break-up into separate companies, could have a material adverse effect on our operations and revenues, and on the value of the Notes.

The rights of our shareholders, the public reporting requirements and the Russian accounting regulations to which we are subject differ from comparable listed companies in other jurisdictions.

Our corporate affairs are governed by Russian laws, our Charter and internal regulations adopted pursuant to our Charter. The rights of shareholders and the responsibilities of members of the Board of Directors and Management Committee under Russian law are different from, and may be subject to certain requirements not generally applicable to, corporations organized in the United States, the United Kingdom or other jurisdictions. See "Management of Gazprom—Description of Gazprom's Management."

We are subject to Russian law, which requires us to make certain periodic public disclosures. For instance, we are required to publish our annual unconsolidated financial statements in accordance with Russian accounting regulations, together with an independent auditor's report. The Group consists of a large number of companies with a wide geographical range of operations. A majority of the companies in the Group are governed by Russian law, including Russian accounting regulations. Due to the foregoing factors, we believe that it may take us more time than many other companies to prepare and publish our financial reports in accordance with IFRS. Such extended time for preparation and publication of financial reports in accordance with IFRS could, as a consequence, result in the Noteholders making investment decisions at a pace different to that adopted in practice in the European Union, the United Kingdom or the United States, and losses occurring further to such steps and actions. Additionally, liquidity of the Notes in the secondary market may be impaired owing to such circumstances.

In addition, Russian law requires certain disclosures be made by public joint stock companies, such as the disclosure of annual reports, any material facts affecting the financial condition and the business of the relevant company, certain board of directors' resolutions and lists of affiliated persons. We developed and adopted a corporate governance code for Gazprom. Nonetheless, despite these requirements and initiatives, there may be less publicly-available information about us than there is available for comparable listed companies in, for example, the United States or the United Kingdom. Accordingly, the Noteholders should be aware that the publicly-available information that we disclose would not necessary meet the standards to which the investors are accustomed to when dealing with companies which are domiciled within the European Union or in the United Kingdom or the United States.

Shareholder liability under Russian legislation could cause us to become liable for the obligations of our subsidiaries.

Russian legislation provides that a company (the "**effective parent**") which (i) is capable of making decisions for another company (the "**effective subsidiary**") or (ii) has approved transactions consummated by the effective subsidiary bears joint and several responsibility for transactions concluded by the effective subsidiary in carrying out such decisions or with the consent of the effective parent. Shareholders of the effective subsidiary may claim damages incurred by the effective subsidiary as a result of the action or inaction of the effective parent. In addition, the effective parent is secondarily liable for the effective subsidiary's debts if the effective subsidiary becomes insolvent or bankrupt as a result of the action or inaction of the effective parent. Our subsidiaries consolidated and identified in the Group's Financial Statements may be regarded as our "effective subsidiaries", depending on particular facts and circumstances, by a Russian court if a case is brought before it. Accordingly, if we are found liable (as the effective parent) for the debts of our effective subsidiaries, we would have to pay such judgments and our financial position may be adversely affected by such payments.

Some transactions conducted by us involving interested parties as defined under Russian law may require a prior approval of disinterested directors or disinterested shareholders and our failure to obtain such approvals could have an adverse effect on us.

Although Russian law does not require the prior approval of an interested party transaction, a company's sole executive body, or a member of its collective executive body, or its board of directors, or any shareholder(s) holding at least 1% of the company's voting shares may request such prior approval by disinterested directors and/or shareholders pursuant to the special approval procedures set forth by law. If the approval procedures are not followed, a transaction could be declared invalid upon a claim by the company, a member of its board of directors, or any of its shareholder(s) holding at least 1% of the company's voting shares subject to certain conditions provided by law. See "Certain Transactions." An interested party or several interested parties could be held jointly and severally liable for damages regardless of whether the transaction in question is declared invalid or not.

Transactions between members of the Gazprom Group may also, in certain circumstances, be considered to be interested party transactions, even when the companies involved are controlled by Gazprom.

Our Russian subsidiaries are subject to the same (or similar) legal requirements regarding the conclusion of interested party transactions. Our failure to follow the required procedures for conclusion of interested party transactions could adversely affect the Group's business, financial condition and results of operations.

Changes in Russian tax law could adversely affect the Group's business.

Generally, taxes payable by Russian companies are substantial and include, amongst others: corporate income tax, VAT, property tax and payroll-related social security payments.

Russian laws and regulations related to these taxes, such as the Russian Tax Code, have been in force for a relatively short period of time in comparison with tax legislation in more developed economies, and the Government's implementation of such legislation is often unclear or inconsistent. Historically, the system of tax collection has been relatively ineffective, resulting in continuous changes being introduced into existing laws.

Although the quality of the Russian tax legislation has generally improved with the introduction of the Russian Tax Code, the possibility exists that the Government may impose arbitrary and/or onerous taxes and penalties in the future, which could adversely affect the Group's business. Russia's inefficient tax collection system increases the likelihood of such events. A large number of changes have been introduced to various chapters of the Russian Tax Code since its adoption.

Since Russian federal, regional and local tax laws and regulations are subject to frequent changes and, in addition, some of the sections of the Russian Tax Code relating to the aforementioned taxes are comparatively new, interpretation and application of these laws and regulations is often unclear, unstable or non-existent. Differing interpretations of tax regulations may exist both among and within government bodies at the federal, regional and local levels, increasing the number of existing uncertainties and leading to the inconsistent enforcement of these laws and regulations in practice. In some instances, Russian tax authorities applied new interpretations of tax laws and regulations retroactively.

Private clarifications to specific taxpayers' queries with respect to particular situations issued by the Ministry of Finance of the Russian Federation are not binding on the Russian tax authorities and there can be no assurance that the Russian tax authorities will not take positions contrary to those set out in the private clarification letters issued by the Ministry of Finance of the Russian Federation. Moreover, there can be no assurance that Russian legislation and regulations will not be altered, in whole or in part, or that Russian tax authorities and/or Russian courts or other regulatory authorities will not interpret these rules and regulations in such a way that the arrangements described in this Base Prospectus would be subject to different tax treatment than the treatment described herein, whether retroactively or otherwise, or would be adversely affected in some other way. During the past several years the Russian tax authorities have shown a tendency to take more assertive positions in their interpretation of tax legislation, which has led to an increased number of material tax assessments issued by them as a result of tax audits of companies operating in various industries, including the oil and gas industry.

As taxpayers and the Russian tax authorities often interpret tax laws differently, taxpayers often have to resort to court proceedings to defend their position against the tax authorities. In the absence of binding precedent or consistent court practice, rulings on tax or other related matters by different courts relating to the same and similar circumstances may also be inconsistent or contradictory.

The Russian tax system is, therefore, impeded by the fact that, at times, it continues to be characterized by inconsistent judgment of local tax authorities and the failure by tax authorities to address many of the existing problems. It is, therefore, possible that transactions and activities of Gazprom and the Group that have not been challenged in the past may be challenged in the future, which may have a material adverse effect on the Group's business, financial condition, results of operations, prospects and the trading price of the Notes.

Tax returns, together with related documents are subject to review and investigation by the Russian tax authorities, which are enabled by Russian law to impose severe fines and interest charges on taxpayers. Subject to certain exceptions, tax returns remain open and subject to inspection by the Russian tax authorities for the period of three calendar years immediately preceding the year in which the decision to conduct a tax inspection is taken. A repeated tax audit may be conducted under certain conditions. Therefore, previous tax audits do not necessarily preclude subsequent claims relating to the audited period. The Russian Tax Code provides for the possibility of an extension of the three-year statute of limitations under certain conditions. Since there are precedents in which the Russian tax authorities tend to apply new interpretations of tax laws retroactively, tax audits of the periods which are legally eligible for such audits, including those in respect of which the statute of limitations has expired, and repeated tax audits may have a material adverse effect on the Group's business, financial condition and results of operations and impose additional administrative burden on us by diverting the attention of our management and employees, requiring resources for defending Gazprom's tax filing position, including for any tax litigation.

The Russian transfer pricing legislation which is currently in effect allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of all "controlled" transactions between certain related parties (except for those conducted at state regulated prices and tariffs). Due to a number of uncertainties in the interpretation of the current Russian transfer pricing legislation, no assurance can be given that the Russian tax authorities will not challenge the Group's prices and make adjustments which could affect our tax position unless we are able to justify the use of market prices with respect to "controlled" transactions supported by the appropriate transfer pricing documentation. The imposition of additional tax liabilities under the Russian transfer pricing legislation may have a material adverse effect on the Group's tax position, business, results of operations and financial condition.

The concept of a consolidated group of taxpayers was incorporated into the Russian Tax Code and became effective on January 1, 2012. These rules introduced consolidated tax reporting that enables the consolidation of the financial results of Russian companies which form one group (the "**Tax Group**") for corporate income tax purposes. The Tax Group's corporate income tax base should be based on income and expenses of its participants. The consolidated profits cannot be reduced by tax losses accumulated by the participants of the Tax Group prior to its establishment. Moreover, intragroup transactions are to be included in the consolidated tax base. There are several requirements which should be met for consolidated group creation, including thresholds established for the level of revenue and the amount of corporate income tax payable by the Tax Group. We have created the consolidated group of taxpayers, consisting of the Group's Russian entities, with Gazprom being the responsible member. There is no assurance that the consolidated taxpayer regime will not be abolished or otherwise changed in future. If the application of the consolidated group of taxpayers regime is subsequently challenged by the Russian tax authorities or minority shareholders of Gazprom or its consolidated tax subsidiaries this may result in the increase of our tax burden and have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

These changing conditions create tax risks in Russia that are more significant than those typically found in jurisdictions with more developed tax systems and complicate tax planning and related business decisions of the Group. In addition, there can be no assurance that the current tax rates will not be increased, that new taxes will not be introduced or that additional sources of revenue or income, or other activities, will not be subject to new taxes, charges or similar fees in the future which may affect Gazprom's overall tax efficiency and may result in significant additional tax liabilities. In addition, Gazprom is subject to periodic tax audits that may result in additional tax assessments both in respect of the current and prior tax periods. Gazprom's tax burden may become greater than the estimated amount that it has paid or accrued on its balance sheet. There also can be no assurance that the Russian Tax Code will not be changed in the future in a manner adverse to the stability and predictability of the tax system. In general, it is expected that Russian tax legislation will progressively become more sophisticated. The Group cannot provide investors with any assurance that additional Russian tax exposures will not arise. Such additional tax exposures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects, and the value of the Notes.

Russian tax anti-avoidance initiatives may have an adverse impact on the Group's business, financial condition and results of international operations.

The Russian Federation is actively involved in introducing measures against tax avoidance by way of using low tax jurisdictions and other aggressive international tax planning structures. Starting from January 1, 2015 the following rules (concepts) introduced into the Russian Tax Code became effective: (1) "controlled foreign companies" (CFC) rules, pursuant to which undistributed profits of certain foreign organizations as well as foreign structures (not being legal entities) owned and/or controlled by Russian tax residents should be subject to taxation in Russia; (2) the concept of tax residency for legal entities whereby foreign legal entities would be deemed Russian tax residents if their place of management is located in Russia; and (3) the beneficial ownership concept which provides that treaty relief should only be available to foreign income recipients which qualify as beneficial owners of income.

The Group includes companies incorporated and operating outside of Russia. It is possible that with the evolution of such rules (concepts) the Group might become subject to additional taxation in Russia in respect of its operations performed outside of the Russian Federation through its foreign legal entities. These rules (concepts) are being regularly updated where some of the amendments have retrospective effect.

In 2017 anti-avoidance rules were introduced by Article 54.1 of the Russian Tax Code. Prior to that a similar "unjustified tax benefit" concept introduced by the Plenum of the Supreme Arbitration Court of the Russian Federation in its Resolution No. 53 ("**Resolution No. 53**") had been in existence for more than 10 years in Russian law. Unjustified tax benefit concept has been widely used by Russian tax authorities to challenge the tax positions of Russian taxpayers, inter alia, with respect to application of double tax treaty benefits. The new anti-avoidance rules (a) establish the framework within which taxpayers enjoy tax benefits and (b) prohibit any wilful misconduct resulting in a non-payment or underpayment of taxes by misrepresenting information on commercial events and objects of taxation. In addition to that prohibition, taxpayers may reduce their tax base and/or payable amount of tax if they can document that (i) tax avoidance is not the primary purpose of a transaction and (ii) the contractual obligation is performed directly by the party named in the contract or by a person to whom such obligation has been transferred by contract or by law. Due to the fact that the court practice related to application of the new rules is still inconsistent, no assurance could currently be given as to the exact effect such rules may have on taxpayers, including Russian companies of the Group.

Implementation and further evolution of the abovementioned rules (concepts) and some other tax anti-avoidance initiatives are likely to impose an additional administrative and tax burden on the Group. The Group might be subject to additional tax liabilities as a result of the application of such anti-avoidance rules to transactions carried out by the Group, which could have a material adverse effect on the Group's business, financial condition, results of operations and the value of the Notes.

Risks Relating to the Notes and the Trading Market

The right of the Issuer to receive payments under the Loans (and therefore the Issuer's ability to make payments under the corresponding series of the Notes as they fall due) is effectively subordinated to any liabilities of our subsidiaries and we and many of our subsidiaries, as Russian companies, are subject to Russian bankruptcy laws and procedures. The ability of Noteholders to recover in full could be adversely affected if we, or any of these subsidiaries, declare bankruptcy, liquidate or reorganize.

Certain of our operations are conducted through our subsidiaries and to a certain extent we depend on the earnings and cash flows of these subsidiaries to meet our debt obligations, including our obligations under each Loan. In addition, our subsidiaries' assets constitute a material part of our operating assets. Finally, our subsidiaries have material liabilities, including accounts payable and accrued charges, taxes payable, restructured tax liabilities, other long-term liabilities and provisions for liabilities and charges. Because our subsidiaries do not guarantee the payment obligations of our parent company, Gazprom, under each Loan or the Issuer's payment obligations under the Notes, neither the Issuer nor holders of Notes will have any direct claim on our subsidiaries' cash flows or assets. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, their creditors will generally be entitled to payment of their claims from the cash flows and assets of those subsidiaries before any cash flows or assets are made available for distribution to us as a shareholder. This may adversely affect our ability to service our payment obligations under any Loan.

In addition, Noteholders' claims in the Specified Currency of the relevant Notes may be converted into rubles in any Russian bankruptcy proceedings and therefore, in addition to the general risks of less than full recovery associated with any bankruptcy (or similar) proceedings, Noteholders may be adversely affected by movements in the currency exchange rates between the ruble and the Specified Currency of the Notes.

The protection afforded by the negative pledge contained in the Facility Agreement is limited, which may adversely affect the value of investments in the Notes.

Gazprom has agreed in Clause 10.1 of the Facility Agreement (a) not to, and to procure that no Principal Subsidiary (as defined therein) will create or permit to subsist any Encumbrance (as defined therein) (other than a Permitted Interest (as defined therein)) upon or in respect of the whole or any part of its undertakings, property, income, assets or revenues, present or future, to secure for the benefit of the holders of any Relevant Financial Indebtedness (as defined therein) (i) payment of any sum due in respect of any such Relevant Financial Indebtedness, (ii) any payment under any guarantee of any such Relevant Financial Indebtedness or (iii) any payment under any indemnity or other like obligation relating to any such Relevant Financial Indebtedness, and (b) procure that no Principal Subsidiary gives any guarantee of, or indemnity (other than a Permitted Interest) in respect of, any of the Issuer's or Gazprom's Relevant Financial Indebtedness to the holders thereof, without in such case at the same time or prior thereto procuring that the Gazprom's obligations hereunder are (i) secured at least equally and rateably with such Relevant Financial Indebtedness for so long as such Relevant Financial Indebtedness is so secured or (ii) have the benefit of such other guarantee, indemnity or other like obligations or such other security (in each case) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of such Series.

The application of this negative pledge and the protection that it affords to Noteholders is limited. For example, the definition of Relevant Financial Indebtedness is limited to Gazprom's and Principal Subsidiaries Financial Indebtedness (as defined therein) will in the form of, or represented by, notes, debentures, bonds or other debt instrument (but for the avoidance of doubt, excluding term or revolving loans (whether syndicated or non-syndicated), credit facilities, credit agreements and other similar facilities and evidence of indebtedness under such loans, facilities or credit agreements) which are listed or quoted on any stock exchange. In addition, pursuant to an exemption from the negative pledge, Gazprom and its Principal Subsidiaries will be permitted to secure an aggregate amount of Relevant Financial Indebtedness not exceeding 20% of Consolidated Assets (as defined in the Facility Agreement), without any obligation to afford any equal and rateable security to Noteholders. As a result, Gazprom and its Principal Subsidiaries will be permitted to secure a range of other forms of indebtedness and may also create security in respect of a significant amount of Relevant Financial Indebtedness without, at the same time, being obliged to grant equal and rateable security in respect of the Loan, as the case may be, which may adversely affect the value of the Notes and/or effectively cause Noteholders to rank in terms of priority behind such secured creditors.

An expansion of U.S. or EU sanctions programs could adversely impact the trading market for the Notes.

If U.S. or EU sanctions programs are expanded, including, among other things, in relation to the Russian energy or financial services sector as described under "—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition" above, the trading market for the Notes and the rights of the Noteholders could be adversely affected.

If U.S. or EU sanctions programs are expanded to include additional existing or future clients, shareholders, suppliers or other counterparties of Gazprom, some Noteholders may sell their interests at a loss in any Notes due to internal compliance requirements or any laws or regulation applicable to such Noteholders. In addition, the secondary market for the Notes may become less liquid due to the current negative market environment and the imposition of certain sanctions on Gazprom and Gazprom Neft. See "—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition."

The U.S. and EU sanctions programs that target Russian persons are relatively recent and the application of these sanctions remains subject to interpretation and implementation by various regulators and market participants, including at a national level in different EU member states, which may deviate from our interpretation and application of these sanctions to ourselves and our counterparties, and no assurance can be given that the potential impact of such dealings or of such varying interpretations would not have a material adverse effect on our business, financial condition and results of operations or the legal positions of the Noteholders and/or the value of the Notes. Should the manner in which the sanctions are applied or interpreted change, the ability of Russian companies to transact with U.S. or EU persons could be affected, and, as such, Russian companies may be unable to make scheduled payments of principal and interest on their borrowings.

The expansion of the existing sanctions and the introduction of any further large-scale sanctions on us or the Russian energy sector may negatively impact our ability to make scheduled payments of principal and interest under the Loans, as any such payments could be frozen as a consequence of such sanctions before receipt by the Issuer. Any such freezing of payments will be beyond our control as it will result from the enforcement of sanctions by the relevant payment processing banks. Consequently, the Issuer's and the Agents', or the Trustee's, as the case may be, ability to make scheduled payments of principal and interest under the Notes may be impaired. While we would consider and, to the extent possible, take measures available to us to discharge our obligations under the Loans, or facilitate the discharge of the Issuer's obligations under the Notes, as the case may be, the scrutiny exercised by international banks when clearing foreign currency payments or expansion of sanctions against us could result in the Noteholders not receiving timely scheduled payments under the Notes or not receiving such payments at all and/or as a consequence an Event of Default may occur under the Loans. Moreover, should any member of the Group become subject to either U.S. or EU sanctions, the relevant clearing systems, brokers and other market participants as well as Euronext Dublin may refuse to permit trading in or otherwise facilitate transfers of the Notes and certain Noteholders may be unable to continue to hold the Notes as a result of applicable law or internal compliance requirements all of which could compound to significantly reduce the trading market for the Notes or may otherwise materially impact the value of the Notes.

If we wish to incur secured indebtedness, we may be required by the International Bank for Reconstruction and Development to equally and ratably pledge our assets, which may affect our ability to obtain secured financing.

The Russian Federation may be subject to a negative pledge clause in its borrowings from the International Bank for Reconstruction and Development (the "**IBRD**") in accordance with the IBRD's lending terms. The negative pledge clause prevents us, as an entity owned or controlled by, or operating for the account or benefit of, the Russian Federation, from pledging any of our assets to secure further borrowings unless the IBRD is equally and ratably secured. In this context, if we wish to incur our own secured indebtedness, there is a risk that we may be required by the IBRD to equally and ratably pledge our assets with regard to the Russian Federation's indebtedness, which may limit our own ability to raise secured indebtedness in the future, thus restricting available sources for financing our business and operations.

The lack of a public market for the Notes could reduce the value of your investment.

There may not be an existing market for the Notes at the time they are issued. Each Series of Notes is expected to be listed and admitted to trading on the Regulated Market of Euronext Dublin (or another stock exchange). However, there can be no assurance that a liquid market will develop for the Notes that holders of the Notes will be able to sell their Notes, or that such holders will be able to sell their Notes for a price that reflects their value.

Payments we make under the Loans may become subject to Russian withholding tax.

In general, interest payments on borrowed funds made by a Russian legal entity or organization to a non-Russian legal entity or organization having no registered presence and/or no permanent establishment or no tax residency in Russia are subject to Russian withholding tax at the rate of 20% (or such other rate that may be effective at the time of payment), which could be reduced or eliminated pursuant to the terms of an applicable double tax treaty subject to treaty clearance formalities to be satisfied by the foreign legal entity in a timely fashion and provided that the foreign interest income recipient can qualify as the person having the actual right to income as defined in the Russian tax legislation.

Generally, no withholding tax should arise on interest on the loan provided to the Russian borrower in connection with issuance of the notes by a foreign entity (the "**Eurobond structure**") by virtue of the special exemption envisaged by the Russian Tax Code. Specifically, the Russian Tax Code provides, among other things, that Russian borrowers should be fully released from the obligation to withhold income tax from interest and other payments on debt obligations made to foreign entities provided that certain conditions are met throughout the term of the respective debt obligation and the notes. Therefore, Gazprom should be released from the obligation to withhold Russian income tax from interest and other payments provided that the respective conditions are met throughout the term of the respective Loan and the Notes of the respective Series. See "Taxation—Russian Federation" for more information about the specific conditions and certain practical issues that might arise in connection with such compliance.

Importantly, the Russian Tax Code does not provide an exemption to the foreign interest income recipients from Russian withholding tax. However, there is currently no requirement and mechanism in the Russian tax legislation for foreign income recipients being the legal entities and organizations to self-assess and pay the tax on the Russian-source income to the Russian tax authorities in case the tax was not withheld at source. There can be no assurance that such rules will not be introduced in the future or that the Russian tax authorities would not change their position on the matter in connection with Eurobond structures or would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the Trustee can qualify for the "entity authorized to receive interest income payable on the issued bonds" and hence whether the release from the obligation to withhold income tax from interest and other payments on any Loan would be available to Gazprom under the Russian Tax Code. See "Taxation—Russian Federation." It is not expected that under such circumstances the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty due to the nature of its functions. In addition, while some Noteholders that are persons not residing in Russia for tax purposes may be eligible for the exemption from or the reduction in Russian withholding tax or personal income tax, as applicable, under double tax treaties entered into between their countries of tax residence and the Russian Federation, where such treaties exist and to the extent they are applicable, there can be no assurance that the respective treaty relief will be available to them due to difficulties related to the advance tax relief. See "Taxation—Russian Federation."

In addition, on June 7, 2017, 68 jurisdictions, including Russia, signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (the "**MLI**"). Several additional jurisdictions have signed the MLI since then. A number of jurisdictions have expressed their intention to sign the MLI. The MLI sets forth additional requirements for the application of the double taxation treaty benefits, including the reduced tax rates. It is expected that changes to specific bilateral treaties would come into effect after the parties to the treaties deposit their instruments of ratification, acceptance or approval of the MLI, subject to an additional phase-in period. The MLI entered into force for the Russian Federation on October 1, 2019. On April 30, 2020 the Russian Federation submitted through the OECD diplomatic channels its notification of completion of the internal procedures required for the MLI application to the double tax treaties concluded with 27 countries starting from 1 January 2021. The MLI-related changes, when implemented, might negatively affect the availability of certain double taxation treaty benefits to Non-Resident Noteholders that are tax residents in the relevant countries. If interest payments or any other amounts due under any Loan become subject to Russian withholding tax (as a result of which the Issuer or the Trustee will reduce the respective payments made under the corresponding Series of the Notes by the amount of such withholding tax) we will be obligated under the terms of the relevant Loan Agreement to increase the respective payments or to make such additional payments, respectively, as may be necessary to ensure that the net amount of payments received by the Issuer or the Trustee will not be less than the amount it would have received in absence of such withholding. It is unclear however whether the provisions of the relevant Loan Agreement obliging us to gross up any payments under any Loan will be enforceable under Russian law as currently in effect. There is a risk that the gross-up for withholding tax will not take place insofar as Russian law is concerned and that payments we make under any Loan will be reduced by the amount of Russian income tax withheld by Gazprom at the rate of 20% (or such other rate as may be in force at the time of payment) or, potentially, with respect to Non-Resident Noteholders – Individuals (as defined under "Taxation—Russian Federation—Taxation of the Notes—General") Russian personal income tax at a rate of 30% (or such other rate as may be in force at the time of payment). See "Taxation—Russian Federation."

If we are obligated to increase any payments on any or all Loans or to make additional payments on any or all Loans as described above, we may (without premium or penalty), subject to certain conditions, prepay any Loan in full. In such case, all outstanding Notes of the corresponding Series will each be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment. See "Terms and Conditions of the Notes" and "Taxation—Russian Federation."

Tax might be withheld upon disposal of the Notes in Russia, reducing their value.

Where proceeds from the sale or other disposal of the Notes (including proceeds attributable to accrued and unpaid interest on the Notes) are deemed to be received from a source within Russia by a Non-Resident Noteholder Individual, Russian personal income tax at a tax rate of 30% (or such other tax rate as could be effective at the time of such sale or other disposal) will apply to the gross amount of sales or other disposal proceeds realized upon such sale or other disposal of the Notes less any available duly documented cost deductions (including the acquisition cost of the Notes and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes), provided that the Notes qualify as securities under Russian and applicable foreign law and duly executed documentation supporting cost deductions is made available in a timely manner to the tax agent that is required to calculate and withhold Russian personal income tax. If no documentation supporting the cost deduction is provided to the tax agent, Russian personal income tax will be determined based on the gross amount of sales or other disposal proceeds. Russian personal income tax base should be determined in rubles. For this purpose, deductible costs and sales or other disposal proceeds should be converted into rubles based on the exchange rate of the Central Bank of Russia as of the date when the costs were incurred, and sales or other disposal proceeds were received. This may result in taxable income occurring for Russian personal income tax purposes even though there may be no gain or a capital loss in the currency in which the Notes are traded.

Although technically Russian personal income tax due on proceeds from sale or disposal of the Notes may be reduced or eliminated based on provisions of an applicable double tax treaty entered into between Russia and the country of tax residency of a particular Non-Resident Noteholder Individual subject to timely compliance by that Non-Resident Noteholder Individual with the treaty clearance formalities, in practice such Non-Resident Noteholder Individual may not be able to obtain the advance treaty relief in relation to sales or disposal proceeds and/or accrued interest income, as may be relevant, received from a source within Russia. Obtaining a refund of Russian personal income taxes that were excessively withheld in relation to this income can be difficult, or impossible in some cases. Further, even though the Russian Tax Code requires only a Russian professional asset manager or broker acting in a similar capacity to withhold the tax from payment to an individual associated with disposition of securities, there is no guarantee that other Russian companies or foreign companies operating in Russia or an individual entrepreneur located in Russia would not seek to withhold the tax.

Generally, there should be no Russian tax on gains from sale or other disposition of the Notes imposed on Non-Resident Noteholder Legal Entity. There is, however, some uncertainty regarding the tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest (coupon) on the Notes (i.e. debt obligations) where proceeds from sale or other disposition of the Notes are received from a source within Russia by a Non-Resident Noteholder Legal Entity. The uncertainty is driven by isolated instances in which the Russian tax authorities challenged the non-application of the Russian tax to the amount of accrued interest (coupon) embedded into the sale price of the Eurobonds. Although the Ministry of Finance of the Russian Federation in its most recent clarification letters opined that the amount of sale or other disposal proceeds attributable to the accrued interest on the Eurobonds paid to a non-Russian organization should not be regarded as Russian source income and on this basis should not be subject to taxation in Russia, there remains a possibility that a Russian entity or a foreign entity having registered tax presence in Russia which purchases the Notes from the Non-Resident Noteholder Legal Entity or acts as an intermediary for other persons may seek to assess Russian withholding tax at the rate of 20% (or such other rate as could be effective at the time of such sale or other disposal) on the accrued interest portion of the disposal proceeds of the Notes.

While some Non-Resident Noteholders might be eligible for an exemption from or a reduction in Russian withholding tax under applicable double tax treaties, there is no assurance that such exemption or reduction will be available in practice.

An imposition or possibility of imposition of this withholding tax, as applicable, under such circumstances could adversely affect the value of the Notes. See “Taxation — Russian Federation”.

Not meeting the conditions of the United Kingdom securitization tax regime.

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Taxation of Securitisation Companies Regulations 2006, as amended (SI 2006/3296), the “**Securitisation Tax Regulations**”), and, as such, should be taxed only on the amount of its “retained profit” (as that term is defined in the Securitisation Tax Regulations), for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not satisfy the conditions of the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Base Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

FORWARD-LOOKING STATEMENTS

Certain statements in this Base Prospectus are not historical facts and are "forward-looking" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. This Base Prospectus contains certain forward-looking statements in various locations, including, without limitation, under the headings "Overview," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Gazprom." We may from time to time make written or oral forward-looking statements in reports to our shareholders and in other communications. Examples of such forward- looking statements include, but are not limited to:

- statements of our plans, objectives or goals, including those related to products or services;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Forward-looking statements that may be made by us from time to time (but that are not included in this Base Prospectus) may also include projections or expectations of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

Words such as "believes," "anticipates," "expects," "estimates," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. You should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the prevailing global and domestic economic environment;
- inflation, interest rate and exchange rate fluctuations;
- the prices of natural gas and crude oil;
- our ability to finance our anticipated capital expenditures at least in part through the global capital markets, revenue from operations or otherwise;
- the effects of, and changes in, the policies of the Government;
- the inherent uncertainties in estimating our reserves of natural gas, gas condensate and crude oil;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices;
- our ability to increase market share for our products and control expenses;
- acquisitions or divestitures;
- technological changes;
- the effects of international political events on our businesses;
- our ability to manage operational risks in our gas and crude oil exploration, production and transportation activities and other business operations; and
- our success at managing the risks of the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, you should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which we operate. Such forward-looking statements speak only as of the date on which they are made. Accordingly, we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise except as otherwise required by applicable law or under the Prospectus Regulation. We do not make any representation, warranty or prediction that the results or events anticipated by such forward-looking statements will be achieved or occur, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

ENFORCEABILITY OF JUDGMENTS

Gazprom is a public joint stock company incorporated under the laws of Russia, and most of our assets are currently located outside the United States and the United Kingdom. In addition, all of our directors and executive officers are residents of countries other than the United States and the United Kingdom. As a result, it may not be possible for you to:

- effect service of process within the United States or the United Kingdom upon Gazprom or any of Gazprom's directors or executive officers named in this Base Prospectus; or
- enforce, in the U.S. or English courts, judgments obtained outside the U.S. or English courts against Gazprom or any of Gazprom's directors and executive officers named in this Base Prospectus in any action, including actions under the civil liability provisions of the U.S. securities laws or any state or territory of the United States.

In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United States or the United Kingdom, liabilities predicated upon the U.S. securities laws or upon English laws.

Judgments rendered by a court in any jurisdiction outside Russia will be recognized and enforced, without re-examination of the issues, by courts in Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the country where the judgment is rendered and/or a federal law is adopted in Russia that provides for the recognition and enforcement of foreign court judgments. No such treaty exists between the United States and Russia or the United Kingdom and Russia for the reciprocal enforcement of foreign court judgments and no relevant federal law on enforcement of foreign court judgments has been adopted in Russia. However, we are also aware of at least two instances in which Russian courts have recognized and enforced foreign court judgments (including a judgment of an English court), on the basis of the principle of reciprocity and (in case of enforcement of an English court judgment) the existence of a number of bilateral and multilateral treaties to which both the United Kingdom and the Russian Federation are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant English court judgment in Russia. In the absence of established court practice, however, it is difficult to predict whether a Russian court will be inclined in any particular instance to recognize and enforce an English court judgment on these grounds.

Each Loan Agreement will be governed by English law and provide for disputes, controversies and causes of action brought by the Issuer against us to be settled by arbitration in accordance with the Rules of the LCIA (formerly the London Court of International Arbitration). Russia and the United Kingdom are parties to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "**New York Convention**"). Consequently, Russian courts should generally recognize and enforce in the Russian Federation an arbitral award from an arbitral tribunal in the United Kingdom on the basis of the New York Convention, subject to qualifications provided for in the New York Convention and compliance with Russian laws as interpreted by Russian courts. However, any arbitral award pursuant to arbitration proceedings in accordance with the Rules of the LCIA and the application of English law to the Loan Agreements may be limited, in particular, by mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. The Arbitrazh Procedure Code of the Russian Federation also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts which grounds are substantially similar to those provided by the New York Convention. The Arbitrazh Procedure Code and other Russian procedural laws as well as their interpretation by Russian courts could change, and other grounds for Russian courts to refuse recognition and enforcement of foreign arbitral awards could arise.

Pursuant to the terms of the Facility Agreement, to the extent that Gazprom may be entitled, in any jurisdiction in which any suit, action or proceedings arising out of the Facility Agreement may at any time be commenced, to claim for itself or any of its undertaking, properties, assets or revenues any immunity (sovereign or otherwise), Gazprom to the fullest extent permitted by applicable law (and subject to the limitations on enforcement (including execution, attachment and other similar legal process) against the UGSS arising out of the Gas Supply Law) irrevocably agreed not to claim and waived any such immunity.

SUPPLEMENTAL BASE PROSPECTUS

Each of Gazprom and the Issuer will agree to comply with any undertakings given by it from time to time to Euronext Dublin in connection with listed Notes and, without prejudice to the generality of the foregoing, the Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to this Base Prospectus. The obligation to prepare a supplement to this Base Prospectus in the event of any significant new factor, material mistake or inaccuracy does not apply when the Base Prospectus is no longer valid.

Gazprom and the Issuer may agree with any Dealer that a Series of Notes may be issued in a form not contemplated by the terms and conditions described herein, in which event a Series Prospectus or a supplemental prospectus, if appropriate, will be published which will describe the effect of the agreement reached in relation to such Notes.

PRESENTATION OF CERTAIN INFORMATION

References

In this Base Prospectus, the terms "**we**," "**us**," "**our**" and "**Group**" refer to Public Joint Stock Company Gazprom (also known as PJSC Gazprom) and its consolidated subsidiaries, taken as a whole, unless the context otherwise requires. The term "**Gazprom**" refers to PJSC Gazprom.

Unless the context otherwise requires, in this Base Prospectus the term "**Gazprom Neft**" refers to Gazprom Neft PJSC and its consolidated subsidiaries, taken as a whole.

The term "**Russia**" refers to the Russian Federation. The term "**FSU**" refers to the countries of Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. The term "**Europe**" refers to Western Europe and Central and Eastern Europe. The term "**Europe and Other Countries**" refers to countries other than Russia and the FSU countries. Definitions of certain other terms used in this Base Prospectus may be found under the heading "Glossary of Selected Terms."

We measure our gas condensate and crude oil in metric tons. This Base Prospectus contains conversions of certain volumes from tons into barrels solely for the convenience of the reader. The conversion of volumes from metric tons to barrels varies at each of our fields due to different geological conditions. In this document, however, we use a conversion rate for all conversions of tons to barrels of one ton of crude oil = 7.33 barrels of crude oil and one ton of gas condensate = 8.18 barrels of gas condensate. This Base Prospectus also contains conversions of cubic meters of natural gas and barrels of gas condensate and crude oil into barrels of oil equivalent solely for the convenience of the reader. In this Base Prospectus, we use a conversion rate for all conversions of one mcm of natural gas = 6.49 barrels of oil equivalent, one barrel of gas condensate = one barrel of oil equivalent and one barrel of crude oil = one barrel of oil equivalent.

Unless otherwise indicated, the proved and probable gas reserves of Gazprom and its subsidiaries are expressed in this Base Prospectus in terms of "separator" gas. See the D&M Letter. Generally, separator gas is gas that has not been treated and therefore includes an amount of gas that is not sold to customers.

Our reserves and production calculation methodology is consistent with IFRS consolidation principles. Thus, our subsidiaries' reserves and production information is included in full in our total reserves and production, disregarding our effective share in such subsidiaries. Reserves and production information of our joint arrangements determined to be joint operations for accounting purposes is included in our reserves and production data pro rata to our interest in such joint operations. Consistent with IFRS consolidation principles, the information on hydrocarbon reserves and production of our associates and joint arrangements determined to be joint ventures for accounting purposes is not included in our total reserves and production figures. However, material information on the AB_1C_1 hydrocarbon reserves of our associates is presented separately.

Reproduction of information

Information contained under the heading "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters" includes extracts from information and data publicly released by official and other sources, including Russian governmental agencies and bodies. Each of the Issuer and Gazprom accepts responsibility for accurately reproducing such information and data and, as far as Gazprom or the Issuer is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading, but neither the Issuer, nor Gazprom accepts responsibility in respect of such information and data or its accuracy.

Financial information

The financial information of Gazprom and its subsidiaries as at and for the six months ended June 30, 2020 and 2019 has been derived from the unaudited interim consolidated condensed financial information for the six months ended June 30, 2020 (the "**Unaudited consolidated interim condensed financial information**"), prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting."

The financial information of Gazprom and its subsidiaries as at and for the years ended December 31, 2019, 2018 and 2017 has been derived from the audited consolidated financial statements as at and for the years ended December 31, 2019 and 2018 (the "**Annual Consolidated Financial Statements**"), prepared in accordance with International Financial Reporting Standards (each such Standard and any of them taken together, "**IFRS**") as issued by International Accounting Standards Board.

Unaudited consolidated interim condensed financial information together with Annual Consolidated Financial Statements is herein referred to as the "**Group's Financial Statements**."

For the purposes of compliance with IFRS 9 Financial instruments applied from January 1, 2018, the Group has changed the presentation of information in the consolidated statement of comprehensive income as follows: (i) the line item "Change in impairment and other provisions" has been replaced by two line items "(Impairment loss) reversal of impairment loss on financial assets" and "(Profit on recovery) impairment loss on non-financial assets", the latter is presented as part of the "Operating expenses"; and (ii) the line item "Gain (loss) on disposal of available-for-sale financial assets" has been reclassified to the "Operating expenses". Due to such modifications, and to align the presentation of the relevant financial information with our Unaudited consolidated interim condensed financial information, the presentation of our consolidated statement of comprehensive income for 2017 in this Base Prospectus differs from that in our previously published Audited consolidated financial statements for that period.

Non-IFRS or Alternative Performance Measures

In this Base Prospectus, the Group uses in the analysis of its business, financial position and results of operations the following metrics which it considers to constitute Alternative Performance Measures as defined in the European Securities and Markets Authority Guidelines:

- Adjusted EBITDA,
- LTM Adjusted EBITDA,
- Adjusted EBITDA margin,
- Total Debt,
- Net Debt,
- Adjusted Net Debt,
- Net Debt/Adjusted EBITDA,
- Net Debt/LTM Adjusted EBITDA,
- Adjusted Net Debt/Adjusted EBITDA,
- Adjusted Net Debt/LTM Adjusted EBITDA,
- Free Cash Flow, and
- Adjusted Free Cash Flow (collectively, the "**APMs**").

The APMs are presented as supplemental measures of the Group's operating performance, financial condition and leverage, as applicable, which Gazprom believes are frequently used by securities analysts, investors and other interested parties in the evaluation of energy companies' performance. For further information on the reconciliation of APMs to measures disclosed in the Group's Financial Statements, see "Selected Consolidated Financial Information—Alternative Performance Measures."

All of these measures have limitations as analytical tools, and investors should not consider any one of them in isolation, or any combination of them together, as a substitute for analysis of our operating results as reported under IFRS.

For example, some of limitations of Adjusted EBITDA or LTM Adjusted EBITDA are as follows:

- Adjusted EBITDA or LTM Adjusted EBITDA does not reflect the impact of finance income and expense, which can be significant and could further increase if the Group incurs more borrowings, on the Group's operating performance.

- Adjusted EBITDA or LTM Adjusted EBITDA does not reflect the impact of profit tax expense on the Group's operating performance.

- Adjusted EBITDA or LTM Adjusted EBITDA does not reflect the impact of depreciation and amortization on the Group's performance. The assets of the Group which are being depreciated, depleted and/or amortized will need to be replaced in the future and such depreciation and amortization expense may approximate the cost of replacing these assets in the future. By excluding this expense from Adjusted EBITDA or LTM Adjusted EBITDA, such measure does not reflect the Group's future cash requirements for these replacements.

- Adjusted EBITDA or LTM Adjusted EBITDA does not reflect share of net income of associated undertakings and joint ventures.

- Adjusted EBITDA or LTM Adjusted EBITDA does not reflect the impact of impairment and other provisions, except for provisions for impairment of accounts receivable.

Similarly, net debt is not a balance sheet measure under IFRS and it should not be considered as an alternative to other measures of financial position. We use net debt to provide an assessment of our overall indebtedness, because it is a commonly used measure in the investment analyst community. However, the use of net debt effectively assumes that total borrowings can be reduced by cash. It is unlikely that we would use all available cash to reduce total borrowings all at once, as cash must also be available to pay employees, suppliers and taxes, and to meet other operating needs and capital expenditure requirements. Our calculation of net debt may be different from the calculation used by other companies and therefore comparability may be limited.

Other energy companies may calculate the APMs differently or may use each of them for different purposes than the Group, limiting their usefulness as comparative measures.

We rely primarily on our IFRS operating results and use the APMs only to supplement the IFRS operating results. See the Group's Financial Statements included elsewhere in this Base Prospectus. The APMs are not defined by, or presented in accordance with, IFRS. The APMs are not measurements of our operating performance under IFRS and should not be considered as alternatives to sales, net profit for the period, net cash from operating activities or any other measures of performance under IFRS or as measures of the Group's liquidity. In particular, Adjusted EBITDA or LTM Adjusted EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of its business.

Currencies

In this Base Prospectus, references to "**Russian Roubles**," "**rubles**" and "**RR**" are to the lawful currency for the time being of Russia; references to "**U.S. dollars**," "**dollars**" and "**U.S.$**" are to the lawful currency for the time being of the United States of America; references to "**£**" are to the lawful currency for the time being of the United Kingdom and references to "**€**" and "**euro**" are to the lawful currency for the time being of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome establishing the European Economic Community, as amended.

Exchange rates

The table below sets out, for the periods and dates indicated, certain information regarding the exchange rate between the ruble and the U.S. dollar, based on the official exchange rate quoted by the CBR. Fluctuations in the exchange rates between the ruble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future.

	High	Low	Average[1]	Period End
2020 (through October 5, 2020)	80.88	60.95	71.02	78.13
2019	67.19	61.72	64.49	61.91
2018	69.97	55.67	62.91	69.47
2017	60.75	55.85	58.30	57.60
2016	83.59	60.27	66.83	60.66
2015	72.88	49.18	60.75	72.88
2014	67.79	32.66	39.15	56.26
2013	33.47	29.93	31.97	32.73
2012	34.04	28.95	31.07	30.37
2011	32.68	27.26	29.39	32.20

Source: The CBR.

Note:

(1) The average of the exchange rates on the last business day of each month for the relevant annual period, and on each business day for any other period.

This Base Prospectus contains conversions of certain amounts into dollars at specified rates solely for the convenience of the reader.

No representation is made that the U.S. dollar or ruble amounts referred to in this Base Prospectus could have been or could be converted into rubles or U.S. dollars, as the case may be, at the above exchange rates or at all.

OVERVIEW OF THE PROGRAMME

The following overview contains basic information about the Notes and Loans and should be read in conjunction with, and is qualified in its entirety by, the information set forth under "Facility Agreement" and "Terms and Conditions of the Notes" appearing elsewhere in this Base Prospectus.

Summary of Loans under the Programme

Each transaction will be structured as a Loan to Gazprom by the Issuer. The Issuer will issue Notes to Noteholders for the sole purpose of funding such Loan (and such Loan will in effect provide 100% collateralization on the relevant Issue Date) for such Notes. Each Series will be constituted by a supplemental trust deed which is supplemental to an amended and restated principal trust deed dated December 26, 2019 (together, the "**Trust Deed**"), each entered into between the Issuer and Citibank, N.A., London Branch (the "**Trustee**"). Pursuant to the Trust Deed, the Issuer will: (i) charge as security certain of its rights and interests under such Loan to the Trustee for the benefit of the Noteholders of the corresponding Series of Notes; and (ii) assign its rights under the relevant Loan Agreement to the Trustee as security (other than certain Reserved Rights, as defined in the Trust Deed) (together, the "**Security Interests**") for its payment obligations in respect of such Series of Notes. As a consequence of the assignment of the rights under the relevant Loan Agreement, the Trustee shall assume the rights of the Issuer (other than certain Reserved Rights, as defined in the Trust Deed) as set out in the relevant provisions of the Trust Deed. If and when the charge of certain of the Issuer's rights and interests under any Loan is enforced, the Trustee will assume the rights of the Issuer under such Loan as set out in the relevant provisions of the Trust Deed, and the Trustee will assume certain rights and obligations towards the Noteholders, as more fully set out in the Trust Deed.

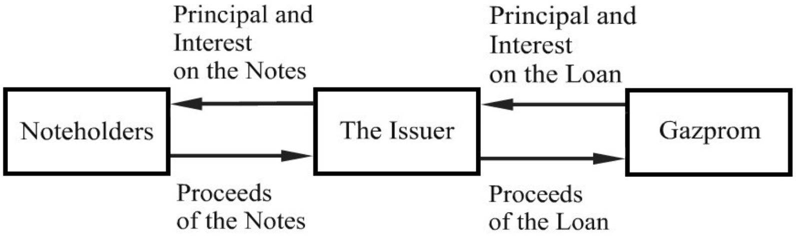
Each Series of Notes will be issued on a limited recourse basis and the Issuer will not have any obligations to the Noteholders of such Series of Notes save for to account to the Noteholders of the relevant Series for amounts equivalent to the amounts of payments of principal and interest received by the Issuer under the corresponding Loan if and to the extent received by it from Gazprom. In the event that the amount due and payable by the Issuer under the Notes exceeds the sums so received or recovered pursuant to the corresponding Loan, the right of any person to claim payment of any amount exceeding such sums shall be extinguished, and Noteholders may take no further action to recover such amounts. The Issuer will have no other financial obligations under the relevant Series of Notes and no assets of the Issuer (including the Issuer's rights with respect to any Loan relating to any other Series of Notes) will be available to such Noteholders.

The Issuer will agree in the Trust Deed not to agree to any amendments to or modification or waiver of, and not to authorize any breach of, the relevant Loan Agreement unless the Trustee has given its prior written consent. The Issuer will agree to act at all times in accordance with any instructions of the Trustee with respect to the relevant Loan Agreement, except as provided in the Trust Deed and except in respect of Reserved Rights (as defined in the Trust Deed). The Issuer will notify the relevant Noteholders of any amendments, modifications, waivers or authorizations made with the Trustee's consent in accordance with the Terms and Conditions of the relevant Notes, which amendments, modifications, waivers or authorizations will be binding on the Noteholders. The Issuer does not intend to provide post-issuance transaction information regarding the Notes or the performance of each Loan.

Payments in respect of the Notes will be made without any deduction or withholding for or on account of taxes, except as required by law. If any deduction or withholding is required by law, the Issuer must, except in certain limited circumstances, pay additional amounts to the extent it receives corresponding amounts from Gazprom pursuant to the relevant Loan Agreement. In addition, payments under each Loan Agreement will be made without deduction or withholding for or on account of taxes, except as required by law. If any deduction or withholding is required by law with respect to payments under the Notes or the corresponding Loan Agreement, Gazprom must, except in certain limited circumstances, increase the amounts payable under such Loan Agreement by an amount equivalent to the required tax payment.

Gazprom may prepay each Loan at its principal amount, together with accrued and unpaid interest and additional amounts, if any, if Gazprom is required to increase the amount payable or to pay additional amounts on account of the taxes in respect of which it is required to pay additional amounts under the relevant Loan Agreement or if it is required to pay additional amounts on account of certain costs incurred by the Issuer. As set forth in each Loan Agreement, the Issuer may, at its own discretion, require Gazprom to prepay the relevant Loan if it becomes unlawful for the relevant Loan or the corresponding Notes to remain outstanding. Each Loan has characteristics that demonstrate a capacity to produce funds to service any payments due and payable on the corresponding Notes.

Set forth below is a diagram of the structure for the Notes and the Loans:



Notes to be issued under the Programme and the corresponding Loans

Issuer	Gaz Finance Plc, a public company with limited liability incorporated in England and Wales with its registered office at 11th Floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom and the company number 12185355 (the "**Issuer**").
Gazprom (as the Borrower)	Public Joint Stock Company Gazprom (the "**Borrower**" or "**Gazprom**") with its registered office and business headquarters at 16 Nametkina Street, 117420 Moscow, Russia.
Description	Programme for the Issuance of Loan Participation Notes with limited recourse pursuant to which the Issuer may issue loan participation notes (the "**Notes**").
Programme Size	Up to €30,000,000,000 (or its equivalent in other currencies at the date of issue) aggregate principal amount of Notes outstanding at any one time. Gazprom may increase the amount of the Programme in accordance with the Dealer Agreement (as defined herein). For the purpose of calculating the aggregate principal amount of Notes outstanding, Notes issued at a premium shall be treated as having been issued at the amount of their net proceeds received by the Issuer.
Arrangers and Dealers	GPB Financial Services Hong Kong Limited, J.P. Morgan Securities plc and UBS AG London Branch. Pursuant to the terms of the Dealer Agreement and the Dealer Side Agreement, the Issuer may from time to time terminate the appointment of any dealer under the Programme or appoint additional dealers either in respect of one or more Series of Notes or in respect of the whole Programme. References in this Base Prospectus to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as dealers in respect of one or more Series of Notes.
Trustee...	Citibank, N.A., London Branch.
Principal Paying Agent...................	Citibank, N.A., London Branch, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another principal paying agent is appointed in respect of that Series. References in this Base Prospectus to "**Principal Paying Agent**" are to Citibank, N.A., London Branch or such other alternative principal paying agent, as the case may be.
Account Bank	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that an alternative registrar is appointed in respect of that Series. References in this Base Prospectus to "**Registrar**" are to Citigroup Global Markets Europe AG or such alternative registrar, as the case may be.
Paying Agents	Citibank, N.A., London Branch, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another paying agent is appointed in respect of that Series. References in this Base Prospectus to "**Paying Agents**" are to Citibank, N.A., London Branch or such alternative paying agent, as the case may be.

Transfer Agent	Citibank, N.A., London Branch, unless it is specified in the relevant Final Terms or Series Prospectus relating to a Series of Notes that another transfer agent is appointed in respect of that Series. References in this Base Prospectus to "**Transfer Agent**" are to Citibank, N.A., London Branch or such alternative transfer agent, as the case may be.
Method of Issue	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. The specific terms of each Series will be completed in a final terms document (each, "**Final Terms**") which shall complete the Terms and Conditions of the Notes or a series prospectus (each, a "**Series Prospectus**"), which shall either complete or restate the Terms and Conditions of the Notes as the case may be.
Issue Price of Notes	Notes may be issued at their principal amount or at a discount or premium to their principal amount.
Status of the Notes	Each Series of Notes will constitute limited recourse secured obligations of the Issuer to apply the proceeds from the issue of the Notes solely for financing the corresponding Loan and to account to the Noteholders for amounts equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to such Loan, all as more fully described in "Terms and Conditions of the Notes—1. Status."
Ranking of the Loans	None of the Loans will be secured by any collateral. Each Loan will rank equal in right of payment with other outstanding and unsecured indebtedness of Gazprom but will effectively rank below all of our secured debt and the debt and other liabilities of Gazprom's subsidiaries.
Security	Each Series of Notes will be secured by way of first fixed charge on: • all principal, interest and other amounts payable by Gazprom to the Issuer under the relevant Loan Agreement and the right to receive all sums payable by Gazprom under any claim, award or judgment relating to such Loan Agreement; and • all of the Issuer's rights, title and interest in and to all sums of money held from time to time in an account specified in the relevant Final Terms or Series Prospectus, as the case may be, together with the debts represented thereby (including interest from time to time earned thereon) pursuant to the Trust Deed, in each case, other than certain Reserved Rights and any amounts in respect thereof.
Assignment of Rights	The Issuer with full title guarantee will assign absolutely its rights under the relevant Loan Agreement (save for those rights charged or excluded above) to the Trustee upon the closing of the offering of the corresponding Series of Notes.
Payments under the Loans and Notes	Payments by Gazprom under the relevant Loan Agreement into the account held with the Account Bank, the rights and interests in respect of which are charged and assigned in favour of the Noteholders, will satisfy the corresponding payment obligations of the Issuer under the Notes pursuant to the Terms and Conditions of the Notes.
Form of the Notes	The Notes will be issued in registered form. Each Series of Notes will be represented by a global unrestricted Note (each a "**Regulation S Global Note**") and, in the case of Rule 144A Notes, a global restricted Note (each a "**Rule 144A Global Note**" and together with any Regulation S Global Notes, the "**Global Notes**"), in each case without interest coupons. Global Notes will be exchangeable for Notes in definitive form in the limited circumstances specified in the Global Notes.
Clearing Systems	DTC (in the case of Rule 144A Notes), Clearstream, Luxembourg and Euroclear (in the case of Regulation S Notes or the Rule 144A Notes) and, in relation to any Series, such other clearing system as may be agreed between the Issuer, the Borrower, the Paying Agent, the Trustee and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Series, the Regulation S Global Notes shall be deposited with a common depositary for Euroclear and Clearstream, Luxembourg and the Rule 144A Global Notes, if any, will be deposited with Citibank, N.A., London Branch as custodian for DTC. Global Notes may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Borrower, the Paying Agent, the Trustee and the relevant Dealer(s). Notes that are

	to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Issuer, the Borrower and the relevant Dealers.
Maturities	Subject to compliance with all relevant laws, regulations and directives, any maturity as may be agreed between the Issuer, Gazprom and the relevant Dealers.
Specified Denomination	Notes will be in such denominations as may be specified in the relevant Final Terms or Series Prospectus, as the case may be, subject to (i) the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £200,000 (or their equivalent in other currencies). Notes resold pursuant to Rule 144A shall be in denominations of U.S.$200,000 (or its equivalent rounded upwards as agreed between the Issuer, Gazprom and the relevant Dealer(s)) or higher integral multiples of U.S.$1,000.
Minimum Issue Size	Pursuant to item (4) Regulation 5 of the United Kingdom Taxation of Securitisation Companies Regulations 2006, the principal amount of the Notes to be issued, as may be specified in the relevant Final Terms or Series Prospectus, is subject to a minimum principal amount of £10,000,000 or its equivalent in any other currency as at the date of the issue of the Notes.
Rate of Interest	The Notes may be issued on a fixed rate or floating rate basis.
Fixed Rate Notes	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Final Terms or Series Prospectus.
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series and corresponding Loan as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Series Prospectus) as adjusted for any applicable margin.
Interest Periods and Interest Rates .	The length of the interest periods for the Notes and the applicable interest rate may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Final Terms, or Series Prospectus, as the case may be.
Redemption	The relevant Final Terms, or Series Prospectus, as the case may be, will specify the redemption amounts payable and whether there will be any put or call options. Unless permitted by then current laws and regulations, Notes which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA must have a minimum redemption amount of £200,000 (or its equivalent in other currencies).
Issuer's Restrictions and Covenants	So long as any Note remains outstanding, the Issuer will not, without the consent of the Trustee, among other things, incur any other indebtedness for borrowed moneys (other than issuing loan participation notes for the purposes of making loans to Gazprom), or enter into other transactions or engage in any business (other than transactions contemplated by this Base Prospectus), declare any dividends or have any subsidiaries. See "Terms and Conditions of the Notes—4. Restrictive Covenants."
Withholding Tax and Increased Costs	If any payments to be made by the Issuer under any Notes become subject to any withholding tax imposed by the Russian Federation or the country of incorporation of the Issuer or any taxing authority thereof, the Issuer will be required (subject to certain customary exemptions (including the ICMA Standard EU Tax exemption Tax Language) and subject to receiving funds from Gazprom in respect thereof) to pay an additional amount to compensate Noteholders for any amounts so withheld. If any payments to be made by Gazprom under a Loan Agreement become subject to any withholding tax imposed by the Russian Federation or the country of incorporation of the Issuer (or following the enforcement of the security created in

the Trust Deed, the then jurisdiction of the Trustee) or any taxing authority thereof, or certain other circumstances result in the Issuer incurring any increased costs associated with the corresponding Loan, Gazprom will be required to pay an additional amount necessary to compensate the Issuer for the tax withheld or the increased cost to the Issuer.

Early Redemption...........................	If Gazprom is required to pay additional amounts under a Loan Agreement as described above, it will have the right to prepay the corresponding Loan, upon not less than 10 days' notice to the Issuer, in whole (but not in part) at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of repayment on the next Interest Payment Date (in the case of a Floating Rate Loan) or at any time (in the case of a Fixed Rate Loan). If it becomes unlawful for the Issuer to fund a Loan or allow such Loan to remain outstanding under the relevant Loan Agreement or allow the corresponding Notes to remain outstanding, as more fully described in the Facility Agreement, the Issuer may require such Loan to be repaid in full, upon giving notice to Gazprom and the Trustee, at the principal amount thereof, together with accrued and unpaid interest and additional amounts, if any, to the date of repayment. In such circumstances, the Issuer will be required to redeem the Notes corresponding to such Loan, at their principal amount, plus accrued and unpaid interest and additional amounts, if any, to the date of such repayment.
Relevant Events.............................	In the case of certain events in relation to an Issuer (as defined in the "Terms and Conditions of the Notes"), the Trustee may, subject as provided in the Trust Deed, enforce the security created in the Trust Deed in favour of the Noteholders.
Certain Restrictions and Covenants	The Issuer will have the benefit of certain covenants made by Gazprom, such as a negative pledge and restrictions on mergers, all as fully described in the relevant Loan Agreement.
Events of Default...........................	In the case of an Event of Default (as defined in the relevant Loan Agreement), the Trustee may, subject as provided in the Trust Deed, require the Issuer to declare all amounts payable under the relevant Loan Agreement by Gazprom to be due and payable.
Use of Proceeds of the Notes and the Loans	The gross proceeds from each offering of a Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to the Borrower. Except as otherwise specified in the relevant Final Terms or Series Prospectus, the proceeds of such Loan will be used by the Borrower for general corporate purposes. At the date of this Base Prospectus, the Borrower has no specific plans in relation to any of the proceeds it would borrow under a Loan. The Borrower shall not use the proceeds of such Loan for the purpose of funding any person (other than the Borrower), activity, business or transaction (whichever is applicable pursuant to the nature and scope of the relevant sanctions regime), that is, as of the date of such funding, subject to any sanctions (i) administered or enforced by the U.S. Government (including, without limitation, OFAC or the U.S. Department of State), or any enabling legislation or executive order relating thereto, or (ii) imposed by the European Union, the United Kingdom, the United Nations, the Swiss State Secretariat for Economic Affairs (SECO), including sanctions imposed against certain states, organizations and individuals under the European Union's Common Foreign & Security Policy.
Further Issues	The Issuer may from time to time issue further Notes of any Series on the same terms as existing Notes and such further Notes shall be consolidated and form a single Series with such existing Notes of the same Series.
Listing and Admission to Trading..	Application will be made, where specified in the relevant Final Terms or Series Prospectus, as the case may be, for a Series of Notes to be listed on the Regulated Market of Euronext Dublin and to admit them to trading on its regulated market or such other stock exchange as shall be specified in the relevant Final Terms or Series Prospectus, as the case may be, or the Series of Notes will remain unlisted.
Rating	A Series of Notes issued under the Programme may be rated or unrated. If a Series of Notes is rated, such rating will be specified in the relevant Final Terms or Series Prospectus. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under the CRA Regulation will be disclosed in the Final Terms or Series Prospectus. Credit ratings assigned to the Notes do not necessarily mean that they are a suitable investment. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. Similar ratings on different types of notes do not necessarily mean the same thing. The ratings do not address the

	likelihood that the principal on the Notes will be prepaid, paid on an expected final payment date or paid on any particular date before the legal final maturity date of the Notes. The ratings do not address the marketability of the Notes or any market price. Any change in the credit ratings of the Notes or Gazprom could adversely affect the price that a subsequent purchaser will be willing to pay for the Notes. The significance of each rating should be analyzed independently from any other rating.
Governing Law..............................	The Notes will be governed by English law.
Selling Restrictions	United Kingdom, United States, Russian Federation, Canada, Prohibition of Sales to EEA and UK Retail Investors, Singapore, Hong Kong and any other jurisdiction relevant to any Series. See “Subscription and Sale.”

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

Our financial information set forth herein, unless otherwise indicated, has been extracted or derived from the Group's Financial Statements. IFRS differs in certain respects from U.S. GAAP. The summary consolidated financial information set forth below should be read in conjunction with the Group's Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" below and in this Base Prospectus.

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR)				
Statement of Comprehensive Income					
Sales	2,903,148	4,076,751	7,659,623	8,224,177	6,546,143
Net gain (loss) from trading activity	14,438	(32,615)	(24,957)	18,015	(16,352)
Operating expenses[(1)]	(2,693,257)	(3,196,687)	(6,387,071)	(6,181,191)	(5,697,056)
(Impairment loss) reversal of impairment loss on financial assets	(34,344)	(66,571)	(127,738)	(130,971)	38,670
Operating profit	189,985	780,878	1,119,857	1,930,030	871,405
Finance income	459,352	353,638	654,916	503,091	426,705
Finance expense	(740,984)	(124,493)	(354,835)	(813,042)	(407,044)
Share of profit of associates and joint ventures	74,841	115,255	207,127	232,483	126,940
Profit tax	62,266	(246,634)	(357,548)	(323,566)	(251,127)
Profit for the period	45,460	878,644	1,269,517	1,528,996	766,879
Profit for the period attributable to non-controlling interest	12,541	42,147	66,630	72,726	52,577
Profit for the period attributable to owners of Gazprom	32,919	836,497	1,202,887	1,456,270	714,302
Other comprehensive income (loss) for the period, net of tax	19,178	(165,286)	(336,555)	415,043	4,390
Comprehensive income for the period	64,638	713,358	932,962	1,944,039	771,269
Comprehensive income for the period attributable to non-controlling interest	23,972	33,770	55,634	85,553	60,429
Comprehensive income for the period attributable to owners of Gazprom	40,666	679,588	877,328	1,858,486	710,840

	As of June 30,	As of December 31,		
	2020	2019	2018	2017
	(amounts in millions of RR)			
Balance Sheet				
Assets				
Total current assets, of which	3,511,030	3,828,153	4,212,230	3,469,266
Cash and cash equivalents[(2)]	738,836	696,057	849,419	869,007
Accounts receivable and prepayments	913,136	1,040,340	1,222,735	1,122,724
Inventories	967,104	946,361	909,677	772,314
Other current assets[(3)]	704,845	945,279	1,053,115	554,283
Total non-current assets, of which	18,547,971	18,054,195	16,598,210	14,769,504
Property, plant and equipment	15,259,745	14,856,448	13,809,434	12,545,079
Total assets	22,059,001	21,882,348	20,810,440	18,238,770
Liabilities and Equity				
Current liabilities, of which	2,367,514	2,527,476	2,473,695	2,589,516
Accounts payable, provisions and other liabilities	1,453,922	1,422,116	1,522,101	1,378,182
Short-term borrowings, promissory notes and current portion of long-term borrowings	667,052	774,202	569,061	874,805
Non-current liabilities, of which	5,381,914	4,739,185	4,560,592	3,633,773
Long-term borrowings, promissory notes	3,755,948	3,089,702	3,294,761	2,391,713
Total liabilities	7,749,428	7,266,661	7,034,287	6,223,289
Total equity, of which	14,309,573	14,615,687	13,776,153	12,015,481
Non-controlling interest	523,121	510,854	476,144	386,395

Alternative Performance Measures

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR, except ratios)				
APMs					
Adjusted EBITDA[(4)]	601,027	1,130,282	1,859,679	2,599,284	1,467,692
LTM Adjusted EBITDA [(4)]	1,330,424	NA	NA	NA	NA
Adjusted EBITDA Margin[(5)]	21%	28%	24%	32%	22%
Total Debt[(6)]	4,423,000	NA	3,863,904	3,863,822	3,266,518
Net Debt[(7)]	3,684,164	NA	3,167,847	3,014,403	2,397,511
Adjusted Net Debt[(8)]	3,271,420	NA	2,491,425	2,216,831	2,067,983
Net Debt/Adjusted EBITDA[(9)]	NA	NA	1.70	1.16	1.63
Net Debt/LTM Adjusted EBITDA[(10)]	2.77	NA	NA	NA	NA
Adjusted Net Debt/Adjusted EBITDA[(11)]	NA	NA	1.34	0.85	1.41
Adjusted Net Debt/LTM Adjusted EBITDA[(12)]	2.46	NA	NA	NA	NA
Free Cash Flow[(13)]	39,455	468,272	(66,539)	(22,090)	(218,758)
Adjusted Free Cash Flow[(14)]	(300,118)	158,701	(9,324)	487,915	24,016

Notes:

(1) For the purposes of compliance with IFRS 9 Financial Instruments applied from January 1, 2018, the Group has changed the presentation of information in the consolidated statement of comprehensive income as follows: (i) the line item "Change in impairment and other provisions" has been replaced by two line items "(Impairment loss) reversal of impairment loss on financial assets" and "(Reversal of impairment loss) impairment loss on non-financial assets", the latter is presented as part of the "Operating expenses"; and (ii) the line item "Gain (loss) on disposal of available-for-sale financial assets" has been reclassified to the "Operating expenses". Due to such modifications, and to align the presentation of the relevant financial information with our Unaudited consolidated interim condensed financial information, the presentation of our consolidated statement of comprehensive income for the year 2017 in this Base Prospectus differs from that in our previously published Audited consolidated financial statements for the period indicated.

(2) Balances included within cash and cash equivalents represent cash on hand, balances with banks and term deposits with the original maturity of three months or less.

(3) This line item has been extracted without adjustment from, and has the meaning given to it under, the Group's Financial Statements. Other current assets include short-term deposits in the amount of RR412,015 million, RR673,145 million, RR796,140 million and RR327,969 million as of

June 30, 2020, and December 31, 2019, 2018 and 2017, respectively.

(4) Sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments. Adjusted EBITDA or LTM Adjusted EBITDA should not be considered as an alternative to profit, operating profit, net cash provided by operating activities or any other measure of performance under IFRS and may not be comparable to similar non-GAAP measures used by other companies. Adjusted EBITDA has limitations as analytical tool. See "Presentation of Certain Information".

(5) Adjusted EBITDA divided by sales.

(6) Sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings and long-term promissory notes payable.

(7) Sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings and long-term promissory notes payable, net of cash and cash equivalents.

(8) Net Debt less short-term and long-term bank deposits.

(9) Net Debt divided by Adjusted EBITDA.

(10) Net Debt divided by LTM Adjusted EBITDA.

(11) Adjusted Net Debt divided by Adjusted EBITDA.

(12) Adjusted Net Debt divided by LTM Adjusted EBITDA.

(13) Net cash flow from operating activities less cash capital expenditures.

(14) Free Cash Flow less net effect of cash transfers from and to short-term bank deposits on cash flow from operating activities.

Adjusted EBITDA reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
			(amounts in millions of RR)		
Operating profit	189,985	780,878	1,119,857	1,930,030	871,405
Less:					
Change in allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments[1]	34,393	66,844	132,527	131,453	(38,049)
Plus:					
Impairment loss (reversal of impairment) on financial and non-financial assets	48,544	68,373	157,120	152,714	(54,922)
Plus:					
Depreciation	396,891	347,875	715,229	647,993	613,160
Adjusted EBITDA	**601,027**	**1,130,282**	**1,859,679**	**2,599,284**	**1,467,692**

LTM Adjusted EBITDA reconciliation

	(amounts in millions of RR)
Adjusted EBITDA for the year ended December 31, 2019	1,859,679
Less:	
Adjusted EBITDA in the six-month period ended June 30, 2019	1,130,282
Plus:	
Adjusted EBITDA in the six-month period ended June 30, 2020	601,027
LTM Adjusted EBITDA	**1,330,424**

Adjusted EBITDA Margin reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
			(amounts in millions of RR)		
Adjusted EBITDA	601,027	1,130,282	1,859,679	2,599,284	1,467,692
Divide by:					
Sales	2,903,148	4,076,751	7,659,623	8,224,177	6,546,143
Adjusted EBITDA Margin	**21%**	**28%**	**24%**	**32%**	**22%**

Total Debt reconciliation

	As of June 30,		As of December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
			(amounts in millions of RR)		
Short-term borrowings, promissory notes and current portion of long-term borrowings	667,052	NA	774,202	569,061	874,805
Plus:					
Long-term borrowings, promissory notes	3,755,948	NA	3,089,702	3,294,761	2,391,713
Total Debt[2]	**4,423,000**	**NA**	**3,863,904**	**3,863,822**	**3,266,518**

[1] Item "Change in allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments" is not directly reconcilable to the Group's Financial Statements as it forms part of the line item "Impairment loss (reversal of impairment) on financial assets and non-financial assets". Item "Change in allowances for expected credit losses on accounts receivable and impairment allowances on prepayments" has been calculated consistently with accounting principles and policies used by the Group for preparation of its Financial Statements.

[2] As of June 30, 2020, 47%, 24%, 22% and 7% of our Total Debt were denominated in euro, U.S. dollars, Russian Roubles and other currencies, respectively.

Net Debt reconciliation

	As of June 30,		As of December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR)				
Short-term borrowings, promissory notes and current portion of long-term borrowings	667,052	NA	774,202	569,061	874,805
Plus:					
Long-term borrowings, promissory notes	3,755,948	NA	3,089,702	3,294,761	2,391,713
Less:					
Cash and cash equivalents	738,836	NA	696,057	849,419	869,007
Net Debt	**3,684,164**	**NA**	**3,167,847**	**3,014,403**	**2,397,511**

Adjusted Net Debt reconciliation

	As of June 30,		As of December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR)				
Net Debt	3,684,164	NA	3,167,847	3,014,403	2,397,511
Less:					
Short-term bank deposits	412,015	NA	673,145	796,140	327,969
Less:					
Long-term bank deposits	729	NA	3,277	1,432	1,559
Adjusted Net Debt	**3,271,420**	**NA**	**2,491,425**	**2,216,831**	**2,067,983**

Net Debt/Adjusted EBITDA reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR, except ratios)				
Net Debt	3,684,164	NA	3,167,847	3,014,403	2,397,511
Divide by:					
Adjusted EBITDA	601,027	1,130,282	1,859,679	2,599,284	1,467,692
Net Debt/Adjusted EBITDA	**NA**	**NA**	**1.70**	**1.16**	**1.63**

Net Debt/LTM Adjusted EBITDA reconciliation

	(amounts in millions of RR, except ratios)
Net Debt as of June 30, 2020	3,684,164
Divide by:	
LTM Adjusted EBITDA	1,330,424
Net Debt/ LTM Adjusted EBITDA	**2.77**

Adjusted Net Debt/Adjusted EBITDA reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR, except ratios)				
Adjusted Net Debt	3,271,420	NA	2,491,425	2,216,831	2,067,983
Divide by:					
Adjusted EBITDA	601,027	1,130,282	1,859,679	2,599,284	1,467,692
Adjusted Net Debt/Adjusted EBITDA	**NA**	**NA**	**1.34**	**0.85**	**1.41**

Adjusted Net Debt/LTM Adjusted EBITDA reconciliation

	(amounts in millions of RR, except ratios)
Adjusted Net Debt as of June 30, 2020	3,271,420
Divide by:	
LTM Adjusted EBITDA	1,330,424
Adjusted Net Debt/LTM Adjusted EBITDA	**2.46**

Free Cash Flow reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR)				
Net cash flow from operating activities	759,651	1,256,653	1,709,384	1,617,384	1,187,022
Less:					
Cash capital expenditures	720,196	788,381	1,775,923	1,639,474	1,405,780
Free Cash Flow	**39,455**	**468,272**	**(66,539)**	**(22,090)**	**(218,758)**

Adjusted Free Cash Flow reconciliation

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(amounts in millions of RR)				
Free Cash Flow	39,455	468,272	(66,539)	(22,090)	(218,758)
Less:					
Effect of cash transfers from and to short-term bank deposits on cash flow from operating activities[3]	339,573	309,571	122,995	(510,005)	(242,774)
Less:					
Effects of debt payment to Naftogaz[4]	—	—	(180,210)	—	—
Adjusted Free Cash Flow	**(300,118)**	**158,701**	**(9,324)**	**487,915**	**24,016**

[3] Item "Effect of cash transfers from and to short-term bank deposits on cash flow from operating activities" is not directly reconcilable to the Group's Financial Statements as it forms part of the line item "Decrease (increase) in other current assets". Item "Effect of cash transfers from and to short-term bank deposits on cash flow from operating activities" has been calculated consistently with accounting principles and policies used by the Group for preparation of its Financial Statements.

4 Item "Effects of debt payment to Naftogaz" is not directly reconcilable to the Group's Financial Statements as it forms part of the line item "(Decrease) increase in accounts payable, excluding interest, dividends and capital construction". Item "Effects of debt payment to Naftogaz" has been calculated consistently with accounting principles and policies used by the Group for preparation of its Financial Statements.

SUMMARY RESERVES INFORMATION

We estimate our reserves of natural gas, gas condensate and crude oil using the Russian reserves system, which differs significantly from PRMS Standards, in particular with respect to the manner in which and the extent to which economic and commercial factors are taken into account in calculating reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters."

Our reserves and production calculation methodology is consistent with IFRS consolidation principles. Thus, our subsidiaries' reserves and production information is included in full in our total reserves and production, disregarding our effective share in such subsidiaries. Reserves and production information of our joint arrangements determined to be joint operations for accounting purposes is included in our reserves and production data pro rata to our interest in such joint operations. Consistent with IFRS consolidation principles, the information on hydrocarbon reserves and production of our associates and joint arrangements determined to be joint ventures for accounting purposes is not included in our total reserves and production figures. However, material information on the AB_1C_1 hydrocarbon reserves and production of our associates and joint ventures is presented separately. See "Gazprom—Reserves and Production—Reserves."

The following table shows our total AB_1C_1 natural gas, gas condensate and crude oil reserves and the percentage share of AB_1C_1 reserves evaluated by DeGolyer and MacNaughton in accordance with PRMS Standards as well as the proved, probable and possible reserves determined as a result of their evaluation as of the dates indicated. The D&M Letter contains additional information on the proved and probable gas, gas condensate and crude oil reserves of our subsidiaries evaluated in accordance with PRMS Standards as of December 31, 2019. The correlation between AB_1C_1 reserves and proved and probable reserves may differ in the fields that have not yet been evaluated. Moreover, the correlation may vary at different times for the same fields. Amounts in barrels differ from those provided in the D&M Letter because in this Base Prospectus we use a conversion rate from metric tons of crude oil to barrels of one ton = 7.33 barrels, a conversion rate from one thousand cubic meters of natural gas to barrels of oil of one mcm = 6.49 barrels, and a conversion rate from metric tons of gas condensate to barrels of gas condensate of one ton = 8.18 barrels. Amounts in barrels provided in the D&M Letter are calculated based on the specific gravities of each field.

	As of December 31,			As of December 31,		
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
	Gas, bcm			**Gas, mmboe**		
AB_1C_1	34,899.0	35,195.3	35,355.4	226,494.5	228,417.5	229,456.5
of which evaluated AB_1C_1	93%	93%	94%	93%	93%	94%
Proved	17,715.1	17,890.4	18,253.4	114,971.0	116,108.7	118,464.5
Probable	6,680.4	6,364.7	5,893.2	43,355.8	41,306.9	38,246.9
Proved + probable	24,395.5	24,255.1	24,146.6	158,326.8	157,415.6	156,711.4
	Gas condensate, million tons			**Gas condensate, mmboe**		
AB_1C_1	1,569.7	1,604.4	1,595.6	12,840.1	13,124.0	13,052.0
of which evaluated AB_1C_1	95%	94%	93%	95%	94%	93%
Proved	730.2	759.7	797.7	5,973.0	6,214.3	6,525.2
Probable	333.0	330.5	308.0	2,723.9	2,703.5	2,519.4
Proved + probable	1,063.2	1,090.2	1,105.7	8,696.9	8,917.8	9,044.6
	Crude oil, million tons			**Crude oil, mmboe**		
AB_1C_1	2,005.7	2,015.7	2,045.3	14,701.8	14,775.1	14,992.1
of which evaluated AB_1C_1	96%	94%	94%	96%	94%	94%
Proved	707.5	712.3	736.8	5,186.0	5,221.2	5,400.7
Probable	667.3	623.1	623.2	4,891.3	4,567.3	4,568.1
Proved + probable	1,374.8	1,335.4	1,360.0	10,077.3	9,788.5	9,968.8
				Gas, gas condensate, crude oil, mmboe		
AB_1C_1				254,036.4	256,316.6	257,500.6
of which evaluated AB_1C_1				93%	93%	94%
Proved				126,130.0	127,544.2	130,390.4
Probable				50,971.0	48,577.7	45,334.4
Proved + probable				177,101.0	176,121.9	175,724.8

The following table shows the AB_1C_1 natural gas, gas condensate and crude oil reserves of our associates and joint ventures in Russia pro rata to our effective interests therein as of the end of the respective periods:

	As of December 31,		
	2019	**2018**	**2017**
Natural gas (bcm)	1,064.0	1,146.7	1,003.8
(bboe)	6.9	7.4	6.5
Oil and gas condensate (million tons)	699.7	702.1	679.1
(bbls)	5.2	5.2	5.1
Total (bboe)	**12.1**	**12.7**	**11.6**

SUMMARY PRODUCTION INFORMATION

The following table sets forth our summary production data for the periods indicated. Our production activities are more fully described in "Gazprom—Reserves and Production":

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Natural gas (bcm)	221.5	259.3	501.2	498.7	472.1
(mmboe)	1,437.7	1,682.8.	3,252.9	3,236.4	3,063.6
Gas condensate (million tons)	8.0	8.5	16.7	15.9	15.9
(mmbls)	65.3	69.8	136.7	130.3	130.4
Crude oil (million tons)	22.7	23.7	48.0	48.3	48.6
(mmbls)	166.0	174.0	351.5	353.9	356.5
Total (mmboe)	**1,669.0**	**1,926.6**	**3,741.2**	**3,720.6**	**3,550.5**

The following table sets forth summary production data of our associates and joint ventures in Russia attributable to the Group for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Natural gas (bcm)	14.0	13.3	26.9	26.9	27.0
(mmboe)	91.2	86.2	174.3	174.7	175.2
Gas condensate (million tons)	2.5	2.4	4.7	4.9	5.0
(mmbls)	20.3	19.4	38.8	39.8	40.9
Crude oil (million tons)	5.5	5.7	11.8	11.2	10.9
(mmbls)	40.0	42.1	86.3	82.3	79.9
Total (mmboe)	**151.5**	**147.8**	**299.4**	**296.8**	**296.0**

SUMMARY SALES AND OPERATING INFORMATION

The following table summarizes certain sales and operating information for the periods indicated. You should read this information together with the Group's Financial Statements included elsewhere in this Base Prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations." See "Gazprom" for a full description of our sales and operations.

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(amounts in millions of RR, except volumes)				
Gas (bcm)	230.7	263.4	506.9	521.1	506.9
Domestic sales[1]	488,703	518,256	970,913	954,493	875,685
FSU[2]	146,186	202,637	393,526	389,217	323,037
Europe and Other Countries[2]	930,480	1,806,757	3,163,881	3,770,291	2,823,939
Total	**1,565,369**	**2,527,650**	**4,528,320**	**5,114,001**	**4,022,661**

Notes:

(1) Net of VAT.

(2) Gross sales (including customs duties and excise tax).

The following table sets out our average prices per mcm of natural gas (including customs duties, excise tax and net of VAT) for the periods indicated in nominal terms (actual prices realized at the time). Our sales to Europe and Other Countries and the FSU are denominated in convertible currencies, mainly in U.S. dollars and euros.

	Six months ended June 30,				Year ended December 31,					
	2020		**2019**		**2019**		**2018**		**2017**	
	Average price, U.S.$[1]	**Average price, RR**	**Average price, U.S.$[1]**	**Average price, RR**	**Average price, U.S.$[1]**	**Average price, RR**	**Average price, U.S.$[1]**	**Average price, RR**	**Average price, U.S.$[1]**	**Average price, RR**
Europe and Other Countries	136.0	9,475.4	235.3	15,331.0	210.6	13,613.0	246.4	15,499.5	200.2	11,670.5
FSU	140.7	9,803.5	163.2	10,637.1	157.4	10,175.9	162.6	10,225.9	158.4	9,237.0
Russia	59.6	4,156.8	62.9	4,100.8	63.7	4,118.2	63.3	3,981.3	65.3	3,808.3

Note:

(1) Calculated based on average exchange rate for respective periods.

Information with respect to sales of gas condensate, crude oil and refined products including Gazprom Neft's operations is set forth under "Gazprom—Distribution".

USE OF PROCEEDS

The gross proceeds from each offering of a Series of Notes will be used by the Issuer for the sole purpose of financing the corresponding Loan to the Borrower. Except as otherwise specified in the relevant Final Terms or Series Prospectus, the proceeds of such Loan will be used by the Borrower for general corporate purposes. At the date of this Base Prospectus, the Borrower has no specific plans in relation to any of the proceeds it would borrow under a Loan. The Borrower shall not use the proceeds of such Loan for the purpose of funding any person (other than the Borrower), activity, business or transaction (whichever is applicable pursuant to the nature and scope of the relevant sanctions regime), that is, as of the date of such funding, subject to any sanctions (i) administered or enforced by the U.S. Government (including, without limitation, OFAC or the U.S. Department of State), or any enabling legislation or executive order relating thereto, or (ii) imposed by the European Union, the United Kingdom, the United Nations, the Swiss State Secretariat for Economic Affairs (SECO), including sanctions imposed against certain states, organizations and individuals under the European Union's Common Foreign & Security Policy.

CAPITALIZATION

The following table shows our consolidated cash and cash equivalents, short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable and total capitalization, consisting of long-term borrowings, long-term promissory notes payable and total equity, as of June 30, 2020, extracted from our Unaudited consolidated interim condensed financial information. For further information regarding our financial condition, see "Summary Consolidated Financial Information," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Group's Financial Statements included elsewhere in this Base Prospectus.

	As of June 30, 2020
	(RR million)
Cash and cash equivalents	738,836
Total short-term debt obligations	667,052
Total long-term debt obligations	3,755,948
Total equity, of which:	14,309,573
Share capital[(1)]	325,194
Treasury shares	(331)
Retained earnings and other reserves	13,461,589
Non-controlling interest	523,121
Total capitalization	18,065,521

Note:

(1) Authorized, issued and paid-in share capital consists of 23.7 billion ordinary shares, each with a historical par value of RR5.

Borrowings

In July 2020 the Group obtained a long-term loan from PJSC Credit Bank of Moscow in the amount of RR15,000 million bearing an interest rate of the current key rate of the Central Bank of the Russian Federation + 0.4% due in 2025 under the agreement concluded in February 2020.

In July-August 2020 our subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of €336 million bearing interest rates from EURIBOR + 1.00% to EURIBOR + 3.95% and RR19,500 million bearing an interest rate of the current key rate of the Central Bank of the Russian Federation + 2.15% and due in 2034-2036. The loans were obtained under the terms of the long-term financing agreements signed in December 2019 pursuant to the contractual framework for financing the construction of the Amur gas processing plant. ING Bank N.V., Intesa Sanpaolo S.p.A. and PJSC Sberbank were appointed as agent banks.

In July 2020 the Group signed an agreement to obtain a long-term loan from JSC SMP Bank in the amount of RR10,000 million to bear an interest rate not exceeding the then-current key rate of the Central Bank of the Russian Federation + 1% and repayable in 2025.

In August 2020, the Group obtained short-term loans from Russian banks in an aggregate amount of RR15,000 million due in November 2020.

In September 2020, the Group obtained a long-term loan from an international bank in the amount of €400 million due in 2023.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Group's Financial Statements included elsewhere in this Base Prospectus. This review includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including the risks discussed under "Risk Factors" above.

Overview

We are one of the world's largest gas and oil companies in terms of volume of reserves, production of gas and market capitalization. Our sales are primarily derived from sales of natural gas, crude oil and other hydrocarbon products to countries of Western and Central Europe, the Russian Federation and other Former Soviet Union countries.

We divide our operations into the following principal activities:

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

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

Our main business segments are mutually dependent, with a significant portion of the revenues of one segment comprising a part of the costs of another segment. In particular, our Distribution of gas segment purchases natural gas from our Production of gas segment and transportation services from our Transportation segment. Our Refining segment purchases gas from our Production of gas segment and crude oil and gas condensate from our Production of crude oil and gas condensate segment. We establish internal transfer prices with reference to the specific funding requirements of the individual subsidiaries within each segment. Accordingly, the results of operations of these segments on a stand-alone basis do not necessarily represent each segment's underlying financial position and results of operations as if it were a stand-alone business. For this reason, we do not analyze any of our main segments separately in the discussion that follows.

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

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

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

Impact of New Accounting Developments

Application of Amendments to Standards

The following amendments to current standards became effective beginning on or after January 1, 2020:

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

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

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

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

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

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

Certain Factors Affecting our Results of Operations

The primary factors affecting our results of operations are significant volatility in global and Russian markets which affect demand for hydrocarbons, and the price for which we can sell our natural gas, crude oil and other hydrocarbon products, both internationally and in Russia.

Other factors affecting our results are:

- the impact of fluctuations in ruble exchange rates against the U.S. dollar and the euro;
- our historically high tax burden;
- interest rates;
- gas transportation agreements; and
- impairment of assets.

(see "*Risk Factors*" for further information).

Current economic environment in Russia

Since Russia produces and exports large quantities of natural gas, crude oil and other commodities, its economy is particularly sensitive to fluctuations in world commodity prices. In 2014 and 2015, crude oil prices significantly decreased which resulted in a slowdown of the Russian economy and a period of recession in 2015. Crude oil prices significantly recovered in 2016, remained relatively flat in 2017, increased in the first half of 2018, declined significantly at the end of 2018, increased in 2019 and declined significantly in the first half of 2020.

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

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

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

The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods.

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

Export price of natural gas

Our results of operations are heavily reliant on natural gas export prices. In the six-month period ended June 30, 2020 compared to the six-month period ended June 30, 2019 and in 2019 compared to 2018 average U.S. dollar prices for natural gas we sold in Europe and Other Countries and in FSU countries decreased.

In 2018 compared to 2017 average U.S. dollar prices for natural gas we sold in Europe and Other Countries and in FSU countries increased.

Our natural gas export prices to Europe and Other Countries are indexed mainly to oil product prices as stipulated in our long-term contracts and, therefore, fluctuate based on world oil prices. Due to the formulas underlying our long-term contracts, our prices are not as volatile on a short-term basis as spot crude oil prices. However, in the period from 2010 through 2015, we revised our long-term contract pricing with the most of our European customers. In 2010, in response to changes in the European gas market and to improve our competitive position, we amended some of our long-term gas supply contracts with European customers to link prices for certain volumes supplied under our long-term contracts to trading floor quotations for the price of gas. From 2011 through 2013, we developed alternative pricing mechanisms. While we include trading floor quotations in some of our contracts, we generally consider such pricing mechanism to be less reliable for the customers under our long-term contracts as compared to oil product-linked prices due to the volatility and lack of predictability of trading floor quotations. The Gas Directives established common rules for the transmission, distribution, supply and storage of natural gas in the European market and influenced European market structures and the overall level and volatility of prices.

Weather is another factor affecting demand for and, therefore, the price of natural gas. Changes in weather conditions from year to year can influence demand for natural gas and, to some extent, gas condensate and oil products.

The following table shows our average natural gas export prices to Europe and Other Countries and FSU countries for the periods indicated (including customs duties and excise tax):

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
	(Including customs duties and excise tax)				
Our natural gas export price to Europe and Other Countries (U.S.$ per mcm)[1, 3]	136.0	235.3	210.6	246.4	200.2
Our natural gas export price to Europe and Other Countries (U.S.$ per mcf)[1, 2, 3]	3.9	6.7	6.0	7.0	5.7
Our natural gas export price to Europe and Other Countries (RR per mcm)[3, 4]	9,475.4	15,331.0	13,613.0	15,499.5	11,670.5
Our natural gas export price to FSU countries (U.S.$ per mcm)[1, 3]	140.7	163.2	157.4	162.6	158.4
Our natural gas export price to FSU countries (U.S.$ per mcf)[1, 2, 3]	4.0	4.6	4.5	4.6	4.5
Our natural gas export price to FSU countries (RR per mcm)[3, 4]	9,803.5	10,637.1	10,175.9	10,225.9	9,237.0

Notes:

(1) Average sales price in RR converted to U.S.$ at the average exchange rate in the respective reporting period.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Export prices exclude impact of retroactive price adjustments.

(4) Average sales price in the respective reporting period.

Our business requires significant ongoing capital expenditures in order to maintain natural gas production levels and transportation systems. An extended period of low gas prices would limit our ability to maintain an adequate level of capital expenditures, which in turn could limit our ability to sustain current levels of production and deliveries of gas, thereby adversely affecting our results.

Regulation of domestic natural gas prices and transportation tariffs

Natural gas prices and transportation tariffs in Russia are regulated by the Government. See "Gazprom—Overview—Relationship with the Government".

Natural gas prices in Russia have remained significantly below export prices (even after netting back export tariffs and transportation costs) primarily due to governmental regulations.

The following table shows our average domestic natural gas prices (net of VAT) for the periods indicated:

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
			(net of VAT)		
Our domestic natural gas price (RR per mcm)[1]	4,156.8	4,100.8	4,118.2	3,981.3	3,808.3
Our domestic natural gas price (RR per mcf)[1, 3]	117.7	116.1	116.6	112.7	107.8
Our domestic natural gas price (U.S.$ per mcm)[2]	59.6	62.9	63.7	63.3	65.3
Our domestic natural gas price (U.S.$ per mcf)[2, 3]	1.7	1.8	1.8	1.8	1.8

Notes:

(1) Average sales price in the respective reporting period.

(2) Average sales price in RR converted to U.S.$ at the average exchange rate in the respective reporting period.

(3) One mcm is equivalent to 35,316 cubic feet.

For more information on regulation of our domestic prices, see "Gazprom—Distribution—Russia—Domestic market conditions".

During the six-month periods ended June 30, 2020 and 2019 and years ended December 31, 2019, 2018 and 2017 our sales of gas transportation services were 3.8%, 2.7%, 2.8%, 2.7% and 3.6% of total sales (net of VAT, excise tax and customs duties) for each of these periods.

Price of crude oil

Our net sales of crude oil in the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017 were RR193,542 million, RR355,561 million, RR700,938 million, RR673,667 million and RR505,160 million, respectively. This represents approximately 7%, 9%, 9%, 8% and 8% of our net sales (net of VAT, excise tax and customs duties) for such periods. Our results of operations are affected by the prevailing price of crude oil, both in domestic and international oil markets. Crude oil prices have historically been highly volatile, dependent upon the balance between supply and demand, global and regional economic and political developments in resource-producing regions, particularly in the Middle East, global economic conditions and production levels of OPEC. Crude oil prices remained relatively flat in 2017, increased in the first half of 2018, declined significantly at the end of 2018, increased in 2019 and declined significantly in the first half of 2020. The Brent crude oil price averaged approximately U.S.$54.7, U.S.$71.5, U.S.$64.2, U.S.$66.2 and U.S.$42.1 during 2017, 2018, 2019 and in the six-month periods ended June 30, 2019 and 2020, respectively. Crude oil prices in Russia have historically been lower than in the international market primarily due to additional costs (in particular, customs duties) associated with exporting crude oil. Domestic crude oil prices are contract specific as there is no active market for domestic crude oil and market prices are not available.

Price of electric and heat energy

In the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017 our electric and heat energy sales were RR252,240 million, RR277,895 million, RR518,373 million, RR522,095 million and RR503,819 million, respectively. This represents approximately 9%, 7%, 7%, 6% and 8% of our net sales (net of VAT, excise tax and customs duties) for such periods. Our operations are affected by applicable electricity tariffs and market (not regulated) prices of and demand for electricity. As of June 30, 2020, prices for wholesale natural gas sales by Gazprom and its affiliated companies, gas transportation and electricity tariffs in Russia were regulated by the FAS.

Impact of inflation and changes in exchange rates on export sales and operating margins

In the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017, 51%, 63%, 61%, 63% and 59% of our gross sales (including customs duties and excise tax, net of VAT), respectively, were denominated in foreign currency, mainly in U.S. dollars or euros, while most of our costs were denominated in rubles. The relative movements of inflation and exchange rates therefore significantly affect our results of operations. In particular, our operating margins are generally adversely affected by appreciation of the ruble against the U.S. dollar or the euro, because this will generally cause our costs to increase relative to our sales revenues. The pressure on operating margins arising from ruble appreciation is further intensified by the relatively high inflation rate in Russia, which can further increase our costs, though this can be offset by domestic price rises when permitted by the FAS. Conversely, our operating margins are generally positively affected by depreciation of the ruble against the U.S. dollar or the euro, because this will generally cause our costs to decrease relative to our sales revenues. However, an appreciation of the U.S. dollar or the euro against the ruble also potentially increases the cost of servicing our indebtedness denominated in these currencies.

The following table sets forth the rates of inflation in Russia, and the rates of nominal and real appreciation or depreciation of the ruble against the U.S. dollar and the euro as determined by the CBR for the periods shown:

	Six months ended June 30,		Year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
Inflation[1, 2]	2.6%	2.5%	3.0%	4.3%	2.5%
Nominal (depreciation) appreciation of the RR against the U.S.$	(13.0%)	9.2%	10.9%	(20.6%)	5.0%
Real (depreciation) appreciation of the RR against the U.S.$	(10.4%)	11.7%	13.9%	(16.3%)	7.5%
Nominal (depreciation) appreciation of the RR against the euro	(13.5%)	9.6%	12.7%	(15.4%)	(7.9%)
Real (depreciation) appreciation of the RR against the euro	(10.9%)	12.1%	15.7%	(11.1%)	(5.4%)

Notes:

(1) Inflation based on consumer price index (CPI).

(2) Source: Russian Federal State Statistics Service (source: www.gks.ru).

The official ruble to U.S. dollar exchange rates as determined by the CBR increased from 69.9513 to 78.1281 in the period from June 30, 2020 to October 5, 2020 (being the latest practicable date prior to completion of this Base Prospectus). The official ruble to euro exchange rates as determined by the CBR increased from 78.6812 to 91.6599 in the period from June 30, 2020 to October 5, 2020 (being the latest practicable date prior to completion of this Base Prospectus).

Nominal appreciation (depreciation) of the ruble generally also results in foreign exchange losses (gains) on monetary assets denominated in foreign currencies and foreign exchange gains (losses) on monetary liabilities denominated in foreign currencies. These gains and losses are recorded on a gross basis.

Our historically high tax burden

We provide one of the largest sources of tax revenue to the federal authorities in Russia, as well as to the regional and local authorities in those regions and localities in which we operate.

Given the relative size of our activities in Russia, our tax burden is largely determined by the level of taxes payable in Russia.

We are subject to a number of taxes and similar compulsory payments in Russia, including:

- Profit tax

  The maximum profit tax rate has been 20% since 2009. A depreciation premium of 10% (30% in respect of certain types of property) is applied in respect of certain types of fixed assets (initially 10% of the amount of capital investment in all types of assets, and increasing to 30% in 2009 for certain types of fixed assets).

  In addition, from January 1, 2018 to January 31, 2027 the taxpayer is entitled to apply an investment tax deduction by partially reducing profit tax liability by the amount of certain types of investments in fixed assets. If the investment tax deduction is applied depreciation of fixed assets arising as a result of such investments will not be tax deductible in the future. Entities of the Group included in the consolidated taxpayers' group have a right to implement the deduction since December 31, 2019. The decision to implement the right to use an investment tax deduction is taken by Gazprom separately for each subject of the Russian Federation on the territory of which the members of the consolidated taxpayers' group (subdivisions in this group) are located, and applies to all members of the consolidated taxpayers' group (subdivisions of the group), located on the territory of the corresponding subject of the Russian Federation.

  For the basic depreciation rate of certain production facilities operating in the aggressive environment (mainly gas pipelines and wells) that were taken into account before January 1, 2014 as well as certain production facilities with high energy efficiency (except buildings), an accelerated depreciation coefficient of 2 is applied.

From January 1, 2015 Russian corporate profit tax has been also applicable to income of foreign companies controlled by Russian entities.

- Excise tax

Effective from January 1, 2015 natural gas is subject to a 30% excise tax, if provided by international treaties of the Russian Federation. From January 1, 2007 the excise tax for certain oil products is paid by the producer of the oil products in the processing scheme. From January 1, 2019 the excise tax is imposed on operations for refining of oil stock (crude oil, stable gas condensate, vacuum gasoil, tar, mazut). The final stage of the "tax maneuver", which began on January 1, 2019, involves a gradual increase in the MET rate for oil and excise tax on petroleum products simultaneously with reducing the export customs duty on oil (down to zero rate from January 1, 2024).

- VAT

Beginning January 1, 2019 VAT rate was increased from 18% to 20%.

VAT at a standard rate of 20% is payable on the difference between output VAT on sales of goods, works, services and property rights and recoverable input VAT charged by suppliers of goods, works, services and property rights. The tax base for output VAT is determined as of the earlier of the date of shipment (transfer) of goods, works, services and property rights or the date of payment/partial payment received for future supplies of goods, works, services and property rights. The importation of goods is also subject to VAT. Input VAT on purchased goods, works or services, including imports, is eligible for recovery as soon as the relevant goods, works or services are accounted for and other requisite requirements provided by Russian tax laws are met. Exports of goods and sales of certain services related to exported goods are subject to a 0% VAT rate upon the submission of confirmation documents to the tax authorities. Input VAT related to export sales is recoverable. A limited number of goods and services are not subject to VAT. Input VAT related to non-VAT goods and services should not be recovered and should be included in the value of purchased goods and services, except in certain cases.

- MET

Beginning January 1, 2015 generally the MET rates for natural gas and gas condensate have been determined as a product of:

(1) the base rate of RR35 per mcm for natural gas and RR42 per ton for gas condensate,

(2) the base value of a unit of fuel equivalent, calculated taking into account various macroeconomic indicators including oil and gas prices and

(3) (A) with respect to natural gas, the coefficient representing the degree of difficulty of extraction of natural gas.

In order to determine the MET rate for natural gas, the product of items (1)-(3) (A) above is added to a coefficient reflecting the transportation costs for natural gas, which has not been applicable for calculating the MET rates for 2020, 2019, 2018 and 2017.

(3) (B) with respect to gas condensate, the coefficient representing the degree of difficulty of extraction of gas condensate and a special multiplying coefficient. From January 1, 2017 the coefficient is determined by dividing 6.5 by the coefficient reflecting the export return on a unit of standard fuel for the Group. In addition, from January 1, 2019 a special coefficient was introduced in the formula for calculating the tax rate on gas condensate for the compensation of budget losses from the reduction of export duties on oil and petroleum products.

Since January 1, 2016 the calculation of the base value of a unit of fuel equivalent for Gazprom and most of the companies in which Gazprom holds direct or indirect interests of more than 50% (except for companies primarily engaged in crude oil production) has been changed several times. In particular, as a result of these changes, the base value of a unit of fuel equivalent and consequently the standard MET rate for gas for Gazprom and aforementioned companies increased by 26.5% in the fourth quarter of 2017 as compared to the period covering the first, second and third quarters of 2017. From January 1 to August 31, 2018 the base value of a unit of fuel equivalent and the standard MET rate for gas for Gazprom and aforementioned companies decreased by 38.3% as compared to the fourth quarter of 2017. Since September 1, 2018 the base value of a unit of fuel equivalent and the standard MET rate for gas for Gazprom and aforementioned companies increased by 46.6% as compared to the period of January-August 2018. From January 1, 2019 the base value of a unit of fuel equivalent and the standard MET rate for gas for Gazprom and aforementioned companies decreased by 29.7% as compared to the September-December 2018. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation".

The MET rate for oil was RR919 per ton in 2017-2020, multiplied by the oil price ratio (depending on world oil prices), that varied between 0.3632 and 11.1421 in January-June 2020 (between 10.8 and 14.0 in 2019, between 10.5 and 16.4 in 2018, between 6.7 and 10.9 in 2017).

To calculate the total value of the MET rate for oil, the resulting amount is reduced by the coefficient reflecting certain features of the oil production process (extraction from fields with a high degree of depletion of reserves, production in remote areas (particularly in the Republic of Sakha (Yakutia), the Irkutsk and Krasnoyarsk Regions, in the Arctic, the Yamal Peninsula, the Nenets Autonomous Area, the Black Sea, the Sea of Okhotsk, the Sea of Azov and the Caspian Sea and others).

An increase in the MET rate for oil since 2016 is partly offset by a decrease in export customs duties for crude oil and oil products.

In the subsoil areas where the transition to the calculation of additional income tax on hydrocarbon production was carried out, the MET for oil is calculated in a simplified manner and in a reduced amount.

- Additional income tax on hydrocarbon production (AIT)

  Additional income tax on hydrocarbon production (AIT) is effective since January 1, 2019 for some subsoil areas where oil is produced.

  The tax is based on imputed income from the sale of oil, gas, associated gas and gas condensate, reduced by estimated transportation costs, estimated customs duties and actual expenses for the extraction of hydrocarbons.

  The AIT rate is 50%.

  The Group has implemented AIT by Gazprom Neft Group for several fields in West and East Siberia.

- Export customs duties

  Export customs duty rate on natural gas is 30%.

  Export customs duty on crude oil is currently set by the Government every month based on the average price of Urals blend. The average Urals crude oil blend price is calculated monthly as the price for Urals blend in the international markets (Mediterranean and Rotterdam) for the monitoring period immediately preceding the month of calculation. The average export customs duty rates on crude oil in the six-month period ended June 30, 2020 and in the years 2019, 2018 and 2017 were approximately U.S.$48, U.S.$94, U.S.$128, and U.S.$87 per ton, respectively.

  Since January 1, 2019 the "tax maneuver" involves a gradual reduction of the export customs duty on oil and petroleum products by 16.17% per year (compared to 2018) during the period of 2019-2023 down to zero rate from January 1, 2024.

- Property tax

  The maximum property tax rate is 2.2%. Constituent regions of the Russian Federation may reduce the tax rate down to 0% and are entitled to introduce additional tax benefits relating to the property tax.

The property tax is calculated based on the average annual value or on the cadastral value of the fixed assets. The property tax rate for some fixed assets may not exceed a rate of 1.6%, 1.9% and 2.2% effective from January 1, 2017, 2018 and 2019, respectively.

Effective from January 1, 2016 a 0% property tax rate is established in respect of the trunk pipelines and other facilities forming their integral technological part, gas production sites, helium production sites and storage facilities located in the Republic of Sakha (Yakutia), the Irkutsk Region and the Amur Region. The list of such property is approved by the Government.

Movable property recorded on the balance sheet from January 1, 2013 to December 31, 2017 was exempt from taxation (with certain exceptions). From January 1, 2018 to December 31, 2018 movable property recorded on the balance sheet from January 1, 2013 was taxed by a property tax at a tax rate of 1.1% if the exemption from the local property tax is not stipulated by the law of a constituent region of the Russian Federation. From January 1, 2019 only immovable property considered as fixed assets is taxed.

- Contributions to social funds

From January 1, 2010 unified social tax was replaced by a range of insurance contributions to the state social funds (the Pension Fund, the Social Insurance Fund and the Mandatory Medical Insurance Fund). The contributions are calculated using the same methodology in relation to the amounts of wages and other remuneration of employees before taxes. Since 2012 the aggregate rate on contributions to social funds has been 30% (including contribution to the Pension Fund of 22%).

Employee’s salaries and other remuneration are subject to an additional 10% contribution to the Pension Fund in the portion exceeding RR1,292,000 per year in 2020 (RR1,150,000 in 2019, RR1,021,000 in 2018 and RR876,000 in 2017).

The portion of employee’s salaries and other remuneration exceeding RR912,000 in 2020 (RR865,000 in 2019, RR815,000 in 2018 and RR755,000 in 2017) is not subject to the contribution to the Social Insurance Fund.

Overall effective profit tax rate (current and deferred profit tax expense as a percentage of the profit before profit tax) in the six-month period ended June 30, 2019 was 21,9%. For the years ended December 31, 2019, 2018 and 2017 effective profit tax rate was 22.0%, 17.5% and 24.7%, respectively, while the statutory income tax rate in Russia has been 20% since January 1, 2009. The difference between our effective profit tax rates and the statutory rates has been primarily the result of the impact of non-deductible income and expenses for tax purposes. In the six-month period ended June 30, 2020 the Group produced the loss before profit tax in the amount of RR16,806 million and received the profit tax income in the amount of RR62,266 million caused by a deferred profit tax income.

Starting January 1, 2012 significant changes in the tax transfer pricing law were introduced in Russia that impacted all Russian businesses, including the Group. However, since January 1, 2019, most of the transactions made between Russian organizations are not recognized as controlled.

Also, starting January 1, 2012 tax legislation was amended to provide rules on the creation of consolidated taxpayers’ groups. Taxpayers may create such a tax group in order to pay profit tax on a consolidated basis by submitting an agreement to create a consolidated taxpayers’ group to the tax authorities. Transactions among the members of a consolidated tax group are not subject to tax transfer pricing control. On January 1, 2012 we created a consolidated taxpayers’ group, which as of June 30, 2020 consisted of 65 Russian entities. The consolidated taxpayers’ group will cease to exist from January 1, 2023.

Interest rates

We have significant short-term and long-term debt obligations with both fixed and variable interest rates. We are exposed to the effects of fluctuations in the prevailing levels of market interest rates on our financial position, results of operations and cash flows. Interest rate risk is measured by the extent to which changes in market interest rates impact margins and net income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest expense will increase or decrease as a result of movements in interest rates. We do not have any significant hedging arrangements to mitigate interest rate risks resulting from our financing activities. See “Liquidity and Capital Resources—Debts obligation.”

Gas transportation agreements

We are dependent on the countries through which we transport our gas. In some cases, the contracts are made with gas companies and the terms are agreed at the Government level. Potential gas transportation disputes may impact our ability to deliver gas and our revenues.

We are a party to a number of long-term agreements on booking capacity for gas transportation. As of June 30, 2020 these agreements are not expected to be onerous for the Group.

Impairment and other provisions

Historically, our results have been affected by impairment loss on financial and non-financial assets (allowance for expected credit losses on accounts receivable and other financial assets, impairment allowance on property, plant and equipment (including assets under construction), right-of-use assets and other long-term assets) and provisions for granted guarantees.

In the six-month periods ended June 30, 2020 and 2019 and the years ended December 31, 2019 and 2018, such impairment loss amounted to RR48,544 million, RR68,373 million, RR157,120 million and RR152,714 million, respectively. These amounts include net impairment loss in the amounts of RR nil million and RR27,765 million, RR29,320 million and RR46,847 million in the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019 and 2018, respectively, with respect to accounts receivable owed to us by Naftogaz.

In the year ended December 31, 2017, reversal of impairment loss amounted to RR54,922 million. This amount includes reversal of impairment loss in the amount of RR99,800 million in the year ended December 31, 2017, with respect to accounts receivable owed to us by Naftogaz.

Our allowance for expected credit losses on accounts receivable and impairment allowance on prepayments are significant. As of June 30, 2020, December 31, 2019, 2018 and 2017 the aggregate balance sheet allowance for expected credit losses on accounts receivable and impairment allowance on prepayments were RR997,586 million, RR909,793 million, RR1,025,245 million and RR810,838 million, respectively, or 35%, 33%, 36% and 31% of the gross accounts receivable and prepayments balance, respectively. Such allowance for expected credit losses on accounts receivable relates mainly to receivables for natural gas sold to southern regions of the Russian Federation, Moldova, Ukraine and the Republic of Turkey.

Our impairment allowance for property, plant and equipment (including assets under construction) and right-of-use assets is also significant. As of June 30, 2020, December 31, 2019, 2018 and 2017 the aggregate balance sheet allowance related to property, plant and equipment (including assets under construction) and right-of-use assets was RR428,781 million, RR407,363 million, RR417,282 million and RR380,930 million, or 2.7%, 2.6%, 2.9% and 2.9% of gross property, plant and equipment (including assets under construction) and right-of-use assets, respectively. As of June 30, 2020, RR161,735 million out of this aggregate balance sheet allowance related to assets under construction, representing 3.6% of gross amount of assets under construction.

In the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019 and 2018 the charge (net of the release) for impairment allowance for property, plant and equipment (including assets under construction), right-of-use assets and other long-term assets generated expense of RR14,152 million, RR3,472 million, RR24,731 million and RR21,408 million, respectively.

In the year ended December 31, 2017 the release (net of the charge) of impairment allowance for property, plant and equipment (including assets under construction) generated income of RR22,692 million.

Because of our operating cycle, certain significant decisions about capital construction projects are made at the end of our fiscal year. Accordingly, we typically have higher charges (releases) in the fourth quarter of our fiscal year as compared to other quarters. For a discussion of our impairment in the six-month period ended June 30, 2020 versus the six-month period ended June 30, 2019 see “Results of Operations — Six-month period ended June 30, 2020 versus six-month period ended June 30, 2019” below and in the years ended December 31, 2019, 2018 and 2017, see “Results of Operations—Year ended December 31, 2019 versus year ended December 31, 2018” and “Results of Operations—Year ended December 31, 2018 versus year ended December 31, 2017”.

Certain Acquisitions, Dispositions and Changes in Control

Unless specified otherwise, all acquisitions referred to in this section have been completed.

As of December 31, 2014, LLC Yamal razvitie (“**Yamal Razvitie**”), a 50/50 joint venture between Gazprom Neft and Novatek, owned a 51% interest in LLC SeverEnergia (“**SeverEnergia**”). In August 2015, we contributed RR14,922 million to the share capital of Yamal Razvitie. Accordingly, Novatek contributed a 6.4% interest in the share capital of Artic Russia B.V., which was a subsidiary of Yamal Razvitie, and RR2,512 million to the share capital of Yamal Razvitie. The contributions of RR14,922 million and RR2,512 million were paid by way of conversion of loans previously granted to Yamal Razvitie. As a result of these transactions, Gazprom Neft’s effective interest in SeverEnergia increased to 46.7% and the Group’s effective interest increased to 44.65%.

In January 2018, Yamal Razvitie and its subsidiary SeverEnergy were reorganised in the form of a merger with JSC Arcticgas (“**Arcticgas**”) (a former subsidiary of SeverEnergy). In March 2018, the loans granted by Gazprom Neft were converted to the ordinary shares of an additional share issuance of Arcticgas. As a result of the transaction, Gazprom Neft’s direct interest in Arcticgas increased to 50% and the Group’s effective interest increased to 47.84%.

In December 2019 the Group acquired 100% of ordinary shares of JSC REP Holding (abbreviated name – JSC REPH) for RR10,000 million with payment in cash. 25% of ordinary shares of JSC REPH were acquired from JSC Gazprombank – Asset Management, a subsidiary of Gazprombank (Joint-stock Company), for RR2,500 million. The aim of the acquisition of JSC REPH is to develop the production of equipment both for gas transmission systems (GTS), and for use in electric power and oil industry entities. JSC REPH owns a number of subsidiaries (the “REPH Group”), the most significant of which is CJSC NZL. The REPH Group’s activities include design, development, manufacture, installation, sale, as well as after-sales and warranty services for turbocompressor and power equipment. The Group's share in the voting shares of the JSC REPH amounted to 72 %.

Results of Operations

The following table summarizes our consolidated results of operations for the periods indicated. Each line-item is also shown as a percentage of our total sales.

	Six months ended June 30,				Year ended December 31,					
	2020		2019		2019		2018		2017	
	(RR million)	% of sales	(RR million)	% of sales	(RR million)	% of sales	(RR million)	% of sales	(RR million)	% of sales
Sales	2,903,148	100%	4,076,751	100%	7,659,623	100%	8,224,177	100%	6,546,143	100%
Net gain (loss) from trading activity	14,438	0%	(32,615)	(1%)	(24,957)	0%	18,015	0%	(16,352)	0%
Operating expenses[(1)]	(2,693,257)	(93%)	(3,196,687)	(78%)	(6,387,071)	(83%)	(6,181,191)	(75%)	(5,697,056)	(87%)
(Impairment loss) reversal of impairment loss on financial assets	(34,344)	(1%)	(66,571)	(2%)	(127,738)	(2%)	(130,971)	(2%)	38,670	1%
Operating profit	**189,985**	**7%**	**780,878**	**19%**	**1,119,857**	**15%**	**1,930,030**	**23%**	**871,405**	**13%**
Net finance (expense) income	(281,632)	(10%)	229,145	6%	300,081	4%	(309,951)	(4%)	19,661	0%
Share of profit of associates and joint ventures	74,841	3%	115,255	3%	207,127	3%	232,483	3%	126,940	2%
(Loss) profit before profit tax	**(16,806)**	**(1%)**	**1,125,278**	**28%**	**1,627,065**	**21%**	**1,852,562**	**23%**	**1,018,006**	**16%**
Current profit tax expense	(37,788)	(1%)	(197,494)	(5%)	(327,618)	(4%)	(278,233)	(3%)	(241,817)	(4%)
Deferred profit tax income (expense)	100,054	3%	(49,140)	(1%)	(29,930)	0%	(45,333)	(1%)	(9,310)	0%
Profit tax	62,266	2%	(246,634)	(6%)	(357,548)	(5%)	(323,566)	(4%)	(251,127)	(4%)
Profit for the period	**45,460**	**2%**	**878,644**	**22%**	**1,269,517**	**17%**	**1,528,996**	**19%**	**766,879**	**12%**
Profit for the period attributable to:										
Owners of Gazprom	32,919	1%	836,497	21%	1,202,887	16%	1,456,270	18%	714,302	11%
Non-controlling interest	12,541	0%	42,147	1%	66,630	1%	72,726	1%	52,577	1%

Note:

(1) For the purposes of compliance with IFRS 9 Financial instruments applied from January 1, 2018, the Group has changed the presentation of information in the consolidated statement of comprehensive income as follows: (i) the line item “Change in impairment and other provisions” has been replaced by two line items “(Impairment loss) reversal of impairment loss on financial assets” and “(Reversal of impairment loss) impairment loss on non-financial assets”, the latter is presented as part of the “Operating expenses”; and (ii) the line item “Gain (loss) on disposal of available-for-sale financial assets” has been reclassified to the “Operating expenses”. Due to such modifications, and to align the presentation of the relevant financial information with our Unaudited consolidated interim condensed financial information, the presentation of our consolidated statement of comprehensive income for the year 2017 in this Base Prospectus differs from that in our previously published Audited consolidated financial statements for the period indicated.

Six-month period ended June 30, 2020 versus six-month period ended June 30, 2019

Sales

The following table summarizes our sales information for our operating segments in the six-month periods ended June 30, 2020 and 2019:

	Six months ended June 30,	
	2020	**2019**
Gas sales gross of excise tax and customs duties to customers in:	**(RR million)**	
Russian Federation	488,703	518,256
FSU	146,186	202,637
Europe and Other Countries	930,480	1,806,757
	1,565,369	2,527,650
Customs duties	(168,551)	(363,524)
Excise tax	(12,553)	(32,541)
Retroactive gas price adjustments[1]	2,324	8,009
Total gas sales	1,386,589	2,139,594
Sales of refined products to customers in:		
Russian Federation	554,072	648,871
FSU	53,454	64,779
Europe and Other Countries	213,327	329,721
Total sales of refined products	820,853	1,043,371
Sales of crude oil and gas condensate to customers in:		
Russian Federation	21,561	32,932
FSU	3,341	22,741
Europe and Other Countries	187,148	327,274
Total sales of crude oil and gas condensate	212,050	382,947
Electric and heat energy sales:		
Russian Federation	243,741	265,889
FSU	1,258	912
Europe and Other Countries	7,241	11,094
Total electric and heat energy sales	252,240	277,895
Gas transportation sales:		
Russian Federation	106,165	107,538
FSU	1,517	1,434
Europe and Other Countries	1,608	1,182
Total gas transportation sales	109,290	110,154
Other sales:		
Russian Federation	102,419	101,187
FSU	3,188	3,804
Europe and Other Countries	16,519	17,799
Total other sales	122,126	122,790
Total sales	**2,903,148**	**4,076,751**

Note:

(1) The effect of retroactive gas price adjustments relates to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated interim condensed financial information when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments on sales in the six-month period ended June 30, 2020 recorded as an increase of sales by RR2,324 million.
The effects of retroactive gas price adjustments in the six-month period ended June 30, 2019 recorded as an increase of sales by RR8,009 million. The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

The following table sets out our volumes and sales prices in the six-month periods ended June 30, 2020 and 2019.

	Six months ended June 30, 2020	Six months ended June 30, 2019
	(RR million unless stated otherwise)	
Sales of gas		
Europe and Other Countries		
Gross sales[(1)]	930,480	1,806,757
Customs duties	(161,648)	(340,625)
Excise tax	(12,553)	(32,541)
Net sales	756,279	1,433,591
Volumes in bcm	98.2	117.9
Average price, U.S.$ per mcm[(2)] (including excise tax and customs duties)[(3)]	136.0	235.3
Average price, RR per mcm[(2)] (including excise tax and customs duties)	9,475.4	15,331.0
FSU countries		
Gross sales[(1)]	146,186	202,637
Customs duties	(6,903)	(22,899)
Net sales	139,283	179,738
Volumes in bcm	14.9	19.1
Average price, U.S.$ per mcm[(2)] (including customs duties)[(3)]	140.7	163.2
Average price, RR per mcm[(2)] (including customs duties)	9,803.5	10,637.1
Russian Federation		
Gross sales (net of VAT)	488,703	518,256
Net sales	488,703	518,256
Volumes in bcm	117.6	126.4
Average price, RR per mcm[(2)] (net of VAT)	4,156.8	4,100.8
Total sales of gas		
Gross sales (net of VAT)	1,565,369	2,527,650
Customs duties	(168,551)	(363,524)
Excise tax	(12,553)	(32,541)
Retroactive gas price adjustments	2,324	8,009
Net sales	1,386,589	2,139,594
Volumes in bcm	230.7	263.4
Net sales of refined products (net of excise tax, VAT and customs duties)	820,853	1,043,371
Net sales of crude oil and gas condensate (net of VAT and customs duties)	212,050	382,947
Electric and heat energy net sales (net of VAT)	252,240	277,895
Gas transportation net sales (net of VAT)	109,290	110,154
Other sales (net of VAT)	122,126	122,790
Total sales (net of excise tax, VAT and customs duties)	**2,903,148**	**4,076,751**

Notes:

(1) VAT is not charged on sales to Europe and Other Countries as well as FSU countries.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Calculated on the basis of average exchange rate between RR and U.S.$.

Total sales (net of excise tax, VAT and customs duties) decreased by RR1,173,603 million, or 29%, to RR2,903,148 million in the six-month period ended June 30, 2020 compared to the same period of the prior year.

Net sales of gas accounted for 48% of total net sales in the six-month period ended June 30, 2020 (52% for the same period in the prior year).

Net sales of gas decreased by RR753,005 million, or 35%, from RR2,139,594 million in the six-month period ended June 30, 2019 to RR1,386,589 million in the six-month period ended June 30, 2020.

Net sales of gas to Europe and Other Countries decreased by RR677,312 million, or 47%, to RR756,279 million in the six-month period ended June 30, 2020 compared to the same period of the prior year. The change was due to the decrease in average prices (including excise tax and customs duties) in ruble by 38% and the decrease in volumes of gas sold by 17% in the six-month ended June 30, 2020 compared to the same period of the prior year. At the same time average U.S. dollar prices decreased by 42% compared to the same period of the prior year.

Net sales of gas to FSU countries decreased by RR40,455 million or 23%, to RR139,283 million in the six-month period ended June 30, 2020 compared to the same period of the prior year. The change was due to the decrease in volumes of gas sold by 22% and the decrease in average prices (including customs duties) in ruble by 8% in the six-month period ended June 30, 2020 compared to the same period of the prior year. At the same time average U.S. dollar prices decreased by 14% compared to the same period of the prior year.

Net sales of gas in the Russian Federation decreased by RR29,553 million, or 6%, to RR488,703 million in the six-month period ended June 30, 2020 compared to the same period of the prior year. This change was explained by the decrease in volumes of gas sold by 7%, which was partially compensated by the increase in average prices in ruble (net of VAT) by 1%.

Net sales of refined products (net of excise tax, VAT and customs duties) decreased by RR222,518 million, or 21%, to RR820,853 million in the six-month period ended June 30, 2020 compared to the same period of the prior year. The decrease in net sales of refined products was mainly due to a decrease in average prices in the ruble in all geographic segments.

Net sales of crude oil and gas condensate (net of VAT and customs duties) decreased by RR170,897 million, or 45%, to RR212,050 million in the six-month period ended June 30, 2020 compared to the same period of the prior year. The change was mainly due to a decrease in net sales of crude oil primarily caused by a decrease in average prices of crude oil.

Operating expenses

Operating expenses decreased by RR503,430 million, or 16%, to RR2,693,257 million in the six-month period ended June 30, 2020 compared to RR3,196,687 million for the same period of the prior year. Operating expenses as a percentage of sales increased from 78% in the six-month period ended June 30, 2019 to 93% in the six-month period ended June 30, 2020.

The table below presents a breakdown of operating expenses in each period:

	Six months ended June 30,	
	2020	**2019**
	(RR million)	
Taxes other than on profit	617,679	733,509
Purchased gas and oil	441,522	729,779
Staff costs	414,587	381,134
Depreciation	396,891	347,875
Transit of gas, oil and refined products	312,423	336,053
Materials	110,350	147,393
Goods for resale, including refined products	85,046	125,846
Electricity and heating	56,283	57,144
Repairs and maintenance	49,016	53,361
Insurance	17,200	15,477
Social expenses	16,106	16,315
Impairment loss on non-financial assets	14,200	1,802
Transportation expenses	14,024	9,714
Processing services	10,341	10,496
Research and development	9,301	9,367
Lease	8,548	12,884
Derivatives (gain) loss	(1,798)	10,051
Foreign exchange differences on operating items	(63,459)	51,390
Other	170,463	219,217
	2,678,723	**3,268,807**
Change in balances of finished goods, work in progress and other effects	14,534	(72,120)
Total operating expenses	**2,693,257**	**3,196,687**

Taxes other than on profit

Taxes other than on profit consist of:

	Six months ended June 30,	
	2020	2019
	(RR million)	
Mineral extraction tax	389,444	589,467
Excise tax	130,676	53,850
Property tax	78,810	74,749
Other taxes	18,749	15,443
Total taxes other than on profit	**617,679**	**733,509**

Expenses for taxes other than on profit decreased by RR115,830 million, or 16%, to RR617,679 million in the six-month period ended June 30, 2020 compared to RR733,509 million for the same period of the prior year. The change was mainly due to a decrease in the mineral extraction tax expenses that was partially compensated by an increase in the excise tax expenses.

Mineral extraction tax (MET) expenses decreased by RR200,023 million or 34% to RR389,444 million in the six-month period ended June 30, 2020 compared to RR589,467 million for the same period of the prior year. MET expenses decreased mainly due to a decrease in oil prices and a decrease in volumes of gas production in the six-month period ended June 30, 2020 compared to the same period of the prior year.

Excise tax expenses increased by RR76,826 million, or 143%, to RR130,676 million in the six-month period ended June 30, 2020 compared to RR53,850 million for the same period of the prior year. Excise taxes expenses increased mainly due to the impact of the damper component, resulting from the reduction in export-parity prices for automobile gasoline and diesel fuel on the external market, arising from the lower oil price and the worsening epidemiological situation.

Purchased gas and oil

Cost of purchased gas and oil decreased by RR288,257 million, or 39%, to RR441,522 million in the six-month period ended June 30, 2020 compared to RR729,779 million for the same period of the prior year.

Cost of purchased gas included in the cost of purchased gas and oil decreased by RR163,899 million, or 34%, to RR323,839 million in the six-month period ended June 30, 2020 compared to RR487,738 million for the same period of the prior year. The change was mainly due to a decrease in average prices and a decrease in volumes of purchased gas.

Cost of purchased oil included in the cost of purchased gas and oil decreased by RR124,358 million, or 51%, to RR117,683 million in the six-month period ended June 30, 2020 compared to RR242,041 million for the same period of the prior year. The change was mainly due to a decrease in prices of oil and volumes of purchased oil.

Depreciation

Depreciation increased by RR49,016 million, or 14%, to RR396,891 million in the six-month period ended June 30, 2020 compared to RR347,875 million for the same period of the prior year. The increase was mainly due to an increase in the fixed asset base.

Goods for resale, including refined products

Cost of goods for resale, including refined products decreased by RR40,800 million, or 32%, to RR85,046 million in the six-month period June 30, 2020 compared to RR125,846 million for the same period of the prior year. The decrease in cost was mainly due to a decrease in prices and volumes of refined products purchases in domestic and international markets.

Foreign exchange differences on operating items

The foreign exchange gain on operating items amounted to RR63,459 million in the six-month period ended June 30, 2020 compared to the foreign exchange loss in the amount of RR51,390 million for the same period of the prior year. This change was mainly due to the revaluation of accounts receivable from foreign customers and loans issued, which was caused by the appreciation of the U.S. dollar and the euro against the ruble by 13% in the six-month period ended June 30, 2020 compared to the depreciation of the U.S. dollar and the euro against the ruble by 9% and 10%, respectively, for the same period of the prior year.

Other operating expenses

Other operating expenses decreased by RR48,754 million, or 22%, to RR170,463 million in the six-month period ended June 30, 2020 compared to RR219,217 million for the same period of the prior year. Other expenses include gas and gas condensate production expenses, services from gas distribution companies, bank charges, security services, legal and consulting services, charity and financial aid and advertising.

Change in balances of finished goods, work in progress and other effects

The positive amount on the line item Change in balances of finished goods, work in progress and other effects amounted to RR14,534 million in the six-month period ended June 30, 2020 compared to the negative amount of RR72,120 million for the same period of the prior year. The change in this line item was mainly due to a decrease in the balances of finished goods in the six-month period ended June 30, 2020 compared to an increase in the balances of finished goods for the same period of the prior year.

Impairment loss on financial assets

Impairment loss on financial assets decreased by RR32,227 million, or 48%, to RR34,344 million in the six-month period ended June 30, 2020 compared to RR66,571 million for the same period of the prior year. The decrease was mainly due to the termination of the accrual of the allowance for expected credit losses on accounts receivable due from Naftogaz as a result of the settlement of mutual debts in accordance with the agreement between Naftogaz and Gazprom.

Operating profit

As a result of the factors discussed above, operating profit decreased by RR590,893 million, or 76%, to RR189,985 million in the six-month period ended June 30, 2020 compared to RR780,878 million for the same period of the prior year. The operating profit margin decreased from 19% in the six-month period ended June 30, 2019 to 7% in the six-month period ended June 30, 2020.

Net finance (expense) income

	Six months ended June 30,	
	2020	**2019**
	(RR million)	
Foreign exchange gain	421,799	305,451
Foreign exchange loss	(706,907)	(86,964)
Net foreign exchange (loss) gain	(285,108)	218,487
Interest income	37,553	48,187
Interest expense	(34,077)	(37,529)
Net finance (expense) income	**(281,632)**	**229,145**

The net foreign exchange loss amounted to RR285,108 million in the six-month period ended June 30, 2020 compared to the net foreign exchange gain of RR218,487 million for the same period of the prior year. The change was explained by the appreciation of the U.S. dollar and the euro against the ruble by 13% in the six-month period ended June 30, 2020 and the depreciation of the U.S. dollar and the euro against the ruble by 9% and 10% respectively for the same period of the prior year. The loss and the gain were mainly related to the revaluation of loans and borrowings denominated in foreign currencies.

Interest income decreased by RR10,634 million, or 22%, to RR37,553 million in the six-month period ended June 30, 2020 compared to RR48,187 million for the same period of the prior year. Interest expense decreased by RR3,452 million, or 9%, to RR34,077 million in the six-month period ended June 30, 2020 compared to RR37,529 million for the same period of the prior year.

Share of profit of associates and joint ventures

Share of profit of associates and joint ventures decreased by RR40,414 million, or 35%, to RR74,841 million in the six-month period ended June 30, 2020 compared to RR115,255 million for the same period of the prior year. This change was mainly explained by a share of loss of PJSC NGK Slavneft and its subsidiaries in the six-month period ended 30 June 2020, as well as a decrease in a share of profit of Messoyakhaneftegas, Sakhalin Energy and Arcticgas compared to a share of profit for the same period of the prior year.

Profit for the period attributable to the owners of Gazprom

As a result of the factors discussed above, profit attributable to the owners of Gazprom amounted to RR32,919 million in the six-month period ended June 30, 2020.

Year ended December 31, 2019 versus Year ended December 31, 2018

Sales

The following table summarizes our sales information for our operating segments in the years ended December 31, 2019 and 2018:

	Year ended December 31,	
	2019	2018
Gas sales gross of excise tax and customs duties to customers in:	(RR million)	
Russian Federation	970,913	954,493
FSU	393,526	389,217
Europe and Other Countries	3,163,881	3,770,291
	4,528,320	5,114,001
Customs duties	(653,035)	(804,987)
Excise tax	(57,898)	(54,681)
Retroactive gas price adjustments(1)	(16,657)	49,338
Total gas sales	3,800,730	4,303,671
Sales of refined products to customers in:		
Russian Federation	1,355,139	1,394,137
FSU	126,311	144,658
Europe and Other Countries	629,731	640,977
Total sales of refined products	2,111,181	2,179,772
Sales of crude oil and gas condensate to customers in:		
Russian Federation	62,173	64,645
FSU	41,865	38,748
Europe and Other Countries	648,752	631,560
Total sales of crude oil and gas condensate	752,790	734,953
Electric and heat energy sales:		
Russian Federation	495,581	501,362
FSU	3,345	5,090
Europe and Other Countries	19,447	15,643
Total electric and heat energy sales	518,373	522,095
Gas transportation sales:		
Russian Federation	210,265	220,488
FSU	2,690	2,758
Europe and Other Countries	2,380	2,427
Total gas transportation sales	215,335	225,673
Other sales:		
Russian Federation	215,659	210,149
FSU	7,490	8,064
Europe and Other Countries	38,065	39,800
Total other sales	261,214	258,013
Total sales	**7,659,623**	**8,224,177**

Note:

(1) The effect of retroactive gas price adjustments relates to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments in the years ended December 31, 2019 and December 31, 2018 were recorded as the decrease of sales by RR16,657 million and the increase of sales by RR49,338 million, respectively.
The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.

	Year ended December 31, 2019	Year ended December 31, 2018
	(RR million unless stated otherwise)	
Sales of gas		
Europe and Other Countries		
Gross sales(1)	3,163,881	3,770,291
Customs duties	(615,611)	(764,395)
Excise tax	(57,898)	(54,681)
Net sales	2,490,372	2,951,215
Volumes in bcm	232.4	243.3
Average price, U.S.$ per mcm(2) (including excise tax and customs duties)(3)	210.6	246.4
Average price, RR per mcm(2) (including excise tax and customs duties)	13,613.0	15,499.5
FSU countries		
Gross sales(1)	393,526	389,217
Customs duties	(37,424)	(40,592)
Net sales	356,102	348,625
Volumes in bcm	38.7	38.1
Average price, U.S.$ per mcm(2) (including customs duties)(3)	157.4	162.6
Average price, RR per mcm(2) (including customs duties)	10,175.9	10,225.9
Russian Federation		
Gross sales (net of VAT)	970,913	954,493
Net sales	970,913	954,493
Volumes in bcm	235.8	239.7
Average price, RR per mcm(2) (net of VAT)	4,118.2	3,981.3
Total sales of gas		
Gross sales (net of VAT)	4,528,320	5,114,001
Customs duties	(653,035)	(804,987)
Excise tax	(57,898)	(54,681)
Retroactive gas price adjustments	(16,657)	49,338
Net sales	3,800,730	4,303,671
Volumes in bcm	506.9	521.1
Net sales of refined products (net of excise tax, VAT and customs duties)	2,111,181	2,179,772
Net sales of crude oil and gas condensate (net of VAT and customs duties)	752,790	734,953
Electric and heat energy net sales (net of VAT)	518,373	522,095
Gas transportation net sales (net of VAT)	215,335	225,673
Other sales (net of VAT)	261,214	258,013
Total sales (net of excise tax, VAT and customs duties)	**7,659,623**	**8,224,177**

Notes:

(1) VAT is not charged on sales to Europe and Other Countries as well as to FSU countries.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Calculated on the basis of average exchange rate between RR and U.S.$.

Total sales (net of excise tax, VAT and customs duties) decreased by RR564,554 million, or 7%, to RR7,659,623 million in the year ended December 31, 2019 compared to the prior year. The decrease in sales was mainly due to a decrease in sales of gas to Europe and other countries.

Net sales of gas accounted for 50% of total net sales in the year ended December 31, 2019 (52% in the prior year).

Net sales of gas decreased by RR502,941 million, or 12%, from RR4,303,671 million in the year ended December 31, 2018 to RR3,800,730 million in the year ended December 31, 2019.

Net sales of gas to Europe and Other Countries decreased by RR460,843 million, or 16%, to RR2,490,372 million in the year ended December 31, 2019 compared to the prior year. The change was mainly due to the decrease in average ruble prices (including excise tax and customs duties) by 12% and the decrease in volumes of gas sold by 4% in the year ended December 31, 2019 compared to the prior year. At the same time average U.S. dollar prices decreased by 15% compared to the prior year.

Net sales of gas to FSU countries increased by RR7,477 million, or 2%, to RR356,102 million in the year ended December 31, 2019 compared to the prior year. The change was mainly due to the increase in volumes of gas sold by 2% in the year ended December 31, 2019.

Net sales of gas in the Russian Federation increased by RR16,420 million, or 2%, to RR970,913 million in the year ended December 31, 2019 compared in the prior year. This change was explained by the increase in average prices (net of VAT) in the ruble by 3% in the year ended 31 December 2019 compared to the prior year, that was partially compensated by the 2% decrease in volumes of gas sold in the year ended 31 December 2019.

Operating expenses

Operating expenses increased by RR205,880 million, or 3%, to RR6,387,071 million in the year ended December 31, 2019 compared to RR6,181,191 million in the prior year. Operating expenses as a percentage of sales increased from 75% in the year ended December 31, 2018 to 83% in the year ended December 31, 2019. The table below presents a breakdown of operating expenses in each period:

The table below presents a breakdown of operating expenses in each period:

	Year ended December 31,	
	2019	**2018**
	(RR million)	
Taxes other than on profit	1,409,248	1,498,278
Purchased gas and oil	1,403,572	1,468,885
Staff costs	749,708	600,812
Depreciation	715,229	647,993
Transit of gas, oil and refined products	665,552	650,829
Materials	274,821	264,190
Goods for resale, including refined products	253,121	249,911
Repairs and maintenance	149,939	137,821
Electricity and heating	120,154	114,465
Foreign exchange differences on operating items	78,287	(28,029)
Social expenses	45,114	42,789
Insurance	32,135	32,628
Impairment loss on non-financial assets	29,382	21,743
Transportation expenses	27,541	24,544
Processing services	20,718	18,961
Research and development	19,226	13,591
Lease	16,585	37,177
Derivatives (gain) loss	(15,225)	1,849
Other	515,032	427,990
	6,510,139	**6,226,427**
Change in balances of finished goods, work in progress and other effects	(123,068)	(45,236)
Total operating expenses	**6,387,071**	**6,181,191**

Taxes other than on profit

Taxes other than on profit consist of:

	Year ended December 31,	
	2019	**2018**
	(RR million)	
Mineral extraction tax	1,115,003	1,163,882
Property tax	148,634	162,928
Excise tax	113,528	157,113
Other taxes	32,083	14,355
Total taxes other than on profit	**1,409,248**	**1,498,278**

Taxes other than on profit decreased by RR89,030 million, or 6%, to RR1,409,248 million in the year ended December 31, 2019 compared to RR1,498,278 million in the prior year. The change was mainly due to a decrease in the mineral extraction tax and the excise tax.

Mineral extraction tax (MET) decreased by RR48,879 million, or 4%, to RR1,115,003 million in the year ended December 31, 2019 compared to RR1,163,882 million in the prior year. MET decreased mainly due to a decrease in crude oil prices and also by a decrease in coefficient values in the MET formula for gas.

Excise tax decreased by RR43,585 million, or 28%, to RR113,528 million in the year ended December 31, 2019 compared to RR157,113 million in the prior year. Excise tax decreased due to an implementation of crude oil materials excise duty deduction including a damper component since January 1, 2019, which was partially reduced by an increase in motor oil excise rates.

Purchased gas and oil

Cost of purchased gas and oil decreased by RR65,313 million, or 4%, to RR1,403,572 million in the year ended December 31, 2019 compared to RR1,468,885 million in the prior year. The change was mainly due to a decrease in cost of purchased gas.

Cost of purchased gas included in the purchased gas and oil decreased by RR62,556 million, or 6%, to RR914,293 million in the year ended December 31, 2019 compared to RR976,849 million in the prior year. The change was mainly due to a decrease in average prices denominated in the ruble.

Staff costs

Staff costs increased by RR148,896 million, or 25%, to RR749,708 million in the year ended December 31, 2019 compared to RR600,812 million in the prior year. The change was mainly due to the recognition of income from change in provision for post-employment benefits in the year ended December 31, 2018 caused by the increase in retirement age according to the legislation of the Russian Federation.

Depreciation

Depreciation increased by RR67,236 million, or 10%, to RR715,229 million in the year ended December 31, 2019 compared to RR647,993 million in the prior year. The change was mainly due to charging of depreciation of right-of-use assets caused by the application of IFRS 16 Leases since January 1, 2019.

Foreign exchange differences on operating items

The foreign exchange loss on operating items amounted to RR78,287 million in the year ended December 31, 2019 compared to the foreign exchange gain in the amount of RR28,029 million in the prior year. This change was mainly due to the revaluation of accounts receivable from foreign customers and loans issued, which was caused by the depreciation of the U.S. dollar and the euro against the ruble by 11% and 13%, respectively, in the year ended December 31, 2019 compared to the appreciation of the U.S. dollar and the euro against the ruble by 21% and 15%, respectively, in the prior year.

Lease

Lease expenses decreased by RR20,592 million, or 55%, to RR16,585 million in the year ended December 31, 2019, compared to RR37,177 million in the prior year. The change was mainly due to the application of IFRS 16 Leases since January 1, 2019.

Derivatives (gain) loss

The derivatives gain amounted to RR15,225 million in the year ended December 31, 2019, compared to the derivatives loss in the amount of RR1,849 million in the prior year. The gain or loss from changes in the fair value of derivatives was attributable to the remeasurement of derivative financial instruments as at the reporting date. The increase in the result in the year ended December 31, 2019 was mainly due to changes in the price and currency rates prevailing as at the reporting date.

Other operating expenses

Other operating expenses increased by RR87,042 million, or 20%, to RR515,032 million in the year ended December 31, 2019 compared to RR427,990 million in the prior year. Other expenses include gas and gas condensate production expenses, services from gas distribution companies, bank charges, security services, legal and consulting services, charity and financial aid and advertising.

Change in balances of finished goods, work in progress and other effects

The line item Change in balances of finished goods, work in progress and other effects changed by RR77,832 million, or 172%, to the negative amount of RR123,068 million in the year ended December 31, 2019 compared to the negative amount of RR45,236 million in the prior year. The change in this line item was due to an increase in the balances of finished goods in the year ended December 31, 2019 was more than an increase in the balances of finished goods for the prior year.

Impairment loss on financial assets

The impairment loss on financial assets decreased by RR3,233 million, or 2%, to RR127,738 million in the year ended December 31, 2019 compared to RR130,971 million in the prior year. The change was mainly due to a decrease in the accrual of the allowance for expected credit losses on accounts receivable due from Naftogaz in the year ended December 31, 2019 compared to the prior year.

Operating profit

As a result of the factors discussed above, operating profit decreased by RR810,173 million, or 42%, to RR1,119,857 million in the year ended December 31, 2019 compared to RR1,930,030 million in the prior year. The operating profit margin decreased from 23% in the year ended December 31, 2018 to 15% in the year ended December 31, 2019.

Net finance income (expense)

	Year ended December 31,	
	2019	**2018**
	(RR million)	
Foreign exchange gain	563,990	430,439
Foreign exchange loss	(278,409)	(762,664)
Net foreign exchange gain (loss)	285,581	(332,225)
Interest income	90,926	72,652
Interest expense	(76,426)	(50,378)
Net finance income (expense)	**300,081**	**(309,951)**

The net foreign exchange gain amounted to RR285,581 million in the year ended December 31, 2019 compared to the net foreign exchange loss of RR332,225 million in the prior year. The change was explained by the depreciation of the U.S. dollar and the euro against the ruble by 11% and 13%, respectively, in the year ended December 31, 2019 compared to the appreciation of the U.S. dollar and the euro against the ruble by 21% and 15%, respectively, in the prior year.

Interest income increased by RR18,274 million, or 25%, to RR90,926 million in the year ended December 31, 2019 compared to RR72,652 million in the prior year.

Interest expense increased by RR26,048 million, or 52%, to RR76,426 million in the year ended December 31, 2019 compared to RR50,378 million in the prior year. Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RR16,847 million in the year ended December 31, 2019.

Share of profit of associates and joint ventures

Share of profit of associates and joint ventures decreased by RR25,356 million, or 11%, to RR207,127 million in the year ended December 31, 2019 compared to RR232,483 million in the prior year. This change was mainly caused by a decrease in the share of profit of NPF Gazfund.

Profit tax

Total profit tax increased by RR33,982 million, or 11%, to RR357,548 million in the year ended December 31, 2019 compared to RR323,566 million in the prior year. The effective profit tax rate was 22.0% and 17.5% in the years ended December 31, 2019 and December 31, 2018, respectively.

The change in the effective profit tax rate was mainly driven by an increase in other expenses non-deductible for tax purposes in the year ended December 31, 2019 compared to the prior year.

Profit for the year attributable to the owners of Gazprom

As a result of the factors discussed above, profit attributable to the owners of Gazprom decreased by RR253,383 million, or 17%, to RR1,202,887 million in the year ended December 31, 2019 compared to RR1,456,270 million in the prior year.

Profit for the year attributable to non-controlling interest

Profit attributable to non-controlling interest decreased by RR6,096 million, or 8%, to RR66,630 million in the year ended December 31, 2019 compared to RR72,726 million in the prior year.

Year ended December 31, 2018 versus Year ended December 31, 2017

Sales

The following table summarizes our sales information for our operating segments in the years ended December 31, 2018 and 2017:

	Year ended December 31, 2018	Year ended December 31, 2017
	(RR million)	
Gas sales gross of excise tax and customs duties to customers in:		
Russian Federation	954,493	875,685
FSU	389,217	323,037
Europe and Other Countries	3,770,291	2,823,939
	5,114,001	4,022,661
Customs duties	(804,987)	(581,109)
Excise tax	(54,681)	(51,873)
Retroactive gas price adjustments[(1)]	49,338	(49,092)
Total gas sales	4,303,671	3,340,587
Sales of refined products to customers in:		
Russian Federation	1,394,137	1,115,125
FSU	144,658	117,635
Europe and Other Countries	640,977	454,330
Total sales of refined products	2,179,772	1,687,090
Sales of crude oil and gas condensate to customers in:		
Russian Federation	64,645	71,434
FSU	38,748	29,770
Europe and Other Countries	631,560	438,754
Total sales of crude oil and gas condensate	734,953	539,958
Electric and heat energy sales:		
Russian Federation	501,362	487,283
FSU	5,090	2,937
Europe and Other Countries	15,643	13,599
Total electric and heat energy sales	522,095	503,819
Gas transportation sales:		
Russian Federation	220,488	229,395
FSU	2,758	2,433
Europe and Other Countries	2,427	3,233
Total gas transportation sales	225,673	235,061
Other sales:		
Russian Federation	210,149	199,506
FSU	8,064	6,212
Europe and Other Countries	39,800	33,910
Total other sales	258,013	239,628
Total sales	**8,224,177**	**6,546,143**

Note:

(1) The effect of retroactive gas price adjustments relates to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments in the years ended December 31, 2018 and December 31, 2017 were recorded as the increase in sales by RR49,338 million and the decrease in sales by RR49,092 million, respectively.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to reverse of related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.
The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements. The effect arising from retroactive gas price adjustments in the year ended December 31, 2017 included amount of adjustment related to the gas supply contract with Naftogaz reflected in accordance with the court decision.

	Year ended December 31, 2018	Year ended December 31, 2017
	(RR million unless stated otherwise)	
Sales of gas		
Europe and Other Countries		
Gross sales[(1)]	3,770,291	2,823,939
Customs duties	(764,395)	(550,849)
Excise tax	(54,681)	(51,873)
Net sales	2,951,215	2,221,217
Volumes in bcm	243.3	242.0
Average price, U.S.$ per mcm[(2)] (including excise tax and customs duties)[(3)]	246.4	200.2
Average price, RR per mcm[(2)] (including excise tax and customs duties)	15,499.5	11,670.5
FSU countries		
Gross sales[(1)]	389,217	323,037
Customs duties	(40,592)	(30,260)
Net sales	348,625	292,777
Volumes in bcm	38.1	35.0
Average price, U.S.$ per mcm[(2)] (including customs duties)[(3)]	162.6	158.4
Average price, RR per mcm[(2)] (including customs duties)	10,225.9	9,237.0
Russian Federation		
Gross sales (net of VAT)	954,493	875,685
Net sales	954,493	875,685
Volumes in bcm	239.7	229.9
Average price, RR per mcm[(2)] (net of VAT)	3,981.3	3,808.3
Total sales of gas		
Gross sales (net of VAT)	5,114,001	4,022,661
Customs duties	(804,987)	(581,109)
Excise tax	(54,681)	(51,873)
Retroactive gas price adjustments	49,338	(49,092)
Net sales	4,303,671	3,340,587
Volumes in bcm	521.1	506.9
Net sales of refined products (net of excise tax, VAT and customs duties)	2,179,772	1,687,090
Net sales of crude oil and gas condensate (net of VAT and customs duties)	734,953	539,958
Electric and heat energy net sales (net of VAT)	522,095	503,819
Gas transportation net sales (net of VAT)	225,673	235,061
Other sales (net of VAT)	258,013	239,628
Total sales (net of excise tax, VAT and customs duties)	**8,224,177**	**6,546,143**

Notes:

(1) VAT is not charged on sales to Europe and Other Countries as well as to FSU countries.

(2) One mcm is equivalent to 35,316 cubic feet.

(3) Calculated on the basis of average exchange rate between RR and U.S.$.

Total sales (net of excise tax, VAT and customs duties) increased by RR1,678,034 million, or 26%, to RR8,224,177 million in the year ended December 31, 2018 compared to the same period of the prior year. The increase in sales was mainly due to an increase in sales of gas, refined products, crude oil and gas condensate.

Net sales of gas accounted for 52% of total net sales in the year ended December 31, 2018 (51% in the prior year).

Net sales of gas increased by RR963,084 million, or 29%, from RR3,340,587 million in the year ended December 31, 2017 to RR4,303,671 million in the year ended December 31, 2018.

Net sales of gas to Europe and Other Countries increased by RR729,998 million, or 33%, to RR2,951,215 million in the year ended December 31, 2018 compared to the prior year. The change was mainly due to an increase in average ruble prices (including excise tax and customs duties) by 33% in the year ended December 31, 2018 compared to the prior year. However, the average U.S. dollar prices increased by 23% compared to the prior year.

Net sales of gas to the FSU countries increased by RR55,848 million, or 19%, to RR348,625 million in the year ended December 31, 2018 compared to the prior year. The change was due to the increase in average ruble prices (including customs duties) by 11% and the increase in volumes of gas sold by 9% in the year ended December 31, 2018. At the same time average U.S. dollar prices increased by 3% compared to the prior year.

Net sales of gas in the Russian Federation increased by RR78,808 million, or 9%, to RR954,493 million in the year ended December 31, 2018 compared to the prior year. This change is mainly explained by the increase in average prices by 5% and the increase in volumes of gas sold by 4%.

Net sales of refined products (net of excise tax, VAT and customs duties) increased by RR492,682 million, or 29%, to RR2,179,772 million in the year ended December 31, 2018 compared to the prior year. The increase in net sales of refined products was due to an increase in average prices in all geographic segments and an increase in Gazprom Neft Group sales volumes to customers in the Russian Federation, Europe and Other Countries.

Net sales of crude oil and gas condensate (net of VAT and customs duties) increased by RR194,995 million, or 36%, to RR734,953 million in the year ended December 31, 2018 compared to the prior year, that was mainly due to an increase in average prices.

Operating expenses

Operating expenses increased by RR484,135 million, or 8%, in the year ended December 31, 2018 to RR6,181,191 million from RR5,697,056 million in the prior year. Operating expenses as a percentage of sales decreased from 87% in the year ended December 31, 2017 to 75% in the year ended December 31, 2018.

The table below presents a breakdown of operating expenses in each period:

	Year ended December 31,	
	2018	**2017**
	(RR million)	
Taxes other than on profit	1,498,278	1,246,059
Purchased gas and oil	1,468,885	1,236,201
Transit of gas, oil and refined products	650,829	593,327
Depreciation	647,993	613,160
Staff costs	600,812	682,060
Materials	264,190	261,642
Goods for resale, including refined products	249,911	207,689
Repairs and maintenance	137,821	154,785
Electricity and heating expenses	114,465	109,485
Social expenses	42,789	34,461
Lease	37,177	37,723
Insurance expenses	32,628	30,491
Transportation expenses	24,544	27,253
Impairment loss (reversal of impairment loss) on non-financial assets	21,743	(16,252)
Processing services	18,961	16,261
Research and development expenses	13,591	16,175
Derivatives loss (gain)	1,849	(18,344)
Foreign exchange differences on operating items	(28,029)	(14,487)
Other	427,990	610,005
	6,226,427	**5,827,694**
Change in balances of finished goods, work in progress and other effects	(45,236)	(130,638)
Total operating expenses(1)	**6,181,191**	**5,697,056**

Note:

(1) For the purposes of compliance with IFRS 9 Financial instruments applied from January 1, 2018, the Group has changed the presentation of information in the consolidated statement of comprehensive income as follows: (i) the line item "Change in impairment and other provisions" has been replaced by two line items "(Impairment loss) reversal of impairment loss on financial assets" and "(Reversal of impairment loss) impairment loss on non-financial assets", the latter is presented as part of the "Operating expenses"; and (ii) the line item "Gain (loss) on disposal of available-for-sale financial assets" has been reclassified to the "Operating expenses". Due to such modifications, and to align the presentation of the relevant financial information with our Unaudited consolidated interim condensed financial information, the presentation of our consolidated statement of comprehensive income for the year 2017 in this Base Prospectus differs from that in our previously published Audited consolidated financial statements for the period indicated.

Taxes other than on profit

Taxes other than on profit consist of:

	Year ended December 31,	
	2018	2017
	(RR million)	
MET	1,163,882	915,228
Property tax	162,928	154,639
Excise tax	157,113	162,140
Other taxes	14,355	14,052
Total taxes other than on profit	**1,498,278**	**1,246,059**

The MET increased by RR248,654 million, or 27% to RR1,163,882 million in the year ended December 31, 2018 compared to RR915,228 million in the prior year, mainly as a result of a rise in crude oil prices, an increase in the adjusting coefficient in the MET formula for crude oil and an increase in coefficient values in the MET formula for gas.

Purchased gas and oil

Cost of purchased gas and oil increased by RR232,684 million, or 19%, to RR1,468,885 million for the year ended December 31, 2018 compared to RR1,236,201 million in the prior year.

Cost of purchased gas included in the purchased gas and oil increased by RR102,983 million or 12% to RR976,849 million in the year ended December 31, 2018 compared to RR873,866 million in the prior year. The change was mainly due to an increase in average prices.

Cost of purchased oil included in the purchased gas and oil increased by RR129,701 million, or 36%, to RR492,036 million in the year ended December 31, 2018 compared to RR362,335 million in the prior year. This change was mainly due to an increase in prices of oil.

Staff costs

Staff costs decreased by RR81,248 million, or 12%, to RR600,812 million in the year ended December 31, 2018 compared to RR682,060 million in the prior year. The change was mainly due to the recognition of income from change in provision for post-employment benefits in the year ended December 31, 2018 caused by the increase in a retirement age according to the legislation of the Russian Federation.

Goods for resale, including refined products

Cost of goods for resale, including refined products increased by RR42,222 million, or 20%, to RR249,911 million in the year ended December 31, 2018 compared to RR207,689 million in the prior year. The increase in cost was mainly due to an increase in prices of petroleum products that was partially compensated by a decrease in refined products purchases by Gazprom Neft Group due to an increase in the refining.

Impairment loss (reversal of impairment loss) on non-financial assets

Impairment loss on non-financial assets amounted to RR21,743 million in the year ended December 31, 2018 compared to the reversal of impairment loss in the amount of RR16,252 million in the prior year. The change was mainly due to the impairment loss recognition for objects of property, plant and equipment and assets under construction in the year ended December 31, 2018 compared to the reversal of impairment loss in the prior year.

Foreign exchange differences on operating items

Foreign exchange gain increased by RR13,542 million, or 93%, to RR28,029 million in the year ended December 31, 2018 compared to the foreign exchange gain in the amount of RR14,487 million in the prior year. This change was mainly due to the appreciation of the U.S. dollar and the euro against the ruble by 21% and 15%, respectively, in the year ended December 31, 2018 compared to the depreciation of the U.S. dollar against the ruble by 5% and the appreciation of the euro against the ruble by 8% in the prior year.

Other operating expenses

Other operating expenses decreased by RR182,015 million, or 30%, to RR427,990 million in the year ended December 31, 2018 compared to RR610,005 million in the prior year. Expenses related to the recognition of liabilities in accordance with the court decisions for Naftogaz were included in other expenses in the year ended December 31, 2017. Other expenses include gas and gas condensate production expenses, services from gas distribution companies, bank charges, security services, legal and consulting services, charity and financial aid and advertising.

Change in balances of finished goods, work in progress and other effects

The line item Change in balances of finished goods, work in progress and other effects increased by RR85,402 million, or 65%, to the negative amount of RR45,236 million in the year ended December 31, 2018 compared to the negative amount of RR130,638 million in the prior year. The change in this line item is explained by the less increase in balances of finished goods in the year ended December 31, 2018 compared to the increase in balances of finished goods in the prior year.

(Impairment loss) reversal of impairment loss on financial assets

Impairment loss on financial assets amounted to RR130,971 million in the year ended December 31, 2018 compared to the reversal of impairment loss on financial assets in the amount of RR38,670 million in the prior year. The change is mainly due to an increase in the accrual of the allowance for expected credit losses on receivables due from Naftogaz and JSV Moldovagaz in the year ended December 31, 2018 compared to the reversal of the allowance for expected credit losses on receivables due from Naftogaz in the prior year.

Operating profit

As a result of the factors discussed above, operating profit increased by RR1,058,625 million, or 121%, to RR1,930,030 million in the year ended December 31, 2018 compared to RR871,405 million in the prior year. The operating profit margin increased from 13% in the year ended December 31, 2017 to 23% in the year ended December 31, 2018.

Net finance (expense) income

	Year ended December 31,	
	2018	**2017**
	(RR million)	
Foreign exchange gain	430,439	342,984
Foreign exchange loss	(762,664)	(353,712)
Net foreign exchange loss	(332,225)	(10,728)
Interest income	72,652	83,721
Interest expense	(50,378)	(53,332)
Net finance (expense) income	**(309,951)**	**19,661**

The net foreign exchange loss increased by RR321,497 million to RR332,225 million in the year ended December 31, 2018 compared to the net foreign exchange loss of RR10,728 million in the prior year. The change was due to the appreciation of the U.S. dollar and the euro against the ruble by 21% and 15%, respectively, in the year ended December 31, 2018 compared to the depreciation of the U.S. dollar against the ruble by 5% and the appreciation of the euro against the ruble by 8% in the prior year.

Interest income decreased by RR11,069 million, or 13%, to RR72,652 million in the year ended December 31, 2018 compared to RR83,721 million in the prior year.

Interest expense decreased by RR2,954 million, or 6%, to RR50,378 million in the year ended December 31, 2018 compared to RR53,332 million in the prior year.

Share of profit of associates and joint ventures

Share of profit of associates and joint ventures increased by RR105,543 million, or 83%, to RR232,483 million in the year ended December 31, 2018 compared to RR126,940 million in the prior year. This change was mainly caused by an increase in the share of profit of Arcticgas, Sakhalin Energy and Messoyakhaneftegaz.

Profit tax

Total profit tax increased by RR72,439 million, or 29%, to RR323,566 million in the year ended December 31, 2018 compared to RR251,127 million in the prior year. The effective profit tax rate was 17.5% and 24.7% in the years ended December 31, 2018 and December 31, 2017, respectively.

The change in the effective profit tax rate was mainly driven by an increase in share of profit of associates and joint ventures and other income non-deductible for tax purposes in the year ended December 31, 2018 compared to the prior year.

Profit for the year attributable to the owners of Gazprom

As a result of the factors discussed above, profit attributable to owners of Gazprom increased by RR741,968 million, or 104%, from RR714,302 million in the year ended December 31, 2017 to RR1,456,270 million in the year ended December 31, 2018.

Profit for the year attributable to non-controlling interest

Profit attributable to non-controlling interest increased by RR20,149 million, or 38%, to RR72,726 million in the year ended December 31, 2018 compared to RR52,577 million in the prior year.

Liquidity and Capital Resources

We make significant capital expenditures to explore for natural gas and crude oil, to develop our natural gas and crude oil fields and to produce natural gas, gas condensate and crude oil and their products, and to maintain and expand the GTS and international pipelines. Our capital expenditures (excluding the effect of acquisitions of subsidiaries) were RR575,890 million and RR657,182 million in the six-month periods ended June 30, 2020 and 2019, respectively, and RR1,818,677 million, RR1,795,884 million and RR1,504,600 million in the years ended December 31, 2019, 2018 and 2017, respectively.

We make significant investments in associates and joint arrangements and acquisitions of subsidiaries. See "Certain Acquisitions, Dispositions and Changes in Control".

In the six-month periods ended June 30, 2020 and 2019, and in the years ended December 31, 2019, 2018 and 2017 our operating cash flows including cash on short-term deposits were sufficient to cover our cash capital expenditures and other investment activities.

Other significant uses of our cash flows include servicing our debt and paying dividends. Interest paid and expensed was RR22,931 million and RR26,913 million in the six-month periods ended June 30, 2020 and 2019, respectively, and RR48,180 million, RR38,288 million and RR34,296 million in the years ended December 31, 2019, 2018 and 2017, respectively. Interest capitalized and paid was RR63,720 million and RR62,456 million in six-month periods ended June 30, 2020 and 2019 respectively, and RR122,848 million, RR134,886 million and RR127,159 million in the years ended December 31, 2019, 2018 and 2017 respectively. Total interest paid, both expensed and capitalized, was RR86,651 million and RR89,369 million in the six-month periods ended June 30, 2020 and 2019 respectively, and RR171,028 million, RR173,174 million and RR161,455 million in the years ended December 31, 2019, 2018 and 2017 respectively.

We paid dividends (including dividends paid by subsidiaries to non-controlling interest) of RR89 million and RR5,513 million in the six-month periods ended June 30, 2020 and 2019, respectively, and RR379,595 million, RR188,313 million and RR191,875 million in the years ended December 31, 2019, 2018 and 2017, respectively.

In the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017 our proceeds from debt exceeded our repayments of debt. Our borrowings net of repayments of debt (including bonds and promissory notes) were RR165,202 million, RR127,866 million and RR297,863 million, RR105,519 million and RR376,472 million in the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017, respectively.

Our total debt (including long-term borrowings, short-term borrowings, short-term promissory notes payable, long-term promissory notes payable) increased from RR3,863,904 million as of December 31, 2019 to RR4,423,000 million as of June 30, 2020. Our cash and cash equivalents increased from RR696,057 million as of December 31, 2019 to RR738,836 million as of June 30, 2020.

Cash Flows

The following table summarizes our statements of cash flows in the six-month periods ended June 30, 2020 and 2019 and for the years ended December 31, 2019, 2018 and 2017:

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
			(RR million)		
Net cash from operating activities	759,651	1,256,653	1,709,384	1,617,384	1,187,022
Net cash used in investing activities	(858,971)	(958,604)	(1,938,109)	(1,617,718)	(1,368,131)
Net cash from (used in) financing activities	86,404	71,326	152,375	(96,070)	149,944

Net cash from operating activities

Net cash from operating activities decreased by RR497,002 million, or 40%, to RR759,651 million in the six-month period ended June 30, 2020 compared to RR1,256,653 million in the same period of the prior year. This change was mainly driven by a decrease in cash flow from operating activities before working capital changes in the six-month ended June 30, 2020 compared to the same period of the prior year.

Net cash from operating activities increased by RR92,000 million, or 6%, to RR1,709,384 million in the year ended

December 31, 2019 compared to RR1,617,384 million in the prior year. This change was mainly driven by a decrease in short-term deposits within working capital in the year ended December 31, 2019 compared to their increase in the prior year.

Net cash from operating activities increased by RR430,362 million, or 36%, to RR1,617,384 million in the year ended December 31, 2018 compared to RR1,187,022 million in the prior year. This change was mainly driven by an increase in cash from operating activities before working capital changes compared to the prior year primarily caused by the increase in the operating profit.

Net cash used in investing activities

Net cash used in investing activities decreased by RR99,633 million, or 10%, to RR858,971 million in the six-month period ended June 30, 2020 compared to RR958,604 million in the same period of the prior year. The change was mainly due to a decrease in loans issued in the six-month period ended June 30, 2020 compared to the same period in the prior year.

Net cash used in investing activities increased by RR320,391 million, or 20%, to RR1,938,109 million in the year ended December 31, 2019 compared to RR1,617,718 million in the prior year. The change was mainly due to an increase in loans issued in the year ended December 31, 2019 compared to the prior year.

Net cash used in investing activities increased by RR249,587 million, or 18%, to RR1,617,718 million in the year ended December 31, 2018 compared to RR1,368,131 million in the prior year. The change was mainly due to an increase in capital expenditures for year ended December 31, 2018 compared to the prior year.

Net cash from (used in) financing activities

Net cash from financing activities increased by RR15,078 million, or 21%, to RR86,404 million in the six-month period ended June 30, 2020 compared to RR71,326 million in the same period of the prior year. This change was mainly due to an increase in proceeds from long-term borrowings compared to the same period in the prior year.

Net cash from financing activities amounted to RR152,375 million in the year ended December 31, 2019 compared to net cash used in financing activities in the amount of RR96,070 million in the prior year. This change was mainly due to a decrease in repayments of long-term borrowings and proceeds from sale of treasury shares, that was partially compensated by an increase in dividends paid compared to the prior year.

Net cash used in financing activities amounted to RR96,070 million in the year ended December 31, 2018 compared to net cash from financing activities in the amount of RR149,944 million in the prior year. This change was mainly due to the increase in the ratio of repayment of borrowings to proceeds from borrowings in the year ended December 31, 2018 which accounted for 92%, compared with the same ratio for the prior year which accounted for 63%.

Working Capital

Our working capital surplus (current assets less current liabilities) was RR1,143,516 million as of June 30, 2020 and RR1,300,677 million as of December 31, 2019. The decrease in our working capital by RR157,161 million in the six-month period ended June 30, 2020 was mainly due to a decrease in short-term deposits within other current assets.

Management believes that we have sufficient working capital to meet our requirements for at least the next 12 months. However, we are dependent on the short-term credit markets to finance our working capital. We also depend upon regular access to the domestic debt capital markets to meet a significant portion of our financing requirements.

The working capital surplus (current assets less current liabilities) was RR1,300,677 million as of December 31, 2019 and RR1,738,535 million as of December 31, 2018. The decrease in the working capital by RR437,858 million in the year ended December 31, 2019 was mainly due to a decrease in accounts receivable and an increase in the current portion of long-term borrowings.

The working capital surplus (current assets less current liabilities) was RR1,738,535 million as of December 31, 2018 and RR879,750 million as of December 31, 2017. The increase in the working capital by RR858,785 million in the year ended December 31, 2018 was mainly due to an increase in short-term deposits within other current assets and also due to a decrease in the current portion of long-term borrowings.

Capital Expenditures

Total capital expenditures (excluding the effect of acquisitions of subsidiaries) by segments in the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017 in nominal ruble terms, amounted to the following:

	Six months ended June 30,			
	2020		2019	
	(RR million)	(%)	(RR million)	(%)
Production of crude oil and gas condensate	176,482	30.6	118,150	18.0
Refining	147,517	25.6	147,831	22.5
Production of gas	89,293	15.5	97,292	14.8
Transportation of gas	81,927	14.2	191,304	29.1
Electric and heat energy generation and sales	40,201	7.0	26,144	4.0
Distribution of gas	5,313	0.9	8,233	1.2
Gas storage	3,072	0.5	5,655	0.9
All other segments[(1)]	32,085	5.7	62,573	9.5
Total	**575,890**	**100**	**657,182**	**100**

	Year ended December 31,					
	2019		2018		2017	
	(RR million)	(%)	(RR million)	(%)	(RR million)	%
Transportation of gas	464,203	25.5	640,063	35.6	498,550	33.1
Refining	437,758	24.1	309,417	17.2	225,240	15.0
Production of gas	316,011	17.4	308,007	17.1	216,450	14.4
Production of crude oil and gas condensate	360,215	19.8	257,932	14.4	330,424	22.0
Electric and heat energy generation and sales	79,001	4.3	72,907	4.1	58,110	3.9
Distribution of gas	25,827	1.4	39,078	2.2	51,675	3.4
Gas storage	14,268	0.8	19,391	1.1	37,694	2.5
All other segments[(1)]	121,394	6.7	149,089	8.3	86,457	5.7
Total	**1,818,677**	**100**	**1,795,884**	**100**	**1,504,600**	**100**

Note:

(1) Primarily includes expenditures for the acquisition of non-productive assets.

Total capital expenditures decreased by RR81,292 million, or 12%, from RR657,182 million in the six-month period ended June 30, 2019 to RR575,890 million in the six-month period ended June 30, 2020.

The largest portion of capital expenditures refers to the Production of crude oil and gas condensate segment. The amount of capital expenditures of the Production of crude oil and gas condensate segment increased by RR58,332 million, or 49%, to RR176,482 million in the six-month period ended June 30, 2020, mainly due to the investment programme implementation at new oil fields by Gazprom Neft Group entities.

The amount of capital expenditures of the Transportation of gas segment decreased by RR109,377 million, or 57%, to RR81,927 million in the six-month period ended June 30, 2020, mainly due to the completion of most works for the construction of the TurkStream and Nord Stream 2 gas pipelines as well as putting the Power of Siberia gas pipeline into operation at the end of 2019.

Total capital expenditures increased by RR22,793 million, or 1%, from RR1,795,884 million in the year ended December 31, 2018 to RR1,818,677 million in the year ended December 31, 2019.

The largest portion of capital expenditures refers to the Transportation of gas segment. The amount of capital expenditures of Transportation of gas segment decreased by RR175,860 million, or 27%, to RR464,203 million in the year ended December 31, 2019 mainly due to the completion of the laying of the TurkStream gas pipeline, as well as putting the Power of Siberia gas pipeline into operation.

Total capital expenditures increased by RR291,284 million, or 19%, from RR1,504,600 million in the year ended December 31, 2017 to RR1,795,884 million in the year ended December 31, 2018.

The following table shows our cash and non-cash capital expenditures (excluding the effect of acquisitions of subsidiaries):

	Six months ended June 30,		Year ended December 31,		
	2020	2019	2019	2018	2017
	(RR million)				
Cash capital expenditures	720,196	788,381	1,775,923	1,639,474	1,405,780
Changes in settlements related to capital construction	(241,430)	(148,823)	(21,524)	(31,839)	(4,495)
Other	97,124	17,624	64,278	188,249	103,315
Total capital expenditures(1)	**575,890**	**657,182**	**1,818,677**	**1,795,884**	**1,504,600**

Note:

(1) Data presented in this table includes all of our consolidated subsidiaries for the relevant periods.

The Group's investment program for 2020 (including Gazprom's investment program approved by the Board of Directors in December 2019) provides for investment of RR1,679 billion (excluding VAT), including RR367 billion in the Transportation segment, RR198 billion in the Refining segment, RR339 billion for the Production of crude oil and gas condensate segment, RR385 billion in the Production of gas segment, RR75 billion in the Electric and heat energy generation and sales segment, RR38 billion in the Distribution of gas segment and RR29 billion in the Gas storage segment.

Debts Obligation

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents) increased by RR516,317 million, or 16%, from RR3,167,847 million as of December 31, 2019 to RR3,684,164 million as of June 30, 2020. This change was mainly due to an increase in the amount of long-term borrowings denominated in the ruble caused by the appreciation of the U.S. dollar and the euro against the ruble.

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents) increased by RR153,444 million, or 5%, from RR3,014,403 million as of December 31, 2018 to RR3,167,847 million as of December 31, 2019. This change was mainly due to a decrease in cash and cash equivalents balances.

Net debt balance (defined as the sum of short-term borrowings, current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable, net of cash and cash equivalents) increased by RR616,892 million, or 26%, from RR2,397,511 million as of December 31, 2017 to RR3,014,403 million as of December 31, 2018. This change was mainly due to an increase in the amount of long-term borrowings denominated in the ruble caused by the appreciation of the U.S. dollar and the euro against the ruble.

The following table shows our borrowings as of June 30, 2020, December 31, 2019, 2018 and 2017:

	As of June 30,	As of December 31,		
	2020	2019	2018	2017
	(RR million)			
Long-term borrowings				
Fixed interest rate borrowings	2,621,607	2,238,028	2,709,599	2,355,672
Weighted average interest rate for fixed rate borrowings	5.39%	5.77%	5.97%	6.26%
Variable interest rate borrowings	1,657,851	1,472,051	1,079,332	824,665
Weighted average interest rate for variable rate borrowings	3.22%	3.37%	2.88%	3.54%
Total long-term borrowings	**4,279,458**	**3,710,079**	**3,788,931**	**3,180,337**
RR denominated borrowings	875,408	845,269	694,548	558,509
Foreign currency denominated borrowings	3,404,050	2,864,810	3,094,383	2,621,828
Total long-term borrowings	**4,279,458**	**3,710,079**	**3,788,931**	**3,180,337**
Less: current portion of long-term borrowings	523,510	620,377	494,170	788,624
Total long-term debt obligations	**3,755,948**	**3,089,702**	**3,294,761**	**2,391,713**
Short-term borrowings				
Fixed interest rate borrowings	9,791	30,659	31,877	47,789
Weighted average interest rate for fixed rate borrowings	7.20%	7.08%	7.92%	8.49%
Variable interest rate borrowings	133,751	123,166	43,014	38,392
Weighted average interest rate for variable rate borrowings	3.03%	2.46%	8.82%	8.19%
Total short-term borrowings	**143,542**	**153,825**	**74,891**	**86,181**
RR denominated borrowings	80,788	89,119	66,839	74,374
Foreign currency denominated borrowings	62,754	64,706	8,052	11,807
Total short-term borrowings	**143,542**	**153,825**	**74,891**	**86,181**
Plus: current portion of long-term borrowings	523,510	620,377	494,170	788,624
Total short-term debt obligations	**667,052**	**774,202**	**569,061**	**874,805**
Total borrowings	**4,423,000**	**3,863,904**	**3,863,822**	**3,266,518**

The following table shows the breakdown by currency of our actual foreign currency denominated long-term borrowings as of June 30, 2020, December 31, 2019, 2018 and 2017 as well as the same balances expressed in rubles:

	As of June 30,	As of December 31,		
	2020	2019	2018	2017
U.S. dollar denominated (expressed in millions of U.S. dollars)	15,346	13,405	15,813	20,544
Euro denominated (expressed in millions of U.S. dollars)[(1)]	29,085	28,697	24,001	20,953
Other currencies denominated (expressed in millions of U.S. dollars)[(1)]	4,232	4,175	4,729	4,021
Total long-term foreign currency denominated borrowings expressed in millions of U.S. dollars	**48,663**	**46,277**	**44,543**	**45,518**
Total long-term foreign currency denominated borrowings expressed in millions of RR[(2)]	**3,404,050**	**2,864,810**	**3,094,383**	**2,621,828**

Notes:

(1) Converted at U.S. dollar exchange rate as of the end of the respective periods.

(2) Converted at the exchange rate as of period-end.

As of June 30, 2020 according to the agreements signed with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation & Finance B.V., 100% of shares of Nord Stream 2 AG held by Gazprom were pledged until full discharge of the secured obligations.

As of June 30, 2020 according to the agreements signed in December 2019, 99.9% interest in the charter capital of our subsidiary LLC Gazprom pererabotka Blagoveshchensk was pledged until full discharge of the secured obligations. As of June 30, 2020 the secured obligations owed to China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, Banca IMI S.p.A. and PJSC Sberbank amounted to RR293,649 million. No borrowings were made as of December 31, 2019.

The following table shows our schedule of repayments for long-term borrowings as of June 30, 2020, December 31, 2019, 2018 and 2017:

	As of June 30,	As of December 31,		
	2020	2019	2018	2017
	(RR million)			
Between one and two years	494,780	448,815	607,775	481,070
Between two and five years	1,617,935	1,637,203	1,654,576	1,087,239
After five years	1,643,233	1,003,684	1,032,410	823,404
Total	**3,755,948**	**3,089,702**	**3,294,761**	**2,391,713**

Recent developments

Borrowings

In July 2020 the Group obtained a long-term loan from PJSC Credit Bank of Moscow in the amount of RR15,000 million bearing an interest rate of the current key rate of the Central Bank of the Russian Federation + 0.4% due in 2025 under the agreement concluded in February 2020.

In July-August 2020 our subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of €336 million bearing interest rates from EURIBOR + 1.00% to EURIBOR + 3.95% and RR19,500 million bearing an interest rate of the current key rate of the Central Bank of the Russian Federation + 2.15% and due in 2034-2036. The loans were obtained under the terms of the long-term financing agreements signed in December 2019 pursuant to the contractual framework for financing the construction of the Amur gas processing plant. ING Bank N.V., Intesa Sanpaolo S.p.A. and PJSC Sberbank were appointed as agent banks.

In July 2020 the Group signed an agreement to obtain a long-term loan from JSC SMP Bank in the amount of RR10,000 million to bear an interest rate not exceeding the then-current key rate of the Central Bank of the Russian Federation + 1% and repayable in 2025.

In August 2020, the Group obtained short-term loans from Russian banks in an aggregate amount of RR15,000 million due in November 2020.

In September 2020, the Group obtained a long-term loan from an international bank in the amount of €400 million due in 2023.

Financial Guarantee Contracts

The amount of outstanding financial guarantees provided to third parties increased by RR19,430 million, or 9%, to RR238,522 million between December 31, 2019 and June 30, 2020 primarily as a result of an increase in guaranteed obligations of Nord Stream AG in ruble terms due to the appreciation of the euro against the ruble and an increase in other guaranteed obligations.

The amount of outstanding financial guarantees provided to third parties decreased by RR101,576 million, or 32%, to RR219,092 million between December 31, 2018 and December 31, 2019 primarily as a result of termination in January 2019 of guarantees issued for LLC Stroygazconsulting in December 2017.

The amount of outstanding financial guarantees provided to third parties increased by RR16,826 million, or 6%, to RR320,668 million between December 31, 2017 and December 31, 2018 primarily as a result of increase in guaranteed obligations of LLC Stroygazconsulting and Nord Stream AG that was partially offset by a decrease in guaranteed obligations of Sakhalin Energy.

We have significant obligations to supply gas under long-term contracts with European customers.

Qualitative and Quantitative Disclosures and Market Risks

We are exposed to market risk from changes in commodity prices, foreign currency exchange rates, interest rates and prices of marketable securities. We are exposed to commodity risk as we are a commodity business and our natural gas export sales are linked to oil product prices. We are exposed to foreign exchange risk to the extent that our sales revenues, costs, receivables for gas sales and debt are denominated in currencies other than rubles. We are subject to market risk from changes in interest rates that may affect the cost of our financing.

Foreign currency risk

Our principal exchange rate risk involves changes in the value of the ruble relative to the U.S. dollar and the euro. As of June 30, 2020 RR1,073,476 million and RR2,096,779 million of our borrowings were denominated in U.S. dollars and euro, respectively (out of RR4,423,000 million of our total borrowings at that date). Increases in the value of the ruble denominated borrowings relative to value of the U.S. dollar or the euro denominated borrowings will decrease our foreign currency denominated costs and expenses and our debt service obligations for foreign currency denominated borrowings in ruble terms. A depreciation (appreciation) of the ruble rate relative to the U.S. dollar and the euro will also result in an increase (decrease) in the value of our foreign currency borrowings in ruble terms. Share of the U.S. dollar denominated borrowings and euro denominated borrowings in credit portfolio of the Group was approximately 24% share and 47% share, respectively, as of June 30, 2020.

We believe that the risks associated with our foreign currency exposure are mitigated by the fact that a significant portion of our revenues, approximately 51% of our gross sales (including customs duties and excise tax, net of VAT) in the six-month period ended June 30, 2020, is denominated in foreign currency, mainly in the U.S. dollar or euro. In the six-month period ended June 30, 2020 the ruble had appreciated against the U.S. dollar and the euro by approximately 13% and 13%, respectively.

A hypothetical, instantaneous and unfavorable 10% change (appreciation of the foreign currency in a net foreign currency liability position) in currency exchange rates would have resulted in additional interest expense of approximately RR6,474 million, RR6,150 million, RR12,069 million, RR12,781 million and RR12,302 million (nominal) in the six-month periods ended June 30, 2020 and 2019 and in the years ended December 31, 2019, 2018 and 2017, respectively, reflecting the increased costs in ruble terms of servicing our foreign currency denominated borrowings held as of June 30, 2020 and 2019, and December 31, 2019, 2018 and 2017, respectively.

A hypothetical, instantaneous and unfavorable 10% change (appreciation of the foreign currency in a net foreign currency liability position) in currency exchange rates as of June 30, 2020 and 2019 and as of December 31, 2019, 2018 and 2017, would have resulted in an estimated foreign exchange loss of approximately RR346,680 million, RR284,579 million, RR292,952 million, RR310,244 million and RR263,364 million (nominal), respectively, on foreign currency denominated borrowings held as of June 30, 2020 and 2019 and as of December 31, 2019, 2018 and 2017, respectively. Such effect would be at least partially offset by increased revenues generated by export contracts denominated in U.S. dollars and euro.

Interest rate risk

We are exposed to interest rate risk in our borrowings that bear interest at variable rates. As of June 30, 2020 and December 31, 2019, 2018, 2017, respectively, we had RR4,423,000 million, RR3,863,904 million, RR3,863,822 million and RR3,266,518 million in total borrowings, of which approximately RR2,631,398 million, RR2,268,687 million, RR2,741,476 million and RR2,403,461 million bore interest at fixed rates and approximately RR1,791,602 million, RR1,595,217 million, RR1,122,346 million and RR863,057 million bore interest at variable rates determined generally by reference to the LIBOR or EURIBOR for U.S. dollar and euro borrowings, respectively.

A hypothetical, instantaneous and unfavorable change (increase) of 100 basis points in the interest rate applicable to variable rate financial liabilities held as of June 30, 2020 and as of December 31, 2019, 2018 and 2017 would have resulted in additional net interest expense of approximately RR8,467 million, RR13,588 million, RR9,927 million and RR7,837 million (nominal), respectively, in the six-month period ended June 30, 2020 and in the years ended December 31, 2019, 2018 and 2017. This sensitivity analysis is based on the assumption of an unfavorable 100 basis point movement of the interest rate applicable to each homogeneous category of financial liabilities. A homogeneous category is defined according to the currency in which financial liabilities are denominated and assumes the same interest rate movement within each homogeneous category (e.g., U.S. dollars and euro).

A hypothetical, instantaneous and unfavorable change (decrease) of 100 basis points in the interest rate would have resulted in an increase in the fair value of fixed rate financial liabilities held as of June 30, 2020 and December 31, 2019, 2018 and 2017 of RR168,322 million, RR110,728 million, RR109,228 million and RR105,372 million, respectively.

Derivatives

For the purpose of reducing commodity risk, interest rate risk, currency risk and other market risks we continue to use a number of derivative instruments. These comprise commodity contracts, interest rate swap contracts, foreign currency derivatives and other derivatives. The objective, when using any derivative instrument, is to ensure that the risk to reward profile of any transaction is optimized. In accordance with our accounting policies, such instruments are accounted for at their fair value, the changes of which are recognized as a profit or loss.

Commodity risk

Substantially all of our natural gas, gas condensate and other hydrocarbon export sales to Europe and Other Countries are sold under long-term contracts. Our natural gas export prices to Europe and Other Countries are based on a formula linked to world oil product prices, which in turn are linked to world crude oil prices. Worldwide political developments and the actions of OPEC affect crude oil prices and thus our natural gas export prices.

Securities price risk

We are exposed to movements in the prices of marketable securities that we hold in our investment portfolio. Specifically, as of June 30, 2020 we held RR377,666 million of marketable corporate shares and bonds. A change in Russia's sovereign credit rating, or an external event that impacts Russian debt and equity securities prices, may have an impact on the market value of our trading securities. The fair value of our pension plan assets is also exposed to the prices of marketable securities.

GAZPROM

We are one of the world's largest oil and gas companies in terms of reserves, production and market capitalization. For the year ended December 31, 2019, our sales net of VAT and customs duties were RR7,659,623 million and our operating profit was RR1,119,857 million. For the six months ended June 30, 2020 our sales net of VAT and customs duties were RR2,903,148 million and our operating profit was RR189,985 million. As of December 31, 2019, we had total assets of RR21,882,348 million and total shareholders' equity (excluding non-controlling interest) of RR14,104,833 million. As of June 30, 2020, we had total assets of RR22,059,001 million and total shareholders' equity (excluding non-controlling interest) of RR13,786,452 million.

Reserves. We estimate our reserves using the Russian reserves system, which differs significantly from PRMS Standards, in particular, with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. As of December 31, 2019, our AB_1C_1 reserves amounted to 34.9 tcm (226.5 bboe) of natural gas, 1,569.7 million tons (12.8 bboe) of gas condensate and 2,005.7 million tons (14.7 bbls) of crude oil, for a total of 254.0 bboe. Approximately 55% of these AB_1C_1 hydrocarbon reserves are concentrated in Western Siberia. Other reserves are mostly located on the Barents Sea shelf, in Eastern Siberia, the Far East, the South Urals region and in Southern Russia.

Independent petroleum engineering consulting firm DeGolyer and MacNaughton evaluated our reserves as of December 31, 2019. The evaluation was conducted in accordance with PRMS Standards and covered approximately 93% of our AB_1C_1 natural gas reserves, 95% of our AB_1C_1 gas condensate reserves and 96% of our AB_1C_1 crude oil reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves." As of December 31, 2019, our proved reserves according to an evaluation by DeGolyer and MacNaughton amounted to 17.7 tcm (115.0 bboe) of natural gas, 730.2 million tons (6.0 bboe) of gas condensate and 707.5 million tons (5.2 bbls) of crude oil, for a total of 126.1 bboe, and our probable reserves amounted to 6.7 tcm (43.4 bboe) of natural gas, 333.0 million tons (2.7 bboe) of gas condensate and 667.3 million tons (4.9 bbls) of crude oil, for a total of 51.0 bboe. We believe that the evaluated fields are likely to contain most of our reserves that would be deemed proved or probable upon a full evaluation of our reserves in accordance with PRMS Standards. See "—Reserves and Production."

Exploration and production. In the year ended December 31, 2019, we produced 501.2 bcm (3,252.9 mmboe) of natural gas and 16.7 million tons (136.7 mmboe) of gas condensate, as compared with 498.7 bcm (3,236.4 mmboe) of natural gas and 15.9 million tons (130.3 mmboe) of gas condensate, for the year ended December 31, 2018. In the year ended December 31, 2019, we produced 48.0 million tons (351.5 mmbls) of crude oil, as compared with 48.3 million tons (353.9 mmbls) of crude oil for the year ended December 31, 2018. In the six months ended June 30, 2020, we produced 221.5 bcm (1,437.7 mmboe) of natural gas, 8.0 million tons (65.3 mmboe) of gas condensate and 22.7 million tons (166.0 mmbls) of crude oil, as compared with 259.3 bcm (1,682.8 mmboe) of natural gas, 8.5 million tons (69.8 mmboe) of gas condensate and 23.7 million tons (174.0 mmbls) of crude oil in the six months ended June 30, 2019. Our gas production decreased in the six months ended June 30, 2020 as compared to the respective period of 2019 due to reduced gas sales volumes in our core markets. See "—Distribution." Our natural gas production accounted for approximately 68% of total natural gas production in Russia in 2019. Our natural gas production in Western Siberia accounts for over 90% of our natural gas production. See "—Reserves and Production."

Gas transportation. We own and operate the world's largest gas transportation system, which collects, processes, transports, stores and delivers substantially all the natural gas sold in Russia. As of December 31, 2019, the total length of our GTS in Russia was approximately 175,200 km (not including distribution pipelines and pipelines for the transportation of gas condensate and WFLH) and included 254 compressor stations on the pipelines, with an aggregate capacity of 46,800 MW, and 27 UGSFs with an aggregate capacity of 75.0 bcm. We control and manage the transportation of gas in the GTS network from our central dispatch management center located in Moscow.

We injected into the GTS in Russia 679.0 bcm and 693.1 bcm of natural gas in 2019 and 2018, respectively, and 307.7 bcm and 351.4 bcm of natural gas in the six months ended June 30, 2020 and 2019, respectively. Our GTS natural gas throughput decreased in the six months ended June 30, 2020 as compared to the corresponding period of 2019 in light of a decrease of gas supplies to our European and Russian customers. See "—Transport."

Processing, refining and petrochemical production. We refine a large amount of the natural and associated gas, gas condensate and crude oil that we produce. In 2019, we refined 31.5 bcm of natural and associated gas and 67.1 million tons of unstable gas condensate and crude oil, as compared with 31.1 bcm of natural and associated gas and 67.4 million tons of unstable gas condensate and crude oil in 2018, respectively. In the six months ended June 30, 2020, we refined 15.4 bcm of natural and associated gas and 32.1 million tons of unstable gas condensate and crude oil, as compared with 15.4 bcm of natural and associated gas and 33.0 million tons of unstable gas condensate and crude oil in the six months ended June 30, 2019. We also produce a wide range of refined gas and petrochemical products. See "—Refining."

Gas sales. We supply most of the natural gas consumed in Russia and a significant portion of the natural gas consumed in the FSU countries to which we export our natural gas. Our gas export volumes to Europe accounted for approximately 28% of the volume of natural gas consumed in Europe in the six months ended June 30, 2020, as compared to 32% in the corresponding period of 2019, which made us the largest supplier of natural gas to Europe in those periods. Substantial volumes of our exports to Europe are transported by pipelines through Ukraine and Belarus. See "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas." In the year ended December 31, 2019, our gas sales volumes were 506.9 bcm as compared with 521.1 bcm in the year ended December 31, 2018. In the six months ended June 30, 2020, our gas sales decreased to 230.7 bcm as compared with 263.4 bcm in the six months ended June 30, 2019 due to reduced demand in our core markets, in particular as a result of warm weather conditions, high capacity utilization rates of UGSFs and increased LNG imports in Europe as well as the impact of the COVID-19 outbreak. See "—Distribution."

Electricity. We own significant power generation assets that provide approximately 14% of the electric power generated in Russia. The aggregate power generation capacity of our subsidiaries in Russia was approximately 40 GW and heat generation capacity was approximately 69 thousand Gcal/h as of June 30, 2020. We generated 149.0 billion kWh and 153.2 billion kWh of electric power and 122.4 million Gcal and 131.3 million Gcal of heat for the years ended December 31, 2019 and 2018, respectively. In the six months ended June 30, 2020, we generated 68.1 billion kWh of electric power and 65.5 million Gcal of heat as compared to 78.9 billion kWh of electric power and 69.5 million Gcal of heat during the six months ended June 30, 2019. In the six months ended June 30, 2020 as compared to the corresponding period of 2019, our electric power and heat generation decreased due to reduced demand and warm weather conditions in Russia. See "—Electric and heat energy generation and sales—Russia" and "—Distribution—Europe and Other Countries—Europe."

Relationship with the Government. The Russian Federation currently controls more than 50% of Gazprom's ordinary shares. As our controlling shareholder, the Russian Federation has a strong influence over the major decisions made at our shareholder meetings and, as the nominating party for a majority of the members of the Board of Directors, is able to determine our strategy, make policy decisions in relation to the main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Currently, the Government regulates the tariffs that we charge for gas transportation through our trunk pipelines to independent gas suppliers, the wholesale prices for gas that we and our affiliated companies produce and sell in the domestic market, as well as some other areas of our business. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation." In addition, we are one of the largest taxpayers to the federal budget.

Strategy

Our strategic goal is to continue to be a leader among global energy companies by diversifying our product markets, increasing the reliability of our supplies, ensuring sustainable development, enhancing the efficiency of our operations and using advanced technology and scientific achievements to improve our operations.

To achieve this goal, our development strategy prioritizes investments in our industrial assets in gas production, transportation, processing and storage facilities to achieve efficient and integrated development. Our strategy allows us to make adjustments to our capital expenditure plans for the development of our production and transportation projects in response to any significant changes in the demand for gas in both the domestic and international markets. See "—Investment Program."

We believe that our long-term forecasts of demand in our major markets, the projected economic efficiency of our projects and planned expansion of our capacities adequately respond to the market environment because they are based on a conservative approach. Therefore, we believe that our long-term strategy and projects are sustainable despite any changes in the economic environment.

We have consolidated our entire oil business within one subsidiary, Gazprom Neft. The core objective of Gazprom Neft through 2030 is to become a leader in the world oil industry. In particular, Gazprom Neft has the following priorities: (1) ensuring an annual production growth of liquid hydrocarbons in line with the industry to maintain a position among top ten public companies producing liquid hydrocarbons whilst observing the commitments under the OPEC+ agreement, (2) maximizing the per barrel added value through the efficient management of the whole value chain, (3) retaining the leadership in terms of return on invested capital through efficient management of the company's portfolio of assets and projects, with a focus on the maximization of profits, and (4) securing an industry leadership in technology and efficiency as well as health, safety and environmental matters. Gazprom Neft raises funding to finance its operations from Russian and other non-U.S. and non-EU credit and capital markets.

Exploration and production. To pursue the recovery of our hydrocarbon reserves, we perform geological exploration works in our main production regions, the most important of which are the Nadym-Pur-Taz region and the Yamal Peninsula in Western Siberia, as well as in promising gas production regions, such as the Russian continental shelf of the Far East and Arctic seas (including the continental shelf of the Okhotsk (Sakhalin), Barents, Pechora and Kara Seas, Obskaya and Tazovskaya Bays), Eastern Siberia and the Far East. In accordance with our programs for resource development, we plan to ensure the enhanced recovery of our gas reserves. See "—Reserves and Production."

Assuming sufficient demand in Russia and favorable conditions in foreign markets, we expect our annual production (including production in Eastern Siberia and the Russian Far East) to reach approximately 580-610 bcm by 2030.

In order to reach these levels, we have commenced the development of new strategic fields in the Yamal Peninsula in Western Siberia, the Russian continental sea shelf, in Eastern Siberia and the Far East. The development of fields in these regions requires significant investment because of their distance from existing gas transportation facilities, the complexity of well construction in such areas and difficulties in the implementation of new technologies, including those for environmental preservation in severe weather and geological conditions.

We develop resources in Eastern Siberia and the Far East in accordance with the Eastern Program. Gazprom has been appointed the coordinator of the Eastern Program by the Government. Currently, we are engaged in the gradual development of the Sakhalinskiy, Yakutskiy and Irkutskiy gas production centers as well as gas production in the Kamchatka Territory. The production in these regions is expected to exceed 60 bcm of natural gas by 2025. We hold a 50% plus one share interest in Sakhalin Energy, the project operator of Sakhalin II. We have commenced production at the Chayandinskoye field in the Republic of Sakha (Yakutia) and are continuing preparations for commercial production at the Kovyktinskoye field in the Irkutsk Region. We have also started commercial production at the Kirinskoye field on the continental shelf of the Sea of Okhotsk and continue the exploration and development of other fields and areas in Eastern Siberia and the Far East. See "—Reserves and Production—Exploration, development and production regions—Eastern Siberia and the Far East (Siberian and Far East Federal Districts)" and "—Reserves and Production—Exploration, development and production regions—Russian continental shelf."

We also intend to expand our reserves outside Russia and obtain licenses for exploration and development of hydrocarbon reserves in various international regions. Currently, the Group is involved in exploration and/or production projects in Algeria, Angola, Bolivia, Bosnia and Herzegovina, Denmark, Iraq, Libya, the Netherlands, Romania, Serbia, the United Kingdom, Uzbekistan, Venezuela and Vietnam. We are also considering participating in projects in other countries, in particular, in South America. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region."

The currently operational production assets and those planned to be put on stream in the near future are expected to account for a major portion of Gazprom Neft's production growth through 2030. Gazprom Neft intends to continue pursuing the efficient development of its mature resource base, while focusing in the long term on its new resource base which varies significantly by geographical location, as well as geological and technological parameters. In particular, Gazprom Neft plans to (1) carry on the development of its resource base in the Yamal Peninsula and construct a gas pipeline connecting the Novoportovskoye field with the UGSS, (2) engage in the development of fields in the strategically important Nadym-Pur-Taz region, which are considered unique in terms of liquid hydrocarbons reserves, (3) develop technologies for a commercially viable production from the Bazhenov formation and the Domanic and Paleozoic deposits; (4) commence production from the currently unviable remaining recoverable reserves through deployment of new technologies; and (5) developing oil rims, Achimovsk and Neocomian-Jurassic gas and gas condensate layers of our fields in Western and Eastern Siberia, including the Bovanenkovskoye, Kharasaveyskoye, Chayandinskoye and other fields.

Gas transportation and storage. Reliability of gas transmission in Russia and abroad, where we operate through our subsidiaries, is our primary objective in the gas transportation segment.

We reconstruct our existing, and develop new, transportation facilities to ensure the transportation of gas from the new production regions, to provide a reliable supply of gas to Russian consumers and to satisfy our contractual export obligations. In determining the sequence of the implementation of our new gas transportation facilities in the long term, we take into account the projected timing for achieving efficient utilization, optimal productivity of the existing gas transportation system and diversification of export routes. Our most significant current gas transportation projects in Russia are the ongoing construction of the Power of Siberia pipeline, which began gas deliveries in December 2019, and the GTS extension to enable supply to the Nord Stream II pipeline, including the completion of construction of the second branch and the start of construction of the third branch of the Bovanenkovo-Ukhta and Ukhta-Torzhok trunk pipelines and the Gryazovets-Slavyanskaya CS project. We are also constructing the Nord Stream II pipeline. See "—Transport—Gas transportation projects in Russia" and "—Transport—International projects in gas transportation."

One of our long-term goals is the further development of gas transportation facilities in Eastern Siberia and the Far East. In December 2019, first deliveries were made via the Power of Siberia pipeline, a trunk gas pipeline from Yakutia to the border with China, to transport gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye and Kovyktinskoye fields, to consumers in the Russian Far East and China. In addition, we are extending the capacities of the Sakhalin-Khabarovsk-Vladivostok pipeline at the section from Komsomolsk-on-Amur to Khabarovsk. We are also considering the construction of a gas pipeline, which would extend from the fields in Western Siberia to the western part of the Russian-Chinese border and a pipeline from the fields in Western Siberia to China through Mongolia, as well as a gas transportation project to supply gas from the Russian Far East to China. See "—Transport—Gas transportation projects in Russia," "—Transport—International projects in gas transportation" and "Distribution—Europe and Other Countries—Asia."

One of the strategic goals we pursue in developing our gas storage business in Russia is the technical re-equipment, reconstruction and expansion of existing storage facilities as well as the construction of new UGSFs in order to increase our daily withdrawal capacity and active gas storage reserve. Our long-term plans contemplate reaching the maximum daily withdrawal capacity of 1.0 bcm by 2028. In particular, in our strategy for expanding our gas storage capacities we prioritize (1) the reconstruction and refurbishment of obsolete gas storage facilities and eliminating bottlenecks of our UGSFs and GTS to retain the current capacity of the UGSFs, (2) increasing the versatility of our UGSFs in Russia by expanding our peak-shaving gas storage capacities which allow us to maintain steady productivity while increasing withdrawal volumes during a heating season, and (3) ensuring enough gas storage capacities in the most demanding regions, including Northwestern Russia and the Siberian and Far East Federal Districts.

To implement our marketing strategy in Europe, we are engaged in the European gas transportation and storage sectors, particularly by contracting transportation and storage facilities to ensure reliable gas supplies to our customers as well as participating in investment projects aimed at the development of gas transportation and storage infrastructure in Europe. Our strategic goal is to increase the active capacity of our UGSFs abroad to 5% of our annual exports by 2030, with a priority to develop our own storage capacity. See "—Gas Storage—Gas storage in FSU, Europe and Other Countries."

Refining. We intend to increase our production of refined products. Our goal with respect to our refining activities and our gas and petrochemical activities is to increase the degree of extraction and effective utilization of the valuable components of hydrocarbons that we produce, including associated gas, with the purpose of further processing such gases into forms with higher added value. At our existing processing and refining plants, we intend to increase the extraction of valuable components from our gas and increase the depth of our feedstock processing and our refining throughput by refurbishing and modernizing our existing processing capabilities and by constructing new processing capacities. See "—Refining."

On a parity basis with RusGasDobycha we have started the implementation of an integrated project for the construction of a natural gas refining and LNG production complex in the proximity of Ust-Luga in the Leningrad region, with a projected throughput capacity of 45 bcm of natural gas per annum. See "—Refining—Projects in refining."

In addition, we are considering the construction of new gas processing facilities on the Yamal Peninsula and the increasing of our capacities used for the processing of gas with high sulfur content to refine additional gas volumes produced at the Astrakhan group of fields.

In accordance with the Eastern Program, we are considering gas refining capacity construction projects to develop the resources of Eastern Siberia and the Far East, which at the first stage are expected to be based on the resources of the Chayandinskoye and Kovyktinskoye fields. In particular, we are constructing a gas processing plant in the city of Svobodniy in the Amur Region (Amurskiy GPP) with a projected annual capacity of up to 42 bcm of gas to separate ethane and other valuable components from gas produced in the Yakutskiy and Irkutskiy gas production centers. See "—Refining—Projects in refining."

Within the framework of its downstream strategy, Gazprom Neft continues the implementation of its large-scale program aimed at the refurbishment and higher operational efficiency of its refining capacities and the expansion of its retail network. For the period through 2030, Gazprom Neft focuses on further improvement of its value chain efficiency through organic growth, development of new products and modification of its sales model. In particular, Gazprom Neft has the following priorities (1) increasing its refining depth and light products yield to build up the market value of its product mix and thus ensure higher economic resilience and technological flexibility of the company's refineries under various market conditions, (2) improving the operational efficiency and technological standing, including optimization of costs and modification of business processes through the whole value chain, (3) diversification into the petrochemical industry to strengthen the traditional business of Gazprom Neft, and (4) retaining Gazprom Neft leading position and increasing its market share in its traditional and new product markets.

Marketing and sales. Our strategy in the Russian domestic market is to ensure reliable gas supplies to our domestic customers at an acceptable level of profitability. The Government regulates prices for natural gas produced by us and our affiliates and we are required to sell our gas within Russia at regulated prices below those which may be economically viable. Our main objective in the development of the domestic market is to achieve a transition from the regulated wholesale gas prices to market pricing principles, along with the regulated natural monopoly tariffs for gas transportation through trunk pipelines for all gas suppliers. See "—Distribution—Russia."

As long as domestic gas prices remain regulated, we believe it is necessary to adjust regulated domestic wholesale gas prices to achieve an economically justified price level sufficient to supply gas in Russia at an acceptable profitability rate and accumulate funds to finance our investments in gas supply facilities for the benefit of Russian customers.

Government Resolution No. 323 dated April 16, 2012, as amended, adopted to promote the market pricing principles, permits the Group to sell on commodity exchanges and in trading systems up to 25 bcm of gas a year at unregulated prices and repeals the previously existed requirement for a parity between the gas volumes sold by the Group and the aggregate gas sales volumes sold by independent suppliers on commodity exchanges.

Transactions to sell and purchase natural gas are conducted on the Saint-Petersburg International Mercantile Exchange. We believe that launching gas trading at commodity exchanges is an important step to introducing market pricing principles in the domestic gas market that could provide necessary indication of market prices for gas. See "—Distribution—Russia" and "Risk Factors—Risks Relating to Our Business—We are required to supply natural gas to customers in Russia at prices that are regulated by the Government and are below those which may be economically viable to us."

Our key objectives in the European market are to maintain our market-leading position, provide for reliable gas supply, and increase the efficiency of our marketing activities. We plan to achieve these objectives by developing relationships with traditional customers on a long-term contractual basis and using other forms of trade based on short-term and medium-term sales, gas exchange and spot transactions as well as sales through bidding. To increase efficiency of our operations in the European natural gas market and improve the reliability and flexibility of our gas supply, we intend to expand the use of leased gas transportation and UGSF capacity in Europe, subject to favorable market conditions. "—Distribution—Europe and Other Countries."

The key objective of our marketing strategy in the FSU countries is to ensure that Russian gas will continue to maintain its leading position in the energy sector of such countries, while adjusting the pricing and other terms with respect to sales to the FSU customers to terms that are similar to those we currently have with our European customers. See "—Distribution—The FSU."

We are also seeking to cooperate with Central Asian countries in developing gas reserves as well as upgrading and modernizing gas transportation systems. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries", "—Transport—Existing routes of gas export and participation in foreign gas distribution networks" and "—Distribution—The FSU—Cooperation with FSU countries in gas marketing."

As part of our market diversification, we consider countries in the Asia-Pacific region as key new markets. In particular, in December 2019, we made first deliveries under our contract with CNPC for the supply of up to 38 bcm of pipeline gas from Russia to China annually via the Eastern route for 30 years. The contract provides for a gradual increase in delivery volumes to the contracted amount of 38 bcm in the early years of supplies. In addition, in May 2015 and December 2017, we signed a heads of agreement with CNPC to arrange for gas supplies to China via a Western route (which would extend from the fields in Western Siberia to the western part of the Russian-Chinese border) and a heads of agreement for natural gas supplies to China from Russia's Far East, respectively, and are currently negotiating the contractual terms. We are also considering supplying gas from our fields in Western Siberia to China through Mongolia. See "—Distribution—Europe and Other Countries—Asia."

Electricity. We consider electricity to be a strategically important sector for the development of our business. We believe that we can improve the stability of our business and achieve additional revenue by increasing our share of the power generation sector. Our strategic goal in the electricity sector is maintaining a sustainable growth of profits while ensuring high reliability of power supplies to our customers. In implementing our electricity strategy, we plan to focus on the optimization of our power generating assets, reliable power supply, efficiency of operations and realization of synergies between our power generation and gas businesses. See "—Electric and heat energy generation and sales—Russia."

We are considering opportunities to increase our gas supplies to electric power generating facilities outside Russia, in particular, through participation in power plant construction projects and acquisition of interests in power assets. Currently, we are constructing a gas-fired power plant in Serbia. See "—Electric and heat energy generation and sales—FSU and Europe and Other Countries."

Diversification of products and activities. To diversify our business, we are integrating new products and activities with our traditional pipeline gas supplies.

One of our priorities while expanding into new markets is the gradual implementation of the production, maritime transportation and marketing of LNG. We have accumulated a substantial LNG trading portfolio, including LNG purchased under contracts with Sakhalin Energy, Yamal Trade, Perenco Cameroon and LNG purchased from other market participants under short-term and spot contracts. See "—Reserves and Production—Exploration, development and production regions—Russian continental shelf—Associates and development of associated projects in the region—Sakhalin II project" and "—Distribution—Europe and Other Countries—LNG." We are planning to further expand our LNG trading. To reach that goal, we are planning to develop new LNG projects in Russia and expand our LNG operations by purchasing LNG from other producers. Our target markets for LNG sales are the countries of the Asia-Pacific region and countries having no access to Russian pipeline gas.

We intend to increase export of LNG from the Russian Far East. In particular, together with the other shareholders of Sakhalin Energy, we have developed the project documentation for the construction of the third production line of the Sakhalin LNG plant. In addition, we are performing a feasibility study of the project for the construction of an LNG plant near Vladivostok. See "—Distribution—Europe and Other Countries—LNG."

We are also implementing a project to construct an LNG production, storage and shipment complex near the Portovaya compressor station and an integrated project for gas processing and LNG production in the proximity of Ust-Luga in the Leningrad Region. See "Gazprom—Distribution—Europe and Other Countries—LNG" and "Gazprom—Refining—Projects in refining."

We also plan to supply liquified petroleum gases and liquid helium from the Amurskiy GPP, which is currently under construction, and liquified petroleum gases, LNG and ethane from the integrated gas processing and LNG production complex in the proximity of Ust-Luga, which is currently being designed. See "—Refining—Projects in refining."

One of our strategic goals is to enhance the use of natural gas as motor fuel. To enhance the efficiency of implementing our strategy in the gas engine fuel market, we established GGT and GGS. GGT is engaged in the development of the gas engine fuel market in Russia and abroad in cooperation with relevant state authorities, financial institutions, consumers and producers of methane utilizing equipment and vehicles. GGS is engaged in the production of compressed gas equipment. See "—Distribution—Natural gas as motor and bunkering fuel and small scale LNG." In addition, we are participating in a project for the construction of river vessels fueled by LNG.

Corporate Governance

We maintain transparency of our operations by making ongoing public disclosures including interim and annual financial statements in accordance with IFRS and Russian accounting standards, annual reports, reports on sustainable development, environmental reports, press releases, information required by regulators of the securities market, in particular, in connection with our capital markets financing programs, and information disclosed for the purposes of improving investor relations. Gazprom's shareholders have approved a corporate governance code designed to protect shareholders' rights; the Board of Directors has approved a corporate ethics code outlining our business values and the most important rules of business conduct based on them. We have approved documents prescribing compliance procedures that are intended to prevent illegal use of insider information and market abuse, setting out procedures governing the internal exchange of confidential information and protection of information from unauthorized access.

Gazprom has approved internal corporate documents regulating activities and delineating functions and powers of the General Meeting of Shareholders, the Board of Directors, the Management Committee and the Chairman of the Management Committee as well as documents regulating interaction with subsidiaries and representation of Gazprom's interests in their management bodies. We have also adopted documents determining procedures for calculating remuneration of members of the Board of Directors and Audit Commission. The size of such remuneration is approved by the General Meeting of Shareholders in its resolution. We have adopted internal documents setting forth the procedures regulating the participation of the executives of Gazprom and its subsidiaries in our annual bonus system and Gazprom's charter capital.

In December 2019, the Board of Directors approved Gazprom's new dividend policy targeting annual dividend payments to be not less than 50% of our consolidated profit attributable to shareholders, calculated in accordance with IFRS, subject to certain adjustments for non-monetary items and debt burden restrictions as defined in the dividend policy. We plan to gradually increase our dividend payout ratio in the coming years and achieve the 50% target in 2022 based on the financial results of 2021. In 2020 and 2019, we paid dividends accounting for 30% and 27% of our IFRS consolidated net income attributable to shareholders of Gazprom for 2019 and 2018, respectively.

The Board of Directors currently comprises 11 members, three of whom are independent directors.

The Board of Directors elects annually an audit committee (the "**Audit Committee**"). The Audit Committee monitors the efficiency and reliability of risk management, efficiency of internal controls, including those ensuring completeness, accuracy and fairness of Gazprom's financial statements, assesses nominees to become Gazprom's auditors and ensures internal and external auditors' independence and objectivity. Gazprom's internal audit department functionally reports to the Audit Committee of the Board of Directors and, as part of Gazprom's Management Committee Administration, administratively reports to the Chairman of the Management Committee. The Board of Directors approves the appointment and dismissal of the head of the department responsible for internal audit. The centralized internal audit function ensures better monitoring of financial and business operations of Gazprom's subsidiaries, greater independency of internal audit subdivisions from the executive management and enables the implementation of a single internal audit methodology within the Group. The independent directors have the majority on the Audit Committee which is also chaired by an independent director. See "Management of Gazprom—Description of Gazprom's Management."

The Board of Directors established a nomination and remuneration committee (the "**Nomination and Remuneration Committee**"). The Nomination and Remuneration Committee is responsible for internal and external assessment of effectiveness of performance, as well as development, review and monitoring of compliance with the remuneration policy in respect of the members of the Board of Directors, committees of the Board of Directors, the Management Committee and the Chairman of the Management Committee; development of conditions for early termination of employment of the members of the Management Committee and the Chairman of the Management Committee; identification of ways to improve the composition of the Board of Directors, preparation of recommendations for the shareholders in respect of the nominees to the Board of Directors; preparation of recommendations for the Board of Directors in respect of candidates for the positions of Chairman, deputy Chairman and members of the Management Committee, as well as the Corporate Secretary; making recommendations as regards to remuneration of the Corporate Secretary. The independent directors constitute the majority of the Nomination and Remuneration Committee. See "Management of Gazprom—Description of Gazprom's Management."

The Board of Directors approved regulations distributing responsibilities of the Corporate Secretary among various divisions of the Company. The heads of such divisions are appointed and their employment may be terminated by the Chairman of the Management Committee in consultation with the Board of Directors. Such heads of divisions report to the Board of Directors in relation to the discharge of responsibilities of the Corporate Secretary. The Corporate Secretary's duties include, among other things, shareholder and investor relations; participation in activities related to shareholders' rights protection and prevention of corporate conflicts; interaction with regulatory authorities, stock exchanges, registrars and other professional securities market participants; participation in implementing policies relating to disclosure of information; participation in preparing for and holding of the General Meetings of Shareholders, performing support functions in respect of the Board of Directors and its committees; and storage of corporate documents.

Our human resources management policy outlining a system of principles and conceptual approaches designed to reconcile interests of employees, shareholders, consumers and the state is a framework document covering human resources management in the Group. A collective bargaining agreement which applies to employees of Gazprom and its wholly owned subsidiaries who are involved in the production of natural gas, transportation, processing, storage and distribution of hydrocarbons and refined products ensures a balance between interests of employers and employees in the form of social partnership and, to the extent possible, offers additional guarantees, incentives and compensations for employees, including medical care. A trade union monitors compliance with the terms of the collective bargaining agreement. We have developed and introduced a unified occupational health and safety management system.

We implement the cost management concept approved by the Board of Directors. Based on the provisions of the concept we have implemented solutions improving budgeting procedures to focus current planning processes on long-term targets expressed as strategic target indicators and develop reserves rationing and use procedures and other solutions that are expected to elevate cost management to a higher level. Furthermore, in line with our informatization strategy, we have created and currently operate an Integrated Information Environment integrating information management systems that have been introduced at Gazprom and certain of our subsidiaries to automate the most important business processes. For the purposes of improving procurement of goods, works and services and pursuant to the requirements of Federal Law "On Purchase of Goods, Works and Services by Certain Legal Entities" No. 223-FZ dated July 18, 2011 (the "**Procurement Law**"), the Board of Directors has approved the Regulation on the Procurement of Goods, Works and Services by Gazprom and the Group companies (the "**Procurement Regulation**"). The Procurement Regulation sets out the procurement process, establishes the procurement methods and sets out the Group-wide procurement principles from the planning stage to the control over performance of contracts. Gazprom has in place internal documents setting out procedures for entering into, registering, safe-keeping and administering contracts as well as documents covering the assessment of potential and actual counterparties' reliability, trustworthiness and creditworthiness.

We procure liability insurance program for members of the Board of Directors, Management Committee and heads of departments of Gazprom ("**D&O**") to indemnify them against claims made by shareholders, creditors or other persons against any harm caused by unintentional erroneous acts (omissions) of insured persons performed while discharging their managerial functions. The insurance coverage under such insurance policies is consistent with international D&O insurance standards in terms of the scope of risks and indemnity limits. The limit of indemnity under each insurance policy is U.S.$100 million.

History and Privatization

Prior to 1991, the Russian gas industry was controlled by the Ministry of the Gas Industry of the USSR. Pursuant to the Decree of the Council of Ministers of the USSR No. 619 of August 8, 1989, the state-owned gas concern Gazprom ("**State Gas Concern "Gazprom"**") was founded in 1989. This state-owned concern was transformed into a joint stock company in accordance with the Decree of the President of the Russian Federation No. 1333 of November 5, 1992 ("**Decree No. 1333**") and Order No. 138 of the Council of Ministers of the Russian Federation dated February 17, 1993 ("**Order No. 138**"). Decree No. 1333 made Gazprom responsible for ensuring efficient operation of the UGSS. Decree No. 1333 and the Decree of the President of the Russian Federation No. 2116 of December 6, 1993 made Gazprom responsible for natural gas exports through VEP Gazexport (now renamed Gazprom Export), our wholly owned foreign trade subsidiary.

The Council of Ministers of the Russian Federation approved Gazprom's original Charter in Order No. 138, and Gazprom was registered as an open joint stock company under the laws of the Russian Federation on February 25, 1993.

Decree No. 1333 provided for the transfer to Gazprom of 100% of the share capital of federally-owned enterprises (comprising the UGSS) and of controlling equity stakes (not less than 51%) in a number of other entities that had been reorganized into joint stock companies, the interests of State Gas Concern "Gazprom" in Russian and foreign enterprises, and other assets of State Gas Concern "Gazprom," the privatization of which was not restricted. Decree No. 1333 also provided for all rights and obligations of State Gas Concern "Gazprom" to inure to Gazprom's benefit, including its rights to use underground deposits and natural resources, as well as its rights and obligations under contracts.

Decree No. 1333, along with Directive No. 58-rp of the President of the Russian Federation dated January 26, 1993, our privatization plan and certain other legislative acts issued by the President and the Government, provided for 40.0% of Gazprom's ordinary shares to be fixed in federal ownership while the remaining shares were to be sold to Russian individuals and legal entities, sold in the securities market and disposed of otherwise. However, a portion of the remaining shares continued to be held by the Russian Federation.

In December 1998, 2.5% of Gazprom's ordinary shares owned by the state were sold through a privatization auction. In 2005, we sold 10.74% of Gazprom's ordinary shares, which were held by certain of our subsidiaries, to JSC Rosneftegaz ("**Rosneftegaz**"), a wholly state-owned company. As a result of this transaction, the Russian Federation controls more than 50% of Gazprom's ordinary shares. Pursuant to the Gas Supply Law, at least 50% plus one share of Gazprom, as the UGSS owner, must be retained in federal ownership for an indefinite period of time and may only be disposed of pursuant to federal law.

On June 26, 2015, the general shareholders meeting of Gazprom approved the change of Gazprom's legal name from OAO Gazprom to PJSC Gazprom.

Corporate Structure

Gazprom is the parent company of the Group. See Note 33 to our Annual consolidated financial statements for the year ended December 31, 2019 included elsewhere in this Base Prospectus for a list of our significant subsidiaries.

We operate each of our core activities through a number of direct and indirect wholly or majority-owned subsidiaries. In addition, we hold direct and indirect equity interests in a number of other entities. Our subsidiaries include entities involved in production, transportation, storage, refining and marketing of natural gas, gas condensate, crude oil and electricity, and subsidiaries responsible for a number of other activities, including technical supervision of our pipeline systems, well drilling, research and development, telecommunications, data processing and procurement.

Our management analyzes the results of our operations, assets and liabilities within the operating segments based on internal financial reporting. The results of certain significant transactions and events, including business acquisitions as well as certain adjustments that may be required to conform the Group's internal financial reporting to the respective figures as reported in the consolidated financial statements prepared in accordance with IFRS, are analyzed by our management on a consolidated basis without separately identifying relevant operating segments. Income and financing costs are also not separated into operating segments. In accordance with IFRS 8, we separate our operations into the following principal businesses (segments):

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

We include other operations into the "All other segments" segment.

Our head office, located in Moscow, exercises managerial and financial control over the operations of our subsidiaries. Head office functions include strategy, planning, external financing, financial reporting, including preparation of our IFRS consolidated financial statements, allocation of financial resources and supervision of principal areas of operations, such as construction, drilling, production, transportation, some natural gas sales in Russia and the FSU and equipment procurement. The dispatch management center continuously monitors, controls and manages our natural gas transportation system throughout Russia.

The short legal name of our parent company is PJSC "Gazprom" and its registered address is 16 Nametkina Street, 117420 Moscow, Russian Federation, its telephone number is +7 495 719 3001 and its fax number is +7 495 719 8333. Gazprom is a public joint stock company organized under the laws of Russia, initially registered on February 25, 1993. Gazprom was issued certificate 1027700070518 of entry into the Unified State Register of Legal Entities on August 2, 2002 by the Ministry of Taxes and Duties of the Russian Federation.

Investment Program

The Group's consolidated investment program for 2020, taking into account Gazprom's investment program approved by the Board of Directors in December 2019, provides for investment of RR1,679 billion (excluding VAT), including RR385 billion for the Production of gas segment, RR339 billion for the Production of crude oil and gas condensate segment, RR367 billion for the Transportation of gas segment, RR29 billion for the Gas storage segment, RR198 billion for the Refining segment, RR38 billion for the Distribution of gas segment, RR75 billion for the Electric and heat energy generation and sales segment.

The main investments in our Production of gas segment for 2020 are allocated to the implementation of certain key projects, including: (1) drilling and infrastructure development at the Chayandinskoye field; (2) drilling and construction of facilities at the Bovanenkovskoye gas condensate field on the Yamal Peninsula; (3) maintaining current production and production drilling at the Urengoyskoye, Zapolyarnoye, Ety-Purovskoye, Astrakhanskoye, Orenburgskoye, Yamsoveyskoye and En-Yakhinskoye fields; (4) infrastructure development at the Kovyktinskoye field; (5) infrastructure development at the Kirinskoye and Yuzhno-Kirinskoye fields; and (6) infrastructure development at, and preparation for gas transportation from, the Kharasaveyskoye field.

The main investments in our Production of crude oil and gas condensate segment for 2020 are allocated to the implementation of certain key projects, including (1) exploration and production maintenance and development projects at mature fields; (2) hydrocarbons production projects on the Yamal Peninsula.

The main investments in our Transportation of gas segment for 2020 are allocated to the implementation of certain key projects, including (1) the construction of the Power of Siberia pipeline, including the section from the Kovyktinskoye filed to the Chayandinskoye field; (2) the implementation of the Nord Stream II project; (3) the GTS extension and reconstruction in the section of Gryazovets – Slavyanskaya compressor station; (4) the construction of the second branch of the Ukhta-Torzhok pipeline; (5) the construction of the Bovanenkovo-Ukhta pipeline system; and (6) the extension of the Sakhalin-Khabarovsk-Vladivostok pipeline system to allow for gas transportation from the Sakhalin sea shelf.

The main investments in our Refining segment for 2020 are allocated to the implementation of certain key projects, including (1) the construction of the Amurskiy GPP; (2) projects for refining of liquid hydrocarbons in the Nadym-Pur-Taz region; and (3) reconstruction works at the Moscow Refinery and Omsk Refinery.

The main investments in our Distribution of gas segment for 2020 are allocated to implementation of certain key projects, including the construction of the LNG complex near the Portovaya compressor station.

Gazprom's investment program forms a major part of the Group's consolidated investment program. It is approved annually by the Board of Directors at the end of each year for each subsequent year and, along with investments programs of our subsidiaries, may be revised during each respective year depending on economic conditions, investment priorities and other circumstances. We cannot rule out that our investment program as well as the investment programs of our subsidiaries for 2020 may be reduced or certain of the designated expenditures may be postponed in light of the unfavorable market conditions, including the negative implications of the COVID-19 pandemic for the energy markets. In particular, in September 2020, the Management Committee approved amendments to Gazprom's investment program for 2020 resulting in a reduction of total investments from RR1,105 billion to RR922 billion representing a change of over 16% as compared to Gazprom's investment program for 2020 approved by the Board of Directors in December 2019. The revised investment program for 2020 is awaiting approval by the Board of Directors.

Joint Ventures and Alliances

Our material alliances and joint ventures are described below.

ADNOC. In October 2019, Gazprom Neft and Abu Dhabi National Oil Company ("**ADNOC**") signed a strategic cooperation agreement. In particular, the parties intend to explore opportunities for cooperation in exploration and production of gas with high sulfur content, in technologies for the enhancement of oil and gas recovery, innovative oil and gas and information technologies and other areas.

Arcticgas. Gazprom Neft and Novatek each own a 50% interest in Arcticgas which is engaged in the development of certain fields in Western Siberia. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Arcticgas."

BANEX. In January 2020, our subsidiary Gazprom EP International B.V. ("**Gazprom EP Int.**") signed a memorandum of understanding with Bangladesh Petroleum Exploration and Production Company Limited ("**BAPEX**") for assessment of fields located on the Bhola Island. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Bangladesh."

BASF/Wintershall Dea. In cooperation with Wintershall Dea GmbH ("**Wintershall Dea**"), a joint venture of BASF and LetterOne, we have been engaged in the development of Block 1A, with Wintershall Dea holding a 50% interest, and Blocks 4A and 5A, with Wintershall Dea holding a 25.01% interest, of the Urengoyskoye field (Achimovsk deposits) (see "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Achimgaz") and the Yuzhno-Russkoye field, with Wintershall Dea holding a 35% interest (see "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Yuzhno-Russkoye field"). In addition, we and Wintershall Dea each hold a 50% interest in Wintershall Noordzee ("**WINZ**") which undertakes certain oil and gas exploration and production projects in the North Sea (see "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries").

In addition, we hold a 49% interest in Wintershall AG, which develops two oil projects in Libya (see "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Libya"), as well as a 49.98% interest in WIGA Transport Beteiligungs-GmbH & Co. KG ("WIGA") with the remaining interests being held by Wintershall Dea. WIGA holds interests in gas transportation companies in Germany. See "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—WIGA."

Together with Wintershall Dea Schweiz AG (BASF Group), Gasunie Infrastruktur AG (Gasuni Group), PEG Infrastruktur AG (E.ON Group) and ENGIE Energy Management Holding Switzerland AG (formerly known as GDF SUEZ Holding Switzerland AG, ENGIE Group) we are shareholders of Nord Stream AG (in which Wintershall Dea Schweiz AG holds a 15.5% interest), which operates the Nord Stream pipeline. See "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Nord Stream."

In April 2017, Nord Stream 2 AG, our subsidiary engaged in the construction of the Nord Stream II pipeline, signed with

Wintershall Dea (at the time of signing referred to as Wintershall Holding GmbH) and other foreign companies agreements in relation to financing of the Nord Stream II pipeline project. See "—Transport—International projects in gas transportation—Nord Stream II."

Borealis. In April 2016, we signed a memorandum of understanding with Borealis AG, an Austrian producer of polyolefins, base chemicals and fertilizers, which envisages exploring opportunities of developing joint gas chemical projects in Russia.

Caspian Innovation Company. In June 2017, we signed a memorandum for cooperation with LLC Caspian Innovation Company providing for a joint feasibility study of a gas chemical complex to process ethane and produce polymers in the Astrakhan region, with an annual production capacity of up to 300,000 tons of polyethylene. We expect to use ethane from the Astrakhan GPP as feedstock for the gas chemical complex after a refurbishment of the relevant equipment at the Astrakhan GPP. The parties have conducted a pre-investment study for the refurbishment of the Astrakhan GPP and the construction of the gas chemical complex and reached agreement on the main terms of ethane supplies.

Central Asia. We signed agreements with several national oil and gas companies and the governments of Kazakhstan, Kyrgyzstan and Uzbekistan. These agreements provide for cooperation and joint participation in hydrocarbon exploration, field infrastructure development, production and/or construction, diagnostic and refurbishment of gas transportation and storage facilities as well as the establishment of joint ventures for these purposes. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries" and "—Transport—Existing routes of gas export and participation in foreign gas distribution networks."

We have also entered into a number of cooperation agreements in respect of natural gas purchases in Central Asia and transit agreements with the transit countries in Central Asia. In addition, our subsidiary LLC Gazprom Kyrgyzstan ("**Gazprom Kyrgyzstan**") owns and operates gas infrastructure and supplies gas to customers in Kyrgyzstan. See "—Distribution—The FSU—Cooperation with FSU countries in gas marketing."

China. In May 2015, we signed a strategic partnership agreement with CNPC, which determines priority areas for cooperation, including gas supplies to China via eastern and western routes as well as assessing opportunities for pipeline gas supplies from the Russian Far East to China. We have signed with CNPC a contract for gas supply to China via the eastern route, heads of agreement for gas supply to China via the western route and heads of agreement for gas supply to China from Russia's Far East. See "—Distribution—Europe and Other Countries—Asia" and "—Transport—International projects in gas transportation."

In June 2016, we signed a memorandum of understanding with CNPC in relation to underground storage of gas and gas power generation in China. In May 2017, we signed with PetroChina contracts to perform pre-investment studies for three gas storage projects in China.

In November 2016, we also signed a memorandum with CNPC to explore the opportunities for cooperation in the NGV sector. In May 2017, we signed a memorandum with CNPC, China Communications Construction Company Ltd. and Russian Highways State Company providing for the parties' cooperation in developing road infrastructure of the Europe – China international transport route. In addition, in October 2017, we signed a memorandum of understanding with CNPC and JSC NC KazMunayGaz ("**KazMunayGaz**") reflecting the parties' interest in long term strategic cooperation in the NGV market. See "—Distribution—Natural gas as motor and bunkering fuel and small scale LNG—Asia."

In November 2016, we signed a memorandum of understanding with China Development Bank Corporation outlining general principles of cooperation between the parties in arranging project and other types of financing, including for the construction of the Amurskiy GPP. See "—Refining—Projects in refining—Amurskiy GPP."

In September 2018, Gazprom Neft and CNPC signed an agreement for technological cooperation envisaging the development and implementation of advanced technologies for increased oil recovery. At the first stage, the companies are preparing a feasibility study for polymer and surfactant flooding at the Sutorminskoye field in the Yamal-Nenets Autonomous Area.

ENGIE. ENGIE (formerly known as GDF SUEZ) holds a 9% interest in Nord Stream AG. See "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Nord Stream."

In April 2017, we signed a memorandum of understanding with ENGIE providing for the extension of cooperation in gas and related businesses and assessing other areas for cooperation.

In April 2017, Nord Stream 2 AG signed agreements with ENGIE and other foreign companies in relation to financing of the Nord Stream II pipeline project. See "—Transport—International projects in gas transportation—Nord Stream II."

Engineers India. In October 2016, we signed a memorandum of understanding with Engineers India Limited reflecting the interest of the parties to jointly explore the routes for pipeline gas supplies from Russia and other countries to India, as well as opportunities for cooperation in other areas.

E.ON and Uniper. Together with E.ON, BASF, Gasunie and ENGIE, we are shareholders of Nord Stream AG, which operates the Nord Stream pipeline. See "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Nord Stream."

In April 2017, Nord Stream 2 AG signed agreements with Uniper and other foreign companies in relation to financing of the Nord Stream II pipeline project. See "—Transport—International projects in gas transportation—Nord Stream II."

GazHolodTekhnologiya. LLC Gazprom LNG technologies ("**Gazprom LNG technologies**"), our 50/50 joint venture with JSC GazHolodTehnologiya ("**GazHolodTekhnologiya**") is implementing investment projects to develop gas liquefaction complexes in certain regions of Russia. See "—Distribution—Natural gas as motor and bunkering fuel and small scale LNG—Russia."

Gasunie. Together with Gasunie, E.ON, BASF and ENGIE, we are shareholders of Nord Stream AG, which operates the Nord Stream pipeline. See "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Nord Stream."

In May 2013, we signed a memorandum of understanding on strategic cooperation with Gasunie that provides for the two companies' extended collaboration in the area of gas transportation infrastructure, gas storage, scientific and technological cooperation, production and small-scale shipping of LNG, environmental protection, energy efficiency, innovative technologies, information and cultural exchange, personnel training, and other areas.

Inter State Gas Systems. In February 2019, we signed a memorandum of understanding with Inter State Gas Systems (Private) Ltd. providing for a joint preparation of a feasibility study of gas deliveries from the Middle East to South Asia.

KazMunayGaz. KazRosGaz LLP ("**KazRosGaz**"), our 50/50 joint venture with KazMunayGaz, purchases gas from the Karachaganak field in Kazakhstan for processing at our Orenburg GPP. See "—Refining—Projects in refining." In addition, LLC TsentrCaspneftegaz ("**TsentrCaspneftegaz**") (our 50/50 joint venture with Lukoil) and KazMunayGaz jointly develop the Tsentralnoye field in the Caspian Sea. See "—Reserves and Production—Exploration, development and production regions—Russian continental shelf—Associates and development of associated projects in the region—Tsentralnoye field."

In addition, in October 2017, we signed a memorandum of understanding with CNPC and KazMunayGaz reflecting the parties' interest in long term strategic cooperation in the NGV market. See "—Distribution—Natural gas as motor and bunkering fuel and small scale LNG—Asia."

KOGAS, Petronas, TPAO. In January 2010, Gazprom Neft, as a member of a consortium with KOGAS, Petronas and TPAO, signed a service contract for a follow-up exploration, development and operation of the Badra field in Iraq. See "—Reserves and production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Iraq."

In addition, in December 2016, we signed a cooperation agreement with KOGAS envisaging cooperation in LNG supplies from the Russian Federation to South Korea. The agreement also reflects the bilateral intention to implement joint projects in LNG production, transportation and regasification and in gas-fired power generation, as well as in research and development, energy efficiency, environmental protection, and the NGV sector.

Kuwait Petroleum Corporation. In November 2015, we signed a memorandum of understanding with Kuwait Petroleum Corporation. The memorandum outlines potential areas of cooperation including in distribution of LNG, liquefied petroleum gas and other petroleum products. The memorandum also contemplates collaboration in investing in science and technology as well as in implementing gas exploration and production projects in Russia and Kuwait.

Lukoil. Pursuant to the general strategic cooperation agreement with Lukoil for the period from 2014 through 2024, we have signed contracts for processing of associated gas from Lukoil fields. In addition, we have established TsentrCaspneftegaz, a joint venture with Lukoil, which participates in the development of the Tsentralnoye field in the Caspian Sea. See "—Reserves and Production—Exploration, development and production regions—Russian continental shelf—Associates and development of associated projects in the region—Tsentralnoye field" and "—Refining—Projects in refining." In May 2018, we also signed with Lukoil an agreement outlining general terms and procedures for setting up a 50/50 joint venture for the development of the Vaneyvisskoye and Layavozhskoye fields in the Nenets Autonomous

Area, the license for which is held by Gazprom.

Lukoil, Tatneft. In December 2019, Gazprom Neft, Lukoil and PJSC "TATNEFT" ("**Tatneft**") established a joint venture in which the participants have equal shares that consolidated certain licensed areas in the Orenburg Region. See "—Reserves and Production—Exploration, development and production regions—South Urals region (Privolzhski Federal District)—Production from unconventional sources."

Mitsubishi Corporation. In December 2016, we signed an agreement of strategic cooperation with Mitsubishi Corporation. According to the document, the parties intend to cooperate throughout the entire value chain, in particular, in the production and marketing of LNG and in expansion of the Sakhalin II project.

Mitsui. In December 2016, we signed an agreement for strategic cooperation with Mitsui. The document envisages collaboration in various areas, including expansion of the Sakhalin II project. See "—Distribution—Europe and Other Countries—LNG"

In December 2016 and September 2017, we also signed memoranda of understanding with Japan Bank for International Cooperation. The memoranda outline the basic principles of cooperation in securing financing for our projects involving Japanese companies.

We also signed a framework agreement with Mitsui for cooperation in small- and mid-scale LNG projects and LNG bunkering in September 2017 and extended it in September 2019. See "—Distribution—Europe and Other Countries—LNG" and "—Distribution—Natural gas as motor fuel and small scale LNG—Asia."

Mongolia. In December 2019 and August 2020, we signed memoranda of understanding and intent with Mongolia providing for a joint assessment of feasibility of pipeline gas supplies from Russia to China through Mongolia and set-up of a special purpose company to perform a pre-investment study of the project. See "—Transport—International projects in gas transportation—Gas pipeline through the territory of Mongolia."

Mubadala Petroleum. In September 2018, Gazprom Neft completed its sale of a 49% interest in Gazpromneft-Vostok LLC ("**Gazpromneft-Vostok**"), the operator of a group of hydrocarbon fields in the Tomsk and Omsk Regions, to Mubadala Petroleum and Russian Direct Investment Fund ("**RDIF**"). Following the completion of this transaction, Gazprom Neft, Mubadala Petroleum and RDIF hold interests in Gazpromneft-Vostok equal to 51%, 44% and 5%, respectively. In addition, in September 2018, Gazprom Neft, Mubadala Petroleum and RDIF signed a memorandum of understanding outlining principles for the companies' cooperation in possible acquisitions of licenses for subsoil use in the Tomsk and Omsk Regions, in proximity to Gazpromneft-Vostok's existing assets, as well as in staff training.

MVM Group. In July 2017, we signed, a memorandum of understanding with Hungarian Gas Trade Ltd, a subsidiary of MVM Group, outlining the parties' intent to continue long-term cooperation with regard to supplies of Russian gas to Hungary.

In addition, in July 2017, we signed a roadmap with the Ministry of Foreign Affairs and Trade of Hungary to implement a number of measures aimed at developing Hungary's gas transmission system.

NIGC, NIOC and other Iranian entities. In 2016-2017, NIGC, NIOC, the Iranian Ministry of Petroleum, Industrial Development & Renovation Organization of Iran and Oil Industry Pension, Saving and Staff Welfare Fund and ourselves signed memoranda of understanding outlining the parties' intent to assess the prospects of cooperation in hydrocarbon exploration, production and transportation as well as gas processing, liquefaction and gas-to-chemicals projects in Iran. None of these memoranda are binding and we have not made any investments and/or been engaged in any operations thereunder.

U.S. sanctions were imposed on companies engaging in certain types of transactions with specified countries, including Iran, or companies in those countries. In January 2016, certain U.S. and EU sanctions related to Iran were lifted or suspended. However, in May 2018, the U.S. President announced a reinstatement of U.S. sanctions against Iran. See "Risk Factors—Risks Relating to Our Business—Violations of existing international or U.S. sanctions related to Iran and North Korea could subject us to penalties or prevent certain of our transactions that could have an adverse effect on us."

Nogaholding. In September 2016, we signed a memorandum of understanding with Nogaholding (Bahrain) with regard to cooperation in the LNG business.

Novatek. In June 2019, Gazprom Neft and Novatek signed an agreement of intent providing for the companies' cooperation in the implementation of Arctic projects.

OMV. In October 2018, we signed a base agreement with OMV on asset sale, further amended in March 2020, pursuant to which OMV is expected to acquire a 24.98% interest in the project for developing Blocks 4A and 5A of the Achimovsk formation of the Urengoyskoye field. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Urengoyskoye field (Achimovsk formation)."

In April 2016, we also signed an agreement with OMV on partnership and cooperation in science and technology as well as a memorandum of understanding in the field of culture. In addition, the parties have also signed certain other memoranda of understanding in the field of joint cultural projects.

In April 2017, Nord Stream 2 AG signed agreements with OMV and other foreign companies in relation to financing of the Nord Stream II pipeline project. See "—Transport—International projects in gas transportation—Nord Stream II."

In June 2017, we signed a memorandum of understanding with OMV outlining the principles of potential cooperation in coordinating efforts aimed at developing the gas transportation infrastructure required for providing natural gas supplies to Central and Southeastern Europe.

In June 2019, we also signed a memorandum of understanding with OMV providing for the parties' cooperation in the LNG business, in particular, for small-scale and large-scale LNG shipments by the Group. We developed the Yuzhno-Russkoye field with E.ON SE / Uniper SE. In March 2017, Uniper signed an agreement with OMV for the sale of its interest in the development of Yuzhno-Russkoye field, the transaction was completed in late 2017. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Major fields in commercial operation—Yuzhno-Russkoye field."

Petrobangla. In March 2017, we signed a contract with Petrobangla for the construction of two exploration wells in Bangladesh. In January 2020, we signed a memorandum of understanding with Petrobangla providing for our strategic cooperation in various fields of the oil and gas industry. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Bangladesh."

Petróleos de Venezuela. In 2010, LLC National Oil Consortium ("**NOC**"), in which Gazprom Neft and Roszarubezhneft currently hold equity interests of 20% and 80%, respectively, and Corporacion Venezolana del Petroleo ("**CVP**"), a subsidiary of Petróleos de Venezuela, S.A. ("**PDVSA**"), established a 40/60 joint venture PetroMiranda for exploration and development of the Junin-6 oil field in Venezuela. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Venezuela."

Petrovietnam. In July 2020, we signed a revised strategic partnership agreement with Petrovietnam for ten years. We are involved in certain exploration and production joint projects with Petrovietnam in Vietnam and in Russia. See "—Reserves and production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Vietnam" and "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Gazpromviet."

In October 2015, we established a joint venture with Petrovietnam Gas ("**PV Gas**"), PVGAZPROM Natural Gas for Vehicles ("**PVGAZPROM**"), which is expected to engage in gas engine fuel business in Vietnam. See "—Distribution—Natural gas as motor and bunkering fuel and small scale LNG—Asia."

In May 2016, we signed a memorandum of understanding with Petrovietnam, pursuant to which the parties intend, in particular, to consider opportunities for cooperation in the exploration and development of hydrocarbon fields in Vietnam and in other countries.

RAG, MND, VNG, TAQA, Srbijagas. We have signed a number of agreements extending our participation in gas storage in Europe. See "—Gas storage—Gas storage in FSU, Europe and Other Countries."

Repsol. In July 2017, Gazprom Neft and Repsol signed a memorandum of understanding outlining areas for the development of cooperation within their joint venture JSC Eurotek-Yugra ("**Eurotek-Yugra**").

In May 2018, Gazprom Neft and Repsol also signed an agreement on technical cooperation.

In addition, Gazprom Neft and Repsol are jointly exploring licensed areas in the Karabashskaya zone of the Khanty-Mansi Autonomous Area. See "—Reserves and Production—Exploration, development and production regions—Western Siberia

(Ural Federal District)—Associates and development of associated projects in the region—Eurotek-Yugra."

Rosneft. In September 2012, we entered into an agreement to cooperate with Rosneft with respect to the joint construction and utilization of infrastructure for developing projects in the continental shelf. The agreement provides that the companies will work together to determine the most efficient methods and solutions to further explore, develop and replenish the resources of the continental shelf of the Russian Federation.

In addition, Gazprom Neft and Rosneft jointly control JSC TOMSKNEFT VNC ("**Tomskneft")**, SLAVNEFT ("**Slavneft**"), and JSC Messoyakhaneftegaz ("**Messoyakhaneftegaz**"), which engage in exploration and production activities in Western Siberia. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region."

Royal Dutch Shell. In October 2013, Gazprom Neft and Royal Dutch Shell established Khanty-Mansiysk Petroleum Alliance CJSC ("**KMPA**"), a 50/50 joint venture for the exploration and development of hard-to-recover hydrocarbon reserves in the Khanty-Mansi Autonomous Area. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—KMPA."

Gazprom Neft and Royal Dutch Shell each own 50% in Salym Petroleum Development N.V. ("**SPD**") and jointly decide all issues with respect to operation of the company. SPD develops the Salym group of oil fields in Western Siberia. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Salym Petroleum Development."

In June 2015, we signed an agreement with Royal Dutch Shell on strategic cooperation which envisages a partnership in the gas sector from upstream work, including exploration and production, to sales, including possible asset swaps.

In April 2017, Nord Stream 2 AG signed agreements with Royal Dutch Shell and other foreign companies in relation to financing of the Nord Stream II pipeline project. See "—Transport—International projects in gas transportation—Nord Stream II."

In July 2020, Gazprom Neft and Royal Dutch Shell signed an agreement to establish a 50/50 joint venture for exploration and development of certain licensed areas on the Gydan Peninsula (the "**Yenisey project**"). See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Prospective fields."

RusGasDobycha. In April 2017, we established LLC RusGasAlliance ("**RusGasAlliance**"), a 50/50 joint venture with RusGasDobycha, to engage in the development of certain fields in the Yamal-Nenets Autonomous Area. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region." In May 2018, we signed an agreement with RusGasDobycha on the core terms of a joint project for the construction of gas processing facilities to refine gas from the Nadym-Pur-Taz region. According to this agreement, LLC RusChemAlliance ("**RusChemAlliance**"), our other 50/50 joint venture with RusGasDobycha, has launched a project to construct an integrated gas processing complex in the proximity of Ust-Luga in the Leningrad Region. See "—Refining—Projects in refining."

Saudi Aramco. In October 2017, we signed a memorandum of understanding with Saudi Arabian Oil Company for international cooperation in the gas industry. Further, in April 2018, we signed a supplement to this memorandum expanding possible areas for cooperation. These documents set forth the parties' intent to explore opportunities for cooperation in natural gas exploration, production, transportation, storage and LNG projects.

In addition, in October 2017, Gazprom Neft and Saudi Aramco signed a memorandum which provides for the parties' cooperation in oil and gas industry, including drilling and well workover technologies, improvements to pumping systems, development of large diameter non-metal pipes, research and development and experimental engineering works, as well as employee training at the companies' production facilities. Moreover, the parties intend to explore opportunities for cooperation in the manufacturing of equipment for oil and gas field development, by localising production either in Russia or Saudi Arabia.

Srbijagas. In January 2019, we signed a memorandum of understanding with Srbijagas providing for the parties' cooperation in a joint project for an extension of the active storage capacity of the Banatski Dvor UGSF. See "—Gas storage—Gas storage in FSU, Europe and Other Countries."

In addition, in June 2017, we signed a roadmap with the Ministry of Mining and Energy of the Republic of Serbia providing for a number of measures aimed at expanding the Serbian gas transmission system. See "—Transport—International projects in gas transportation—TurkStream."

Sibur. We have signed with PJSC SIBUR Holding ("**Sibur**") a contract to supply ethane fraction and a preliminary agreement on supplies of liquefied hydrocarbon gases from our Amurskiy GPP, which is currently under construction, to a gas chemical complex in the Amur Region which is intended to be built by Sibur. See "—Refining—Projects in refining."

In September 2019, we signed an agreement on cooperation with Sibur which provides for a joint assessment of opportunities for cooperation in large gas refining and petrochemical investment projects, in particular for the construction of refining capacities in the Republic of Tatarstan and a revision of the project documentation of the Novy Urengoy Chemical Complex. See "—Refining—Projects in refining."

Gazprom Neft and Sibur have also established certain joint ventures in the refining of hydrocarbons and pertrochemical sectors. See "—Refining—Processing of oil, natural gas and gas condensate."

Sonatrach. We are participating in the exploration and development project in the El-Assel area in the Berkine geological basin in Sakhara. Our interest in the project is 49%. The remaining 51% interest is held by Sonatrach, the Algerian national oil and gas company. See "—Reserves and production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Algeria."

Total and YPFB. In August 2013, we and Total signed a service contract with Yacimientos Petrolíferos Fiscales Bolivianos ("**YPFB**") for the development of the Azero block in Bolivia. In June 2014, we completed the purchase of a 20% interest in the Ipati and Aquio blocks from Total. See "—Reserves and Production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Bolivia."

Western Zagros and Kurdistan Region. A subsidiary of Gazprom Neft acts as the operator of the Garmian and Shakal exploration and production projects in the Southern Kurdistan Region in Iraq pursuant to production sharing agreements signed with the government of the Kurdistan Region. Gazprom Neft, the government of the Kurdistan Region and WesternZagros, a Canadian company, hold interests of 40%, 20% and 40% in the Garmian project, respectively. Gazprom Neft and the government of the Kurdistan Region hold interests of 80% and 20% in the Shakal project, respectively. See "—Reserves and production—Exploration, development and production regions—FSU and Europe and Other Countries—Associates and development of associated projects in the region—Iraq."

YPFB. In June 2018, we signed an agreement of strategic cooperation with YPFB to carry out joint geological exploration, gas production and hydrocarbon transportation across Bolivia, as well as the development of the national gas and oil transportation infrastructure and NGV market, exchange of experience and personnel training, and scientific and technological collaboration.

In February 2016, we also signed a memorandum of understanding with the Ministry of hydrocarbons and energy of Bolivia regarding the use of LNG, in particular, as motor fuel for truck, passenger and river transport in Bolivia and for gas supply to customers in Bolivia that do not have access to gas distribution networks.

In addition, in July 2016, our subsidiary Gazprom EP Int. signed an agreement with YPFB on preliminary study of the La Ceiba, Vitiaqua and Madidi blocks in Bolivia. As a result of the study, we determined that the Vitiaqua block is feasible for further development. In June 2018, Gazprom EP Int. signed with YPFB a term sheet regarding a contract for exploration and production on the Vitiaqua oil and gas block.

In October 2017, our subsidiaries Gazprom EP Int. and Gazprom Marketing & Trading Ltd. ("**GM&T**") signed a memorandum of understanding with the Ministry of Hydrocarbons and Energy of Bolivia and YPFB documenting the parties' intent to establish a joint venture for the marketing of natural gas in Argentina and Brazil.

In November 2017, GGT, our 50/50 joint venture with GPB, and Gazprom LNG technologies, our 50/50 joint venture with GazHolodTehnologiya, signed a memorandum of understanding with YPFB providing for the establishment of a joint venture for the development of infrastructure to use natural gas as motor fuel in Bolivia. In addition, Gazprom EP Int. and YPFB Chaco signed a memorandum of understanding providing for establishing a joint venture for rendering field development services in Bolivia and a memorandum of understanding for technical cooperation in exploration of hydrocarbons.

YPF. In April 2018, we signed a memorandum on cooperation with YPF S. A. ("**YPF**") setting forth the main areas for further cooperation, in particular, in exploration, production, transportation and marketing of hydrocarbons in Argentina and other countries.

Zarubezhneft. In August 2020, Gazprom Neft and JSC Zarubezhneft ("**Zarubezhneft**") established a joint venture for geological study, exploration and production of hard-to-recover hydrocarbon reserves, including non-conventional resources, in the Khanty-Mansi Autonomous Area. See "—Reserves and Production—Exploration, development and production regions—Western Siberia (Ural Federal District)—Production from unconventional sources."

Other activities. In addition, our subsidiaries and associated and jointly controlled companies supply natural gas to consumers in Austria, Bulgaria, Croatia, the Czech Republic, France, Germany, Greece, Hungary, Ireland, Italy, North Macedonia, the Netherlands, Romania, Serbia, Slovakia, Turkey and the United Kingdom. We have also entered into a number of joint ventures to construct and operate gas storage facilities in Europe and Other Countries. See "—Gas storage—Gas storage in FSU, Europe and Other Countries."

Reserves and Production

This section contains information relating to our Production of gas segment and Production of crude oil and gas condensate segment as regards exploration and production. For information in relation to sales of crude oil and gas condensate, see "—Distribution—Sales of liquid hydrocarbons and refined products."

We believe that we are the world's largest producer of natural gas. Our natural gas reserves and production account for approximately 16% and 12% of global natural gas reserves and production at the end of 2019 and for year 2019, respectively. As of December 31, 2019, we control approximately 71% of natural gas reserves in Russia. Our oil and gas condensate production accounts for approximately 12% of liquid hydrocarbons production in Russia in 2019. Our major reserves and production areas are Western Siberia, Southern Russia, the South Ural region and Northern European Russia. We also conduct operations in Eastern Siberia and the Far East, the Russian continental shelf and in certain countries in the FSU and Europe and Other Countries.

We operate our production activities through our production subsidiaries, which develop and operate our hydrocarbon fields. Natural gas and gas condensate production is carried out mainly by our wholly owned subsidiaries. Our subsidiary Gazprom Neft produces the majority of our crude oil, principally through fields located in Western Siberia. Our well-drilling operations are carried out by our subsidiary, LLC Gazprom flot, the drilling departments of some of our subsidiaries and third-party contractors. In addition, we participate in a number of exploration and production projects and joint ventures with Russian and foreign partners.

Financial highlights

Our Production of gas segment operates in exploration and production of gas, and its sales mainly consist of inter-segment gas sales to our Distribution of gas segment and Refining segment.

The following table sets forth selected financial data with regard to our Production of gas segment as defined in the Group's Financial Statements:

	Production of gas				
	As of and for the six months ended June 30,		**As of and for the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
Assets, million RR	2,794,403	2,710,920	2,736,680	2,743,944	2,677,231
Share of Group's total assets	14%	14%	14%	14%	15%
Sales,[(1)] million RR	11,425	12,362	23,511	26,307	24,122
Share of Group's total sales	0%	0%	0%	0%	0%
Capital additions, million RR	89,293	97,292	360,215	308,007	216,450
Share of Group's total capital additions	16%	15%	20%	17%	14%

Note:

(1) Excluding inter-segment and intra-segment operations.

Production of crude oil and gas condensate segment operates in exploration and production of oil and gas condensate, sales of crude oil and gas condensate and its sales mainly consist of inter-segment sales of oil and gas condensate to the Refining segment for further refining and sales to third parties.

The following table sets forth selected financial data with regard to our Production of crude oil and gas condensate segment as defined in the Group's Financial Statements:

Production of crude oil and gas condensate

	As of and for the six months ended June 30,		As of and for the year ended December 31,		
	2020	2019	2019	2018	2017
Assets, million RR	3,127,344	2,972,111	3,053,664	2,898,071	2,516,019
Share of Group's total assets	16%	16%	15%	15%	14%
Sales,[1] million RR	212,050	382,947	752,790	734,953	539,958
Share of Group's total sales	7%	9%	10%	9%	8%
Capital additions, million RR	176,482	118,150	316,011	257,932	330,424
Share of Group's total capital additions	31%	18%	17%	14%	22%

Note:

(1) Excluding inter-segment and intra-segment operations.

Reserves categories

We estimate our hydrocarbon reserves in accordance with the Russian reserves system and under PRMS Standards. The Russian reserves system differs significantly from PRMS Standards, in particular with respect to the manner in which and the extent to which commercial factors are taken into account in calculating reserves. In addition, PRMS Standards differ in certain material respects from SEC Standards. If we applied SEC Standards, our estimated proved natural gas, gas condensate and crude oil reserves could potentially be lower than under PRMS Standards. For a description of the Russian reserves system, PRMS Standards, SEC Standards and the principal differences between them, see "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves." Unless otherwise specified, this Base Prospectus provides information on explored reserves in accordance with the Russian reserves system or AB_1C_1 reserves.

Reserves

Most of our reserves are concentrated in unique fields, each with AB_1C_1 natural gas reserves of more than 300 bcm. Approximately 30% of our AB_1C_1 natural gas reserves are in Cenomanian deposits, which are characterized by low bedding depth, high delivery rates of wells and dry natural gas. Approximately 55% of our AB_1C_1 reserves are located in Western Siberia. Most of our other reserves are located on the continental shelf, in Eastern Siberia, the Far East, the South Ural region and Southern Russia.

Our reserves and production calculation methodology is consistent with IFRS consolidation principles. Thus, our subsidiaries' reserves and production information is included in full in our total reserves and production, disregarding our effective share in such subsidiaries. Reserves and production information of our joint arrangements determined to be joint operations for accounting purposes is included in our reserves and production data pro rata to our interest in such joint operations. Consistent with IFRS consolidation principles, the information on hydrocarbon reserves and production of our associates and joint arrangements determined to be joint ventures for accounting purposes is not included in our total reserves and production figures. However, material information on the AB_1C_1 hydrocarbon reserves and production of our associates and joint ventures is presented separately.

The following table shows our total AB_1C_1 natural gas, gas condensate and crude oil reserves in Russia in accordance with the Russian reserves system, and the percentage share of our AB_1C_1 reserves evaluated by DeGolyer and MacNaughton in accordance with PRMS Standards, as well as our proved, probable and possible reserves determined as a result of this evaluation, as of the dates indicated. As part of our annual reports, we publish information in relation to our reserves in accordance with PRMS Standards. Appendix B to this Base Prospectus contains breakdown information on the proved and probable gas, gas condensate and crude oil reserves of our subsidiaries in accordance with PRMS Standards as of December 31, 2019, as extracted from the D&M Letter. The correlation between AB_1C_1 reserves and proved, probable and possible reserves may differ in the fields that have not yet been evaluated. Moreover, the correlation may vary at different times for the same fields. The amounts in barrels do not match the amounts in the D&M Letter because in this Base Prospectus we use conversion rates set forth in the Conversion Table on page 293, while the amounts set forth in the D&M Letter are calculated based on the specific gravities of each field.

	As of December 31,			As of December 31,		
	2019	2018	2017	2019	2018	2017
		Gas, bcm			Gas, mmboe	
AB_1C_1	34,899.0	35,195.3	35,355.4	226,494.5	228,417.5	229,456.5
of which evaluated AB_1C_1	93%	93%	94%	93%	93%	94%
Proved	17,715.1	17,890.4	18,253.4	114,971.0	116,108.7	118,464.5
Probable	6,680.4	6,364.7	5,893.2	43,355.8	41,306.9	38,246.9
Proved + probable	24,395.5	24,255.1	24,146.6	158,326.8	157,415.6	156,711.4
		Gas condensate, million tons			Gas condensate, mmboe	
AB_1C_1	1,569.7	1,604.4	1,595.6	12,840.1	13,124.0	13,052.0

of which evaluated AB_1C_1	95%	94%	93%	95%	94%	93%
Proved	730.2	759.7	797.7	5,973.0	6,214.3	6,525.2
Probable	333.0	330.5	308.0	2,723.9	2,703.5	2,519.4
Proved + probable	1,063.2	1,090.2	1,105.7	8,696.9	8,917.8	9,044.6

	Crude oil, million tons			Crude oil, mmboe		
AB_1C_1	2,005.7	2,015.7	2,045.3	14,701.8	14,775.1	14,992.1
of which evaluated AB_1C_1	96%	94%	94%	96%	94%	94%
Proved	707.5	712.3	736.8	5,186.0	5,221.2	5,400.7
Probable	667.3	623.1	623.2	4,891.3	4,567.3	4,568.1
Proved + probable	1,374.8	1,335.4	1,360.0	10,077.3	9,788.5	9,968.8

	Gas, gas condensate, crude oil, mmboe		
AB_1C_1	254,036.4	256,316.6	257,500.6
of which evaluated AB_1C_1	93%	93%	94%
Proved	126,130.0	127,544.2	130,390.4
Probable	50,971.0	48,577.7	45,334.4
Proved + probable	177,101.0	176,121.9	175,724.8

The following table shows the AB_1C_1 natural gas, gas condensate and crude oil reserves of our associates and joint ventures in Russia pro rata to our effective interests therein as of the end of the respective periods:

	As of December 31,		
	2019	**2018**	**2017**
Natural gas (bcm)	1,064.0	1,146.7	1,003.8
(bboe)	6.9	7.4	6.5
Oil and gas condensate (million tons)	699.7	702.1	679.1
(bbls)	5.2	5.2	5.1
Total (bboe)	**12.1**	**12.7**	**11.6**

Our hydrocarbon reserves abroad as of December 31, 2019, 2018 and 2017 were considered insignificant in comparison to our reserves in Russia.

In 2019, our proved and probable hydrocarbon reserves increased by 1.0 bboe. The increase in proved and probable reserves was primarily due to a greater portion of reserves being audited, the reclassification of Turonian deposit at the Yuzhno-Russkoye field to higher-level reserve categories based on actual information from production, adjustments of the development plan parameters for the Kharasaveyskoye field, further development of the Tazovskoye field, and successful exploration of the Alexander Zhagrin field. See "—Exploration, development and production regions—Western Siberia (Ural Federal District)—Prospective fields."

In accordance with the Classification, we are replacing the reporting of geological gas reserves with that of extractable gas reserves. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of Reserves". This transition involves estimating the RER for each subsoil deposit. From the start of the transition period through December 31, 2019, RERs at our fields containing approximately 29% of our AB_1C_1 reserves were evaluated, with the average RER being approximately 0.88. The reassessment of our reserves carried out in 2019 (solely based on the reassessment and without regard to other factors) resulted in a decrease in our AB_1C_1 natural gas reserves by 516 bcm. Over time, all our AB_1C_1 natural gas reserves will be presented using the RER metric. The ongoing assessment may materially affect our AB_1C_1 natural gas reserves estimates in subsequent years. See "Risk Factors—Risks Relating to Our Business—There are numerous uncertainties inherent in estimating our reserves of natural gas, gas condensate and crude oil."

In 2019, Gazprom Neft and Novatek finalized a transaction for a corporate restructuring of their 50/50 joint venture Arcticgas as a result of which certain licensed areas in the Yamal-Nenets Autonomous Area previously held by Arcticgas, our associated company, were transferred exclusively to each of the parties. As a result, Gazprom Group's AB_1C_1 reserves increased by 100.6 bcm of natural gas and 6.3 million tons of liquid hydrocarbons. Gazprom Neft and Novatek continue to own a 50% interest each in Arcticgas. See "—Exploration, development and production regions—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Arcticgas."

Licensing activities

Most of our hydrocarbon licenses were granted between 1993 and 1996. The licenses impose certain obligations on us to perform exploration works and ensure certain production volumes, prepare project documentation, meet certain environmental and rational subsoil use requirements, and pay charges for subsoil use. Licenses may be suspended or revoked if we fail to comply with their terms. The licenses for our major fields have expiration periods ranging from 6 to over 200 years. A subsoil user has the right to request an extension of the term of the license in order to complete the exploration, assessment and development of the natural resources until the end of a field's exploitation period if such user complies with the terms and conditions of the license. We believe that we are in material compliance with the terms of subsoil use, and that we will be entitled to extend them to the full economic lives of the associated fields upon the expiration of their primary terms. Currently, there have been no suspensions of production as a result of decisions by the relevant federal and regional authorities. See "Risk Factors—Risks Relating to Our Business—Our licenses may be suspended, amended or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations" and "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Subsoil licensing."

Subsoil users in Russia, including our subsidiaries, are subject to regular inspections conducted by Rosprirodnadzor which occasionally prescribes to remedy violations of the license terms. If we are unsuccessful in complying with the prescribed requirements, the respective license could be suspended, amended or terminated or fines could be imposed on us. See "Risk Factors—Risks Relating to Our Business—Our licenses may be suspended, amended, or terminated prior to the end of their terms, and we may not be able to obtain or maintain various permits and authorizations."

In February 2020, we obtained a license for the Sopochny area located in the Yamal-Nenets Autonomous Area, with category D_0 natural gas resources estimated at 260.9 bcm.

Exploration activities

We are continually engaged in the exploration of new and existing deposits of natural gas and crude oil. These activities include prospecting and exploration drilling and geophysical activities in our existing production license areas and fields, and new areas for which we hold licenses. We perform our exploration activities in Russia in accordance with the Program for Mineral Resource Base Development until 2040 (the "**MRBD Program**"). The MRBD Program provides for an increase in our reserves through geological exploration by 14.2 billion tce in Russia between 2019 and 2040. We perform exploration works in Western and Eastern Siberia, the Far East, South Ural and in other regions in Russia, including the continental shelf. In addition, our subsidiaries and associates are involved in exploration projects abroad, including in Algeria, Bolivia, Bosnia and Herzegovina, Denmark, Iraq, the Netherlands, Romania, Serbia, the United Kingdom, Venezuela and Vietnam. See "—Exploration, development and production regions—FSU and Europe and Other Countries."

In 2019, as a result of our geological exploration activities in Russia, we increased our AB_1C_1 reserves by 556.7 bcm of natural gas reserves, 11.7 million tons of gas condensate and 29.0 million tons of oil. The exploration discoveries of natural gas were mainly attributable to the Kruzenshternskoye field and the adjacent area (262.9 bcm of natural gas), the Dinkov and the Nyarmeyskoye fields on the continental shelf of the Kara Sea (135.9 bcm and 67.9 bcm of natural gas, respectively) and the Ludlovskoye field on the continental shelf of the Barents Sea (48.9 bcm of natural gas).

Furthermore, material additions were made to previously discovered fields in 2019. Among the most significant additions are the Dinkov gas condensate field and the Nyarmeyskoye gas field on the continental shelf of the Kara Sea, with the aggregate categories C_1+C_2 reserves estimated at 511.5 bcm, including 203.8 bcm of category C_1 reserves.

Since the beginning of 2020, our most significant exploration results include the discovery of the 75 Let Pobedy field on the continental shelf of the Kara Sea, where 202.4 bcm of categories C_1+C_2 natural gas estimate have been approved by Rosnedra, and a substantial increase in explored reserves of the Leningrandskoye field on the continental shelf of the Kara Sea, where category C_1 natural gas reserves increased by 224.2 bcm.

Our discoveries in our exploration license areas or beyond license areas are to be transferred to the Undistributed Subsoil Fund of Russia and are subject to application to state authorities for licenses. We have a pre-emptive right to receive licenses for the fields we have explored.

Reserve replacement ratio

Reserve replacement ratio with respect to natural gas is one of our key strategic indicators and, in accordance with a resolution of the Board of Directors, is to be maintained at or above 100%. As a result of our exploration activities in 2019 and 2018, our AB_1C_1 natural gas reserve replacement ratio amounted to 111% and 160%, respectively, and our aggregate AB_1C_1 natural gas, gas condensate and crude oil reserve replacement ratio was 106% and 149%, respectively. We do not include reserve life among our key strategic indicators. However, if our proved and probable natural gas, gas condensate and crude oil reserves are divided by our aggregate natural gas, gas condensate and crude oil production figures (both numerator and denominator expressed in boe), the resulting reserve life ratio would be equal to approximately 47 years as of December 31, 2019.

Production costs

Our hydrocarbon production costs are substantially affected by the geographic location of our fields, the geological composition of the hydrocarbon deposits under production, the cost of operating the infrastructure that is necessary to sustain our production levels as well as Government policy with respect to MET. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Recent Changes in Russian Tax Regulation—MET Changes."

Production costs at our mature fields in the Nadym-Pur-Taz region will likely increase because we expect to be required to use more expensive extraction techniques and extract natural gas from deeper, more geologically complex deposits. At the first stage of development, production costs at our fields in the Yamal Peninsula are also expected to be high because of challenging climate conditions in the area, geographic remoteness and special environmental requirements. We expect the production costs at these fields to decrease when the fields reach their projected capacity. We also seek to substantially mitigate challenging local production conditions by using our own unique technology while developing the Yamal Peninsula fields.

Production

The following table sets forth our summary production data in Russia for the periods indicated:

	As of and for the six months ended June 30,		As of and for the year ended December 31,		
	2020	2019	2019	2018	2017
Natural gas (bcm)	221.5	259.3	501.2	498.7	472.1
(mmboe)	1,437.7	1,682.8	3,252.9	3,236.4	3,063.6
Gas condensate (million tons)	8.0	8.5	16.7	15.9	15.9
(mmbls)	65.3	69.8	136.7	130.3	130.4
Crude oil (million tons)	22.7	23.7	48.0	48.3	48.6
(mmbls)	166.0	174.0	351.5	353.9	356.5
Total (mmboe)	**1,669.0**	**1,926.6**	**3,741.2**	**3,720.6**	**3,550.5**

Our gas production decreased in the six months ended June 30, 2020 as compared to the corresponding period of 2019 due to reduced gas sales in our core markets. Our gas production increased in 2019 as compared to 2018 primarily due to an increase of our gas production at the Bovanenkovskoye field, the start of production at the Chayandinskoye field to procure gas supplies to China and an increase in production of associated petroleum gas.

The following table sets forth summary production data of our associates and joint ventures in Russia attributable to the Group for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Natural gas (bcm)	14.0	13.3	26.9	26.9	27.0
(mmboe)	91.2	86.2	174.3	174.7	175.2
Gas condensate (million tons)	2.5	2.4	4.7	4.9	5.0
(mmbls)	20.3	19.4	38.8	39.8	40.9
Crude oil (million tons)	5.5	5.7	11.8	11.2	10.9
(mmbls)	40.0	42.1	86.3	82.3	79.9
Total (mmboe)	**151.5**	**147.8**	**299.4**	**296.8**	**296.0**

The growth of natural gas production by our associates and joint ventures in the six months ended June 30, 2020 as compared to the corresponding period of 2019 was primarily due to an increase in production by Sakhalin Energy and Arcticgas.

We also operate and participate in certain projects abroad which have commenced hydrocarbons production. See "—Exploration, development and production regions—FSU and Europe and Other Countries."

Exploration, development and production regions

We perform exploration and production in Western and Eastern Siberia, the Far East, South Ural, and in other regions in Russia, including the continental shelf. In addition, we are participating in exploration and/or production projects in the FSU and Europe and Other Countries (in Algeria, Angola, Bolivia, Bosnia and Herzegovina, Denmark, Iraq, Libya, the Netherlands, Romania, Serbia, the United Kingdom, Uzbekistan, Venezuela and Vietnam).

The terms and timeline of any of the projects described below in this section may be revised due to changes in demand for our products or other changes of external business conditions, including sanctions programs. See "Risk Factors—Risks Relating to Our Business—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition."

Western Siberia (Ural Federal District)

We have historically focused our exploration and development activities in gas and oil fields in Western Siberia. This is our main region for the production of natural gas, gas condensate and crude oil. It is characterized by severe weather conditions. Approximately 55% of our AB_1C_1 hydrocarbon reserves and over 90% of our hydrocarbon production are concentrated in this region.

Our largest fields in terms of natural gas reserves in Western Siberia are the Urengoyskoye, Bovanenkovskoye, Yamburgskoye, Zapolyarnoye, Tambeyskoye, Kharasaveyskoye and Kruzenshternskoye fields. Our major gas production fields in Western Siberia are the Zapolyarnoye, Bovanenkovskoye, Urengoyskoye, Yamburgskoye and Yuzhno-Russkoye fields. Gazprom Neft's largest fields in terms of crude oil reserves in Western Siberia are the Priobskoye, Novoportovskoye, Vyngapurovskoye, Alexander Zhagrin, Tazovskoye, Sutorminskoye, Muravlenkovskoye and Vyngayakhinskoye fields. Gazprom Neft's major crude oil production fields in Western Siberia are the Priobskoye and Novoportovskoye fields, as well as the Vyngapurovskoye, Sutorminskoye, Kraynee and Vyngayakhinskoye fields.

Gazprom Neft and Rosneft each own equal interests of 50% in Tomskneft and jointly decide all issues with respect to the operation of the company. Tomskneft holds licenses for the development of fields in the Tomsk Region and Khanty-Mansi Autonomous Area. Tomskneft is accounted for as joint operations in the Group's Financial Statements, therefore its reserves and production information is included in our reserves and production data pro rata to our interest. See "Presentation of Certain Information."

Major fields in commercial operation

Zapolyarnoye field with the total annual gas production capacity of 130 bcm is located in the Nadym-Pur-Taz region. The field produced 103.0 bcm and 99.9 bcm of gas in 2019 and 2018, respectively.

Bovanenkovskoye field is located in the Yamal Peninsula. The field produced 96.3 bcm and 87.4 bcm of gas in 2019 and 2018, respectively. The field's maximum annual production capacity of 115 bcm per annum from the Cenomanian-Aptian layers is expected to be reached between 2021 and 2022. In addition, Gazprom Neft acts as the operator for development of the Neocomian-Jurassic layers of the field and expects to commission the field's gas and liquids preparation and transportation facilities in 2025. Gazprom Neft plans to reach an annual projected production capacity of 20 bcm of gas and 2.7 million tons of liquid hydrocarbons in 2031.

Urengoyskoye field with the current annual gas production capacity of 69 bcm (including the Achimovsk formation) is located in the Nadym-Pur-Taz region. The field produced 65.9 bcm and 73.0 bcm of gas in 2019 and 2018, respectively.

Urengoyskoye field (Achimovsk formation). Our production from Block 2A of the Achimovsk formation of the Urengoyskoye field amounted to 3.5 bcm and 3.2 bcm of gas and 1.5 million tons and 1.4 million tons of unstable gas condensate in 2019 and 2018, respectively. We expect it to achieve its projected production capacity of 12.3 bcm of gas and 3.4 million tons of unstable gas condensate per annum between 2021 and 2024.

We expect Blocks 4A and 5A of the Achimovsk formation of the Urengoyskoye field to come on stream in 2020 and reach an aggregate production capacity of approximately 15.5 bcm of gas in the period 2027-2030. Wintershall Dea holds a 25.01% interest and we currently hold a 74.99% interest in the project for the development of the Blocks 4A and 5A.

In October 2018, we signed a base agreement with OMV on asset sale, further amended in March 2020, pursuant to which OMV is expected to acquire a 24.98% interest in the project for developing Blocks 4A and 5A of the Achimovsk formation of the Urengoyskoye field.

In addition, JSC Achimgaz ("**Achimgaz**"), our joint venture with Wintershall Dea, is developing Block 1A of the Achimovsk formation at the Urengoyskoye field. See "—Associates and development of associated projects in the region—Achimgaz."

Yamburgskoye field with the current annual gas production capacity of 70 bcm is located in the Nadym-Pur-Taz region. The field produced 61.9 bcm and 64.7 bcm of gas in 2019 and 2018, respectively.

Yuzhno-Russkoye field having a projected annual capacity of 25.0 bcm of gas is located in the Nadym-Pur-Taz region. The field produced 25.1 bcm and 25.1 bcm of gas in 2019 and 2018, respectively. In 2010, we started pilot production of gas from the Turonian deposits in the Yuzhno-Russkoye field and expect to start commercial production with a projected capacity of 9 bcm per annum in 2023 or earlier.

Our subsidiary, Severneftegazprom, holds the license for the development of the Yuzhno-Russkoye field. Wintershall Dea holds two class A and one class C preference shares and a 25% interest minus three ordinary shares in Severneftegazprom, which represents a 35% economic interest in Severneftegazprom. OMV holds three class B preference shares and a 25% interest minus three ordinary shares in Severneftegazprom, which represents a 25% economic interest in Severneftegazprom. Our interest in Severneftegazprom amounts to 50% plus six ordinary shares, which represents an economic interest of 40% in the company.

Priobskoye field. The largest field operated by Gazprom Neft in terms of production is located in the southern area of the Priobskoye field in the Khanty-Mansi Autonomous Area. The field produced 10.5 million tons and 11.4 million tons of crude oil in 2019 and 2018, respectively.

Novoportovskoye field is the largest field in the Yamal Peninsula in terms of oil and gas condensate reserves. A subsidiary of Gazprom Neft holds the license for the development of the Novoportovskoye field. The field produced 7.7 million tons and 7.2 million tons of oil in 2019 and 2018, respectively.

Prospective fields

Yamal Peninsula. The Yamal Peninsula is located to the north of the Nadym-Pur-Taz region and is characterized by harsher climate conditions. According to our estimates, the total explored category AB_1C_1 reserves of the Yamal Peninsula and the adjacent shelf (excluding the Obskaya and Tazovskaya Bays) amount to over 12 tcm of natural gas and 500 million tons of crude oil and gas condensate. More than half of these reserves are located in the Bovanenkovskoye, Kharasaveyskoye and Kruzenshternskoye gas condensate fields and the Novoportovskoye oil and gas condensate field for which we hold production licenses. We plan to develop the onshore fields of the Yamal Peninsula in the Bovanenkovo, Tambey and Southern production zones.

Bovanenkovo group of fields. The Bovanenkovskoye, Kharasaveyskoye and Kruzenshternskoye fields are the most significant fields of the Bovanenkovo production zone. In 2012, we put on stream the Cenomanian-Aptian layers of the Bovanenkovskoye field. After reaching projected production capacity at the Bovanenkovskoye field, we intend to put on stream the Cenomanian-Aptian layers of the Kharasaveyskoye field in 2023 and the Kruzenshternskoye field in 2028. We estimate the annual projected natural gas production from the Cenomanian-Aptian layers of the Kharasaveyskoye field and the Kruzenshternskoye field to be 32 bcm and 33 bcm, respectively. We have commenced design and preparatory works for the development of the Kruzenshternskoye field which is partially located in the Kara Sea. See "—Exploration, development and production regions—Russian continental shelf—The Kara Sea shelf."

In addition, Gazprom Neft acts as the operator for development of the Neocomian-Jurassic layers of the Kharasaveyskoye field and expects to commission the field's gas and liquids preparation and transportation facilities in 2026. Gazprom Neft plans to reach an annual projected production capacity of 18 bcm of gas and 2.2 million tons of liquid hydrocarbons in 2029.

Tambey group of fields. In accordance with the draft General scheme for the development of the gas industry through 2035, developed by the Ministry of Energy of the Russian Federation, three areas of the Tambeyskoye field, including the Severo-Tambeyskoye, Tasyiskoye and Zapadno-Tambeyskoye areas, are planned to be put on stream after 2025. We estimate the annual projected capacity of the Severo-Tambeyskoye, Tasyiskoye and Zapadno-Tambeyskoye areas to be 33.0 bcm, 16.6 bcm and 5.7 bcm, respectively.

Southern group of fields. The Southern group of fields is planned to be put on stream after 2030 to maintain stable production and effectively utilize gas and liquid hydrocarbons transportation capacities in the region when the Bovanenkovo and the Tambey group of fields enter the stage of declining production. The annual projected capacity of the Southern group of fields is estimated at 30 bcm. The Southern group of fields includes nine fields, of which we currently hold the licenses for the Novoportovskoye oil and gas condensate field and the Kamennomysskiy (land) area.

The Alexander Zhagrin field is located in the Khanty-Mansi Autonomous Area. Currently, we are engaged in exploration works at the field and expect to put it into operation later in 2020 and reach its projected annual production capacity of 6.5 million tons of oil in 2024.

Yenisey project. The Leskinskiy and Pukhutsyayakhskiy licensed areas are located on the Gydan Peninsula, on the left bank of the Yenisey river. Currently, we are engaged in exploration works in these areas and expect to start commercial production in 2028 and reach their aggregate projected annual production capacity of 19.9 million tons of oil in 2035. In July 2020, Gazprom Neft and Royal Dutch Shell signed an agreement to establish a joint venture for development of the project. Each party is to own a 50% interest in the joint venture upon completion of the transaction which is to occur later in 2020 and is subject to receipt of corporate and regulatory approvals and satisfaction of conditions precedent.

Production from unconventional sources

Kuznetsky Coal Basin. We are engaged in an innovative project in the Kemerovo Region to produce coal gas. We have commenced pilot production and are currently preparing a technological scheme for full-scale production at the Narykskо-Ostashkinskoye field. In addition, we have developed and approved a technological scheme for full-scale production at the Taldynsky coal gas field. We are also engaged in exploration works at the Tutuyasskaya perspective area. Upon attaining their projected capacity, we expect these projects to cover the demand for gas in the Kemerovo region.

Development of the Bazhenov formation. Gazprom Neft continues to develop a cost-efficient technology for the extraction of non-conventional oil reserves at the Bazhenov formation in Western Siberia. Currently, Gazprom Neft continues to carry on works at the pilot sites, including exploratory works, development drilling and field research program. Gazprom Neft has been testing the new technologies at the Palyanovskiy area of the Krasnoleninskoye field and the Ety-Purovskiy licensed area in Western Siberia, with the results of horizontal drilling confirming the feasibility of the multi-stage fracking (MSF) technology at the Bazhenov formation and its potential productivity.

In August 2020, Gazprom Neft and Zarubezhneft established a joint venture, with the parties holding interests of 51% and 49%, respectively, for geological study, exploration and production of hard-to-recover hydrocarbon reserves, including non-conventional resources. The joint venture consolidates, and is currently engaged in exploration works in, certain licensed areas in the Khanty-Mansi Autonomous Area (the Salymskiye areas) and is expected to develop and test technologies for the extraction of hard-to-recover oil reserves.

According to our estimates, the industrial development of the Bazhenov formation of Gazprom Neft's fields will ensure at least 2.5 million tons of additional oil production per year from unconventional reserves after 2025. We expect to develop these projects in cooperation with other parties in order to share the inherent risks and capital investments. See "Joint Ventures and Alliances—Zarubezhneft."

Development of the Achimovsk formation. Gazprom Neft acts as the operator for development of the Achimovsk oil deposits at the Yamburgskoye field. Currently, Gazprom Neft is engaged in exploration and expects to start commercial production in 2027, subject to verification of existing geological assumptions and completion of the design and construction of field infrastructure, and reach the projected annual production capacity of 8.0 million tons of oil in 2028. In addition, Gazprom Neft holds the licenses for the Severo-Samburgskoye, Tazovskoye, Meretoyachinskoye and Zapadno-Yubileynoye fields in the Yamal-Nenets Autonomous Area. The aggregate projected annual production capacity of the Tazovskoye, Meretoyachinskoye and Zapadno-Yubileynoye fields is estimated at 9.1 million tons of oil and 21 bcm of gas. Gazprom Neft plans to put the fields on stream in the period from 2021 to 2026 and reach their projected annual production capacity in the period from 2023 to 2027. See "—Associates and development of associated projects in the region—Meretoyakhaneftegaz."

In addition, Gazprom Neft has launched a new project for geological exploration of hard-to-recover hydrocarbon reserves of the Achimovsk formation at certain fields licensed to its subsidiary JSC Gazpromneft-Noyabrskneftegaz, with a resource potential estimated at approximately 1.0 billion tons of initial geological oil reserves.

Gazprom Neft is also engaged in a number of technological projects aimed at improving the efficiency of the Achimovsk formation development.

Salym Petroleum Development. Our subsidiary, Gazprom Neft, and Royal Dutch Shell each own 50% in SPD and jointly operate the company. SPD is accounted for as joint operations in the Group's Financial Statements, therefore its reserves and production information is included in our reserves and production data pro rata to our interest. See "Presentation of Certain Information."

Gazprom Neft and Royal Dutch Shell execute joint projects through SPD. In particular, SPD is implementing a project in the Zapadno-Salymskoye field in the Khanty-Mansi Autonomous Area to use a new technology of chemical flooding with ASP targeted at the recovery of residual oil that remains undeveloped after a conventional waterflood. If the project is successfully executed, Gazprom Neft's share in the additional production from the Zapadno-Salymskoye field could reach 8.0 million tons of crude oil throughout the development period.

In addition, SPD consolidates, and is engaged in exploration of, certain fields and licensed areas of the Salym group of fields, including the Vadelypskoye and Verkhnesalymskoye fields that are currently at the production stage.

In June 2017, Gazprom Neft signed a memorandum of understanding with Royal Dutch Shell documenting the parties' intent to conduct a geological study of certain areas in the Khanty-Mansi Autonomous Area by SPD, adjacent to the existing licensed areas of SPD. The parties are currently conducting the geological study.

KMPA. In October 2013, Gazprom Neft and Royal Dutch Shell established a 50/50 joint venture KMPA.

In June 2017, Gazprom Neft signed a memorandum of understanding with Royal Dutch Shell documenting the parties' intent to continue negotiations based on the results of a detailed assessment by KMPA of certain nonshale oil fields in Western Siberia, including the Achimovsk deposits in the Yamal-Nenets Autonomous Area.

Associates and development of associated projects in the region

Our material associates in the region are described below.

Achimgaz. The Achimovsk formation of the Urengoyskoye field is divided into several blocks, each of which is gradually being developed. Achimgaz, our 50/50 joint venture with Wintershall Dea, is the operator at Block 1A and we hold the production license. Achimgaz produced 9.8 bcm and 6.9 bcm of natural gas and 4.1 million tons and 3.0 million tons of gas condensate in 2019 and in 2018, respectively.

Arcticgas. Gazprom Neft and Novatek each owns a 50% interest in Arcticgas which is involved in the development of certain fields in Western Siberia, in particular, the Samburgskoye, Urengoyskoye and Yaro-Yakhinskoye fields in the Yamal-Nenets Autonomous Area. Investments in Arcticgas are accounted for as investments in associates and joint ventures in the Group's Financial Statements. As of December 31, 2019, Gazprom Neft held a share in the proved and probable reserves of Arcticgas of 485 bcm of natural gas and 100 million tons of liquid hydrocarbons under PRMS standards. Gazprom Neft's share of Arcticgas's production was 13.8 bcm and 13.3 bcm of gas and 4.1 million tons and 3.9 million tons of liquid hydrocarbons in 2019 and 2018, respectively.

Gazpromviet. We and Petrovietnam hold interests of 72% and 28%, respectively, in LLC Gazpromviet ("**Gazpromviet**"), our joint venture holding the license for the Severo-Purovskoye gas condensate field in the Yamal-Nenets Autonomous Area. We have completed a seismic study at the Severo-Purovskoye field and are currently reviewing the results.

Eurotek-Yugra. In June 2017, Gazprom Neft acquired a 25.02% equity interest in Eurotek-Yugra, a subsidiary of Repsol, with an option to increase its shareholding to 50%. Currently, Gazprom Neft holds a 31.3% interest in Eurotek-Yugra, while the parties enjoy equal corporate governance rights in relation to the company. Eurotek-Yugra holds licenses for geological study, exploration and production at certain areas in the Khanty-Mansi Autonomous Area, including the Raul-Yuriy Erve oil field. We expect to put the field on stream in 2024 and reach its projected annual production capacity of 2.4 million tons of oil in 2026.

In July 2017, Gazprom Neft and Repsol signed a memorandum of understanding confirming the parties' intention to further develop the joint venture, in particular, through exploration and development of existing areas and acquisition of new licensed areas in the Khanty-Mansi Autonomous Area, close to Eurotek-Yugra's existing assets.

In addition, in May 2018, Gazprom Neft and Repsol signed an agreement on technical cooperation envisaging the companies' cooperation in the development of new exploration and production technologies which can be potentially applied to the development of the Karabashskaya zone operated by Eurotek-Yugra in the Khanty-Mansi Autonomous Area. Gazprom Neft and Repsol cooperate on certain exploration projects in the Karabashkaya zone of the Khanty-Mansi Autonomous Area, close to other areas licensed to Eurotek-Yugra which acts as the operator of the exploration projects.

Messoyakhaneftegaz. The East Messoyakhskoye and West Messoyakhskoye fields are located in the northern part of the West Siberian gas bearing province in the south-west of the Gydan Peninsula and are among the largest fields in terms of explored reserves. Messoyakhaneftegaz, our joint venture with Rosneft, holds the licenses to develop these fields. While Gazprom Neft and Rosneft each control equal interests of 50% in Messoyakhaneftegaz, Gazprom Neft was chosen to be the operator of the project. Investments in Messoyakhaneftegaz are accounted for as investments in associates and joint ventures in our financial statements. As of December 31, 2019, Gazprom Neft held a share in the proved and probable reserves of Messoyakhaneftegaz of 75 million tons of liquid hydrocarbons and 3 bcm of gas under PRMS standards. Currently, we produce hydrocarbons at the eastern part of the field, the Vostochno-Messoyakhskoye field, and expect to reach its maximum annual production capacity of 6.0 million tons of oil in 2022. Gazprom Neft's share of Messoyakhaneftegaz's production was 2.7 million tons and 2.2 million tons of liquid hydrocarbons and 0.1 bcm and 0.1 bcm of gas in 2019 and 2018, respectively. In 2018, a new oil deposit with geological reserves of 85 million tons was discovered as a result of exploration at the western part of the field, the Zapadno-Messoyakhskoye field; we plan to continue exploration drilling at the field to prove its resource potential.

Northgas. We and Novatek each control a 50% interest in CJSC Northgas ("**Northgas**"). Investments in Northgas are accounted for as investments in associates and joint ventures in our financial statements. Northgas holds a license for the development of the Neocomian layers of the Severo-Urengoyskoye field. As of December 31, 2019, Gazprom Neft held a share in the proved and probable reserves of Northgas of 83 bcm of natural gas and 12 million tons of liquid hydrocarbons under PRMS standards. Gazprom Neft's share of Northgas's production was 3.5 bcm and 3.8 bcm of natural gas and 0.3 million tons and 0.3 million tons of liquid hydrocarbons in 2019 and 2018, respectively.

RusGasAlliance. In September 2016, we signed with RusGasDobycha a framework agreement and, in April 2017, established RusGasAlliance, a 50/50 joint venture for the development of the Parusovoye, Severo-Parusovoye and Semakovskoye fields in the Yamal-Nenets Autonomous Area. We have transferred to RusGasAlliance the licenses for these fields. Currently, RusGasAlliance is engaged in the construction of production wells and development of the infrastructure at the Semakovskoye field and expects to start commercial production there in 2022. RusGasAlliance is also preparing a project plan for the development of the Parusovoye and Severo-Parusovoye fields.

In addition, RusChemAlliance, our another joint venture with RusGasDobycha, has commenced the implementation of an integrated project for the construction of a natural gas refining and LNG production complex in the proximity of Ust-Luga in the Leningrad region. See "—Refining—Projects in refining."

Slavneft. Gazprom Neft and Rosneft control equal interests of 49.9% in Slavneft and jointly decide all issues with respect to the operation of the company. Investments in Slavneft are accounted for as investments in associates and joint ventures in our financial statements. As of December 31, 2019, Gazprom Neft held a share in the proved and probable reserves of Slavneft of 23 bcm of natural gas and 354 million tons of liquid hydrocarbons under PRMS standards. Gazprom Neft's share of Slavneft's production (including the production of the Kuyumbinskiy project, see "—Eastern Siberia and the Far East (Siberian and Far East Federal Districts)—Associates and development of associated projects in the region") was 7.0 million tons and 6.9 million tons of liquid hydrocarbons and 0.5 bcm and 0.5 bcm of associated gas in 2019 and 2018, respectively.

Northern European Russia (Northwestern Federal District)

This region is characterized by severe weather conditions. We operate six active gas condensate fields in the Komi Republic.

In addition, in accordance with our agreement with Lukoil signed in May 2018, Gazprom as the license holder and Lukoil are making preparations to set up a 50/50 joint venture for the development of the Vaneyvisskoye and Layavozhskoye fields in the Nenets Autonomous Area.

Southern Russia (Southern Federal District, North Caucasian Federal District)

Our upstream activity in southern Russia is concentrated in two regions, the Astrakhan Region and the Northern Caucasus. The Astrakhan Region contains one active gas condensate field, Astrakhanskoye. In addition, we operate approximately 50 active fields in the Northern Caucasus region.

Astrakhanskoye field. According to our estimates, the Astrakhanskoye field in Southern Russia in the Volga river estuary is one of our largest fields in terms of reserves and can support production of separator gas of 45-50 bcm annually (or 25-30 bcm of sales gas). The Astrakhanskoye field produced approximately 11.5 bcm and 11.2 bcm of gas in 2019 and 2018, respectively. The production capacity of the field is restrained at current level due to environmental restrictions and the need to use expensive technologies, which is mainly caused by high sulfur content in the reserves of the field. In order to increase production, we are considering developing the Astrakhanskoye field using a process of acid gas flooding which enables us to effectively decrease pollutant emissions and eliminate the storage and processing of illiquid related sulfur.

South Urals region (Privolzhski Federal District)

Orenburgskoye field. The main active field in the South Urals region, the Orenburgskoye field is a rare field in terms of the size of its reserves and the qualities of its natural gas which apart from its hydrocarbon component, contains hydrogen sulphide, sour mercaptan, sulfur and helium. The field produced approximately 11.2 bcm and 11.9 bcm of natural gas in 2019 and 2018, respectively.

Eastern area of the Orenburgskoye field is located southwest of Orenburg at the Orenburgskoye field. A subsidiary of

Gazprom Neft holds the license for the field. The field is one of Gazprom Neft's largest fields in terms of reserves and is currently at the stage of industrial production. We expect the field to achieve its projected capacity of 3.3 million tons of crude oil and 3.6 bcm of gas in 2029. The field produced 1.9 million tons and 1.5 million tons of liquid hydrocarbons in 2019 and 2018, respectively.

In addition, Gazprom Neft holds exploration and production licenses for the Tsarichanskoye, Kapitonovskoye and Baleykinskoye fields and an exploration license for the Uranskiy area in the Orenburg Region. The Tsarichanskoye and Kapitonovskoye fields are at the industrial production stage. Gazprom Neft has discovered three fields and continues exploration at the Uranskiy area. In addition, Gazprom Neft is engaged in exploration drilling at the Yagodniy license area.

Production from unconventional sources

Development of the Domanic formation. As a result of the auctions held in 2018, Gazprom Neft obtained licenses for geological study, exploration and production of hydrocarbons at the Savitskiy and Pokhvistnevskiy areas in the Orenburg Region. In December 2019, Gazprom Neft, Lukoil and Tatneft established a joint venture in which the participants have equal shares which consolidated certain licensed areas in the Orenburg Region, including the Savitskiy area licensed to Gazprom Neft and the Zhuravlevskiy area, including the Zhuravlevskoye field, licensed to Lukoil. Currently, the parties to the joint venture are engaged in exploration works in the Savitskiy area and expect to commence commercial production in both areas in 2024.

Eastern Siberia and the Far East (Siberian and Far East Federal Districts)

Eastern Siberia and the Far East (including the continental shelf of Sakhalin) contain significant natural gas reserves, which are estimated at approximately 6.7 tcm of category AB_1C_1 and 4.2 tcm of category B_2C_2 as of December 31, 2019. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Classification of reserves."

We are the coordinator of the Eastern Program approved by the Ministry of Energy of the Russian Federation to create a unified gas production, transportation and supply system in the region with the potential to export gas to China and other Asia-Pacific countries. We own exploration and development licenses and conduct exploration work in the Krasnoyarsk Territory, the Irkutsk Region, the Sakhalin Region (the continental shelf of Sakhalin), the Republic of Sakha (Yakutia) and the Kamchatka Territory that have been identified in the Eastern Program as new gas production centers. Our natural gas reserves in these license areas (including the continental shelf of Sakhalin) amounted to approximately 3.9 tcm of category B_1C_1 and 1.6 tcm of category B_2C_2 reserves as of December 31, 2019. The Kovyktinskoye and Chayandinskoye fields are our largest fields in terms of reserves in Eastern Siberia. We commenced commercial production at the Chayandinskoye field in December 2019.

Republic of Sakha (Yakutia)

Chayandinskoye field. The Chayandinskoye field is the core of the Yakutskiy gas production center in Eastern Siberia. In December 2019, in accordance with the timeframe stipulated by our contract to supply Russian pipeline gas to China via the Eastern route, we commenced commercial production at the field. See "—Distribution—Europe and Other Countries—Asia." The projected annual gas production capacity of the field of 25.4 bcm is expected to be achieved in 2024. We expect to reach the projected annual oil production capacity of 1.9 million tons in 2022.

In December 2019, deliveries began via the Power of Siberia pipeline which is designed to transport gas from the Yakutskiy and Irkutskiy gas production centers, including from the Chayandinskoye and Kovyktinskoye fields, to the Russian Far East and China (see "—Transport—Gas transportation projects in Russia—Power of Siberia pipeline"). We also intend to construct the gas processing and helium production facilities in the Amur Region for processing of gas from these fields. See "—Refining—Projects in refining—Amurskiy GPP."

In addition, we hold licenses for the Sobolokh-Nedzhinskoye, Verkhnevilyuchanskoye, Tas-Yuryakhskoye and Srednetyungskoye fields in Yakutia. We have completed 3D seismics and are engaged in constructing exploration wells at the fields.

Irkutsk Region

Kovyktinskoye field. We are continuing our exploration of the field. Projected annual production of the field is estimated at 27.2 bcm of natural gas, which may be raised to 33.5 bcm by 2032, and 1.5 million tons of gas condensate. The Kovyktinskoye field is currently at the pilot commercial development stage. We expect to put the field on stream in 2022 and reach its projected production capacity in 2026. Along with the Chayandinskoye field, we plan to transport natural gas from the Kovyktinskoye field to Russian customers and China through the Power of Siberia pipeline. See "—Transport—Gas transportation projects in Russia—Power of Siberia pipeline."

Chonskiy project. The project relates to the development of the Tympuchikanskoye, Ignyalinskoye, Vakunayskoye, Severo-Vakunayskoye fields and a part of the Verkhnechonskoye field located in the Republic of Sakha (Yakutia) and the Irkutsk Region. The strategic purpose of the project implemented by Gazprom Neft is to develop the resource base and establish a new oil production center in close proximity to the Eastern Siberia-Pacific Ocean oil pipeline, as well as to increase crude oil production. We continue exploration of the fields. The Tympuchikanskoye and Ignyalinskoye fields are in the pilot production stage. We expect to put on stream the Chonskiy group of fields in 2024 and achieve the maximum production level of 4.3 million tons of oil by 2028.

Krasnoyarsk Territory

We continue exploration of certain licensed areas in the Krasnoyarsk Region including further exploration of the Omorinskiy license area, the Imbinskoye gas field, the Ilbokichskoye gas condensate field and the Abakanskoye gas field. We also consider Baytiyskaya, Katangskaya and Prisayano-Eniseyskaya oil and gas provinces as prospective areas for potential exploration drilling.

The Kamchatka Territory

We hold licenses for the Severo-Kolpakovskoye, Kshukskoye, Srednekunzhikskoye and Nizhnekvakchikskoye gas condensate fields in the Kamchatka Territory. We continue exploration works in these fields. The Kshukskoye and Nizhnekvakchikskoye fields are in commercial development. We also perform exploration works at certain other fields in the Kamchatka Territory.

Associates and development of associated projects in the region

Kuyumbinskiy project. Gazprom Neft is implementing the Kuyumbinskiy exploration project on the basis of the licenses for geological study, exploration and production at the Kuyumbinskiy, the northeastern part of the Tersko-Kamovskiy, the Kordinskiy and Abrakupchinskiy areas and a license for geological study at the Podporozhniy area in the Krasnoyarsk Territory. A wholly owned subsidiary of Slavneft (in which Gazprom Neft and Rosneft each holds a 49.9% interest), is the license holder for these blocks. The Kuyumbinskoye field was put into operation in 2018 and is expected to reach its projected annual production capacity of 5.0 million tons of oil in 2028. Gazprom Neft's share of production of the Kuyumbinskiy project is included in its share of production of Slavneft. See "—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Slavneft."

Russian continental shelf

We consider Russia's continental shelf, primarily the continental shelf of the Okhotsk, Kara and Barents Seas, to be a promising area for discovery and further development of new hydrocarbon deposits.

Our largest fields in terms of natural gas reserves on the Russian continental shelf are the Shtokmanovskoye field in the Barents Sea, the Yuzhno-Kirinskoye field in the Sea of Okhotsk, the Leningradskoye field in the Kara Sea, the Kamennomysskoye-more and Severo-Kamennomysskoye fields in the Obskaya Bay of the Kara Sea. Currently, we produce hydrocarbons at the Kirinskoye field in the Sea of Okhotsk. Gazprom Neft's largest fields in terms of oil reserves on the Russian continental shelf are the Dolginskoye and Prirazlomnoye fields in the Pechora Sea and the Neptune field in the Sea of Okhotsk. The Prirazlomnoye field is Gazprom Neft's only field on the Russian continental shelf which has reached a commercial production stage.

The Sea of Okhotsk shelf

Kirinskoye field. The Kirinskoye field is located on the continental shelf near Sakhalin and is part of the Sakhalin III project. We expect to achieve the annual projected production capacity of the field of 5.5 bcm of natural gas in 2023-2024. We produced 0.8 bcm and 0.7 bcm of natural gas and 0.1 million tons and 0.1 million tons of unstable gas condensate at the field in 2019 and 2018, respectively.

Yuzhno-Kirinskoye field. The Yuzhno-Kirinskoye field located on the shelf of Sakhalin forms part of the Sakhalin III project. The Yuzhno-Kirinskoye field falls within the category of "unique" fields under the Classification. We are currently constructing production wells at the field using semi-submersible drilling rigs and expect to put it on stream in 2023-2025 and anticipate achieving its annual projected capacity of 21 bcm of gas in 2029-2031. Putting the Yuzhno-Kirinskoye field into operation will be a further step to the creation of the Sakhalinskiy gas production center as required by the Eastern

Program to satisfy the demand for gas of Russian customers and to supply gas for export.

In August 2015, the BIS added the Yuzhno-Kirinskoye field to its Entity List. This means that any person without a BIS license is prohibited from exporting, reexporting and transferring (in-country) all items subject to the U.S. Export Administration Regulations that can be used directly or indirectly in exploration or production from a deepwater (greater than 500 feet or approximately 152 meters) project in Russia that has the potential to produce oil. We believe that the impact of this designation on the prospects of development of the Yuzhno-Kirinskoye field is insignificant. See "Risk Factors—Risks Relating to Our Business—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition."

We also hold licenses for the Vostochno-Odoptinsky and Ayashskiy areas of the Sakhalin III project and the Zapadno-Kamchatskiy area on the continental shelf of the Okhotsk Sea. We have conducted 3D seismic exploration at the Vostochno-Odoptinsky and Zapadno-Kamchatskiy areas and are in the process of updating geological models of those areas and continue environmental monitoring and design works for the construction of exploration wells.

In 2017-2018, Gazprom Neft discovered two new fields at the Ayashskiy area, the Neptune field and the Triton field. Currently, Gazprom Neft continues exploratory works at the Ayashskiy area.

In addition, in July 2019, based on the Government Resolution No. 1230-r dated June 7, 2019, we obtained a license for the geological study, exploration and production at the Tsentralno-Pogranichny subsoil area on the continental shelf of the Sea of Okhotsk and have developed and approved project documentation for exploration of the area.

The Barents Sea shelf

Shtokmanovskoye field. Gazprom holds the license for the development of the Shtokmanovskoye gas condensate field located in the center of the Barents Sea northwest of the Yamal Peninsula and 650 km northeast of Murmansk. The Shtokmanovskoye field's projected production capacity is approximately 71 bcm per year, which can potentially be increased to up to 95 bcm per year. Currently, we are revising the feasibility study with respect to the comprehensive development of the Shtokmanovskoye field.

The Pechora Sea shelf

Prirazlomnoye oil field. A subsidiary of Gazprom Neft holds the license for the development of this field located on the Pechora Sea shelf. The projected maximum annual oil production volume for this field is 4.2 million tons by 2024. The field produced 3.1 million tons and 3.2 million tons of oil in 2019 and 2018, respectively.

Dolginskoye oil field. A subsidiary of Gazprom Neft holds a license for exploration and production at the Dolginskoye oil field at the Pechora Sea. We have conducted substantial exploration activities at the field which revealed a commercial oil content. We expect to begin commercial production in 2032.

In addition, Gazprom Neft is engaged in exploration works at the Severo-Zapadniy area on the Pechora Sea shelf, the Kheysovskiy area in the Barents Sea, the Yuzhno-Obskiy area in the Obskaya Bay of the Kara Sea, and the Severo-Vrangelevskiy area in the Sea of Chukotsk.

The Kara Sea shelf including Obskaya and Tazovskaya Bays

The total AB_1C_1+B_2C_2 categories of reserves of the fields of the continental shelf of the Kara Sea, including the Obskaya and Tazovskaya Bays, are estimated to amount to approximately 6.6 tcm of natural gas and approximately 215 million tons of liquid hydrocarbons. We hold exploration and production licenses for a number of fields in the Kara Sea and (excluding the adjacent onshore deposits) with total AB_1C_1+B_2C_2 categories of reserves amounting to approximately 4.2 tcm of gas and 23 million tons of gas condensate. We expect to begin hydrocarbon production in the region in 2025-2027, bringing on stream the Kamennomysskoe-more field with a projected production capacity of 15.1 bcm of natural gas per annum. We expect to start production at the Severo-Kamennomysskoe field with a projected production capacity of 14.5 bcm of natural gas per annum in 2027-2029.

We have commenced design and preparatory works for the development of the Kruzenshternskoye field which is partially located in the Kara Sea. "—Exploration, development and production regions—Western Siberia (Ural Federal District)—Prospective fields—Bovanenkovo group of fields."

In addition, we discovered new fields, the 75 Let Pobedy, the Dinkov and Nyarmeyskoye fields, on the continental shelf of the Kara Sea in 2019-2020. See "—Reserves—Exploration activities."

Associates and development of associated projects in the region

Sakhalin II project. We own a 50% plus one share interest in Sakhalin Energy, the operator of the Sakhalin II project. According to the terms of the shareholders agreement, we currently do not control Sakhalin Energy, which is included as an associate in our financial statements. The Sakhalin II project is implemented pursuant to a production sharing agreement.

The Sakhalin II project is one of the largest integrated oil and gas shelf projects in the world. The project includes the Piltun-Astokhskoye and Lunskoye fields, 300 km of offshore pipelines, a joint onshore production facility, a trans-Sakhalin pipeline system with a length of approximately 1,600 km, the first Russian LNG production plant with an annual production capacity of 9.6 million tons of LNG and an oil and LNG export terminal. As of December 31, 2019, the proved and probable reserves of the Sakhalin II project under PRMS Standards amounted to 29.0 million tons of crude oil and gas condensate and 174.6 bcm of natural gas. The LNG plant produced 5.9 million tons and 5.4 million tons of LNG in the six months ended June 30, 2020 and 2019, respectively. The LNG plant produced 11.2 million tons and 11.5 million tons of LNG in 2019 and 2018, respectively.

Together with other shareholders of Sakhalin Energy, we have developed project documentation for the construction of a third LNG production line at the Sakhalin LNG plant. See "Distribution—Europe and Other Countries—LNG."

Tsentralnoye field is located within the Russian sector of the Caspian Sea, 150 km to the east of Makhachkala. LLC Neftegazovaya Kompaniya Tsentralnaya, a joint venture of TsentrCaspneftegaz (our 50/50 joint venture with Lukoil) and KazMunayGaz, holds the license for exploration and production at the Tsentralnoye field. The C_1 and C_2 categories of reserves of Tsentralnoye field are estimated at 41 bcm of natural gas and 90 million tonnes of oil. Currently, the project participants are revising the feasibility study for the development of the field.

FSU and Europe and Other Countries

We participate in hydrocarbon exploration and development abroad. Our subsidiaries, Gazprom EP Int. and Gazprom Neft, generally operate our projects in the FSU and Europe and Other Countries.

Naftna Industrija Srbije. Our Serbian subsidiary NIS, in which Gazprom Neft holds a 56.15% interest, has been engaged in exploration and/or production projects in Serbia, Bosnia and Herzegovina, Romania and Angola. NIS produced 0.9 million tons and 0.9 million tons of crude oil and 0.5 bcm and 0.5 bcm of natural and associated gas in 2019 and 2018, respectively.

NIS also owns oil refineries in the cities of Panchevo and Novi Sad and sells its refined products in certain countries of Central and Eastern Europe. See "—Refining."

Associates and development of associated projects in the region

Algeria. At the exploration stage, our subsidiary Gazprom EP Int. holds a 49% interest in the project for exploration and development of hydrocarbon reserves of the El-Assel area in the Berkine geological basin in Sakhara. The remaining 51% interest is held by Sonatrach, the Algerian national oil and gas company. We have fulfilled our exploration commitment. Currently, we are revising field development plans for two gas condensate fields, which will enable us to make an investment decision.

Bangladesh. We completed the construction of 17 exploration and production wells in Bangladesh from 2013 through 2018 pursuant to our contracts with Petrobangla. We are currently negotiating with Petrobangla to begin construction of additional wells. In January 2020, we signed a memorandum of understanding with Petrobangla on our strategic cooperation in various fields of the oil and gas industry. In addition, in January 2020, our subsidiary Gazprom EP Int. signed a memorandum of understanding with BAPEX to assess fields located on the Bhola Island. We are planning to evaluate the efficiency of the project in order to make a decision on our further participation.

Bolivia. In accordance with a service contract with YPFB effective from 2014 for 40 years, we and Total are engaged in exploration drilling at the Azero block in Bolivia. If commercial hydrocarbon deposits are discovered, the parties intend to form a joint venture for the development of the field in which YPFB, the Group and Total are expected to hold 55%, 22.5% and 22.5%, respectively. Total acts as the project operator.

In addition, we hold a 20% interest in the Ipati and Aquio blocks, in which our partners Total, TecPetrol and YPFB hold 50%, 20% and 10%, respectively. Total acts as the project operator. In August 2016, the project participants commenced commercial production of gas and gas condensate at the Incahuasi gas field located in the Aquio block. In 2019, the project participants increased the maximum daily production capacity of the field to 11 mmcm of natural gas and are currently extending condensate storage capacities and connecting the project facilities to a trunk pipeline. The field produced 2.6 bcm and 2.6 bcm of natural gas in 2019 and 2018, respectively.

Iraq. Gazprom Neft is the operator of the Badra project in Iraq which is carried out based on a service contract entered into by the project participants in 2010. Currently, Gazprom Neft's share in the profit distributions amounts to 30%, whereas the shares of KOGAS, Petronas, TPAO and Oil Exploration Company, representing the Iraqi government, are 22.5%, 15%, 7.5% and 25%, respectively.

The project is currently at the commercial production and recovery of investments stage. Crude oil from the Badra field is delivered to the investors, each of which independently engages in marketing of such feedstock. After full repayment of their investments, the investors shall be entitled to a fee of U.S.$5.5 per boe for the hydrocarbons produced at the project. The service contract is valid for 20 years and may be extended for another five years.

In August 2015, the Iraqi party approved the preliminary development plan for the field with a projected maximum production level of 5.7 million tons of oil per annum. In late 2017, we prepared a final field development plan, based on the results of production drilling and exploitation of wells, which is currently under consideration by the Iraqi party. The field produced 2.9 million tons and 4.0 million tons of crude oil in 2019 and 2018, respectively.

In addition, Gazprom Neft is engaged in hydrocarbon exploration and production projects at the Garmian and Shakal blocks located in the Southern Kurdistan Region in Iraq pursuant to the production sharing agreements signed with the government of the Kurdistan Region. The production sharing agreements permit engaging in exploration and production for 20 years (with an option to extend), provided that the commercial discovery of oil is announced, as well as provide for compensation of investor's past costs after the start of production. Gazprom Neft obtained a 40% share and the government of the Kurdistan Region received a 20% share in the Garmian block. WesternZagros, a Canadian company, holds the remaining 40% share of production under the production sharing agreement. Gazprom Neft obtained an 80% share and the government of the Kurdistan Region received a 20% share in the Shakal block. Gazprom Neft is the operator of both the Garmian and Shakal projects.

The Garmian block is currently at the commercial production stage and its maximum annual production capacity of 1.5 million tons was attained in 2019. The field produced 1.5 million tons and 0.9 million tons of crude oil in 2019 and 2018, respectively. In the Shakal block, we have completed exploration at the well site of Shakal-1 and are currently evaluating geological data.

Libya. Our involvement in the development of Libyan oil blocks 19 and 64 is governed by the terms of two exploration and production sharing agreements with Libya's National Oil Corporation.

We have completed seismic assessments at each of blocks 19 and 64 and started exploration drilling on block 64. Since February 2011, further work on the projects has been suspended due to the unrest in the country.

We hold a 49% interest in Wintershall AG which is the developer of Block 91 (formerly referred to as C96) and Block 107 (formerly referred to as C97) in Libya. Due to a lengthy political crisis in the country, the project's oil production has been limited. In 2019 and 2018, oil production at the blocks 91 and 107 amounted to 2.4 million tons and 2.1 million tons, respectively.

In December 2019, Wintershall AG and Libya's National Oil Corporation signed an exploration and production sharing agreement on Block 91 and Block 107. Pursuant to the agreement the parties have established Sarir Oil Operations B.V., a joint operating company for further development of the blocks, with Wintershall AG holding an interest of 49% and National Oil Corporation holding an interest of 51%.

Venezuela. Gazprom Neft and Roszarubezhneft own 20% and 80% interests in NOC, respectively, a company established to implement oil production projects in Latin America. In April 2010, NOC and CVP, a subsidiary of PdVSA, established a joint venture PetroMiranda for exploration and development of Junin-6, an oil field located in the basin of the Orinoko River in Venezuela. NOC and CVP hold 40% and 60% interests in PetroMiranda, respectively. Currently, Junin-6 is in a follow-up exploration stage. The field produced 0.2 million tons and 0.9 million tons of oil in 2019 and 2018, respectively. Since 2016, Gazprom Neft has not made any investments in Venezuelan projects.

Vietnam. We are involved in certain exploration and production joint projects with Petrovietnam in Vietnam and Russia. See "—Western Siberia (Ural Federal District)—Associates and development of associated projects in the region—Gazpromviet." In July 2020, we signed a strategic partnership agreement with Petrovietnam for ten years which revises our previous agreement signed in 2009 and which provides for new areas of cooperation, including supplies of LNG and construction of regasification facilities in Vietnam.

Our joint projects at the production stage in Vietnam, in which we hold 49% interests, produced 2.1 bcm and 2.2 bcm of natural gas and 349 thousand tons and 397 thousand tons of gas condensate in 2019 and 2018, respectively.

United Kingdom, the Netherlands and Denmark. We are involved in certain exploration and production projects in the North Sea.

WINZ, our 50/50 joint venture with Wintershall Dea, is the operator of certain offshore exploration and production projects in the United Kingdom, the Netherlands and Denmark. In particular, WINZ operates the gas producing field Wingate in the North Sea and holds a 49.5% interest in the project, while our subsidiary Gazprom UK Resources holds an interest of 20%. WINZ produced approximately 0.5 bcm and 0.7 bcm of natural gas in 2019 and 2018, respectively.

Uzbekistan. Pursuant to a production sharing agreement that is effective through 2024, we are the operator of Shakhpakhty field in Uzbekistan and JSC Uzbekneftegaz holds a 50% interest in the project. The remaining 50% interest is held by a consortium consisting of AO Gazprom Zarubezhneftegaz, our 100% subsidiary, holding a 5% interest in the consortium, and Gas Project Development Central Asia AG, a 50/50 joint venture of our 100% subsidiary Gazprom Germania and Clovington Holding Limited, holding a 95% interest in the consortium. Production at the field amounted to approximately 0.2 bcm and 0.3 bcm of gas in 2019 and 2018, respectively. In addition, in October 2018, our subsidiary Gazprom EP Int. signed a production sharing agreement with Uzbekistan in relation to the development of the Dzhel field for a period of 25 years.

In June 2017, we signed with JSC Uzbekneftegaz an agreement for strategic cooperation. The document provides for joint execution of new projects in Uzbekistan in refurbishment, construction and operation of gas infrastructure, hydrocarbon exploration, production, processing and storage, use of compressed and liquefied natural gas for autonomous gasification, and a development of the general gasification scheme for Uzbekistan.

Transport

Financial highlights

Our Transportation of gas segment generally renders gas transportation services to our Distribution of gas segment.

The following table sets forth selected financial data with regard to our Transportation of gas segment as defined in the Group's Financial Statements:

	Transportation of gas				
	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Assets, million RR	7,006,803	6,978,295	7,000,467	7,023,399	6,721,549
Share of Group's total assets	35%	37%	35%	37%	38%
Sales,[(1)] million RR	109,290	110,154	215,335	225,673	235,061
Share of Group's total sales	4%	3%	3%	3%	4%
Capital additions, million RR	81,927	191,304	464,203	640,063	498,550
Share of Group's total capital additions	14%	29%	26%	36%	33%

Note:

(1) Excluding inter-segment and intra-segment operations.

GTS

We own and operate the GTS, the world's largest high-pressure trunk pipeline gas transportation system. We estimate that as of December 31, 2019, the total length of the GTS in Russia was approximately 175,200 km (not including distribution pipelines, pipelines transmitting gas condensate and WFLH) and included 254 compressor stations on the pipelines, with an aggregate capacity of 46,800 MW.

Our wholly owned regional subsidiaries engage in gas transportation and storage in Russia. We also own interests in gas distribution companies, which own and operate distribution networks that transport gas to end consumers. In addition, our wholly owned subsidiary Gazprom transgaz Belarus operates the gas transportation system of Belarus and owns most of its facilities. Our subsidiaries Gazprom Armenia and Gazprom Kyrgyzstan own and operate gas transportation and distribution assets in Armenia and Kyrgyzstan, respectively (see "—Existing routes of gas export and participation in foreign gas distribution networks"). We also participate in natural gas transportation activities through a number of joint ventures with foreign partners. See "—International projects in gas transportation" and "—Gas storage."

Our high-pressure trunk pipeline system transports natural gas principally from large western Siberian fields westward toward the more heavily populated regions of Russia, the FSU countries and Europe and to refineries. The trunk pipeline system is highly integrated to ensure reliable natural gas deliveries to distributors, export customers and consumers. The high level of integration of our pipeline network is achieved through the use of multiple and parallel pipelines of large diameters (defined as pipes with diameters of 1,420 mm, 1,220 mm and 1,020 mm), inter-connectors and UGSFs. In most cases, the extensive branching structure of the GTS, together with the availability of spare pipeline throughput capacity, enables us to re-route or to increase natural gas flow in case of an emergency.

The age of our pipeline system in Russia as of December 31, 2019 is shown in the table below:

Since construction	Length	% of total
	(thousand km)	
Up to 10 years	17.5	10
11-20 years	15.5	9
21-30 years	35.3	20
31-40 years	60.0	34
41-50 years	26.7	15
Over 50 years	20.2	12
Total	**175.2**	**100**

We are continually working to improve the reliability and efficiency of the GTS. In May 2019, based on the latest diagnostic data, we revised our comprehensive program for capital repair of trunk pipelines for 2020-2022. We carry out annual capital repairs and preventive maintenance to ensure the reliability of gas supply, technological and environmental safety and the efficiency of gas distribution. We recently increased the efficiency of our capital repairs as a result of the adoption of a risk based model for determining the priority of capital repairs. In particular, we have implemented a system for the management of technical conditions and integrity of operation of the GTS. Annually, we make capital repairs to approximately 800 km of trunk pipelines and approximately 500 to 550 gas pumping units.

We annually perform intratubal diagnostics on approximately 25,000 km and conduct electrometric inspections on over 17,000 km of pipelines. We are considering the possibility of increasing the volume of our intratubal diagnostic activities in order to timely detect defects affecting reliability and safety of the GTS.

There have been no major interruptions of gas supplies caused by any failure or fault of the GTS over the last 10 years. In recent years, the incidence of technical faults in the operation of the GTS has varied from 0.02 to 0.05 per 1,000 km per year.

Gas transportation balance

Natural gas flows into our trunk pipelines from our own production, from the production of independent and Central Asian producers, and from withdrawals from underground storage. Natural gas flows from our trunk pipelines to customers in Russia, Europe and the FSU as well as to our UGSFs. After accounting for operational requirements of the pipeline system and other technical factors, total inflows are equal to total outflows in a particular period.

The following table sets out data on the natural gas balance of the GTS in Russia for the periods indicated (including natural gas in transit from Central Asia):

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(bcm)		
Total GTS inflow[1]	**307.7**	**351.4**	**679.0**	**693.1**	**672.1**
System inflow	289.9	325.6	635.6	638.7	623.1
(including Central Asian gas)	8.5	9.5	21.9	17.7	20.8
Withdrawals from Russian UGSFs	16.4	24.2	40.5	52.0	45.7
Decrease in GTS reserves[2]	1.4	1.6	2.8	2.4	3.3
Total distribution from GTS[1]	**307.7**	**351.4**	**679.0**	**693.1**	**672.1**
Deliveries to customers in Russia	178.6	190.2	357.7	364.7	354.0
Deliveries outside Russia	98.0	117.8	233.9	234.8	232.4
(including transit of Central Asian gas)	8.5	9.5	21.9	17.7	20.7
Addition to Russian UGSFs	14.8	21.8	45.0	49.4	44.2
Technological needs of GTS and UGSFs	15.3	20.2	38.4	40.6	37.8
Increase in GTS reserves[2]	1.0	1.4	4.0	3.6	3.7

Notes:

(1) These numbers do not include gas volumes withdrawn from foreign UGSFs and delivered outside Russia.

(2) A significant extension of the GTS involves maintaining a large volume of gas in the pipeline. This allows the system operators, increasing or decreasing the pressure at its different divisions, to accumulate excess gas in the pipeline for a certain period of time or to use it for extra supply.

Thus, within a certain period, the shipment chain may transfer a lesser or larger volume of gas from one operator to another. The line shows the result of such operations as a total amount accumulated for a reporting period.

Our GTS natural gas throughput decreased in the six months ended June 30, 2020 as compared to the corresponding period of 2019 in light of a decrease in gas deliveries to European and Russian customers.

Most of the natural gas consumed by the pipeline system is used to power the GTS. The remainder is accounted for by technological losses, including gas lost during maintenance of the pipelines. We believe that our current volume of gas losses is low, and that our levels of consumption of gas as fuel are satisfactory.

Third-party access to the GTS

Pursuant to Government Resolution No. 858 dated July 14, 1997, we grant to independent suppliers access to the GTS subject to the following requirements:

- availability of spare transport capacity for the time period proposed by the independent supplier;
- quality and technical parameters of the natural gas supplies; and
- availability of input connections from suppliers and output connections to consumers and natural gas recovery and quality control stations.

Independent gas suppliers transported approximately 132.1 bcm and 136.4 bcm, or approximately 20% and 20% of the natural gas supplied through the GTS for the years ended December 31, 2019 and 2018, respectively. For the six months ended June 30, 2020 and 2019, independent gas suppliers transported approximately 64.3 bcm and 67.4 bcm, or approximately 21% and 20% of the natural gas supplied through the GTS. These volumes included gas in transit from central Asia. The major third-party users of the GTS were Novatek (approximately 48% of supplies by independent suppliers in the six months ended June 30, 2020) and Rosneft (approximately 24% of supplies by independent suppliers in the six months ended June 30, 2020).

Tariffs charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines are set by the FAS. See "—Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Prices and tariffs."

The following table sets forth the average tariff levels charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines for the periods indicated. The transportation tariff is currently below the economically justified level and is subject to annual increase.

	2020	**2019**	**2018**	**2017**
Average tariff, RR for mcm per 100 km(1)	65.20	65.20	65.20	65.20

Notes:

(1) Weighted by annual volume of services rendered to independent suppliers to transport gas to consumers located within and outside the members of the Customs Union.

Gas distribution networks

Gas distribution networks are designed to deliver gas from gas distribution stations to end-users. We are the leading gas distribution group in Russia. As of December 31, 2019, our subsidiaries and associated gas distribution companies operated approximately 802.8 thousand kilometers of gas distribution pipelines (which accounted for a major part of the total gas distribution pipelines in Russia) and facilitated supply of approximately 232.6 bcm of gas in transit and gas supplies to end-users in 2019.

We have been implementing a gasification program for Russian regions, which provides for the extension of our distribution pipeline network in Russia. We allocated RR34.3 billion and RR36.7 billion toward the implementation of this program in 2019 and 2018, respectively. In 2019, we constructed 124 gasification facilities in order to ensure gas supplies to 305 settlements in Russia. The gasification program provides for an investment of RR39.3 billion in 2020.

In addition, our subsidiaries Gazprom Armenia and Gazprom Kyrgyzstan are involved in gas distribution in Armenia and Kyrgyzstan, respectively.

Existing routes of gas export and participation in foreign gas distribution networks

Our existing gas transportation routes to Europe include the Yamal-Europe pipeline, the Blue Stream project, the Nord Stream pipeline, the TurkStream pipeline and the gas transportation system of our subsidiary Gazprom transgaz Belarus. These projects diversify our gas transportation routes to European customers. In addition, our subsidiaries Gazprom Armenia and Gazprom Kyrgyzstan own and operate gas transportation and distribution assets in Armenia and Kyrgyzstan, respectively. We also hold a 49.98% interest in WIGA, which owns certain gas transportation assets in Germany. See "Risk Factors—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas."

Nord Stream. The Nord Stream pipeline is one of the main export routes for transporting Russian gas to Europe. The Nord Stream pipeline is designed to ensure diversification of our export routes and increase the reliability of our natural gas supplies from Russia to Western European markets by avoiding the political and economic risks associated with deliveries through transit countries.

The European Union included the Nord Stream project in the list of the priority corridors of Trans-European Energy Networks (TEN-E). The pipeline extends under the Baltic Sea for 1,224 km from Vyborg, Russia to Greifswald, Germany, and consists of two pipeline branches. The projected annual capacity of the two branches of the Nord Stream pipeline is up to 55 bcm of natural gas. The pipeline primarily targets the markets of Northwest and Central Europe.

Nord Stream AG, our Switzerland-based joint venture with European partners, is the operator of the Nord Stream pipeline project. We hold a 51% interest in Nord Stream AG. Wintershall Dea Schweiz AG (BASF Group) and PEG Infrastruktur AG (E.ON Group) each own 15.5% of the joint venture and Gasunie Infrastruktur AG (Gasunie Group) and ENGIE Energy Management Holding Switzerland AG (ENGIE Group) each own 9%.

In May 2020 Nord Stream AG obtained a derogation from the requirements of the Third Gas Directive for the Nord Stream project from the German Federal Network Agency (*Bundesnetzagentur*) for 20 years starting from December 2019.

In 2015, we established Nord Stream 2 AG for the implementation of the Nord Stream II project. See "—International projects in gas transportation – Nord Stream II."

Yamal-Europe. The Yamal-Europe export pipeline has an annual projected capacity of approximately 33 bcm of gas. The Yamal-Europe pipeline passes through Belarus and Poland and connects the GTS in Russia with the JAGAL pipeline in Germany owned by a subsidiary of WIGA, our joint venture with Wintershall Dea. We own the Belorussian section of the Yamal-Europe pipeline. The Polish section is owned by our associate, SGT EuRoPol GAZ S.A. ("**EuRoPol GAZ**"), in which we own a 48% interest and PGNiG group of companies controls an interest of 52%. However, pursuant to the corporate documents of SGT EuRoPol GAZ S.A., we and PGNiG have equal corporate governance rights in relation to the company. A Polish company Gaz System acts as the operator of the Polish section of the pipeline. Currently, we enter into agreements contracting for requisite throughput capacity of the Polish section of the Yamal-Europe pipeline based on our actual gas transit needs and in accordance with the rules of the EU, through an open bidding process arranged by Gaz System.

Blue Stream. Blue Stream Pipeline Company B.V., in which we and Eni each hold a 50% interest, owns and operates the offshore section of the Blue Stream pipeline, which runs under the Black Sea, has an annual projected capacity of 16 bcm and supplies gas to Turkey bypassing transit countries.

Natural gas transit through Ukraine and Belarus. A significant portion of the natural gas we export to Europe (except to certain European countries through the Nord Stream and TurkStream pipeline, and to Finland) is transported outside Russia through pipelines passing through the territory of Ukraine and Belarus, on which we are dependent for natural gas transit to Europe. We pay transit fees for the use of the pipelines through Ukraine and Belarus. Negotiating such fees and ensuring access to these pipelines are important elements of our export business. Our subsidiary, Gazprom transgaz Belarus transports natural gas through Belarus. In December 2019, we extended our contract for gas transportation through Belarus until the end of 2020. We transport our natural gas through Ukraine pursuant to a transit contract with Naftogaz which was signed in December 2019 and which expires at the end of 2024. See "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas", "—Distribution—The FSU" and "—Litigation and Investigations."

Gazprom transgaz Belarus. We own a 100% interest in Gazprom transgaz Belarus. Currently we are implementing a series of measures in production, marketing and financing of Gazprom transgaz Belarus to enhance its efficiency. The total length of the pipelines operated by Gazprom transgaz Belarus is approximately 7,900 km, approximately 40% of which is less than 20 years old. Gazprom transgaz Belarus transports natural gas to consumers of Belarus, Europe and the

Kaliningrad Region of Russia.

WIGA. Wintershall Dea and our subsidiary Gazprom Germania hold 50.02% and 49.98% interests in WIGA, respectively. W&G Transport Holding GmbH, a subsidiary of WIGA, owns a 100% interest in a gas transportation company OPAL Gastransport GmbH & Co. KG, which operates the OPAL pipeline on lease from W&G Transport Holding GmbH. In addition, W&G Transport Holding GmbH owns a 100% interest in W&G Infrastruktur Finanzierungs GmbH which, in turn, owns 100% interests in GASCADE Gastransport GmbH and NEL Gastransport GmbH, which owns a part of the NEL pipeline. The OPAL and NEL pipelines are onshore extensions of the Nord Stream pipeline in Germany. GASCADE Gastransport GmbH also owns a 50.5% interest in the EUGAL pipeline which was brought on stream in late 2019 and is an onshore extension of the Nord Stream II pipeline in Germany. The GASCADE gas transportation pipeline network, which is over 2,900 km long, connects our major export gas flows going through Belarus and Poland (the Yamal-Europe pipeline) as well as through the Nord Stream pipeline and, upon completion and putting the pipeline into operation, the Nord Stream II pipeline (see "—International projects in gas transportation—Nord Stream II") to Western Europe, in particular, to the Netherlands and Belgium, as well as extending to the territory of Germany.

United Kingdom Interconnector pipeline. Our subsidiary GM&T currently rents and operates the capacity in the offshore Interconnector pipeline in the annual amount of 3.8 bcm of natural gas from Belgium to the United Kingdom. See "—Distribution—Europe and Other Countries."

Gazprom Kyrgyzstan. Our 100% subsidiary Gazprom Kyrgyzstan owns and operates approximately 860 km of gas trunk pipelines. Gas infrastructure in Kyrgyzstan is currently in poor condition. We have developed and commenced implementation of a General program for gas supplies and gasification of Kyrgyzstan through 2030, which provides for certain measures to reconstruct, upgrade, refurbish and expand the gas transportation system of Kyrgyzstan.

In March 2019, we signed with Kyrgyzstan a road map providing for our acquisition of the assets of OAO Kyrgyzneftegaz which conducts exploration, exploratory and production drilling and operation of oil and gas fields in Kyrgyzstan. A due diligence of the company is being planned.

Gazprom Armenia. Our 100% subsidiary, Gazprom Armenia, owns approximately 1,700 km pipelines in Armenia. Most of the Armenian gas transportation system is in poor condition. We have developed a General program for gas supplies and gasification of Armenia which would provide for the reconstruction, upgrade, refurbishment and expansion of the gas transportation system and UGSFs in Armenia.

Iran-Armenia pipeline. In March 2006, we entered into a 25-year agreement with the Armenian government. In 2009, pursuant to the agreement, Gazprom Armenia, our wholly-owned subsidiary, completed the construction and refurbishment of the approximately 188 km long second section of the Iran-Armenia pipeline. Gazprom Armenia owns this section of the pipeline. In 2009, the Armenian government, the owner of the approximately 40 km long first section of the pipeline, leased the first section of the pipeline to Gazprom Armenia. Currently, Gazprom Armenia transports gas through the pipeline that the Armenian state-owned company obtains from Iran in exchange for electricity supplies. In addition, Gazprom Armenia uses a portion of this gas at its power generation facilities (Razdan-5) to produce electricity, which is subsequently supplied to the Armenian state-owned company.

Gas transportation projects in Russia

The terms and timeline of one or more of the projects described in this section may be revised due to changes in demand for our products or other changes of external business conditions, including sanctions programs. See "Risk Factors—Risks Relating to Our Business—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition."

Bovanenkovo-Ukhta. The system for gas transportation from the Yamal Peninsula fields, including the Bovanenkovskoye field, consists of large diameter pipes (1,420 mm) and is designed for operation at a pressure of 11.8 MPa which is higher than that of the other parts of our system. Both branches of the pipeline system have been put into operation, and we are currently finalizing the construction of the second branch. Further development of the project to construct the second branch includes putting into operation three additional compressor stations with an aggregate capacity of 267 MW from 2020 to 2022, which will bring the pipeline system to its projected annual capacity of 115 bcm of natural gas.

Ukhta-Torzhok. Along with the Bovanenkovo-Ukhta pipeline system, we are constructing the Ukhta-Torzhok pipeline system to facilitate gas transportation from the Yamal Peninsula to Northwestern Russia and for export, including through the Nord Stream II pipeline. The first and second branches of the Ukhta-Gryazovets section of the Ukhta-Torzhok pipeline system were put on stream in 2012 and 2018, respectively. By the end of 2021, we expect to put into operation seven compressor stations with an aggregate capacity of 625 MW, which will bring the pipeline system to its projected annual capacity of 90 bcm of natural gas.

In 2018, we began design and engineering works for the construction of third branches of the Bovanenkovo-Ukhta and Ukhta-Torzhok gas transportation systems in order to accommodate an expected increase in our gas production on the Yamal Peninsula. We expect to put the third branches into service gradually, starting from the end of 2023, and to increase the annual throughput capacity of the Bovanenkovo-Ukhta pipeline system and the Ukhta-Gryazovets section of the Ukhta-Torzhok pipeline system to approximately 190 bcm and 140 bcm, respectively, once the construction of the third branches is fully complete.

Gryazovets-Slavyanskaya CS. In order to deliver additional gas to consumers in northwestern Russia and supply gas to the Nord Stream II pipeline the project envisages an increase in the throughput capacity of the Gryazovets-Volkhov pipeline and the construction of a new pipeline section from the Volkhovskaya compressor station to the Slavyanskaya compressor station, which is the starting point of the Nord Stream II pipeline. The project will, when constructed, consist of approximately 1,200 km of the linear part of the pipeline, including seven compressor stations with an aggregate capacity of 967 MW, to facilitate transportation of 55 bcm of natural gas per annum to Nord Stream II and 3.4 bcm of natural gas per annum to customers in the Leningrad Region. We plan to commission the respective project facilities depending on the timeline of the Nord Stream II project and to expand their capacity at later stages depending on demand for gas in Europe and Russia.

Power of Siberia pipeline. The Power of Siberia pipeline is designed to deliver gas from the Yakutskiy and Irkutskiy gas production centers, including the Chayandinskoye and Kovyktinskoye fields, to gas consumers in the Russian Far East and China. A section of the pipeline from the Chayandinskoye field to Blagoveschensk with a total length of approximately 2,250 km and a 128 MW compressor station was brought on stream in December 2019, in accordance with the timeframe stipulated by our contract to supply Russian pipeline gas to China via the eastern route. See "—Distribution—Europe and Other Countries—Asia." At later stages we expect to commission eight other compressor stations with an aggregate capacity of 1,106 MW and a section of pipeline with a length of approximately 800 km from the Kovyktinskoye field to the Chayandinskoye field. We intend to gradually increase the Power of Siberia pipeline's annual capacity to 48 bcm, including 38 bcm for export to China. See "—Distribution—Europe and Other Countries—Asia."

In addition, we are considering constructing a pipeline, with a projected annual throughput capacity of up to 30 bcm, extending from our fields in Western Siberia to the western part of the Russian-Chinese border. Currently, we are negotiating the terms of a sale and purchase agreement with CNPC. See "Distribution—Europe and Other Countries—Asia."

Extension of the Sakhalin-Khabarovsk-Vladivostok pipeline system. In order to increase the design capacity of the Sakhalin-Khabarovsk-Vladivostok pipeline system to supply gas to potential customers in the Russian Far East and China, we are currently constructing an approximately 360 km long section from Komsomolsk-on-Amur to Khabarovsk and two technological units, each with a capacity of 16 MW, at the Sakhalin main compressor station. We provisionally plan to commission the new capacities gradually starting from 2021. Once fully completed, the project is expected to increase the throughput capacity of the Sakhalin-Khabarovsk-Vladivostok pipeline system to 22 bcm of natural gas per year.

International projects in gas transportation

The terms and timeline of one or more of the projects described in this section may be revised due to changes in demand for our products or sanctions programs. See "Risk Factors—Risks Relating to Our Business—The sanctions imposed by the U.S. and EU, an expansion of these programs or our dealings with any parties subject to sanctions could adversely impact the Group's financial condition" and "Risk Factors—Risks Relating to Our Business—Implementation of major international energy projects is associated with political and regulatory risks. If it becomes impossible or impractical to continue to implement such projects, they may be suspended or discontinued. As a result, our contractors may bring claims against us to recover damages and we may be required to record significant impairment provisions attributable to such projects in our financial statements."

TurkStream. In late 2019, we put into operation the TurkStream pipeline. Two offshore branches of the pipeline with an aggregate projected throughput capacity of 31.5 bcm per annum run more than 930 km each from Russia to Turkey under the Black Sea. The TurkStream pipeline also includes two onshore branches of equal technical capacity in Turkey, one of which further extends into the territory of Turkey to deliver gas to Turkish customers and the other branch runs via Turkey to neighboring countries. The Group has constructed, and currently owns, the offshore part of the TurkStream pipeline. TürkAkim Gaz Taşima A.Ş., our 50/50 joint venture with BOTAŞ Petroleum Pipeline Corporation, has constructed and owns the onshore transit branch of the pipeline in Turkey.

Extention of gas transportation systems in Bulgaria, Serbia and Hungary. National operators of the gas transportation systems of Bulgaria, Serbia and Hungary are carrying out works to increase the throughput capacity of their networks. In particular, in Serbia, GASTRANS d.o.o. Novi Sad, our joint venture with Srbijagas, is engaged in the construction of a trunk pipeline which is 402 km long, includes one compressor station with a capacity of 24 MW and has a projected throughput capacity of 12.8 bcm of gas per annum. The pipeline will supply gas to Serbian customers when the construction of the transit pipeline through Bulgaria is complete and the new gas transportation systems of both countries are connected. According to the Bulgarian party, they anticipate completing the construction by the end of 2020. We also expect to reach the design capacity upon the commissioning of two compressor stations by the operator of the Bulgarian gas transportation system, which according to the Bulgarian party is planned for the second half of 2021. Gazprom has entered into binding agreements contracting for the requisite throughput capacity in Bulgaria and Serbia from 2020.

In addition, FGSZ Ltd., the operator of the Hungarian gas transportation system, has initiated preparatory works for the commencement of a binding reservation of new gas transportation capacities on the route from Serbia to Hungary. The start of gas deliveries from the Serbian gas transportation system to Hungarian customers is planned for the second half of 2021, with the reaching of the project design capacity in the second half of 2022.

Nord Stream II. The project envisages the construction of a two-branch offshore gas pipeline extending under the Baltic Sea from Russian to the German coast. The projected annual capacity of the pipeline is expected at 55 bcm of gas.

The project also contemplates the construction of onshore gas transportation facilities connected to the Nord Stream II pipeline in the EU by a consortium of European gas transportation operators in accordance with the EU and national legislation of the respective countries. Such construction works are proceeding on schedule.

We currently own a 100% stake in Nord Stream 2 AG, a project company implementing the Nord Stream II pipeline project. In 2017, Nord Stream 2 AG signed with ENGIE, OMV, Royal Dutch Shell, Wintershall Dea (at the time of signing referred to as Wintershall Holding GmbH) and Uniper agreements in relation to long-term debt financing of the Nord Stream II pipeline project. In accordance with the agreements, the foreign companies undertook to provide debt financing in equal portions to cover up to 50% of the costs of the project. According to the financing agreements, we have pledged our 100% shareholding in Nord Stream 2 AG until full discharge of the secured obligations.

In 2019, a set of amendments to the Third Gas Directive entered into effect, which, in particular, extend the application of the Third Gas Directive to gas pipelines from third countries extending into the territorial sea of EU member states. The EU member state that has the first interconnection with such pipelines from third countries is responsible for application of the relevant rules of the Third Gas Directive and, in particular, such member state is authorized to grant a derogation from the otherwise applicable requirements for up to 20 years (subject to a possible renewal), provided that such derogation would not be detrimental to competition on or the effective functioning of the internal market in natural gas or security of supply in EU.

For the Nord Stream II project, the amendments effectively create different regulatory regimes for the 54 km-long offshore part in the territorial sea of Germany, which is subject to the EU regulations, and the 1,181 km-long offshore part, which falls outside the scope of the Third Gas Directive. In May 2020, the German Federal Network Agency (*Bundesnetzagentur*) denied a previously submitted application of Nord Stream 2 AG to obtain relief. We have appealed against this decision. See "Gazprom—Litigation and Investigations."

Gazprom is examining a range of alternatives to adapt the Nord Stream II project to the Third Gas Directive and, additionally, is considering available remedies to defend itself against the discriminatory nature of the amendments. In particular, in July 2019 Nord Stream 2 AG, our subsidiary and the operator of the Nord Stream II pipeline, filed a complaint with the General Court of the EU seeking to annul the foregoing amendments to the Third Gas Directive citing their discriminatory nature, violations of principles of equal treatment and proportionality, abuse of authority and breaches of the procedural rules. In May 2020, the General Court of the EU denied the complaint on procedural grounds. We have appealed against that decision. In addition, in September 2019, Nord Stream 2 AG gave notice of the initiation of an ad hoc UNCITRAL arbitration against the EU based on the Energy Charter Treaty. See "Litigation and investigations" and "Risk Factors—Risks Relating to Our Business—We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers and actions of antitrust regulators, structural changes in our markets or regulation can intensify this competition or otherwise adversely affect our operations or financial position."

As of late August 2020, we had laid over 2,300 km of both branches of the pipeline in the Baltic Sea. We intend to have the pipeline completed as soon as it is reasonably possible.

Gas pipeline through Mongolia. We are considering the construction of a gas pipeline from our fields in Western Siberia to the Chinese border through Mongolia, with a projected throughput capacity of up to 50 bcm of gas per annum. In August

2020, we signed a memorandum of intent with Mongolia providing for the setting up of a special purpose company to carry out a pre-investment study for the project.

Gas storage

Financial highlights

Our Gas storage segment generally renders gas storage services to our Distribution of gas segment.

The following table sets forth selected financial data with regard to our Gas storage segment as defined in the Group's Financial Statements:

	Gas storage				
	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Assets, million RR	359,131	383,920	370,887	393,700	347,929
Share of Group's total assets	2%	2%	2%	2%	2%
Sales,[(1)] million RR	2,418	2,140	4,648	4,464	4,253
Share of Group's total sales	0%	0%	0%	0%	0%
Capital additions, million RR	3,072	5,655	14,268	19,391	37,694
Share of Group's total capital additions	1%	1%	1%	1%	3%

Note:

(1) Excluding inter-segment and intra-segment operations.

Gas storage in Russia

As of December 31, 2019, we operated a network of 27 UGSFs in Russia having total active capacity of 75.0 bcm, which is instrumental in smoothing seasonal fluctuations in demand for gas. All of our UGSFs are located either in close proximity to our major consumers or at the main hubs of our transportation system, which provides flexibility in redirecting gas flows if required. During peak heating periods, supplies from our gas storage network account for approximately 20%, and in the periods of extreme cold up to 40%, of gas deliveries to Russian consumers.

In accordance with our gas storage strategy focusing on greater versatility of our UGSFs, we are expanding our gas storage capacities in Russia.

In 2019 and 2018, we injected into Russian UGSFs 45.0 bcm and 49.4 bcm of natural gas and withdrew 40.5 bcm and 52.0 bcm of natural gas, respectively. In the six months ended June 30, 2020 and 2019, we injected into Russian UGSFs 14.8 bcm and 21.8 bcm of natural gas and withdrew 16.4 bcm and 24.2 bcm of natural gas, respectively.

Gas storage in FSU, Europe and Other Countries

We have invested in the construction of storage capacities in Western European UGSFs acting as a co-investor and acquiring our own gas storage capacities. We also obtained access to certain UGSFs in Europe under long-term and short-term lease agreements. All storage facilities constructed with the Group's involvement fit into the European framework of energy laws requiring a separation of network and storage operators and indiscriminate access of all market participants to storage capacities.

Currently, we use UGSFs located in the following European countries: Austria (Haidach UGSF), the Czech Republic (Damborice UGSF), Germany (Rehden, Katharina, Etzel and Jemgum UGSFs), the Netherlands (Bergermeer UGSF), Serbia (Banatski Dvor UGSF), as well as UGSFs in the FSU: Armenia (Abovyanskoye UGSF), Latvia (Incukalns UGSF) and UGSFs in Belarus. Our subsidiary astora GmbH & Co. KG is a major storage capacity seller in Europe, with a market share of approximately 25% of gas storage in Germany, that offers gas storage capacities in the Rehden, Jemgum and Haidach UGSFs. In order to ensure reliable gas supplies to European customers during winter, we also additionally enter into short-term agreements to gain access to additional underground gas storage capacities in European countries.

We are also considering participating in joint UGSF related projects in Germany, Hungary, Turkey, China and other countries.

As of December 31, 2019, we operated an aggregate active gas storage capacity of 8.7 bcm and daily gas withdrawal capacity of 135.0 mmcm in our UGSFs and in UGSFs with our participation interest in Europe. Together with our leased storage capacities, including through short-term leasing arrangements, we had accumulated a total of 11.7 bcm of gas in European UGSFs as at December 31, 2019.

As of December 31, 2019, we operated an aggregate active gas storage capacity of 1.3 bcm and daily gas withdrawal capacity of 40.0 mmcm in our UGSFs and in UGSFs with our participation interest in the FSU countries.

In 2019, we injected 8.2 bcm and 1.0 bcm of natural gas into UGSFs located in Europe and the FSU countries, respectively, as compared with 6.6 bcm and 1.2 bcm of natural gas in 2018, respectively. In the gas withdrawal season of 2019-2020 (the second half of the year and the first half of the subsequent year), we withdrew 3.2 bcm and 0.9 bcm of natural gas from UGSFs located in Europe and the FSU countries, respectively, as compared with 2.6 bcm and 1.1 bcm of natural gas during the gas withdrawal season of 2018-2019 (the second half of the year and the first half of the subsequent year), respectively.

Refining

This section sets forth information with regard to our Refining segment as regards the processing of oil, gas condensate and other hydrocarbons and sales of refined products. For additional information relating to sales of refined products, gas condensate and other hydrocarbons, see "—Distribution—Sales of liquid hydrocarbons and refined products."

Financial highlights

Our Refining segment operates in processing of oil, gas condensate and other hydrocarbons, and sells refined products to other segments and third parties.

The following table sets forth selected financial data with regard to our Refining segment as defined in the Group's Financial Statements:

	Refining				
	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Assets, million RR	2,650,784	2,226,992	2,555,819	2,059,715	1,715,485
Share of Group's total assets	13%	12%	13%	11%	10%
Sales,[(1)] million RR	820,853	1,043,371	2,111,181	2,179,772	1,687,090
Share of Group's total sales	28%	25%	27%	26%	25%
Capital additions, million RR	147,517	147,831	437,758	309,417	225,240
Share of Group's total capital additions	26%	22%	24%	17%	15%

Note:

(1) Excluding inter-segment and intra-segment operations.

We process and refine natural gas, gas condensate and oil and own petrochemical and methanol production capacities. Our gas refining facilities process natural gas for pipeline transportation and stabilize and refine gas condensate. As part of the refining process, these refining facilities engage in removal of hazardous and corrosive substances from natural gas. They also produce a broad range of refined products based on extracted hydrocarbons.

Processing of oil, natural gas and gas condensate

The following table sets out total hydrocarbon feedstock input we used at refining facilities for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019[(1)]	2018[(1)]	2017[(1)]
Natural and associated gas, bcm	**15.4**	**15.4**	**31.5**	**31.1**	**30.8**
including gas processing subsidiaries	15.0	15.0	30.6	30.1	29.9
including Gazprom neftekhim Salavat	0.2	0.2	0.4	0.5	0.4
including Gazprom Neft (associated oil gas)	0.2	0.2	0.4	0.5	0.5
Unstable gas condensate and crude oil, million tons	**32.1**	**33.0**	**67.1**	**67.4**	**64.1**
including gas processing subsidiaries	9.1	9.6	18.8	17.7	17.5
including Gazprom neftekhim Salavat	3.5	3.4	6.8	6.7	6.5
including Gazprom Neft in Russia	18.0	18.9	38.3	39.3	36.7
including Gazprom Neft abroad	1.5	1.1	3.1	3.6	3.4

Note:

(1) The data does not include raw materials supplied by customers.

The following table sets out information on our principal natural gas and gas condensate refineries, oil processing and petrochemical plants as of June 30, 2020:

Name	Company	Location	Year of establishment	Annual installed capacity of processing/ Product range production
Astrakhan GPP	LLC Gazprom pererabotka	Astrakhan	1986	• 12.0 bcm of gas • 7.3 million tons of unstable gas condensate (stabilization)
Orenburg GPP	LLC Gazprom pererabotka	Orenburg	1974	• 37.5 bcm of gas • 6.3 million tons of gas condensate and crude oil (stabilization)
Orenburg helium plant	LLC Gazprom pererabotka	Orenburg	1978	• 15.0 bcm of gas
Sosnogorsk GPP	LLC Gazprom pererabotka	Sosnogorsk, Komi republic	1946	• 3.0 bcm of gas, • 2.5 million tons of unstable condensate (stabilization)
Urengoy condensate preparation plant	LLC Gazprom pererabotka	Novy Urengoy	1985	• 12.2 million tons of unstable condensate (de-ethanization and stabilization)
Surgut condensate stabilization plant	LLC Gazprom pererabotka	Surgut	1985	• 12.1 million tons of oil-gas condensate mixture (stabilization)
Salavat Refinery	Gazprom neftekhim Salavat	Salavat	1955	• 10.0 million tons of oil and unstable gas condensate
Monomer processing plant	Gazprom neftekhim Salavat	Salavat	1991	• 160.8 thousand tons of polyethylene • 30.0 thousand tons of polystyrene • 200.0 thousand tons of styrene • 230.0 thousand tons of ethylbenzene • 340.0 thousand tons of ethylene • 144.0 thousand tons of propylene • 144.0 thousand tons of carbon oil • 170.0 thousand tons of alcohols • 18.5 thousand tons of hydrogen • 33.0 thousand tons of DOP plasticizer • 13.0 thousand tons of phthalic anhydride
Gas chemical mineral fertilizers plant	Gazprom neftekhim Salavat	Salavat	1961	• 450.0 thousand tons of ammonia • 630.0 thousand tons of carbamide
Methanol production plant	LLC Sibmetahim	Tomsk	1983	• 750 thousand tons of methanol
Acryl acid and butyl acrylate production plant	LLC Acryl Salavat	Salavat	2016	• 80 thousand tons of butyl acrylate • 35 thousand tons of glacial acrylic acid
Omsk Refinery	JSC Gapromneft-Omsk Refinery	Omsk	1955	• 22.2 million tons of oil and condensate
Moscow Refinery	JSC Gazpromneft-Moscow Refinery	Moscow	1938	• 12.8 million tons of oil
Oils and lubricants producing plant in Bari	Gazpromneft Lubricants Italia S.p.A.	Bari (Italy)	1976	• 30 thousand tons of oils and 6 thousand tons of lubricants
Oil refinery in Panchevo[(1)]	NIS	Panchevo (Serbia)	1968	• 4.6 million tons of oil
Moscow Lubricants Plant	LLC Gazprom Neft—Lubricants	Fryazino	2007	• 71.5 thousand tons of oils and technical fluids
Omsk Lubricants Plant	LLC Gazprom Neft—Lubricants	Omsk	2009	• 310 thousand tons of base oils
Rospolychem Group	Sovkhimtekh LLC, Polyefir LLC, BSV-KHIM LLC	Nizhny Novgorod	2005	• 1.5 thousand tons of esters and 30 thousand tons of lubricants
Bitumen Plant (Kazakhstan)	LLC Gazprom Neft-Bitumen Kazakhstan	Shymkent (Kazakhstan)	2011	• 280 thousand tons of bitumen
Ryazan Bitumen Binders Plant	LLC Gazpromneft — Ryazan Bitumen Binders Plant	Ryazan	2011	• 120 thousand tons of polymer-bitumen binders
Vyazma Bitumen Materials Plant	NOVA-BRIT LLC	Vyazma	2016 (year of acquisition)	• 80 thousand tons of bitumen
Salsk Bitumen Terminal	LLC Gazpromneft — Bitumen Terminal South	Salsk	2018 (year of acquisition)	• 140 thousand tons of bitumen materials (in respect of transshipment capacity)

Note:

(1) The oil refinery in Novy Sad is currently in a nonoperational status.

In addition, Gazprom Neft has access to the refining capacities of certain joint ventures:

Name	Company	Location	Year of establishment	Annual capacity of processing/ Product range production
Yaroslavnefteorgsintez	JSC Slavneft-YANOS (Gazprom Neft has access to 50% of its total capacity)	Yaroslavl	1961	15.0 million tons of oil
Mozyr Oil Refinery	JSC Mozyr Oil Refinery (Slavneft holds a 42.58% interest, and Gazprom Neft has access to the refining capacity of the plant corresponding to 50% of Gazprom Neft's supplies)	Mozyr (Belarus)	1975	14.0 million tons of oil
Yuzhno-Priobskiy GPP	LLC Yuzhno- Priobsky GPP (a 50/50 joint venture of Gazprom Neft and Sibur)	Khanty-Mansiysk	2015	0.9 mmcm of associated gas
Moscow Polypropylene Plant	LLC NPP Neftekhimia (a 50/50 joint venture of Gazprom Neft and Sibur)	Moscow	1995 (polypropylene complex launch date)	140 thousand tons of polypropylene
Omsk Polypropylene Plant	Poliom LLC (a 50/50 joint venture of Gazprom Neft and Sibur)	Omsk	2013 (commencement of production)	227 thousand tons of polypropylene
Total — PMB	LLC Gazpromneft-Total PMB (a 50/50 joint venture of Gazprom Neft and Total)	Moscow	2014	40 thousand tons of polymer-modified bitumens, PMB binder and bitumen emulsion

The following table sets out the total production of our refining facilities for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Stable condensate and oil, thousand tons	4,765	4,082	8,362	8,234	8,688
Stripped dry gas, bcm	12	12	24	24	24
Liquefied hydrocarbon gases, thousand tons	1,679	1,837	3,664	3,614	3,522
Motor gasoline, thousand tons	5,580	5,590	11,703	12,045	11,676
Straight-run gasoline, thousand tons	2,084	2,263	4,304	4,318	3,998
Diesel fuel, thousand tons	7,978	7,498	15,515	15,662	14,322
Jet fuel, thousand tons	1,273	1,626	3,434	3,553	3,149
Furnace fuel oil, thousand tons	2,759	3,399	7,168	6,881	6,586
Bunker fuel, thousand tons	1,380	1,280	2,795	2,952	3,367
Bitumen, thousand tons	1,463	1,226	2,959	3,122	2,446
Lubricants, thousand tons	240	256	539	487	480
Sulfur, thousand tons	2,565	2,591	5,378	5,180	5,014
Helium, thousand cubic meters	2,302	2,393	4,731	5,089	5,102
WFLH, thousand tons	709	735	1,384	1,465	1,295
Ethane fraction, thousand tons	178	176	337	347	363
Monomers, thousand tons	179	199	293	336	265
Polymers and products, thousand tons	102	99	172	186	154
Products of organic synthesis, thousand tons	16	29	50	71	45
Mineral fertilizers (urea, ammonia, liquid technical), thousand tons	454	441	800	836	985

Our production of stable condensate and oil increased in the six months ended June 30, 2020 as compared to the respective period of 2019 primarily due to a decrease in their refining in light of a weaker demand for refined products in the Russian and foreign markets.

Our production of jet fuel decreased in the six months ended June 30, 2020 as compared to the respective period of 2019 primarily due to a considerable decrease of demand caused by the pandemic of COVID-19.

Our production of furnace fuel decreased in the six months ended June 30, 2020 as compared to the respective period of 2019 primarily due to a general decrease in oil refining and a growing production of bitumen as an alternative product.

Our production of products of organic synthesis decreased in the six months ended June 30, 2020 as compared to the respective period of 2019 primarily due to an increase in internal utilization of certain products used in the production of motor gasoline.

Projects in refining

We prioritize our investments in oil refining in accordance with modernization, facility upgrades and construction programs aimed at enhancing the environmental grade of our fuels, processing depth, production of light products, volume and variety of products. The modernization enabled us to comply with the requirements of technical regulations and allowed the transition to Euro 5 fuel production at all Gazprom Neft's refineries in Russia. Gazprom Neft anticipates that the modernization will allow it to increase depth of refining to 95% and yield of light fractions up to 80% by 2025. As of June 30, 2020, Gazprom Neft's depth of refining and yield of light fractions in Russia were approximately 86% and 66%, respectively.

In June 2016, Gazprom's Management Committee approved a comprehensive program of reconstruction and re-equipping of gas and liquid hydrocarbons processing assets for 2016-2020. In particular, the program focuses on ensuring processing of planned volumes of gas and liquid hydrocarbons, increasing the depth of refining and the rate of extraction of valuable components, expansion of the product line, improvement of quality and energy and technological efficiency of production. The program envisages further reconstruction and refurbishment of our production facilities, in particular, at the Surgut condensate processing plant, Urengoy condensate preparation plant, Sosnogorsk GPP, Astrakhan GPP, Orenburg GPP and Orenburg helium plant.

Urengoy condensate preparation plant. To process the projected volumes of liquid hydrocarbons to be extracted during natural gas production at gas/condensate fields in Western Siberia, we are implementing a capacity expansion and upgrade project at the Urengoy condensate preparation plant. The current capacity of the plant is 12.2 million tons of unstable gas condensate, including 4.8 million tons of relatively heavier gas condensate from the Achimovsk deposits. Currently, we are engaged in the construction of a gas condensate stabilization unit with an annual capacity of 4 million tons in the proximity of the Urengoy condensate preparation plant. We expect to commission the gas condensate stabilization unit in the third quarter of 2020 bringing our annual capacity to process the Achimovsk deposit condensate in the Nadym-Pur-Taz region to 8.8 million tons. As a result, our total annual condensate processing capacity in the Nadym-Pur-Taz region, including the Urengoy condensate preparation plant, is expected to reach 16.2 million tons per annum.

Novy Urengoy Chemical Complex. The Novy Urengoy Chemical Complex is expected to produce up to 400,000 tons per year of low density polyethylene from de-ethanized gas from the Urengoy Condensate Preparation Plant. Depending on the quality of raw materials, we also plan to produce 100 to 200 thousand tons of natural gas liquids per year and 500 to 800 mmcm of methane per year at the complex. We expect to put the complex into operation in 2022.

In September 2019, we signed an agreement on cooperation with Sibur which provides for a joint assessment of opportunities for cooperation in large gas refining and petrochemical investment projects. In particular, the parties will consider establishing a joint venture for the construction of refining capacities in the Republic of Tatarstan to process natural gas with high ethane content, produce ethane, liquefied petroleum gases and other products. In addition, the parties intend to revise of the project documentation for the Novy Urengoy Chemical Complex.

Amurskiy GPP. In accordance with the Eastern Program we are seeking to create new processing facilities to develop natural resources of Eastern Siberia and the Far East. Natural gas from key fields of Eastern Siberia is characterized by high content of ethane, propane, methane and helium. Therefore, their development requires simultaneously establishing gas processing and gas chemical centers. In 2015, we commenced the construction of the Amurskiy GPP, located in the proximity of Svobodniy in the Amur Region, for processing of gas produced in the Yakutskiy and Irkutskiy gas production centers. The Amurskiy GPP is projected to have an annual throughput capacity of 42 bcm of gas, and is designed to produce annually 39 bcm of marketable gas consistent with export standards, 60 mmcm of marketable helium and up to 1.5 million tons of liquefied hydrocarbon gases, as well as up to 2.4 million tons of ethane. We plan to commission the first line of the plant in 2021.

We have signed with Sibur a contract to supply ethane fraction and a preliminary agreement on supplies of liquefied hydrocarbon gases from our Amurskiy GPP, which is currently under construction, to a gas chemical complex in the Amur Region which Sibur intends to build.

Integrated gas processing and LNG production complex in the proximity of Ust-Luga. In May 2018, we signed with RusGasDobycha an agreement on the core terms of a joint project for the construction of gas processing facilities to refine gas from the Nadym-Pur-Taz region. According to this agreement, RusChemAlliance, our 50/50 joint venture with RusGasDobycha, has launched a project to construct an integrated gas processing complex in the proximity of Ust-Luga in the Leningrad Region. The project would allow the processing of 45 bcm of gas and the production and shipment of 13 million tons of LNG per year, as well as approximately 3.6 million tons of ethane fraction and up to 1.8 million tons of liquified petroleum gases. The complex would utilize feedstock gas with high ethane content which we extract from the Achimov and Valanginian layers of the Nadym-Pur-Taz region. Sales gas remaining after the processing, in the amount of approximately 18 bcm per year, would be put back to the GTS. The project is currently being designed. We expect to commission the first and second phases of the complex in 2023 and 2024, respectively.

In addition, we are engaged in pre-investment studies of projects for the construction of new gas processing capacities on the Yamal Peninsula and the increasing of our capacities used for the processing of gas with high sulfur content to refine additional gas volumes produced at the Astrakhan group of fields.

Associated gas refining. Gazprom Neft aims, in bringing new fields on stream and increasing production, to observe the required utilization rates in respect of associated petroleum gas. Assuming growing gas production volumes, Gazprom Neft is planning to increase its utilization rate for associated gas up to 95% by 2022. In addition, we process associated gas supplied by third-party producers.

Karachaganak gas processing. In June 2007, KazRosGaz, our 50/50 joint venture with KazMunayGaz, entered into a 15-year sale and purchase agreement with Karachaganak Petroleum Operating B.V. ("**KPO**") to annually purchase up to 16 bcm of gas from the Karachaganak field in Kazakhstan. Pursuant to the agreement, KazRosGaz annually purchases up to 9 bcm of gas from KPO for processing at our Orenburg GPP. In June 2015, the sale and purchase agreement between KazRosGaz and KPO was extended until 2038 with an annual supply volume of 9 bcm of gas. Gas deliveries from the Karachaganak field enable us to utilize the capacity of the Orenburg GPP.

Distribution

This section sets forth information relating to our Distribution of gas segment which sells gas mostly to third parties in Russia and abroad, to our Transportation of gas segment for own needs and to our Electric and heat energy generation and sales segment as well.

Financial Highlights

The following table sets forth selected financial data with regard to our Distribution of gas segment as defined in the Group's Financial Statements:

	Distribution of gas				
	For the six months ended June 30,		**For the year ended December 31,**		
	2020	**2019**	**2019**	**2018**	**2017**
Assets, million RR	1,536,360	1,560,545	1,691,356	1,719,640	1,669,202
Share of Group's total assets	8%	8%	8%	9%	9%
Sales,[(1)] million RR	1,375,164	2,127,232	3,777,219	4,277,364	3,316,465
Share of Group's total sales	47%	52%	49%	51%	50%
Capital additions, million RR	5,313	8,233	25,827	39,078	51,675
Share of Group's total capital additions	1%	1%	1%	2%	3%

Note:

(1) Excluding inter-segment and intra-segment operations.

We believe that we are the world's largest exporter of natural gas. We export natural gas (as well as gas condensate, crude oil, oil products, liquefied associated gas and other refined products) mainly through our wholly owned subsidiary, Gazprom Export. Our subsidiary Gazprom Neft exports crude oil and refined products. We also sell these products domestically to end consumers, including sales of natural gas through Gazprom mezhregiongaz and its regional gas sales companies and sales of crude oil and oil refined products by Gazprom Neft.

The following table sets out our natural gas sales volumes by geographical market for the periods indicated:

	For the six months ended June 30,		**For the year ended December 31,**		
	2020[(1)]	**2019[(1)]**	**2019[(1)]**	**2018[(1)]**	**2017[(1)]**
Natural gas sales			**(bcm)**		
Russian Federation	117.6	126.4	235.8	239.7	229.9
FSU[(2)]	14.9	19.1	38.7	38.1	35.0
Europe and Other Countries[(2)]	98.2	117.9	232.4	243.3	242.0
Total	**230.7**	**263.4**	**506.9**	**521.1**	**506.9**

Notes:

(1) Net of trading activity without supplies of natural gas.

(2) Our sales to the FSU countries and to Europe and Other Countries include both export from Russia, and sales of gas purchased outside Russia.

The decrease in our gas sales volumes in Russia in the six months ended June 30, 2020 as compared to the corresponding period of 2019 was primarily due to unusually warm weather conditions in the heating season of 2019-2020 and the impact of the COVID-19 outbreak.

The decrease in our gas sales volumes in Russia in 2019 as compared to 2018 was primarily due to warmer weather conditions in the first and forth quarters of 2019 and was especially prominent among our customers with high seasonality of consumption.

Our natural gas sales volumes in the FSU decreased in the six months ended June 30, 2020 as compared to the corresponding period of 2019 primarily as a result of a deterioration of economic conditions in the FSU countries, aggravated by the impact of the COVID-19 outbreak.

Our natural gas sales volumes in the FSU increased in 2019 compared to 2018, primarily as a result of an increase in gas deliveries to Kazakhstan.

Our natural gas sales volumes to Europe and Other Countries decreased in the six months ended June 30, 2020 compared to the respective period of 2019 primarily due to an increase of LNG imports, a general decrease of demand for gas in the market, a high utilization rate of gas storage capacities in European UGSFs and the impact of the COVID-19 outbreak.

The volumes of gas we supplied to Europe and Other Countries in 2019 decreased as compared to 2018 largely due to warmer weather conditions, an increase of LNG imports and deterioration of economic conditions in certain countries, in particular, in Turkey.

The natural gas market

According to the BP Statistical Review of World Energy June 2020 (the "**BP Review**"), global natural gas consumption increased by approximately 34% from 2009 through 2019.

According to the BP Review, the world primary energy consumption (including oil, natural gas, coal, nuclear, hydropower and renewable resources) increased by 1.3% in 2019 compared to 2018. Globally, natural gas accounted for approximately 24% of primary energy consumption.

World natural gas consumption grew by 2.0% and 5.3% in 2019 and 2018, respectively, compared to the 10-year average of 2.5%. This growth of 77.6 bcm in 2019 was largely due to a strong growth in the Asia Pacific region (4.7% year-on-year, to 869.9 bcm), followed by a moderate growth in the North America region (3.1% year-on-year, to 1,057.6 bcm), Middle East (2.3% year-on-year, to 558.4 bcm) and Europe (1.7% year-on-year, to 516.6 bcm). Consumption in FSU declined by 0.6% year-on-year to 161.5 bcm in 2019, mainly due to lower consumption in Ukraine (minus 7.7% year-on-year, to 28.2 bcm), Kazakhstan (minus 5.8% year-on-year, to 17.9 bcm) and Uzbekistan (minus 2.2% year-on-year, to 43.4 bcm). Consumption in Russia declined by 2.2% year-on year to 444.3 bcm. The African region consumed additional 1.3 bcm of natural gas in 2019 compared to 2018 (0.9% year-on-year, to 150.1 bcm). Consumption of natural gas in South and Central America declined in 2019 (minus 2.7% year-on-year, to 165.4 bcm).

Among large emerging economies, China, Mexico and India recorded highest growth rates of natural gas consumption of 8.6%, 3.5% and 2.7%, respectively. Among the largest gas consuming OECD countries, the United States, Germany and Mexico showed the highest growth rates of natural gas consumption of 3.3%, 3.3% and 3.5%, respectively, while Japan and United Kingdom experienced the natural gas consumption declines of 6.6% and 0.5% respectively.

Global natural gas production grew by 3.4% and 5.0% in 2019 and 2018, respectively, above its 10-year average of 2.4%. North America was the leader in terms of regional gas production growth (7.4% year-on-year to 1,128.0 bcm), followed by the Asia Pacific (6.3% year-on-year, to 672.1 bcm), the FSU (3.0% year-on-year, to 187.1 bcm), the Middle East (2.1% year-on-year, to 695.3 bcm), Russia (1.5% year-on-year, to 679.0 bcm) and Africa (0.7% year-on-year, to 237.9 bcm). Natural gas production in Europe declined by 6.3% year-on-year to 208.9 bcm, driven mostly by Norway (minus 6.9% year-on-year, to 114.4 bcm), the Netherlands (minus 4.2% year-on-year, to 28.1 bcm) and Denmark (minus 25.4% year-on-year, to 3.2 bcm). South and Central America also registered a decline in gas production of minus 1.5% year-on-year to 173.6 bcm.

International natural gas trade accounted for approximately 25% of global gas consumption and continued its growth in 2019, rising by 4.9% to 984.4 bcm. Pipeline shipments decreased by 1.7% and account for 50.7% of global gas trade. Global LNG trade increased by 12.7%, covering the remaining 49.3% of global gas trade.

United States, Russia and Australia led the LNG export growth in 2019, building up their LNG exports 66.3% to 47.5 bcm, 57.9% to 39.4 bcm and 14.0% to 104.7 bcm, respectively. Australia further narrowed its gap with Qatar, which remained the top LNG exporter and accounted for 22% of global LNG exports with its share of 107.1 bcm. The United States and Russia became the third (market share of 10%) and fourth (market share of 8%) largest LNG exporters. LNG exports from the Middle East and Africa increased.

Asia Pacific region accounted for 69% of LNG imports with the year-on-year growth of 3.5% to 334.1 bcm, while Europe remained the second largest market with a 25% share of LNG imports (68% year-on-year growth, to 119.8 bcm). Among European countries, United Kingdom, Belgium, France and Italy showed the highest growth rates of LNG imports of 152%, 118%, 80% and 64%, respectively. Japan continues to be the world's top LNG importer (105.5 bcm or 22% of LNG imports), China holds the second place (84.8 bcm or 17% of LNG imports), followed by South Korea (55.6 bcm or 11% of LNG imports) and India (32.9 bcm or 7% of LNG imports). The Middle East observed a sharp decline in LNG imports, which fell in 2019 24% year-on-year to 9.5 bcm. LNG imports also declined in the North America region (minus 11% year-on-year, to 8.6 bcm) and in the South and Central America region (minus 10% year-on-year, to 13.1 bcm).

In 2019, natural gas consumption accounted for approximately 24% of primary energy consumption in Europe and approximately 45% in the FSU (except Russia). The following table sets out primary energy and natural gas consumption in our principal markets for the periods indicated as well as the percentage of natural gas consumed as a proportion of primary energy consumption in such markets for such years:

	2019	2014	2009
	(exajoules, except percentages)		
Europe[(1)]			
Primary energy consumption[(2)]	77.5	75.4	78.3
Gas consumption	18.6	16.3	18.8
Gas consumption as a percentage of primary energy consumption	24%	22%	24%
FSU[(3)] **(except Russia)**			
Primary energy consumption[(2)]	12.9	13.0	12.4
Gas consumption	5.8	5.8	5.6
Gas consumption as a percentage of primary energy consumption	45%	45%	45%
Russia			
Primary energy consumption[(2)]	29.8	28.7	26.9
Gas consumption	16.0	15.2	14.3
Gas consumption as a percentage of primary energy consumption	54%	53%	53%

Source: BP Statistical Review of World Energy 2020.

Notes:

(1) Defined for the purposes of this table to consist of Austria, Belgium, Bulgaria, Croatia, Cyprus, the Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, North Macedonia, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey and the United Kingdom.

(2) Primary energy consumption comprises commercially traded fuels only, including renewables required for electricity production.

(3) Defined for the purposes of this table to consist of Azerbaijan, Belarus, Estonia, Kazakhstan, Latvia, Lithuania, Turkmenistan, Ukraine, Uzbekistan and other CIS.

Europe and Other Countries

For the six months ended June 30, 2020 and 2019, our gas sales to Europe and Other Countries accounted for approximately 43% and 45% of volumes of natural gas sold and 55% and 67% of our net revenue from gas sales, adjusted for retroactive gas price revisions, for the periods indicated, respectively.

In 2019 and 2018, our gas sales volumes to Europe and Other Countries (exclusive of the effect of gas prices adjustment) were approximately 46% and 47% of volumes of natural gas sold and 65% and 69% of our net revenue from gas sales for the periods indicated, respectively.

The following table sets out information about our gas sales to Europe and Other Countries for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020[(1)(2)]	2019[(1)(2)]	2019[(1)(2)]	2018[(1)(2)]	2017[(1)(2)]
			(bcm)		
Austria	5.3	4.1	9.1	9.0	9.8
Belgium	0.6	0.6	1.3	2.8	2.7
Bosnia and Herzegovina	0.1	0.1	0.2	0.2	0.2
Bulgaria	1.0	1.4	2.4	3.2	3.3
Croatia	1.0	1.4	2.8	2.8	2.8
Czech Republic	2.2	1.1	2.2	2.6	3.8
Denmark	0.8	0.7	1.7	1.7	1.8
Finland	0.8	1.4	2.5	2.6	2.4
France	6.6	6.1	13.0	13.3	13.3
Germany	18.3	21.8	44.9	65.7	67.1
Greece	1.3	1.5	2.5	3.3	2.9
Hungary	3.7	5.3	10.5	7.3	7.0
Italy	10.1	11.7	22.0	22.6	23.7
Ireland	–	0.1	0.1	0.3	0.1

North Macedonia	0.1	0.1	0.2	0.2	0.3
The Netherlands	22.2	9.0	16.3	21.4	17.4
Poland	4.4	4.4	9.7	9.9	10.5
Romania	0.4	0.5	1.1	1.5	1.4
Serbia	0.5	1.1	2.2	2.2	2.2
Slovakia	3.6	2.4	6.5	5.0	4.5
Slovenia	0.1	0.1	0.3	0.5	0.6
Spain	0.4	0.2	0.5	0.1	0.2
Switzerland	0.2	0.2	0.3	0.6	0.4
Turkey	4.7	8.1	15.4	24.0	29.0
United Kingdom	4.6	31.7	59.0	34.2	29.1
Total sales in Europe(3)	**93.0**	**115.1**	**226.7**	**237.0**	**236.5**
Other countries(4)	5.2	2.8	5.7	6.3	5.5
Total sales in Europe and other countries(5)	**98.2**	**117.9**	**232.4**	**243.3**	**242.0**

Notes:

(1) Management estimates.

(2) Net of trading activity without supplies of natural gas.

(3) Except for the FSU countries.

(4) Includes LNG sales and gas sales in China, Vietnam and Bolivia.

(5) Totals may not sum due to rounding.

Our largest markets in Europe and Other Countries in terms of gas sales volumes in the six months ended June 30, 2020 were the Netherlands, Germany and Italy.

We are paid for the natural gas we sell to Europe and Other Countries primarily in euros (approximately 64% of our gross sales), U.S. dollars (approximately 29% of our gross sales), pounds sterling (approximately 6% of our gross sales) and other currencies.

The major part of gas volumes we sell to Europe and Other Countries is exported from Russia by Gazprom Export. The following table sets out information about our natural gas export volumes to Europe and Other Countries for the periods indicated.

	For the six months ended June 30,		For the year ended December 31,		
	2020	**2019**	**2019**	**2018**	**2017**
			(bcm)		
Gas exports to Europe and Other Countries(1)	77.8	96.2	191.4(2)	201.9	194.4

Note:

(1) Including gas sales under contracts of Gazprom Export and direct contracts of Gazprom Schweiz AG, as well as gas sales through the bidding process held by Gazprom Export and direct sales on European gas trading floors; excluding LNG.

(2) Excluding REPO gas transactions amounting to 7.6 bcm in 2019.

Our gas export volumes to Europe and Other countries decreased in the six months ended June 30, 2020 compared to the respective period of 2019 mainly due to an increase of LNG imports, a general decrease of demand for gas in the market, a high utilization rate of gas storage capacities in European UGSFs and the impact of the COVID-19 outbreak.

Our gas export volumes to Europe and Other countries decreased in 2019 compared to 2018 mainly due to warmer weather conditions, an increase of LNG imports and deterioration of economic conditions in certain countries, in particular, in Turkey.

We are currently the only supplier of Russian pipeline gas to Europe. Our gas exports accounted for approximately 28% of natural gas consumption in Europe in the six months ended June 30, 2020, as compared to 32% in the respective period of 2019.

In addition to supplies by Gazprom Export, significant volumes of natural gas are sold in Europe and Other Countries by our subsidiaries WINGAS and Gazprom Marketing & Trading and its subsidiaries ("**GM&T**"). GM&T and WINGAS sales volumes include gas purchased from other suppliers.

WINGAS and WIEH. We own 100% interests in WINGAS and WIEH which are engaged in gas trading and storage in Europe. WINGAS is a European energy provider and a major gas supplier in Germany, the Netherlands, Belgium, Austria and the Czech Republic, supplying gas to utilities, industrial and power companies. WINGAS owns Rehden (Germany), the largest UGSF in Western Europe. WINGAS has access to a portion of active capacity in the Haidach UGSF (Austria) and it has been engaged in the construction of the Jemgum UGSF (Germany). See "—Gas storage—Gas storage in FSU, Europe and Other Countries." WIEH is engaged in gas supplies in Germany.

GM&T. Our subsidiary GM&T conducts operations, primarily trading, in the deregulated natural gas markets. GM&T is engaged in spot and short-term trade of natural gas, retail operations, operations in power, crude oil and oil product markets as well as LNG trading operations worldwide. Currently, GM&T operates through its subsidiaries in the United Kingdom, Belgium, France, Germany, the Netherlands, Ireland and other countries. In particular, in the UK, where GM&T supplies a substantial portion of its gas volumes sold in the European market, GM&T is one of the largest gas supplier in the segment of small and medium-size industrial and commercial consumers. GM&T's subsidiaries, Gazprom Marketing & Trading USA Inc. and Gazprom Marketing & Trading Singapore PTE Ltd. ("**GM&T Singapore**"), are engaged in trading operations in North America and Asia, respectively.

Europe

We export natural gas to Europe mostly pursuant to long-term contracts, which generally include the following terms:

- price-setting clauses based on spot and forward gas quotations of European trading floors accounting for a major part of our gas sales volumes in Europe or alternative pricing mechanisms, including prices for oil products and mixed pricing based on a combination of the foregoing price indicators;

- price adjustment clauses pursuant to which the formulas for determining the price of natural gas under the contracts is generally reviewed once every two-three years if market conditions have changed significantly;

- "take-or-pay" provisions that provide that: (i) off-takers who have purchased less than the minimum contracted-for annual volume of natural gas at year's end are required to pay for some portion (but generally not all) of the shortfall; and (ii) such payment is credited to the off-taker if, in a subsequent year, the off-taker purchases more than the minimum contracted-for volume of natural gas.

Long-term supply contracts have historically been the basis for stability in the European natural gas market. The proportion of short term and spot contracts for natural gas supply has risen in the recent years and may continue to increase in response to changes in regulatory and market conditions.

We believe that long term arrangements for gas supply to Europe are likely to be of a continuing importance. By providing long-term guarantees for natural gas supply and off-take and predictability of prices, long-term contracts meet both suppliers' and consumers' strategic interests.

However, in response to the changes in the European market, we have been increasingly involved in short-term gas transactions, including those on trading boards. In particular, in August 2018, Gazprom Export launched an electronic trading board ("**ETB**") in order to flexibly respond to changing market conditions and sell additional gas volumes, complementing our gas sales under long-term contracts. Through the ETB we sold 10.1 bcm and 5.6 bcm of gas in the six months ended June 30, 2020 and the corresponding period of 2019, respectively, and 15.1 bcm and 1.1 bcm in 2019 and 2018, respectively.

We also supply gas to end consumers in Europe, in particular through our subsidiaries WINGAS and GM&T. The total volume of our gas sales to end consumers in Europe amounted to 11.0 bcm and 12.2 bcm in the six months ended June 30, 2020 and 2019, and 22.9 bcm and 28.4 bcm in 2019 and 2018, respectively. Our subsidiaries supply gas to end consumers in Germany, the United Kingdom, the Netherlands, the Czech Republic, Belgium, France and certain other countries.

In recent years, European gas markets have experienced significant restructuring. In particular, a deregulation and liberalization of the EU gas market has taken place resulting in greater competition in the market and reduced gas prices for end-users. See "—Competition—Europe."

We also sell gas as motor fuel through the network of NGV-refueling stations and cryo gas filling stations and plan to enter the LNG bunker fuel market in Europe. See "—Distribution— Natural gas as motor and bunkering fuel and small scale LNG—Europe."

Asia

China. In December 2019, we commenced gas supplies under our contract with CNPC signed in May 2014. The contract provides for the supply of up to 38 bcm of pipeline gas from Russia to China annually via the Eastern route for 30 years, with a gradual increase of delivery volumes to the contracted amount in the early years of supplies. The pricing is linked to oil product prices.

The Eastern route involves the delivery of gas via the Power of Siberia pipeline which began operations in December 2019, from Eastern Siberia, in particular, the Chayandinskoye field and, at later stages, Kovyktinskoye field. We are also engaged in the construction of a gas processing plant in the Amur Region. See "—Reserves and Production—Exploration, development and production regions—Eastern Siberia and the Far East (Siberian and Far East Federal Districts)," "—Transport—Gas Transportation projects in Russia" and "—Refining—Projects in Refining—Amurskiy GPP."

We are also negotiating with CNPC possible gas supplies via a western route that is projected to go through the western section of the border between Russia and China. See "—Transport—Gas transportation projects in Russia" In May 2015, we signed a heads of agreement with CNPC for gas supply to China via the western route, which provides, among other things, for the volume of supplies, term of contract (up to 30 bcm annually over 30 years), preliminarily agreed delivery point and other key terms of the future gas supply agreement. We continue to negotiate other contractual terms.

In May 2015, we signed a strategic partnership agreement with CNPC, which determines priority areas for cooperation, including gas supplies to China via eastern and western routes as well as assessing opportunities for pipeline gas supplies from the Russian Far East to China.

In December 2017, we signed with CNPC heads of agreement for natural gas supplies to China from Russia's Far East which sets out the basic terms of future supplies including volumes, the term of the contract, starting date of supplies, surge period, and the point of delivery. The parties continue to prepare for signing of the contract.

In December 2019, we signed a memorandum of understanding with Mongolia providing for a joint assessment of feasibility of pipeline gas supplies from Russia to China through Mongolia. In August 2020, we also signed a memorandum of intent with Mongolia providing for the setting up of a special purpose company to perform a pre-investment study of the project. The projected throughput capacity of the route from our fields in Western Siberia to the Chinese border through the territory of Mongolia may reach up to 50 bcm of gas per annum.

We are also planning to enter the LNG bunkering market in Asia. See "—Natural gas as motor and bunkering fuel and small scale LNG—Asia."

LNG

One of our gas business priorities has been the implementation of our strategic plan for the production, maritime transportation and marketing of LNG.

Our associate, Sakhalin Energy, in which we hold a 50% plus one share interest, operates the Sakhalin II project, produces and sells LNG from Sakhalin to the consumers of the Asia-Pacific region. Pursuant to a sale and purchase contract with Sakhalin Energy extending through 2028, we purchase approximately 1 million tons of LNG from Sakhalin Energy annually. Our current LNG trading portfolio also includes purchases of LNG from third parties to raise our LNG trading volumes in the short and medium term. In particular, our subsidiary GM&T Singapore has signed a contract with Yamal Trade, a subsidiary of JSC Yamal LNG, effective through 2040 providing for our purchase of up to 2.9 million tons of LNG per annum from the Yamal LNG project, and a contract with Perenco Cameroon и La Société Nationale des Hydrocarbures du Cameroun effective through 2026 providing for our purchase of up to 1.2 million tons of LNG per annum from the Cameroon FLNG project.

We supply LNG primarily to countries in Asia. In particular, our subsidiary GM&T Singapore supplies LNG under a contract with GAIL effective through 2040 and providing for our deliveries of up to 2.9 million tons of LNG per annum.

The table below sets forth the volumes of our LNG sales for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
	(million tons)				
LNG Sales	3.1	1.9	3.8	3.9	3.3

Our LNG sales volumes increased in the six months ended June 30, 2020 as compared to the corresponding period of 2019 primarily due to growing gas supplies under our contract with GAIL and an overall increase of our LNG trading portfolio due to rising gas offtake from the Yamal LNG project.

Further development of our LNG business envisages increasing our LNG trading portfolio primarily through implementation of our own gas liquefaction projects.

Third LNG production line at the Sakhalin LNG plant. Together with other shareholders of Sakhalin Energy, we have developed project documentation for the construction of a third LNG production line at the Sakhalin LNG plant with an annual projected capacity of up to 5.4 million tons. The project also envisages the construction of additional LNG storage and shipping facilities and the increase of transportation capacities from the onshore gas processing complex in the northern part of the island to the Sakhalin LNG plant.

Integrated gas processing and LNG production complex in the proximity of Ust-Luga. RusChemAlliance, our joint venture with RusGasDobycha, has started the implementation of the project for the construction of an integrated gas processing complex in the proximity of Ust-Luga in the Leningrad Region. The project envisages the construction of capacities for the production and shipment of 13 million tons of LNG per year, along with other refined products. The project is currently at its design stage. We expect to commission the first phase of the complex in 2023 and the second phase in 2024. See "Refining—Projects in refining."

LNG complex near the Portovaya CS. We are finalizing the construction of an LNG production, storage and shipment complex with an annual capacity of 1.5 million tons near the Portovaya compressor station in the Leningrad Region. The complex includes a maritime terminal to allow for shipment to LNG tankers with a varying carrying capacity, including small tonnage, and an LNG truck-loading terminal. We expect to deliver LNG from the complex primarily to commercial consumers of gas, including for maritime bunkering, and, subject to any needs, to the regasification terminal in the Kaliningrad Region. We expect to put the LNG complex on stream in 2021.

In addition, we are carrying out a feasibility study of the project for the construction of an LNG plant with an annual capacity of up to 1.5 million tons of LNG near Vladivostok in order to deliver LNG to China, Japan and other countries of the Asia-Pacific region as well as for LNG bunkering, in particular, in the Russian Far East.

We are also considering opportunities for small- and mid-scale LNG production in the proximity of the Black Sea coast to market LNG as fuel for land, marine, river transport and for autonomous gasification in the countries of the Black Sea, Danube River Basin and Mediterranean.

Russia

For the six months ended June 30, 2020 and 2019 our natural gas sales to Russia accounted for approximately 51% and 48% of the volume of natural gas we sold and for 35% and 24% of our natural gas net sales for the periods indicated. In 2019 and 2018 our natural gas sales to Russia accounted for approximately 47% and 46% of the volume of natural gas we sold and for 25% and 22% of our natural gas net sales, adjusted for retroactive gas price revisions, for the periods indicated, respectively.

Domestic market conditions

In accordance with the current legislation in Russia, natural gas is sold to customers at regulated and non-regulated prices. We are the dominant supplier of gas at regulated prices. There are also other regional gas companies operating in the regulated segment outside the UGSS. The regulated wholesale prices for gas that are currently in effect are set below those which are economically viable.

The electricity sector is the main consumer of natural gas in Russia. In addition, natural gas is also widely used in the metallurgical, agro-chemical, construction and other sectors, as well as in households (housing and utility services). Regulated prices are differentiated by consumer groups (household and industrial consumers), as well as by 60 price bands based on the relative distance from the gas production region to the consumer. The regulated wholesale prices for industrial consumers are 19% higher than those for households.

The following table presents the actual growth rates of weighted average wholesale regulated natural gas prices for industrial and household consumers:

	2019	2018	2017
Average price increase for households (average for the year, as compared with the previous year)..........	2.6%	3.6%	2.6%
Average price increase for industrial consumers [1] (average for the year, as compared with the previous year)	2.5%	2.7%	1.1%

Notes:

(1) Exclusive of new and additional gas volumes supplied pursuant to Resolution No. 333 (as defined below).

The following table presents the weighted average wholesale regulated natural gas prices for industrial and household consumers for the periods indicated:

	2019	2018	2017
Weighted annual average for industrial consumers and households (RR per mcm)[1] ...	4,224.8	4,117.2	3,988.5
Weighted annual average for industrial consumers (RR per mcm)[2]............................	4,423.7	4,316.4	4,202.3
Weighted annual average for households (RR per mcm)[2]...	3,734.4	3 640.0	3,512.9

Notes:

(1) Calculated as the combined weighted average prices to industrial and household consumers for the year indicated. Weighting is based on actual volumes delivered to each price band for household and industrial consumers, respectively (exclusive of gas volumes supplied pursuant to Resolution No. 333).

(2) Weighting is based on actual volumes delivered to each price band for each group of consumers, industrial consumers and households, separately (exclusive of gas volumes supplied pursuant to Resolution No. 333).

In order to promote market principles in the domestic gas market, the Government issued Resolution No. 333 dated May 28, 2007 "On improvement of gas prices regulation" ("**Resolution No. 333**"). Pursuant to Resolution No. 333, for the period from July 1, 2007 through January 1, 2011, we were allowed to sell natural gas to specific categories of customers at prices negotiated with our counterparties from a defined price range. Since January 1, 2011, the price range has been determined pursuant to Resolution No. 1205 "On Improving State Regulation of Gas Prices" dated December 31, 2010. These principles also applied to the new end use gas consumers and consumers purchasing natural gas volumes in excess of those stipulated in gas supply contracts for 2007. In 2019 and 2018, gas sales to these categories of customers amounted to 37.9 bcm and 34.6 bcm, with an average negotiated price which was 1.4% and 1.9% higher than the respective wholesale regulated price, respectively.

Since July 2015, the FAS has been responsible for setting wholesale gas prices in Russia. The Forecast sets forth the anticipated rates of increase of regulated wholesale gas prices. Regulated wholesale gas prices for all categories of Russian consumers increased by 3.0% from August 1, 2020 and are anticipated to rise up to 3.0% from July 1 of each year from 2021 through 2024. See "Risk Factors—Risks Relating to Our Business—We are required to supply natural gas to customers in Russia at prices that are regulated by the Government and are below those which may be economically viable to us."

In order to mitigate the risks associated with the regulated pricing for gas, we continue to engage with Russian federal state authorities to enhance the price setting mechanisms, including by way of adopting justified pricing principles that would ensure sustainable terms of domestic gas supplies.

Government Resolution No. 323 dated April 16, 2012, as amended, permits us and our affiliates to sell on commodity exchanges and in trading systems up to 25 bcm of gas per annum at unregulated prices. In 2019 and 2018, 12.4 bcm and 15.6 bcm of gas were sold on the at the Saint-Petersburg International Mercantile Exchange, respectively, of which our sales volumes amounted to 10.5 bcm and 13.6 bcm of gas, respectively. In the six months ended June 30, 2020 and 2019, 7.9 bcm and 7.1 bcm of gas were sold on the exchange, respectively, of which our sales volumes amounted to 5.8 bcm and 6.0 bcm of gas, respectively.

In addition, we and our affiliates are permitted to sell natural gas at unregulated prices to industrial customers in Russia, (i) which is intended for subsequent liquefaction and export sales (according to Government Resolution No. 1663 dated December 27, 2017); (ii) which is supplied using a liquefaction or regasification technology (according to Government Resolution No. 1442 dated November 30, 2018); (iii) which is intended for production, and subsequent export, of methanol from natural gas in gaseous state and supplied under contracts signed after November 1, 2018 for gas supplies to take place after January 1, 2020 (according to Government Resolution No. 1282 dated October 29, 2018).

We also sell gas as motor fuel through our network of NGV-refueling stations in Russia. See "—Natural gas as motor and bunkering fuel and small scale LNG—Russia."

Payments for gas deliveries in Russia

Gross accounts receivable for natural gas supplied to Russian customers (before deduction of allowance for expected credit losses) amounted to RR448,277 million, RR462,785 million and RR442,918 million as of June 30, 2020 and December 31, 2019 and 2018, respectively (including Russian VAT). As of June 30, 2020, approximately 87% of our aggregate accounts receivable for natural gas from Russian customers were overdue. As of June 30, 2020, we made provisions of RR333 billion for expected credit losses on our accounts receivable due from customers for gas sales in Russia. See "Risk Factors—Risks Relating to Our Business—Delayed, non-collectible and non-cash payments by our customers could adversely affect us."

The FSU

In the six months ended June 30, 2020 and 2019 our gas sales to the FSU countries accounted for approximately 6% and

7% of the volume of gas we sold and for 10% and 8% of our gas net sales revenues during the same periods, respectively. In 2019 and 2018 our gas sales to the FSU countries accounted for approximately 8% and 7% of the volume of gas we sold and for 9% and 8% of our gas net sales revenues, adjusted for retroactive gas price revisions, during the same periods, respectively. We supply a significant proportion of the volume of natural gas consumed in the FSU countries. Belarus is the largest consumer of the natural gas we supply to the FSU.

The following table sets out our natural gas sales volumes to the FSU countries for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
Country	**2020[(1)]**	**2019[(1)]**	**2019[(1)]**	**2018[(1)]**	**2017[(1)]**
			(bcm)		
Armenia	1.0	1.0	2.0	1.8	1.8
Azerbaijan	—	—	—	1.0	0.4
Belarus	9.3	10.3	19.9	20.0	18.8
Estonia	0.2	0.2	0.3	0.4	0.5
Georgia	0.1	0.1	0.2	0.0	0.1
Kazakhstan	1.7	3.1	7.7	6.2	4.8
Kyrgyzstan	0.1	0.1	0.3	0.3	0.3
Latvia	0.7	0.6	1.7	1.3	1.8
Lithuania	0.3	0.7	0.9	1.4	1.4
Moldova	1.5	1.5	2.9	3.0	2.7
Ukraine	—	1.5	2.8	2.7	2.4
South Ossetia	0.0	0.0	0.0	0.0	0.0
Total[(2)]	**14.9**	**19.1**	**38.7**	**38.1**	**35.0**

Notes:

(1) Management estimates.

(2) Totals may not sum due to rounding.

Sales to the FSU countries are primarily made directly by Gazprom, though we also sell natural gas through Gazprom Export and its subsidiaries.

In December 2019, we extended our contracts for gas supply to Belarus and gas transit through its territory until the end of 2020 and signed a protocol that determines a pricing mechanism for our gas supplies to Belarus for January and February 2020.We also supply natural gas to Kazakhstan, Moldova, Armenia, Georgia and other FSU countries under contracts signed with counterparties in respective countries. Our subsidiaries Gazprom transgas Belarus, Gazprom Armenia and Gazprom Kyrgyzstan supply gas to end consumers in Belarus, Armenia and Kyrgyzstan, respectively.

In addition, we sell gas through our network of NGV-refueling stations in the FSU countries. See "—Natural gas as motor and bunkering fuel and small scale LNG—FSU."

Debt settlement. The failure of a number of FSU customers to pay us for supplies of natural gas has resulted in substantial debts to us. The following table sets out accounts receivable due from customers in the FSU countries for sales of natural gas (before deduction of allowance for expected credit losses) as of the dates indicated:

	As of June 30,	As of December 31,		
	2020	**2019**	**2018**	**2017**
		(million RR)		
Ukraine	—	—	147,241	80,231
Belarus	22,452	13,059	15,453	16,801
Moldova	473,840	412,182	431,574	339,410
Other	3,872	13,137	11,242	6,942
Total	**500,164**	**438,378**	**605,510**	**443,384**

As of June 30, 2020, 95% of our aggregate accounts receivable for natural gas from FSU customers presented in the table above were doubtful or overdue, which mostly related to natural gas sales in Moldova. As of June 30, 2020, we made provisions of RR475 billion for expected credit losses on our accounts receivable due from customers for gas sales in the FSU countries. See "Risk Factors—Risks Relating to Our Business—Delayed, non-collectible and non-cash payments by our customers could adversely affect us."

To date, our efforts to obtain repayment of the debt and ensure full payments for current gas deliveries to the Transdnestria Region of Moldova, which is under separate administration, have been unsuccessful. We are limited in our ability to decrease gas deliveries to the Transdnestria Region because doing so may adversely affect our deliveries to Balkan countries.

Arbitration over our contracts signed with Naftogaz in 2009 for gas supplies to and gas transit through Ukraine began in 2014. In December 2017 and February 2018, the ICC Arbitration rendered its Gas Supplies Award and Transit Dispute Award, respectively. In December 2019, we paid U.S.$2.9 billion (including interest) to Naftogaz in accordance with the awards of the SCC Arbitration, and the parties agreed to end the disputes. In particular, Gazprom and Naftogaz concluded an irrevocable settlement agreement providing for all unresolved court and arbitration claims made against each other to be withdrawn and all possible claims relating to the 2009 gas supply and transit contracts with Naftogaz to be mutually discharged and forgone. See "Gazprom—Litigation and Investigations." Our gas transit to Europe through Ukraine was not affected by these developments. See "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas."

In the past, we were engaged in disputes with Gazprom transgaz Belarus (formerly known as Beltransgaz, which was owned by the government of Belarus) regarding pricing terms and payment for gas supplies. In particular, in 2016 and early 2017, Belorussian customers accumulated a significant amount of debt for our gas supplies. In April 2017, we signed with the government of Belarus a protocol that determines a pricing mechanism for our gas supplies to Belarus for the period from 2018 through 2019. Simultaneously, the Belorussian customers fully repaid their debt for gas supplies to the Gazprom Group. Our gas transit to Europe through Belarus was not affected. In December 2019, we extended our contracts for gas supply to and gas transit through Belarus until the end of 2020. Currently, our gas transit through Belarus is carried out in compliance with the gas transit contract whilst our gas supplies to Belarus remain to an extent unpaid. See "Risk Factors—Risks Relating to Our Business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas" and "—Transport—Existing routes of gas export and participation in foreign gas distribution networks—Natural gas transit through Ukraine and Belarus."

Cooperation with FSU countries in gas marketing

A significant element of our policy in Central Asia is the development of the gas, oil and energy infrastructure in the region to ensure effective industrial cooperation, established during the time of the USSR. In this respect, we evaluate and execute a number of joint investment projects in production, processing, transportation and marketing of hydrocarbons in the Central-Asian region. In addition, we have entered into agreements to purchase natural gas from Central Asia. See "—Joint Ventures and Alliances—Central Asia."

We purchase gas in Turkmenistan, Kazakhstan and Uzbekistan under contracts signed with our counterparties in the respective countries.

We have also signed agreements with Intergas Central Asia JSC and AO Uztransgas for transportation of central Asian natural gas through, respectively, Kazakhstan and Uzbekistan. These agreements are an important part of our strategy to increase the reliability of gas supplies from the region.

The following table sets out the volumes of gas we purchased from the FSU countries for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(bcm)		
Turkmenistan	1.7	1.2	4.0	–	–
Kazakhstan	4.1	5.4	11.6	12.6	14.1
Uzbekistan	0.0	3.3	7.6	6.7	7.2
Total	**5.8**	**9.9**	**23.2**	**19.3**	**21.3**

Sales of liquid hydrocarbons and refined products

This section sets forth information relating to our Production of crude oil and gas condensate segment and Refining segment as they relate to sales of liquid hydrocarbons and refined products, each as defined in the Group's Financial Statements. For information relating to exploration and production of oil and gas condensate, see "Reserves and Production," for information relating to processing of oil, gas condensate and other hydrocarbons, see "Refining."

In Russia, we also sell liquid hydrocarbons pursuant to long-term contracts and in spot transactions. Our sale of liquid hydrocarbons and refined products in Russia is principally conducted by Gazprom and Gazprom Neft. Our export operations are conducted primarily by Gazprom Export and Gazprom Neft.

The primary export markets for our crude oil are European countries, where we mainly supply Urals crude oil. The prices for our supplies are based on formulas tied to prices of Urals crude oil. In the six months ended June 30, 2020, the average price of Urals crude oil decreased by 39% to U.S.$ 40 per barrel, as compared to the respective period of 2019.

The following table sets out sales volumes of crude oil and gas condensate for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(million tons)		
Russia[(1)]	1.5	1.3	2.6	2.7	4.3
Europe and Other Countries	10.3	9.8	22.9	21.2	21.6
FSU countries	0.3	0.9	1.7	1.7	1.7
Total	**12.1**	**12.0**	**27.3**	**25.6**	**27.6**

Note:

(1) The volumes of crude oil and gas condensate sold to indicated markets do not include intra-group sales. The total volume of crude oil and gas condensate sold by the Group is included, both own production and purchased from third parties.

In 2019, our sales volumes of crude oil and gas condensate increased as compared to 2018, primarily due to increased oil production at, and exports from, the Novoportovskoye and the Vostochno-Messoyakhskoye fields as well as a decrease in oil refining.

The following table sets out sales volumes of refined and petrochemical products (excluding helium) for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(million tons)		
Russia[(1)]	19.2	21.0	43.1	43.2	40.8
Europe and Other Countries	12.0	11.3	23.5	21.3	20.9
FSU countries	1.5	1.5	3.6	4.4	4.3
Total	**32.7**	**33.8**	**70.2**	**68.9**	**66.0**

Note:

(1) The volumes of refined and petrochemical products sold to the consumers of the corresponding sales markets are presented net of intercompany sales. The data includes sales volumes of refined products produced by the Group and purchased from third parties.

In the six months ended June 30, 2020, our sales volumes of refined and petrochemical products decreased primarily due to a weakened demand as a result of the COVID-19 pandemic.

In 2019, our sales volumes of refined and petrochemical products increased in Europe and Other Countries as compared to 2018 primarily as a result of a growth in motor gasoline and furnace oil sales volumes due to their higher efficiency in this geographic segment compared to the Russian and FSU markets.

In 2019 and 2018, our sales of gaseous helium amounted to 3.6 million cm and 3.4 million cm, respectively. In the six months ended June 30, 2020 and 2019, our sales of gaseous helium amounted to 1.7 million cm and 1.8 million cm, respectively. We sell almost all of our gaseous helium in Russia. In addition, we sold 215 tons and 260 tons of liquid helium in 2019 and 2018, respectively. In the six months ended June 30, 2020 and 2019 our sales of liquid helium amounted to 79 tons and 118 tons, respectively.

Distribution Networks

Gazprom Neft operates one of the most extensive distribution networks in Russia. Gazprom Neft also owns the retail network in the FSU, Europe and Other Countries, including Serbia, Romania, Bulgaria, Bosnia and Herzegovina.

As of June 30, 2020, our subsidiary, Gazprom Neft, operated a network of 1,861 gasoline stations (excluding franchisees' stations), including 610 gasoline stations outside Russia. In addition, Gazprom Neft's franchisees operated 232 gasoline stations in Russia and Europe. Gazprom Neft sold approximately 10.5 million tons and 11.3 million tons of oil products through its own and franchisees' gasoline station networks in 2019 and 2018, respectively. Gazprom Neft sold approximately 4.5 million tons and 5.1 million tons of oil products through its own and franchisees' gasoline station networks in the six months ended June 30, 2020 and 2019, respectively.

Natural gas as motor and bunkering fuel and small scale LNG

Europe

We operate in the NGV fuel segment in the European market through our 100% subsidiary Gazprom NGV Europe GmbH in Germany and the Czech Republic, and through NIS, a subsidiary of Gazprom Neft, in Serbia. As of June 30, 2020, we owned 64 NGV-refueling stations in Europe. Through our NGV-refueling and cryo gas filling stations, we sold 13.8 mmcm and 12.9 mmcm of compressed natural gas in Europe in 2019 and 2018, respectively.

In addition, a subsidiary of Gazprom Neft plans to commission a maritime refueling LNG tanker for board to board shipment of LNG for deliveries to ports of the Baltic Sea from our LNG complex near the Portovaya CS which is expected to come on stream in 2021. See "—Europe and Other Countries—LNG."

Asia

In October 2015, pursuant to the agreement with PV Gas, a subsidiary of Petrovietnam, we established a joint venture, PVGAZPROM, which is expected to engage in the construction and operation of gas engine fuel production and marketing facilities in Vietnam. Currently, PV Gas holds a 29% interest in PVGAZPROM while GGT, our 50/50 joint venture with GPB, and our subsidiary Gazprom EP Int., each holds a 35.5% interest in PVGAZPROM. PVGAZPROM has produced a feasibility study of a project for the construction of a small-scale gas liquefaction complex ("**GLC**") with an annual production capacity of up to 20 mmcm of LNG and distribution facilities in the southern provinces of Vietnam. The feasibility study is currently awaiting approval of the project participants.

In November 2016, we also signed with CNPC a memorandum to explore the opportunities to promote natural gas as vehicle fuel, including performing a joint marketing study of using LNG as a vehicle fuel along the Europe – China international transport route. In May 2017, we signed with CNPC, China Communications Construction Company Ltd. and Russian Highways State Company a memorandum providing for the parties' cooperation in developing road infrastructure of the Europe–China international transport route and in promoting LNG to fuel vehicles along that route.

In October 2017, we signed a memorandum of understanding with CNPC and KazMunayGaz reflecting the parties' interest in long term strategic cooperation in the NGV market, including the development of NGV-refueling infrastructure of the Europe –China international transport route.

Russia

We sell compressed gas in Russia through a network of NGV-refueling stations, including those served by gas-refueling vehicles, and are expanding this network in Russia by constructing new NGV-refueling stations, purchasing third-party stations and installing compressed natural gas units at existing and projected third-party gasoline stations. We also sell LNG from our GLCs in Russia. To enhance the efficiency of implementing our strategy in the gas engine fuel market, we have established GGT which is currently our 50/50 joint venture with GPB.

Public transport, cargo trucks, passenger vehicles and municipal vehicles are currently major consumers of compressed gas in Russia. We are implementing a number of pilot projects relating to the utilization of LNG in long-distance motor transport, railway and water transport.

GGT has signed memoranda of understanding with major Russian and foreign machinery and automobile producers and a railroad transportation company concerning potential cooperation in using gas as a motor fuel. GGT has also signed agreements with certain Russian regions, including the Leningrad, Kaliningrad, Rostov and Belgorod regions as well as Moscow and Saint-Petersburg, providing for promotion of natural gas as a motor fuel, in particular, for public transport and road machinery.

In addition, Gazprom LNG technologies, our 50/50 joint venture with GazHolodTekhnologiya, is implementing investment projects to develop GLCs in the Tyumen Region, the Yamal-Nenets Autonomous Area and the Khanty-Mansi Autonomous Area which would produce LNG for railway locomotives. The aggregate annual design capacity of the three GLCs is approximately 76,000 tons of LNG and they are expected to be put into operation from 2021 to 2022. Gazprom LNG technologies is also implementing an investment project to develop a GLC in the Tver Region allowing to produce LNG for motor fuel, with an annual projected capacity of 40,000 tons, and expects to put it into operation in 2021. Gazprom LNG technologies is expected to manage GLCs and market LNG to end users, both directly and through the retail network of the Group.

As of June 30, 2020, we operated a network consisting of 307 operating NGV-refueling stations in Russia. We sold 779 mmcm of compressed natural gas through NGV-refueling stations in Russia in 2019, as compared to 598 mmcm in 2018. We sold 396 mmcm and 353 mmcm of compressed natural gas through NGV-refueling stations in Russia in the six months ended June 30, 2020 and 2019, respectively.

FSU

We also sell compressed gas through NGV-refueling stations in the FSU countries. In particular, our subsidiaries, Gazprom transgaz Belarus, Gazprom Armenia and Gazprom Kyrgyzstan operate NGV-refueling stations in Belarus, Armenia and Kyrgyzstan, respectively. We sold a total of 55 mmcm and 42 mmcm of compressed natural gas through these stations in 2019 and 2018, respectively.

Electric and heat energy generation and sales

Our Electric and heat energy generation and sales segment sells electric and heat energy to third parties.

Financial Highlights

The following table sets forth selected financial data with regard to our Electric and heat energy generation and sales segment as defined in the Group's Financial Statements:

	Electric and heat energy generation and sales				
	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
Assets, million RR	880,142	889,554	882,264	911,036	868,933
Share of Group's total assets	4%	5%	4%	5%	5%
Sales,[1] million RR	252,240	277,895	518,373	522,095	503,819
Share of Group's total sales	9%	7%	7%	6%	8%
Capital additions, million RR	40,201	26,144	79,001	72,907	58,110
Share of Group's total capital additions	7%	4%	4%	4%	4%

Note:

(1) Excluding inter-segment and intra-segment operations.

The following table sets out electric power and heat generated by the Group for the periods indicated:

	For the six months ended June 30,		For the year ended December 31,		
	2020	2019	2019	2018	2017
			(billion kWh)		
Electric power generated					
Russia	67.8	78.7	148.0	151.5	155.5
Europe and Other Countries	—	—	—	—	—
FSU countries	0.3	0.2	1.0	1.7	1.1
Total	**68.1**	**78.9**	**149.0**	**153.2**	**156.6**
			(million Gcal)		
Heat generated					
Russia	65.5	69.5	122.4	131.2	127.3
Europe and Other Countries	—	—	—	—	—
FSU countries	—	—	—	—	—
Total	**65.5**	**69.5**	**122.4**	**131.2**	**127.3**

The decrease in our electricity generation in the six months ended June 30, 2020 as compared to the respective period of 2019 primarily resulted from a lower utilization of our equipment to comply with directions of the grid operator. In the same period, our heat generation decreased due to warmer weather conditions.

The decrease in our electricity generation in 2019 as compared to 2018 was primarily due to a lower utilization rate of less efficient power generating capacities of Gazprom energoholding. In the same period, our heat generation decreased due to warmer weather conditions.

Russia

We are one of the largest owners of power generating assets in Russia most of which are consolidated in our subsidiary Gazprom Energoholding and include OGK-2, TGC-1, Mosenergo and MIPC. In addition, our subsidiary Gazprom neftekhim Salavat is the owner of certain power generation assets.

In 2019, Gazprom Energoholding accounted for approximately 16% of the total installed power generating capacity and approximately 14% of total electricity generation in Russia.

The following table sets out electric power and heat generating capacity of the major Russian generation companies controlled by the Group as of June 30, 2020:

Electric power generating capacity, GW	
Mosenergo	12.8
OGK-2	19.0
TGK-1	6.9
Gazprom neftekhim Salavat	0.9
Heat generating capacity, thousand Gcal/h	
Mosenergo	43.8
OGK-2	4.0
TGK-1	13.5
MIPC	5.6
Gazprom neftekhim Salavat	2.4

The electric power generated by the Group's Russian generating companies is sold primarily on the domestic wholesale electric power and capacity market with small volumes being exported and sold in the retail market. To maintain the required level of supplies under regulated contracts during repair periods, the Group's generating companies purchase additional electric power for resale. Most of our electric power sales revenues come from sales at unregulated prices in the day-ahead market and the balancing market with a portion of our electric power being sold at regulated prices (tariffs). We sell heat energy at prices regulated by the FAS. Capacity sales are made primarily at regulated prices which apply to the capacity delivered under capacity supply contracts and in certain other circumstances as well as through competitive procedures at unregulated prices. In addition, we offer electric power and capacity under bilateral contracts with wholesale customers.

FSU and Europe and Other Countries

Gazprom Armenia, our wholly owned subsidiary, currently owns and operates Razdan-5, with an installed capacity of approximately 0.5 GW. Razdan-5 is the fifth energy unit of the Razdan thermal power plant, a major thermal power plant in Armenia. In January 2012, Razdan-5 started supplying electricity domestically. Gazprom Armenia generated 0.3 billion kWh, 0.2 billion kWh, 0.9 billion kWh and 1.6 billion kWh of electricity in the six months ended June 30, 2020 and 2019 and the years ended December 31, 2019 and 2018, respectively.

We carry out electric power trade operations at European trading platforms and supply electric power to end consumers in the United Kingdom and the Netherlands. In 2019 and 2018, our supplies to end consumers amounted to 1.6 billion kWh and 1.5 billion kWh.

We are considering opportunities to increase our gas supplies to electric power generating facilities outside Russia. In particular, we are considering opportunities to participate in construction of and acquire interests in power generation assets in Asia, Africa and Latin America in order to enable additional supplies of our LNG. We are also entering into commercial transactions (contracts for supply of electric power, tolling agreements, energy management agreements) with European power plants.

Currently, our subsidiaries Gazprom Energoholding and NIS are engaged in the construction of an electric power plant in Panchevo, Serbia, with a projected installed capacity of approximately 200 MW. We expect to commission the plant in 2021. We are also considering opportunities for the construction of other power plants in Serbia. In particular, in June 2019, Gazprom Energoholding signed an agreement of intent with the Republic of Serbia which provides for a potential joint venture for the construction of gas-powered power plants in Serbia, including in the city of Kragujevac.

All other segments

Because of the broad geographic range of our core business, the remoteness of our fields and the relatively undeveloped infrastructure in the regions in which we produce natural gas, we operate our own communication business as well as various other activities, such as food processing and procurement and transportation (including road transport and aviation), to support our operations in the exploration, production, and transportation of our gas. We also have interests in various companies that conduct other activities supporting our main business.

Financial highlights

The following table sets forth selected financial data with regard to our All other segments segment which combines operating segments that are not separately disclosed in the Group's Financial Statements:

	All other segments	
	As of and for the six months ended June 30,	As of and for the year ended December 31,

	2020	2019	2019	2018	2017
Assets, million RR..	1,641,074	1,382,699	1,612,910	1,428,467	1,131,509
Share of Group's total assets	8%	7%	8%	7%	6%
Sales,[1] million RR..	132,406	161,315	324,204	363,993	372,225
Share of Group's total sales	5%	4%	4%	4%	6%
Capital additions, million RR	32,085	62,573	121,394	149,089	86,457
Share of Group's total capital additions..	6%	10%	7%	8%	6%

Note:

(1) Excluding inter-segment and intra-segment operations

Insurance

Exploration, production, refining and transportation of natural gas, gas condensate and crude oil carry numerous operational risks.

The Group maintains insurance coverage to cover the substantial operations of the Group and to minimize the volume of financial resources directed to the mitigation of consequences resulting from natural and technogenic accidents and other undesired events.

The Group maintains comprehensive insurance policies covering the following: (i) fixed assets, including pipelines, compressor and gas distribution stations, gas processing plants, wells and field equipment against "all risks" with a per incident coverage limit of U.S.$47.0 million (U.S.$60.0 million with respect to gas processing plants); (ii) business interruption risks as a result of property damage to gas processing plants with a per incident coverage limit of U.S.$20.0 million; (iii) full value insurance of offshore drilling units and ships; (iv) full value insurance of builder's risks with respect to new construction, repairs, reconstruction and modernization projects; (v) full value insurance of material and technical resources used for the construction, reconstruction and modernization of major production facilities, in particular during transportation periods; (vi) environmental liability, life, health and third-party property liability insurance with a per incident and aggregate coverage limit of U.S.$400.0 million (including a U.S.$200.0 million of per incident and aggregate coverage limit for environmental risks); and (vii) liability insurance for members of Gazprom's Board of Directors, Management Committee and heads of departments of Gazprom with respect to potential unintentional erroneous actions while carrying out management activity, with a total indemnity cover of U.S.$100.0 million.

In accordance with Russian laws, the Group also maintains insurance policies covering: (i) mandatory liability insurance of owners of dangerous objects resulting from incidents on production facilities of the Group, (ii) civil liabilities of automobile owners and (iii) compulsory liability insurance of carriers resulting from damage to life, health and property of passengers.

In addition, the employees of the Group and their family members are insured under our voluntary medical insurance programs and our accident and illness insurance programs. Our management is insured under long term life insurance programs.

Gazprom Neft maintains insurance policies covering: (i) the production fixed assets of its production companies against all risks with a coverage limit of RR4.5 billion per incident for onshore assets and €2.4 billion for offshore assets (including shelf projects); (ii) business risks (revenue losses and necessary fixed costs caused by an interruption of operation) of its production companies with a per incident coverage limit up to €0.8 billion; (iii) the production fixed assets against all risks and business risks (revenue losses and necessary fixed costs caused by an interruption of operation) of its refining companies with a combined per incident coverage limit of up to €0.9 billion; (iv) export products, such as oil, refined and petrochemical products, with insurance coverage of up to U.S.$50 million for each shipment; (v) risks relating to construction in large investment projects (with a project value of more than RR600 million for production companies and €50 million for refining companies) and reconstruction and modernization of fixed assets (with unlimited insurance coverage); (vi) fueling vehicle liability with a coverage limit of up to U.S.$750 million per incident; (vii) certain risks required by applicable law to be insured against, including liabilities of enterprises exploiting dangerous production facilities and civil liabilities of automobile owners; (viii) voluntary medical insurance for employees and partial accident insurance; (ix) liability insurance for members of Gazprom Neft's board of directors and its management with a total indemnity cover of U.S.$50.0 million per incident (with certain limitations of insurance coverage for independent directors); (x) third-party liability insurance for ship owners with a coverage limit of U.S.$1.0 billion to U.S.$3.0 billion; and (xi) hull insurance for land, maritime and aircraft transport; (xii) voluntary third-party environmental liability insurance with an extension of coverage in accordance with applicable law with a per incident coverage limit of €500 million; (xiii) insurance against loss of well control and related costs for wells costing over RR600 million or located at fields with extremely high formational pressure and/or temperature, with a per incident coverage limit of RR5.5 billion for offshore wells and up to RR6.0 billion for onshore exploration wells at new fields;. (xiv) insurance of accounts receivable against risks of overdue debt for oil products supplied by Gazprom Neft with a coverage limit of RR1.5 billion for each customer.

We select the insurers in accordance with our Procurement Regulation. See "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Procurement Law." We purchase our insurance policies mainly from Sogaz Insurance, one of the leaders in the Russian insurance market. The Group's risks are reinsured on the international and domestic insurance markets with insurance and reinsurance companies with high ratings of reliability.

Competition

The oil and gas industry is currently subject to several important influences that impact the industry's competitive landscape. These include the following:

Consolidation. In the past few years, the strategic and competitive landscapes of the oil and gas markets have been transformed by mergers and acquisitions, driven mainly by aspirations for greater profits and intensified competition to capture the growing potential of new, attractive business opportunities.

Technological advances. Technological innovations in the oil and gas industry have improved the efficiency in exploring and developing hydrocarbon resources. Active and effective application of advanced technology has helped to improve geological exploration success rates, to increase field life and recovery rates from existing fields and to reduce full project cycle costs. In general, there is comparable access to technology across the industry, and to achieve our strategic and financial goals, we seek to compete by applying available technology to complex projects.

Environmental and social concerns. Oil and gas companies worldwide are also facing increasing demands to conduct their operations in a manner consistent with environmental protection and social goals. Investors, customers and governments are more actively following companies' performance with respect to environmental responsibility, human rights and the development of alternative and renewable fuel resources. Specific sustainability ratings have become the important indicators and commonly used tools by investors to compare achievements and competitive positions of companies with respect to environmental and social issues.

We expect competition of natural gas with non-fossil energy sources to intensify. However, international policies and initiatives that purport to address climate change, such as the Paris Agreement and the related commitments made by participating countries, could have a positive effect on the competitive position of natural gas as compared to other fossil fuels. See "Risk factors—Environmental concerns and actions, such as initiatives to address climate change or direct action by activist groups or other means, may hamper our operations."

Europe

The table below shows the proportion of European natural gas consumption attributable to different sources of natural gas supply to Europe in the six months ended June 30, 2020:

Country	**% of natural gas consumption in Europe in the six months ended June 30, 2020**[(2)]
Russia, pipeline gas (Gazprom Group)	27.8
Norway[(1)]	21.8
United Kingdom	8.0
Qatar	6.6
United States	6.2
Algeria	5.2
Netherlands	4.4
Russia, LNG (other producers)	3.9
Nigeria	2.9
Azerbaijan	2.1
Romania	1.7
Other supplies	7.8

Source: Data for Gazprom Group exports in Europe in the six months ended June 30, 2020, assessments based on statistical data provided by the IEA, EUROSTAT, Bloomberg, national statistical agencies.

Note:

(1) Deliveries from Norway include natural gas and LNG supplied to the European markets. LNG delivered to other regions is disregarded.

(2) The total is less than 100% because a portion of gas consumption was covered by withdrawals from UGSFs.

In recent years, European gas markets have experienced significant restructuring. In particular, a deregulation and liberalization of the EU gas market has taken place resulting in greater competition in the market and reduced gas prices for end customers. See "Overview of the Russian gas industry, classification of reserves and certain applicable regulatory matters—Regulation Abroad." Furthermore, competition in the EU gas market is also rising due to the increase of regasification capacities in the region. In particular, this contributes to heightened competition between pipeline gas and LNG from various countries, including the United States and Qatar, in the European gas market. See "Risk Factors—Risks Relating to Our Business—We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers and actions of antitrust regulators, structural changes in our markets or regulation can intensify this competition or otherwise adversely affect our operations or financial position."

In addition, the quotations on the European gas trading floors are significantly affected by speculative activity of traders on trading floors. In order to prevent a significant difference between the prices we charge under our long-term contracts and prices charged by our competitors, we have amended our long-term contracts, including through introduction of a spot component as part of the pricing mechanisms and revising the obligations under the take-or-pay provisions with some of our customers. Currently, a significant portion of our gas sales volumes in Europe and Other Countries is priced by reference to various price indices quoted on the European liquid trading floors.

Since the beginning of 2020, the competition in the core European markets supplied with Russian gas has increased due to the impacts of the COVID-19 outbreak and high utilization rates of UGSFs and LNG storage facilities in Europe. An economic slowdown in North-East Asia caused by COVID-19 led to the falling of prices for LNG to record lows. As a result, significant volumes of LNG were re-directed to Europe, which exerted pressure on natural gas prices and pipeline gas imports in Europe in the first half of 2020.

However, based on experts' forecasts of gas production and consumption in Europe, we anticipate a gradual recovery of demand for imported gas. In particular, we expect gas production in European countries to continue to decline due to the depletion of explored natural gas reserves and gas production restrictions in the region. Therefore, we expect imports from Russia, Algeria and other countries outside of Europe to increase. Accordingly, long term arrangements for gas supply to Europe are likely to be of a continuing significance. By providing long term guarantees for natural gas supplies and offtake, and setting predictable prices, the long-term contracts meet both suppliers' and consumers' strategic interests.

Relatedly, in response to the changes in the European market, we have been increasingly involved in short-term gas transactions, including those on trading boards. In particular, in August 2018, we launched an electronic trading board at Gazprom Export in order to flexibly respond to changing market conditions and sell additional balancing gas volumes, complementing our gas sales under long-term contracts. In particular, such mechanism makes our sales more competitive because it enables us to offer to our customers a range of delivery periods, starting from one day, and a variety of gas transfer points, including illiquid and near-border ones.

In addition, we have entered into a number of marketing joint ventures operating in certain European countries.

Asia

We consider the Asian gas market as one of the most promising in the world. As currently anticipated, the major growth in consumption of natural gas in Asian countries would take place in China, to be driven by its economic growth and a related increase in energy use, governmental measures to bolster natural gas use and the Chinese government plans to reduce coal utilization in order to improve environmental conditions in its cities. In recent years natural gas consumption growth in the Chinese market surpasses that of other natural resources.

The ability to increase domestic production in China is limited, and therefore, the growth in demand is based on imports. Our expectation is that such trend would remain unchanged in the long run. Today, the key role of securing natural gas supplies belongs to LNG imports and pipeline deliveries from Central Asia. In the meantime, natural gas supplies through the Power of Siberia pipeline that started at the end of 2019 are expected to alter the balance in the Chinese market, as in the principal target regions, including north-eastern China, as well as Beijing and Shanghai metropolitan areas, the Russian pipeline gas is expected to be one of the most competitive supply sources. Presently, a gas distribution network is actively developed in China to deliver Russian gas. We hope that, subject to the COVID-19 outbreak consequences beginning to wane, the deliveries via the Power of Siberia would allow us to take up a strong position in the Chinese market. We are also engaged in negotiations with the Chinese partners to launch other natural gas supply projects. See "—Distribution—Europe and Other Countries—Asia."

Russia

With regard to natural gas sales in Russia, we face competition from independent suppliers that increased their combined share in Russian gas production from 27% in 2013 to 34% in 2016 and decreased to 32% in 2019. The largest independent gas suppliers in Russia are Novatek and Rosneft.

Wholesale gas prices we realize in Russia are regulated by the Government. This limits our opportunities to compete with independent gas suppliers that sell their gas at unregulated prices allowing them to offer their customers more flexible pricing terms. In addition, our gas tends to be replaced by gas supplied by the independent suppliers in the regions where the independent suppliers produce gas and adjacent regions. For instance, independent suppliers dominate in the gas market of the Khanty-Mansi Autonomous Area, the Perm Territory, the Tyumen Region and the Novosibirsk Region. In addition, the independent suppliers exclusively supply gas to certain regions including the Chelyabinsk Region, Sverdlovsk Region, the Kostroma Region and the Lipetsk Region. However, independent suppliers do not supply gas to a number of regions in the Central and Southern Federal Districts of Russia due to their remoteness from their production sites.

We are taking the following steps to maintain and expand our market share: (i) purchasing gas from independent suppliers for resale to customers in the domestic market, and (ii) implementing gasification programs in Russian regions that increase gas consumption through new gas utilizing infrastructure facilities and customers in the housing and utilities sector. The amendments to the current legislation allowing us to grant discounts to large industrial customers in Russia are under consideration by the Government. We continue to engage with Russian federal state authorities regarding these amendments and believe that their adoption will enable us to retain and expand our market share in Russia.

We also face competition in the Russian market of liquid hydrocarbons and refined products, primarily from Rosneft and Lukoil and their respective subsidiaries. In addition, Sibur, Novatek and Lukoil are our major competitors in the Russian market of liquefied hydrocarbon gases.

Research and Development

Gazprom's program for innovation development, effective through 2025, is one of the tools for long-term planning and management of Gazprom's innovations. The program covers off gas, oil and energy segments of Gazprom's business operations and the priority in the technological development is afforded to geological study and exploration technologies, increasing the efficiency of fields' production, including greenfield projects, continental shelf and non-conventional resources, transportation efficiency, gas storage and hydrocarbons refining, LNG production technologies as well as use and sale of gas. The organizational innovations are aimed at, in particular, improving the research and development and sustainable development processes, corporate governance, long-term planning, cost and investment management, risk management, business modeling processes and pricing and tariff policy.

In addition, we are engaged in innovative projects for developing the production and utilization of methane-hydrogen mixtures aimed at reducing the carbon footprint and increasing the efficiency of Russian gas supplies, as well as projects for production of hydrogen out of methane without emissions of carbon dioxide aimed at diversification and increasing the efficiency of pipeline gas utilization. We expect that the full-scale application of such technologies can prompt demand for natural gas as feedstock for hydrogen production.

In 2019, our innovative research and development costs amounted to RR12.1 billion compared to RR9.0 billion in 2018.

In addition, we carry out certain technological works including rendering research and development services, development of financing and investing mechanics for scientific and technical projects and execution of technological strategy in the oil production business.

Health, Safety and Environment

The Group's businesses primarily involve the intensive use of natural resources. Therefore, our operations in Russia and abroad are subject to environmental, sanitation-and-epidemiological, industrial and fire safety laws and regulations. These laws govern, among other things, regulations on the composition of emissions into the atmosphere, wastewater discharges and discharges to water, the use, handling and disposal of hazardous substances and wastes, soil and groundwater contamination, pollution of the geological environment, conservation of biodiversity and human health, occupational and fire safety. We believe that our business is in compliance with the requirements of Russian and international laws and regulations.

Because we are a global energy company, environmental, health and safety risks are inherent in our operations. See "Risk Factors—Risks Relating to Our Business—As an energy company we may incur material costs to comply with, or as a result of, environmental, health and safety laws and regulations" and "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters—Russian Regulation—Environmental requirements." In May 2015, Gazprom's Management Committee approved a new Gazprom's Environmental Policy which reflects major trends in environmental protection, including our commitment to ensure environmental safety while developing hydrocarbon fields on the continental shelf and in the Artic zone of the Russian Federation, and sets forth our obligations to reduce greenhouse gas emissions. In addition, the Group employs renewable energy sources for electric power generation. In particular, in 2019, generation from renewable sources accounted for approximately 8% of our total electric power generation, which was mostly attributable to hydrogenation but also included wind and solar energy.

In addition, we are engaged in innovative projects for developing the production and utilization of methane-hydrogen mixtures aimed at reducing the carbon footprint and increasing the efficiency of Russian gas supplies, as well as projects for production of hydrogen out of methane without emissions of carbon dioxide aimed at diversification and increasing the efficiency of pipeline gas utilization. We expect that the full-scale application of such technologies can prompt demand for natural gas as feedstock for hydrogen production.

We have developed and continue to improve a system for environmental monitoring and control in the regions where our facilities are deployed, including the continental shelf. We are implementing our systems of environmental management in our subsidiaries in accordance with the ISO 14001:2015 standard. Our core natural gas, gas condensate and crude oil production, transportation, storage, processing and refining, and our principle power generating subsidiaries have adopted the ISO 14001:2015. In November 2019, an independent certifying entity confirmed that Gazprom's system of environmental management complied with the ISO 14001:2015 standard. Our operations have not caused any serious accident or malfunction that has resulted in a material financial impact on the company.

The table below shows environmental costs of the Group for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
		(RR billion)	
Current environmental protection costs	32.2	39.2	34.5
Capital expenditures related to environmental protection and sustainable use of natural resources	20.4	29.2	35.6
Negative environmental impact charges	0.6	0.6	0.8
Total	**53.2**	**69.0**	**70.8**

Our current environmental protection costs in Russia decreased in 2019 as compared to 2018 mainly due to methodology changes in accounting for current environmental costs at Gazprom neftekhim Salavat.

Our capital expenditures related to environmental protection and sustainable use of natural resources decreased in 2019 as compared to 2018 primarily due to completion of certain capital intensive exploration and production projects at Gazprom Neft.

Recent inspections of the Group's facilities, including field development, the GTS, refining and energy generating facilities, by the Russian state environmental authorities have not identified any significant environmental violations.

Decommissioning and site restoration costs that may arise at the end of life of any of our production facilities are recognized when there is a current legal or a voluntarily assumed obligation having arisen from past events and the probability of an outflow of funds due to the need to fulfill such obligation, and, if a reasonable estimate of the obligation can be made. Assessing the quantum of such obligations and determining the time of their occurrence is to a large extent based on judgement. Such assessment is based on cost analysis and available technical solutions taking into account the existing technologies and is carried out in accordance with the applicable environmental laws. Decommissioning and site restoration obligations may change due to changes in laws, regulations and their interpretation.

With regard to occupational safety, Gazprom carries on its operations in accordance with the policy on labor protection, industrial, fire and road-traffic safety (the "**H&S Policy**"), the Labor Code of the Russian Federation, Federal Law No. 116-FZ "On Industrial Safety of Hazardous Production Facilities", dated July 21, 1997, as amended, Federal Law No. 69-FZ "On Fire Safety", dated December 21, 1994, as amended, and other enactments.

Our health and safety policy prioritizes: (i) maintaining safe working conditions and preservation of life and health of our personnel; (ii) minimizing the risk of occurrence of accidents at hazardous production sites; (iii) minimizing the risk of traffic accidents related to production activities; and (iv) ensuring fire safety. These objectives are achieved through prevention of occupational illnesses, industrial accidents, fires and road traffic accidents by means of (i) identification of hazards; (ii) assessing and managing risks relating to health and safety; and (iii) health and safety awareness of employees and their representatives and their involvement into the health and safety management system.

To implement the H&S Policy, Gazprom has been operating the Unified Occupational Health and Safety Management System of PJSC Gazprom(the "**H&S System**"), which provides for a set of provisions, measures and recommendations that establish a unified procedure for organizing work aimed at securing safe and healthy working conditions for the employees, consistent with law, based on achievements of science and technology, having regard to industry specifics and peculiarities of the companies within the Group.

The H&S System is adopted in Gazprom and its main exploration, production, processing, transportation, underground storage, and distribution subsidiaries, as well as subsidiaries involved in the maintenance and operation of the GTS. In aggregate, our H&S System covers a total headcount of approximately 319,000 employees.

In order to ensure a safe and secure production process, Gazprom has adopted a production safety management system development strategy of Gazprom for the period until 2021 (the "**H&S Strategy**"). The implementation of the H&S Strategy will allow for the system integration and coordination of research and development, production and technological, financial, administrative and educational resources aimed at developing innovative technologies, effective organizational structures and economically justified measures ensuring highest standards of industrial safety within the Group.

Starting from 2014, the H&S System has been certified for compliance with the requirements of OHSAS 18001:2007 by the international certification body Russian Register (IQNet International Certification Network).

Gazprom Neft's subsidiaries and our power generating companies consolidated by Gazprom Energoholding employ proprietary occupational safety management systems, which comply with and, in certain instances, exceed statutory requirements. Certain subsidiaries of Gazprom Neft have also obtained the OHSAS18001:2007 standard compliance certificates. The purpose of implementing the industrial safety management systems by our subsidiaries is to preserve the health of our employees, maintain reliability of operations at our industrial sites and reduce the amount of industrial injuries and accidents.

The table below sets out lost-time injury frequency rates ("**LTIFR**") and fatal accident rates ("**FAR**") of our production and service companies in Russia, in particular: (1) our gas business subsidiaries covered by the H&S System, (2) subsidiaries of Gazprom Neft representing our oil business, (3) subsidiaries of Gazprom Energoholding representing our power and heat generation business, and (4) subsidiaries of Gazprom neftekhim Salavat representing our petrochemical business, for the periods indicated.

	LTIFR[(1)]			**FAR**[(2)]		
	For the year ended December 31,					
	2019	**2018**	**2017**	**2019**	**2018**	**2017**
Gas business subsidiaries	0.09	0.17	0.11	1.35	0.57	1.17
Gazprom Neft	0.50	0.64	0.60	1.46	0.74	3.08
Gazprom Energoholding	0.12	0.28	0.25	0.00	0.00	1.57
Gazprom neftekhim Salavat	0.13	0.00	0.14	0.00	0.00	6.97

Note:

(1) Lost time injuries divided by total hours worked by all employees multiplied by 1,000,000.

(2) Fatalities divided by total hours worked by all employees multiplied by 100,000,000.

Litigation and Investigations

We are from time to time the subject of legal proceedings and other investigations in the ordinary course of our business. Except as disclosed below, neither Gazprom nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Gazprom is aware) during the twelve months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Group.

International Litigation and Investigations

In May 2018 the European Commission announced the termination of an antimonopoly investigation into an alleged violation of EU antitrust laws by Gazprom and Gazprom Export in certain countries of Central and Eastern Europe and accepted our pro-competition commitments, which came in effect on May 28, 2018 and consist of the following:

(a) The elimination of contractual barriers for free movement of gas in and between eight countries of Central and Eastern Europe (Estonia, Lithuania, Latvia, Poland, Slovakia, the Czech Republic, Hungary and Bulgaria):

- commitments not to use and not to introduce new territorial restrictions and to send notice on that to relevant gas buyers;

- a commitment to facilitate integration of the Bulgarian gas market with gas markets of neighboring EU member states through amending our contracts with buyers in Bulgaria on conditions provided by the pro-competition commitments;

- a commitment to offer relevant gas buyers from selected countries of Central and Eastern Europe the rights to transfer points of delivery of gas to or from Estonia, Latvia, Lithuania and Bulgaria on conditions provided by the pro-competition commitments.

(b) Changing contractual practices regarding the revision of gas prices:

- a commitment to address within the prescribed period to relevant gas buyers with a proposal for setting appropriate competitive price benchmarks when gas prices revision being performed, and more frequent and accelerated mechanism for gas prices revision.

(c) Changing behavioral practices in Bulgaria:

- commitment to the Bulgarian partners that Gazprom and its subsidiaries will not sue them for damages in connection with the termination of the implementation of the Bulgarian part of the South Stream project.

On October 15, 2018, PGNiG S.A. appealed to the General Court of the EU against the decision of the European Commission on pro-competition commitments. PGNiG S.A. appeal is currently under consideration.

On March 14, 2017, PGNiG S.A. submitted a complaint to the European Commission in relation to an alleged violation by Gazprom and Gazprom Export of Article 102 of the Treaty on the Functioning of the European Union stating that at least from 2006, Gazprom and Gazprom Export allegedly have (a) imposed unfair prices on PGNiG S.A.; (b) hindered the free flow of gas across member states; (c) tied commercial issues with those relating to infrastructure. The complaint relates to the matters covered by the European Commission's investigation in respect of the Group's activity in certain countries of Central and Eastern Europe that was formally initiated in 2012 and terminated in 2018. On April 17, 2019 the complaint was denied by the European Commission. In June 2019, PGNiG S.A. applied to the General Court of the EU in connection with the European Commission's decision to turn down its complaint and its appeal is currently being considered.

On May 7, 2019 the European Commission received a complaint by Naftogaz accusing Gazprom of anti-competitive actions in breach of Article 102 of the Treaty on the Functioning of the European Union. In its complaint Naftogaz alleges the following claims against Gazprom: (1) the Nord Stream II project is a "predatory" investment, (2) Gazprom is impeding the "virtual reverse flow" of gas into Ukraine, (3) Gazprom is abusing its dominant position in pipeline gas exports, and (4) the actions result in a "decrease in margin" in gas sales to Germany. The European Commission has registered the complaint, however such registration does not constitute a formal stage of investigation and does not mean that Gazprom and/or its subsidiaries are found non-compliant with EU antitrust laws.

In January 2016, Anti-Monopoly Committee of Ukraine ("**AMCU**") published a decision in relation to its investigation of Gazprom's operations. AMCU alleged that Gazprom was a monopoly with regard to gas transit through the Ukrainian territory, and from 2011 had been allegedly violating the terms and conditions of the transit agreement with Naftogaz by refusing to adjust the volumes and the price of transit to levels that were economically justified. AMCU imposed a fine on Gazprom of approximately UAH86 billion, resulting in the total claim, together with penalties and execution fee, in the region of UAH189 billion (the "**AMCU Disputed Amount**"). AMCU also demanded that the alleged violations be rectified.

Gazprom challenged the AMCU's decision and the enforcement actions taken against it in Ukrainian courts and the Ukrainian courts (including the Supreme Court of Ukraine) ruled against Gazprom.

In April 2017, the State Executive Service of the Ministry of Justice of Ukraine ruled to levy the AMCU Disputed Amount against Gazprom. Further on, the State Executive Service of the Ministry of Justice of Ukraine levied execution on Gazprom's Ukrainian assets, seized Gazprom's equity interests in various companies, bank accounts of the representative office of Gazprom in Ukraine as well as appropriated the 2016 dividends attributable to the shares in AT Gastransit held by Gazprom. In addition, a forced auction sale of Gazprom's shares in companies "Institute Yuzhniigiprogaz" and

"Gaztransit" was effected. The monetary value of the seized and foreclosed assets was insignificant as compared to the amount claimed by AMCU. Gazprom challenged actions of the bailiffs and other parties to the execution proceedings in Ukrainian courts.

On October 25, 2018, Gazprom initiated an arbitration against Ukraine under the UNCITRAL rules to protect its investments in Ukraine in connection with the imposition of the fine by AMCU in an amount of over U.S.$6.0 billion (including penalties) for an alleged abuse of a monopoly position in the Ukrainian gas transit market. In December 2019, Gazprom and the Ukrainian Ministry of Justice concluded an irrevocable settlement agreement, under which all current and possible future claims to Gazprom based on or incidental to the AMCU decision were discharged and forgone. On February 17, 2020, the arbitration panel ruled to end the arbitral proceedings.

On December 4, 2016, PGNiG Supply & Trading GmbH filed a complaint to the General Court of the EU against the decision of the European Commission dated October 28, 2016 (the "**Decision**") to provisionally approve a settlement agreement in relation to the OPAL gas pipeline entered into by and among Gazprom, Gazprom Export, OPAL Gastransport GmbH and the German Federal Network Agency (*Bundesnetzagentur*) (the "**Settlement Agreement**") and a claim to suspend this Decision. On December 16, 2016 and March 1, 2017, similar petitions were filed with the General Court of the European Union on behalf of the Republic of Poland and PGNiG S.A., respectively. The Settlement Agreement entitled us to use over 50% of the transit capacity of the OPAL gas pipeline.

On December 15, 2016, PGNiG S.A. and PGNiG Supply & Trading GmbH also brought a legal action to challenge the Settlement Agreement and seeking to suspend its implementation before a Dusseldorf district court. On October 11, 2017, the Dusseldorf district court issued the final decision dismissing the claims of PGNiG S.A. and PGNiG Supply & Trading GmbH seeking to impose interim measures in respect of the Settlement Agreement.

On December 14, 2017 and March 15, 2018, the General Court of the EU denied the claims of PGNiG Supply & Trading GmbH and PGNiG S.A., respectively. The Polish companies and the Republic of Poland appealed against these decisions to the European Court of Justice. On December 4, 2019, the European Court of Justice denied appeals of PGNiG Supply & Trading GmbH и PGNiG S.A. in respect of the decisions of the General Court of EU dated December 14, 2017 and March 15, 2018. In addition, on March 9, 2018, the General Court of EU denied a claim to annul the Decision brought by Naftogaz on March 27, 2017.

On September 10, 2019 the General Court of the EU ruled on the claim of the Republic of Poland of December 16, 2016 and held to annul the Decision. The consequence of the annulment is a reinstatement of the legal regime applicable to the OPAL gas pipeline that had been in existence prior to the making of the Settlement Agreement. In November 2019, Germany appealed the decision of the General Court of the EU dated September 10, 2019. "Risk Factors—Risks related to our business—We are dependent on the links between our gas pipeline network and other gas pipeline networks that we do not control for the export of natural gas."

On May 4, 2018, Gazprom received a notice from the Polish Competition Committee dated April 30, 2018 in relation to the alleged violation of the Polish antitrust laws in connection with the arranging of funding for Nord Stream 2 AG. According to the notice, the president of the Polish Competition Committee in accordance with Polish law may introduce certain sanctions against the entities that, in his or her opinion, seek to expand the market concentration without an approval of the Polish Competition Committee (in particular, by imposing a fine of up to 10% of the annual turnover of such entity). On June 15, 2018, Gazprom submitted its objections to the Polish Competition Committee and moved to terminate the antitrust investigation. Since the beginning of 2020 Gazprom has received several notices from the Polish Competition Committee requesting information and documents to conduct the investigation, to which Gazprom has responded. In spite of that, on June 3, 2020 Gazprom received a letter of the Polish Competition Committee as of May 6, 2020 informing of the initiation of an anti-monopoly investigation into Gazprom's alleged failure to provide the materials and information. Gazprom replied to that letter on June 15, 2020.

Further on, on July 31, 2020 we received a formal notification of a EUR50 million fine imposed on us for the alleged failure to provide the material and information as part of the investigation and on August 28, 2020 we appealed the fine. Enforcement of the fine is suspended pending the entry of the court's final decision.

In addition, on August 24, 2020 we appealed the decision of the Polish Competition Committee to limit Gazprom's access to the evidence collected as part of the investigation into alleged market concentration through implementing the Nord Stream II project.

On April 17, 2019 Nord Stream 2 AG, our subsidiary and the operator of the Nord Stream II pipeline, filed an appeal with the Danish Energy Board of Appeal against the decision of the Danish Energy Agency of March 26, 2019 requiring Nord Stream 2 AG to prepare and submit an environmental impact assessment report, to be accompanied by a permit application in relation to the route south-east of Bornholm located in the exclusive economic zone of Denmark, which is an alternative route vis-à-vis our previously filed applications. The appeal is pending.

In July 2019 Nord Stream 2 AG filed a complaint with the General Court of the EU seeking to annul the amendments to the Third Gas Directive that became effective on May 23, 2019, which purport to regulate pipelines from third countries (such as Russia), on the grounds of their discriminatory nature, the violations of principles of equal treatment and proportionality, abuse of authority and that their adoption proceeded with breaches of applicable procedural rules. Further, in July 2019 Nord Stream AG filed a complaint with the General Court of the EU seeking to partially annul the amendments to the Third Gas Directive insofar as they set an unreasonably short time limit for EU member states to grant exemptions from the rules of the Third Gas Directive, which makes the availability of such exemptions materially less likely. In May 2020, the General Court of the EU denied on procedural grounds the complaints filed by Nord Stream 2 AG and Nord Stream AG. On July 28, 2020 Nord Stream 2 AG filed its appeal against the decision of the General Court of the EU with the European Court of Justice. As Nord Stream AG has obtained a derogation from the requirements of the Third Gas Directive for the Nord Stream project, Nord Stream AG would not be appealing the decision of the General Court of the EU.

On June 15, 2020 Nord Stream 2 AG submitted its appeal with a Dusseldorf court seeking to repeal the decision of the German Federal Network Agency (*Bundesnetzagentur*) as of May 15, 2020 that denied to make a derogation from the requirements of the Third Gas Directive available for the Nord Stream II project.

International Arbitration Disputes

On September 26, 2019 Nord Stream 2 AG gave notice of the initiation of an ad hoc UNCITRAL arbitration against the EU based on the Energy Charter Treaty. Nord Stream 2 AG takes a view that the EU has violated its undertakings as set out in Articles 10 and 13 of the Energy Charter Treaty by adopting the discriminatory amendments to the Third Gas Directive. The tribunal was formed in February 2020 and will have its seat in Toronto, Canada. Nord Stream 2 AG filed its complaint with the tribunal on July 3, 2020. In response the EU has provided its declaration of September 15, 2020 objecting to jurisdiction of the tribunal.

In October 2012, the Ministry of Energy of Lithuania submitted a request for arbitration to the SCC Arbitration against us alleging a breach of the shareholders' agreement in respect of Lietuvos Dujos on our part and demanding recovery of damages in an amount of 5 billion Lithuanian Litas. The claimant alleged that this sum represented the difference between the monetary value of our actual gas supplies to Lietuvos Dujos from 2005 and the value of gas supplies calculated at the allegedly fair market price. On June 22, 2016, the arbitration tribunal issued a final award by which all the Lithuania's claims were dismissed, including the allegations made by Lithuania in respect of charging unfair prices for the natural gas that we had supplied to Lithuania in 2006 – 2015. In July 2019 the Stockholm Court of Appeal denied a petition of Lithuania for annulment of the final arbitral award. In August 2019 we became aware that Lithuania had submitted its appeal with the Supreme Court of Sweden. On December 20, 2019 the Supreme Court of Sweden turned down the petition of Lithuania and upheld the decision of the Stockholm Court of Appeal. The judgment of the Supreme Court of Sweden is non-appealable.

In June 2014, Gazprom submitted a request for arbitration to the SCC Arbitration against Naftogaz to recover the U.S.$4.5 billion debt for gas supplies incurred as a result of improper performance by Naftogaz of its obligations under our gas supply contract signed in 2009 (the "**2009 Contract**") and a failure to pay for the ongoing supplies of gas. We subsequently revised the amount of our claim due to partial repayment of debt by Naftogaz. On July 21, 2014, this case was consolidated with the case described in the next paragraph.

In June 2014, Naftogaz submitted a request for arbitration to the SCC Arbitration against Gazprom seeking a retroactive revision of the price under the 2009 Contract, compensation of all amounts it alleges it overpaid since May 20, 2011 and cancellation of the contractual prohibition on reexport of natural gas. The final amount of Naftogaz's claim in arbitration was U.S.$14.23 billion. The amount of our claim in arbitration was approximately U.S.$37.1 billion, which included the debt owed by Naftogaz for gas supplies in 2013 and 2014, obligations under the "take-or-pay" provisions for 2012-2016 and late payment charges and penalties. On May 31, 2017 and December 22, 2017, the arbitration tribunal rendered the interim (separate) award and the Gas Supplies Award, respectively. In particular, the arbitration tribunal (a) obligated Naftogaz to pay Gazprom the amount of overdue debts for supplied gas of around U.S.$2.03 billion together with interest of 0.03 per cent. per day accrued from December 22, 2017 to the payment date, (b) rejected the Naftogaz claim to retroactively revise the gas price for the period from May 2011 to the end of April 2014, as well as recover allegedly overpaid amounts for the same period, and ruled to introduce a new pricing formula from the end of April 2014 until the expiration of the contract, and (c) required Naftogaz to annually off-take 5 bcm of natural gas or pay for 80% of that volume if it fails to off-take it. Gazprom is challenging both interim (separate) award and the Gas Supplies Award in the Svea Court of Appeal (Sweden) seeking a partial annulment of both awards. In November 2019, the Svea Court of Appeal (Sweden) denied Gazprom's appeal of the interim (separate) award. The proceedings were eventually terminated on March 4, 2020.

In October 2014, Naftogaz brought an action against Gazprom to the SCC Arbitration challenging the 2009 contract for transit of gas through Ukraine. Among its claims, Naftogaz sought compensation from Gazprom for an alleged shortfall in gas transit through Ukraine. The final amount of Naftogaz's claim in arbitration was U.S.$14.86 billion. On February 28, 2018, the arbitral tribunal rendered the Transit Dispute Award ruling to pay US$4.67 billion to Naftogaz for such shortfall and netted the awarded amount against the amount that Naftogaz has to pay in favour of Gazprom under the Gas Supplies Award. In addition, the arbitral tribunal denied Naftogaz's claim to revise the transit tariff, affirmed the validity of most of the contract terms, acknowledged that neither Ukrainian, nor EU antitrust laws are applicable to the transit contract and refused to effect transfer of rights and obligations under the transit contract to any third party. On March 29 and May 28, 2018, Gazprom filed motions with the Svea Court of Appeal (Sweden) to vacate the Transit Dispute Award. The proceedings were eventually terminated on March 4, 2020.

In 2018 and later Naftogaz took enforcement actions to give effect to the Transit Dispute Award in a number of jurisdictions (Switzerland, the Netherlands, the United Kingdom, Luxembourg and Latvia).

In April 2018 Gazprom submitted a request for arbitration to the SCC Arbitration seeking to amend or terminate the gas supply and transit agreements with Naftogaz in order to restore a balanced distribution of the contractual obligations and eliminate disproportions in terms of the parties' contractual liability. On May 22, 2018, Naftogaz submitted its response and made its counterclaims under the gas supply and transit agreements. On September 6, 2018, the SCC Arbitration, on Gazprom's motion, ruled to consolidate the proceedings with the proceedings described in the next paragraph.

On July 10, 2018, Naftogaz filed a request for arbitration with the SCC Arbitration Naftogaz seeking a revision of the transit tariff rate charged for the gas transit through Ukraine from March 18, 2018 and recovery from Gazprom of approximately U.S.$11.6 billion for the period from March 18, 2018 to December 31, 2019. Gazprom submitted its rebuttal on August 14, 2018. On September 6, 2018, the SCC, on Gazprom's motion, consolidated these proceedings with the proceedings described in the preceding paragraph.

In December 2019 Gazprom and Naftogaz concluded an irrevocable settlement agreement. Under its terms, all unresolved court and arbitration claims made against each other are to be withdrawn, including the proceedings indicated above, and all possible claims relating to the 2009 supply and gas transit contracts with Naftogaz are to be mutually discharged and forgone.

In December 2019 Gazprom paid U.S.$2.9 billion (including interest) to Naftogaz in accordance with the Transit Dispute Award. The parties gave notice of termination of the proceedings to the Arbitration Institute of the Stockholm Chamber of Commerce and on February 13, 2020 the proceedings were terminated.

Presently the enforcement measures previously enacted in England and Wales, the Netherlands and Luxembourg on application of Naftogaz have been removed. The court proceedings for recognition and enforcement of the arbitral award in England and Wales, Latvia, Luxembourg and the Netherlands have been terminated.

In February 2019, Gazprom filed an action with the ICAC against Moldovagaz seeking recovery of debt for gas supplies in 2016 in the amount of approximately U.S.$329.5 million. On August 5, 2019, the ICAC satisfied Gazprom's claim in full.

In December 2019, Gazprom filed an action with the ICAC against Moldovagaz seeking recovery of debt for gas supplies in 2017 in the amount of approximately U.S.$246.4 million. The date of hearings remains to be determined.

In March 2018, Gazprom Export initiated proceedings against S. Donchev and his affiliated companies DDI Holdings, Overgas Inc. and Overgas Mrezhi in the High Court of London to recover damages in connection with an illegal dilution of the equity interest of Overgas Inc. in Overgas Mrezhi for the benefit of DDI Holdings. On July 31, 2018, Gazprom Export submitted the particulars of claim. The hearings in this case are due to take place not earlier than June 28, 2021.

In 2015 an arbitral proceeding was initiated between PGNiG S.A. and Gazprom in which PGNiG S.A. sought to revise the pricing terms for natural gas supplies by Gazprom under a long-term agreement of 1996. In April 2020, the final arbitral award, as amended by a petition submitted by both parties, was issued in favor of PGNiG S.A. The award sets out a new price formula that is retroactively applicable with effect from November 1, 2014. An interim award that preceded, and formed the basis for, the final award and the final award itself are currently being contested by Gazprom in the Svea Court of Appeal (Sweden). Gazprom has, without prejudice to its position in the ongoing appeals, entered into an addendum to the contract with PGNiG S.A. to document the decision reached by the tribunal and transferred the amount due to PGNiG S.A., approximately U.S.$1.5 billion.

Additionally, we are at times engaged in arbitration proceedings where our counterparties or, conversely, we are seeking to revise prices for gas supplies under their contracts. In particular, during the twelve months preceding the date of this Base Prospectus, we were involved in such disputes with Overgas Inc., METHA-Methanhandel GmbH and Uniper Global Commodities SE and are currently a party to the proceedings involving ENI S.p.A., PGNiG S.A., Akfel Gaz Sanayi ve Ticaret A.Ş., Kibar Enerji A.Ş. and Enerco Enerji A.Ş.

Domestic Litigation and Investigations

In July 2016, Gazprom Neft brought an action against Service Terminal LLC, a customs clearance agent, in the Arbitration Court for Saint-Petersburg and the Leningrad Region to recover unjustified enrichment of RR10.4 billion. Service Terminal LLC filed for bankruptcy in the Arbitration Court for the Yaroslavl Region. Gazprom Neft's claims in the amount of RR10.4 billion have been included in the register of creditors in the bankruptcy proceedings in respect of Service Terminal LLC. In April 2017, the Arbitration Court for the Yaroslavl Region declared Service Terminal LLC bankrupt and initiated bankruptcy proceedings which are currently expected to continue through the end of January 2021.

In January 2017, FAS initiated an antimonopoly investigation and subsequently found that Gazprom, Gazprom mezhregiongas, the governor and the ministry of housing and utilities of the Samara Region had violated antimonopoly regulations by entering into an agreement that restricted competition. The FAS issued instructions compelling the respondents to rectify the violation. On November 15, 2017, the Moscow Arbitration Court denied Gazprom's claim to vacate the decision and instructions of the FAS. The Moscow Arbitration Court's decision was upheld on appeal by the 9th Commercial Court of Appeals. Gazprom filed a cassation petition. On August 1, 2018, the Arbitration Court of the Moscow District set aside prior judgments in the case and remanded the case for a new trial to the Moscow Arbitration Court. Additionally, the FAS has initiated an administrative case citing Gazprom's entry into an agreement prohibited under applicable antimonopoly legislation. As a result of the investigation, the FAS issued a ruling on May 16, 2018 imposing a fine in the amount of nearly RR211 million on Gazprom. Gazprom has filed a petition with the Moscow Arbitration Court challenging such ruling. The Moscow Arbitration Court issued its decision on May 17, 2019 terminating the proceedings by reason of the parties entering into a settlement agreement.

In November 2019, the Moscow Arbitration Court proceeded with a lawsuit filed by Mr. Pronin, a minority shareholder, who sought to declare the general shareholders meeting of Gazprom that occurred on June 28, 2019 illegal. The shareholder believed that his right to take part in the meeting had been violated. On February 27, 2020 the Moscow Arbitration Court ruled to reject the claim and the appellate court on September 24, 2020 upheld such ruling.

Employees

For each of the years ended December 31, 2019 and 2018, we had a weighted average of approximately 462,000 employees.

We have a trade union, the Gazprom Worker's Union ("**GPWU**") (forming part of the Russian Oil, Gas and Construction Workers' Union), to which more than 295 of our employees belonged as of December 31, 2019. We have never experienced any strikes, work stoppages, labor disputes or actions that have affected the operation of our business and we consider our relationship with our employees to be good. In March 2018, we extended a collective bargaining agreement for the period from 2019 to 2021. The collective bargaining agreement applies to the employees of Gazprom and its fully-owned subsidiaries engaged in natural gas production, transportation, processing, storage and marketing, as well as the employees of GPWU and the trade unions of our subsidiaries. The key objective of the collective bargaining agreement is balancing the interests of employers and employees in the form of a social partnership and, to the extent possible, providing additional guarantees, benefits, healthcare plans and compensation to employees. We have developed and operate a unified occupational health and safety management system. The union monitors our compliance with the terms of the collective bargaining agreement.

We sponsor a benefit plan which covers the majority of our employees and is accounted for as a defined benefit plan in the Group's Financial Statements in accordance with IAS 19 Employee Benefits. The benefits provided by the plan include pension benefits provided by the non-governmental pension fund, NPF Gazfund, and certain lump-sum benefits that we provide to our employees upon and after their retirement date. The amount of benefits depends on the period of the employees' service (years of service), salary level in latest years preceding retirement, certain predetermined fixed amounts or a combination of these factors.

We apply material incentive plans to motivate our employees, in particular, payment of year-end bonuses, bonuses for carrying out work being of particular importance to Gazprom, as well as bonuses for field discovery, for putting production facilities and completed facilities into operation, for supply of gas for export, and for introducing new technology, and other bonuses in accordance with internal company regulations.

To encourage our managers to contribute to our success and increased capital efficiency, we also use additional motivation systems. The annual bonus system takes into account the achievement of corporate and individual key performance indicators in a respective reporting period. We have also introduced a management equity participation plan to incentivize key management to increase Gazprom's shareholder value.

MANAGEMENT OF GAZPROM

Members of the Board of Directors are elected annually at Gazprom's General Meeting of Shareholders. The current members of the Board of Directors are as follows:

Name	Position	Year of Birth
V. Zubkov	Chairman of the Board of Directors and Russia's Special Presidential Representative for Cooperation with Gas Exporting Countries Forum	1941
A. Miller	Deputy Chairman of the Board of Directors and Chairman of Gazprom's Management Committee	1962
A. Akimov	Chairman of the Management Board of Gazprombank (Joint Stock Company)	1953
T. Kulibaev	Chairman of the Kazakhstan Association of Oil, Gas and Energy Sector Organizations (KAZENERGY), Chairman of the Presidium of the National Chamber of Entrepreneurs of the Republic of Kazakhstan (Atameken)	1966
D. Manturov	Minister of Industry and Trade of the Russian Federation	1969
V. Markelov	Deputy Chairman of Gazprom's Management Committee, Editor in Chief of the Gas Industry magazine	1963
V. Martynov	Rector of the Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	1953
V. Mau	Rector of the Russian Presidential Academy of National Economy and Public Administration (Federal State Budgetary Educational Institution of Higher Education)	1959
A. Novak	Minister of Energy of the Russian Federation	1971
D. Patrushev	Minister of Agriculture of the Russian Federation	1977
M. Sereda	First Deputy Director General of Gazprom Export	1970

The current members of Gazprom's Management Committee are as follows:

Name	Position	Year of Birth	Term expires
A. Miller	Deputy Chairman Gazprom's Board of Directors and Chairman of Gazprom's Management Committee	1962	May 2021
S. Khomyakov	Deputy Chairman of Gazprom's Management Committee; Director General of Gazprom's Corporate Security Service	1953	March 2022
E. Burmistrova	Deputy Chairman of Gazprom's Management Committee, Director General of Gazprom Export	1971	March 2024
V. Markelov	Deputy Chairman of Gazprom's Management Committee	1963	January 2022
F. Sadygov	Deputy Chairman of Gazprom's Management Committee	1968	April 2024
M. Putin	Deputy Chairman of Gazprom's Management Committee	1967	March 2023
M. Rosseev	Deputy Chairman of Gazprom's Management Committee and Chief Accountant	1975	February 2025
O. Aksyutin	Deputy Chairman of Gazprom's Management Committee, Head of Department 623	1967	November 2023
S. Kuznets	Head of Department 104	1970	April 2024
S. Menshikov	Head of Department 307	1968	April 2024
V. Mikhalenko	Head of Department 308	1965	September 2020(1)
V. Markov	Head of Department 313	1955	January 2022
E. Mikhailova	Head of Department 105	1977	January 2022
G. Sukhov	Head of Department 314	1961	April 2024

Note:

(1) An extension is expected be considered by the Board of Directors in the near future.

The business address for the Board of Directors and Management Committee is 16 Nametkina Street, 117420 Moscow, Russian Federation.

Director Biographies

Viktor Alexeevich Zubkov

Since	Till	Company Name	Position
2008	Present	PJSC GAZPROM	Chairman of the Board of Directors
2012	Present		Special Representative of the President of the Russian Federation on Cooperation with Gas Exporting Countries Forum
2014	Present	LLC Gazprom gazomotornoe toplivo	Chairman of the Board of Directors, Deputy Chairman of the Board of Directors
2014	Present	Charity relief fund for vulnerable populations and organizations which implement socially important projects “Creating the future”	President of the Supervisory Board
2014	Present	“New Technologies in Gas Industry” Association of Equipment Manufacturers	Chairman of the Supervisory Board
2015	Present	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Chairman of the Board of Trustees
2017	Present	State Institute for Higher Education Tchaikovsky Moscow State Conservatory	Member of the Board of Trustees
2018	Present	Boao Forum for Asia	Member of the Board of Directors
2008	2012	Government of the Russian Federation	First Deputy Prime Minister of the Russian Federation
2008	2011	JSC Russian Agricultural Bank	Chairman of the Supervisory Board
2008	2012	State corporation “Bank for Development and Foreign Economic Affairs (Vnesheconombank)”	Member of the Supervisory Board
2009	2011	JSC Rosagroleasing	Chairman of the Board of Directors
2012	2014	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors, Chairman of the Management Committee, Director General
2019	2020	LLC Gazprom LNG Technology	Chairman of the Board of Directors

Alexei Borisovich Miller

Since	Till	Company Name	Position
2001	Present	PJSC GAZPROM	Chairman of the Management Committee
2002	Present	PJSC GAZPROM	Deputy Chairman of the Board of Directors
2001	Present	JSC Gazprombank	Chairman of the Board of Directors
2003	Present	JSC Sogaz Insurance	Chairman of the Board of Directors
2005	Present	PJSC Gazprom Neft	Chairman of the Board of Directors, member of the Board of Directors
2007	Present	JSC Gazprom Media Holding	Chairman of the Board of Directors, member of the Board of Directors
2012	Present	The Saint-Petersburg University Graduate School of Management (SPbSU GSOM)	Member of the Board of Trustees
2012	Present	JSC Russian racecourses	Chairman of the Board of Directors, member of the Board of Directors
2013	Present	The Global Energy Association	Member of the Supervisory Board
2013	Present	“New Technologies in Gas Industry” Association of Equipment Manufacturers	President - Chairman of the Management Committee
2013	Present	M.V.Lomonosov Moscow State University (Federal State Budget Educational Institution of Higher Education)	Member of the Board of Trustees
2014	Present	Saint-Petersburg State University of Economics (Federal State Budget Educational Institution of Higher Education)	Chairman of the Board of Trustees

2015	Present	Russian Academy of Education (Federal State Budget Institution)	Chairman of the Board of Trustees
2016	Present	International Business Congress (IBC) e. V.	President, Chairman of the Presidium
2017	Present	National Research University Higher School of Economics (Federal State Autonomous Educational Institution for Higher Education)	Member of the Board of Trustees
2018	Present	Foundation for the Preservation and Development of the Solovki Archipelago	Member of the Board of Trustees
2018	Present	Russia's Presidential Council for the Development of Physical Culture and Sports	Member of the Council
2018	Present	JSC Non-state Pension Fund "GAZFOND"	Member of the Board of Directors, Chairman of the Board of Directors
2019	Present	Foundation for Scientific and Project Support activities of students, graduate students and young scientists "National intellectual development"	Member of the Board of Trustees
2019	Present	Alexandrinsky Theatre	Chairman of the Board of Trustees
2020	Present	Tsarskoe Selo State Museum and Heritage Site	Member of the Board of Trustees
2007	2018	JSC Non-state Pension Fund "GAZFOND"	Chairman of the Board of the Fund
2008	2009	Gazprom EP International B.V.	Member of the Board of Directors
2008	2018	Shtokman Development AG	President of the Board of Directors
2010	2020	Gazprom Neft International S.A.	Chairman of the Supervisory Board
2012	2013	JSC Rusgeology	Member of the Board of Directors
2012	2013	South Stream Transport Services AG	Member of the Board of Directors
2012	2015	South Stream Transport B.V.	Member of the Board of Directors, Member of the Supervisory Board
2016	2019	International Business Congress (IBC) e. V.	Chairman of the Management Committee
2018	2019	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Member of the Supervisory Board

Andrey Igorevich Akimov

Since	Till	Company Name	Position
2011	Present	PJSC GAZPROM	Member of the Board of Directors
2002	Present	JSC Gazprombank	Chairman of the Management Committee, Member of the Board of Directors, Deputy Chairman of the Board of Directors
2010	Present	Energy and Finance Institute Fund	Chairman of the Supervisory Board
2006	Present	PJSC NOVATEK	Member of the Board of Directors
2011	Present	JSC Rosneftegaz	Member of the Board of Directors
2014	Present	LLC Professional hockey club "CSKA"	Member of the Supervisory Board
2019	Present	Russian Football Union (All-Russian Public Organization)	Member of the Board of Trustees
2006	2012	Carbon Trade & Finance SICAR S.A.	Member of the Board of Directors
2007	2015	LLC Congress-Center "Konstantinovsky"	Member of the Board of Directors
2007	2017	The Association of Russian Banks (ARB)	Member of the Board
2008	2016	Gazprom EP International B.V.	Member of the Supervisory Board
2008	2015	GAZPROM Germania GmbH	Member of the Supervisory Board
2009	2013	Gazprombank (Switzerland) Ltd.	Chairman of the Board of Directors
2011	2011	JSC Rosneftegaz	Member of the Board of Directors
2011	2012	JSC Rosneftegaz	Chairman of the Board of Directors
2011	2013	Russian Highways State Company	Chairman of the Supervisory Board
2012	2019	LLC Gazprom gazomotornoe toplivo	Deputy Chairman of the Board of Directors, Member of the Board of Directors
2013	2018	Bank GPB International S.A.	Chairman of the Board of Directors
2014	2017	Rosneft	Member of the Board of Directors

Timur Askarovich Kulibaev

Since	Till	Company Name	Position

2007	Present	Kazakhstan Association of Oil, Gas and Energy Sector Organizations (KAZENERGY)	Chairman
2011	Present	PJSC GAZPROM	Member of the Board of Directors
2009	2019	Kazakhstan Boxing Federation	President
2013	Present	National Chamber of Entrepreneurs of the Republic of Kazakhstan (Atameken)	Chairman of the Presidium
2015	Present	National Olympic Committee of the Republic of Kazakhstan	President
2016	Present	Olympic Council of Asia	Vice-President
2018	Present	Association of National Olympic Committees	Member of the Executive Council
2008	2011	JSC Kazakhstan Electricity Grid Operating Company (KEGOC)	Chairman of the Board of Directors
2007	2013	President of the Republic of Kazakhstan	Extraordinary Advisor
2009	2011	JSC Samruk-Energy	Chairman of the Board of Directors
2009	2011	JSC National Company Kazakhstan Temir Zholy	Chairman of the Board of Directors
2008	2011	JSC Sovereign Wealth Fund “Samruk-Kazyna”	Deputy Chairman of the Management Committee
2010	2014	National Economic Chamber of the Republic of Kazakhstan (Atameken Union)	Chairman of the Presidium
2011	2011	JSC Sovereign Wealth Fund “Samruk-Kazyna”	Chairman of the Management Committee and a member of the Board of Directors
2008	2012	JSC National Atomic Company “Kazatomprom”	Chairman of the Board of Directors
2009	2012	JSC National Company “KazMunayGas”	Chairman of the Board of Directors
2012	2016	Combat and Strength Sports Confederation	Chairman
2012	2018	International Boxing Association (AIBA)	Vice-President, member of the Executive Committee
2016	2019	Swimming Federation of the Republic of Kazakhstan	President

Denis Valentinovich Manturov

Since	**Till**	**Company Name**	**Position**
2017	Present	PJSC GAZPROM	Member of the Board of Directors
2012	Present	The Ministry of Industry and Trade of the Russian Federation	Minister of Industry and Trade of the Russian Federation
2012	Present	State Corporation Rostec	Chairman of the Supervisory Board
2012	Present	Foundation for Advanced Research	Member of the Supervisory Board
2015	Present	Russian Foundation for Technological Development	Chairman of the Supervisory Board
2015	Present	Skolkovo Foundation	Member of the Supervisory Board
2017	Present	Moscow Institute of Physics and Technology (State University)	Member of the Supervisory Board
2019	Present	Public law company for the formation of an integrated system handling solid municipal waste "Russian environmental operator"	Member of the Supervisory Board
2019	Present	Autonomous non-profit organization “Agency for Technological Development”	Member of the Supervisory Board
2015	2019	PJSC United Aircraft Corporation	Chairman of the Board of Directors
2015	2018	JSC United Shipbuilding Corporation	Chairman of the Board of Directors
2016	2019	JSC Russian Export Center	Member of the Board of Diretors
2016	2018	JSC Rosnano	Member of the Board of Diretors

Vitaliy Anatolievich Markelov

Since	**Till**	**Company Name**	**Position**
2012	Present	PJSC GAZPROM	Member of the Board of Directors, Deputy Chairman of the Management Committee, member of the Management Committee
2012	Present	JSC Gazprom Space Systems	Member and Chairman of the Board of Directors
2012	Present	JSC United Shipbuilding Corporation	Member of the Board of Directors
2013	Present	Wintershall AG	Member of the Supervisory Board
2014	Present	LLC Gazprom Kyrgyzstan	Chairman of the Board of Directors

2013	Present	Association of Pipe Manufacturers	President
2013	Present	"New Technologies in Gas Industry" Association of Equipment Manufacturers	Member of the Management Committee, Vice-president and Deputy President – Chairman of the Management Committee
2016	Present	Gazprom EP International B.V.	Member of the Supervisory Board
2016	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2017	Present	CJSC Gazprom Armenia (formerly known as ArmRosGazprom)	Member of the Board of Directors, Chairman of the Board of Directors
2018	Present	LLC RosChemAlliance	Chairman of the Board of Directors
2019	Present	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Member of the Supervisory Board
2019	Present	Sakhalin Energy Investment Company Ltd.	Nonexecutive Director
2019	Present	JSC REPH	Member of the Board of Directors, Chairman of the Board of Directors
2019	Present	PJSC Mosenergo	Chairman of the Board of Directors
2019	Present	PJSC Gazprom Neft	Member of the Board of Directors
2019	Present	PJSC TGK-1	Member of the Board of Directors
2019	Present	JSC Gazprom teploenergo	Member of the Board of Directors, Chairman of the Board of Directors
2019	Present	LLC RusGasAlliance	Chairman of the Board of Directors
2019	Present	Union of Oil and Gas Industry Organizations "Russian Gas Society"	Member of the Supervisory Board, First Vice-President
2019	Present	OJSC Gazprom transgaz Belarus	Member of the Supervisory Board
2011	2011	LLC Gazprom invest Vostok	Director General
2009	2012	JSC Daltransgaz	Director General and member of the Board of Directors
2011	2012	PJSC Kamchatgazprom	Member of the Board of Directors
2012	2019	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors, Chairman of the Board of Directors
2014	2015	South Stream Transport B.V.	Chairman of the Board of Directors
2015	2018	Shtokman Development AG	Member of the Board of Directors
2016	2019	Nord Stream 2 AG	Member of the Board of Directors
2017	2020	Association of construction companies of the gas industry	Member of the Board, Chairman of the Board
2019	2019	LLC Gazprom perepabotka Blagoveschensk	Member of the Board of Directors, Chairman of the Board of Directors

Victor Georgievich Martynov

Since	**Till**	**Company Name**	**Position**
2008	Present	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Rector
2013	Present	PJSC GAZPROM	Member of the Board of Directors
2016	Present	PJSC RussNeft	Member of the Board of Directors
2013	2015	JSC Zarubezhneft	Member of the Board of Directors
2018	2018	Russian National Committee of the World Petroleum Council Association	Chairman

Vladimir Alexandrovich Mau

Since	**Till**	**Company Name**	**Position**
2011	Present	PJSC GAZPROM	Member of the Board of Directors
2010	Present	Russian Presidential Academy of National Economy and Public Administration (Federal State Budgetary Educational Institution of Higher Education)	Rector
2013	Present	PJSC TCB BANK	Member of the Board of Directors
2015	Present	PJSC Severstal	Member of the Board of Directors
2010	Present	Yegor Gaidar Foundation	Member of the Board of Trustees
2011	Present	Center of Strategic Developments Foundation	Chairman of the Board, Member of the Board
2018	Present	JSC "Academy of Education"	Member of the Board of Directors, Chairman of the Board of Directors, member of the Advisory Board

2020	Present	Analytical Center for the Government of the Russian Federation	Meber of the Supervisory Board
2002	2010	Academy of National Economy under the Government of Russian Federation	Rector
2008	2011	Economic Reform, Development and Cooperation Fund	Member of the Board of Regents
2008	2019	PJSC Sberbank	Member of the Supervisory Board, Deputy Chairman of the Supervisory Board
2008	2011	OJSC OTKRITIE Financial Corporation	Member of the Board of Directors
2010	2011	JSC Prosveshcheniye publishers	Member of the Board of Directors
2008	2013	Non-state Educational Institution of Additional Professional Education "Moscow School of Management SKOLKOVO"	Member of the Board of Trustees
2010	2013	Fond Economicheskoy Politiki	Member of the Managing Board
2010	2013	The Ye.T. Gaidar Institute for Economic Policy	Member of the Board of Directors

Alexander Valentinovich Novak

Since	**Till**	**Company Name**	**Position**
2015	Present	PJSC GAZPROM	Member of the Board of Directors
2012	Present	The Ministry of Energy of the Russian Federation (Minenergo of Russia)	Minister of Energy of the Russian Federation
2012	Present	State Atomic Energy Corporation Rosatom	Member of the Supervisory Board
2012	Present	Siberian Federal University (Federal State Autonomous Educational Institution of Higher Education)	Member of the Supervisory Board
2014	Present	National Research University Moscow Power Engineering Institute	Chairman of the Supervisory Board
2015	Present	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Member of the Board of Trustees
2015	Present	PJSC Transneft	Member of the Board of Directors
2015	Present	PJSC ROSSETI	Chairman of the Board of Directors
2015	Present	Rosneft	Member of the Board of Directors
2016	Present	All-Russian public organization "Motorcycle Federation of Russia"	Member of the Board of Trustees
2018	Present	Foundation for the Preservation and Development of the Solovki Archipelago	Member of the Board of Trustees
2019	Present	Autonomous Non-Commercial Organization "International Sustainable Energy Development Centre" under the auspices of UNESCO	Chairman of the Govering Board
2019	Present	Association "Russian National Committee of the World Energy Council" (RNC WEC)	Chairman of the Presidium
2010	2012	Ministry of Finance of the Russian Federation	Deputy Finance Minister of the Russian Federation
2010	2012	JSC Rosspirtprom	Member of the Board of Directors
2010	2012	JSC United Aircraft Corporation	Member of the Board of Directors
2011	2013	Russian Highways State Company	Member of the Supervisory Board
2016	2019	Association "Russian National Committee of the World Energy Council" (RNC WEC)	Chairman
2017	2020	All-Russian public organization "All-Russian Athletic Federation"	Chairman of the Board of Trustees

Dmitry Nikolaevich Patrushev

Since	**Till**	**Company Name**	**Position**
2016	Present	PJSC GAZPROM	Member of the Board of Directors
2011	Present	JSC Russian Agricultural Bank	Member of the Supervisory Board, Chairman of the Supervisory Board
2014	Present	Saint-Petersburg State University of Economics (Federal State Budget Educational Institution of Higher Professional Education)	Member of the Board of Trustees

2015	Present	Russian Academy of Education	Member of the Board of Trustees
2016	Present	Diplomatic Academy of Russian Foreign Ministry (Federal State-Funded Educational Institution of Higher Education)	Member of the Board of Trustees
2018	Present	Ministry of Agriculture of the Russian Federation	Minister of Agruculture
2019	Present	JSC United Grain Company	Member of the Board of Directors
2011	2018	JSC Russian Agricultural Bank	Chairman of the Management Committee
2016	2018	JSC RSKHB Insurance Company	Chairman of the Board of Directors, Member of the Board of Directors
2018	2020	OJSC Russian Railways	Member of the Board of Directors
2018	2019	JSC Russian Export Center	Member of the Board of Directors

Mikhail Leonidovich Sereda

Since	**Till**	**Company Name**	**Position**
2002	Present	PJSC GAZPROM	Member of the Board of Directors
2002	Present	Gazprom (UK) Limited	Member of the Board of Directors, Chairman of the Board of Directors
2002	Present	JSC Gazprombank	Member of the Board of Directors, Deputy Chairman of the Board of Directors
2002	Present	OJSC Vostokgazprom	Member of the Board of Directors, Chairman of the Board of Directors
2004	Present	JSC "Gazprom tcentrenergogaz"	Member of the Board of Directors, Chairman of the Board of Directors
2004	Present	JSC Tomskgazprom	Chairman of the Board of Directors
2005	Present	OJSC Gazpromtrubinvest	Member of the Board of Directors, Chairman of the Board of Directors
2007	Present	JSC Gazprom Space Systems (formerly OJSC Gazkom)	Member of the Board of Directors
2010	Present	Panrusgas Co.	Member of the Management Committee
2013	Present	PJSC Gazprom Neft	Member of the Board of Directors
2015	Present	GAZPROM Schweiz AG	President of the Administrative Board
2016	Present	Gazprom Austria GmbH	Member of the Supervisory Board, Chairman of the Supervisory Board
2016	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2019	Present	GAZPROM Germania GmbH	Chairman of the Advisory Board
2020	Present	LLC Gazprom Export	First Deputy Director General
2001	2020	PJSC GAZPROM	Deputy Chairman of Management Committee - Head of the Administration of the Management Committee
2002	2018	WIEH GmbH	Member of the Board, Deputy Chairman of the Board, Chairman of the Board
2002	2018	WINGAS GmbH	Member of the Board, Deputy Chairman of the Board, Chairman of the Board
2008	2015	LLC Gazprom tsentrremont	Member of the Board of Directors
2006	2009	JSC Stroytransgaz	Member of the Board of Directors, Deputy Chairman of the Board of Directors
2004	2009	GWH Gas und Warenhandels GmbH	Member of the Board of Directors
2007	2009	JSC Volgogradneftemash	Member of the Board of Directors, Chairman of the Board of Directors
2002	2009	JSC KRASNODARGAZSTROY	Member of the Board of Directors
2010	2014	JSC Centrgaz	Member of the Board of Directors, Chairman of the Board of Directors
2003	2013	LLC Gazprom telekom (formerly CJSC Gaztelekom)	Member of the Board of Directors, Chairman of the Board of Directors
2003	2014	LLC Temryukmortrans	Member of the Board of Directors, Chairman of the Board of Directors
2012	2013	LLC Gazprom neftekhim Salavat	Member of the Board of Directors
2015	2016	GAZPROM Germania GmbH	Member of the Supervisory Board, Chairman of the Supervisory Board
2015	2018	Gazprom Global LNG Ltd.	Member of the Board of Directors
2015	2018	Gazprom Marketing & Trading Singapore Pte Ltd.	Member of the Board of Directors, Chairman of the Board of Directors

2015	2018	Gazprom Marketing & Trading Ltd.	Member of the Board of Directors, Chairman of the Board of Directors
2016	2017	WIEE AG	Member of the Administrative Council
2016	2018	Gazprom Marketing & Trading Switzerland AG	Member of the Administrative Council
2016	2018	WIBG GmbH	Member of the Administrative Board
2016	2019	GAZPROM Germania GmbH	Managing Director
2017	2020	LLC Gazpom Transservice	Member of the Board of Directors, Chairman of the Board of Directors
2017	2020	WIGA Transport Beteiligungs-GmbH & Co. KG	Member of the Board

Management Committee Biographies.

Alexei Borisovich Miller. See "—Director Biographies."

Mikhail Nikolaevich Rosseev

Since	Till	Company Name	Position
2020	Present	PJSC GAZPROM	Deputy Chairman of the Management Committee and Chief Accountant
2020	Present	OJSC Vostokgazprom	Member of the Board of Directors
2020	Present	JSC Tomskgazprom	Member of the Board of Directors
2012	2020	PJSC GAZPROM	Deputy Chief Accountant

Elena Victorovna Burmistrova

Since	Till	Company Name	Position
2019	Present	PJSC GAZPROM	Member of the Managemet Committee, Deputy Chairman of the Management Committee
2014	Present	Gazprom Export	Director General
2014	Present	GAZPROM Schweiz AG	Member of the Administrative Board
2014	Present	GAZPROM Austria GmbH	Member of the Supervisory Board
2015	Present	Institute for Energy and Finance Fund	Member of the Board of Trustees
2016	Present	VNG AG	Member of the Advisory Board
2017	Present	Podzemno skladiste gasa Banatski Dvor d.o.o.	Member of the Supervisory Board
2018	Present	WIGA Transport Beteiligungs GmbH & Co.KG	Member of the Board
2018	Present	PANRUSGAZ Zrt	Member of the Board of Directors
2018	Present	TÜRKAKIM GAZ TAŞIMA ANONİM ŞİRKETİ	Member of the Board of Directors
2018	Present	EuRoPol GAZ s.a.	Member of the Supervisory Board, Chairman of the Supervisory Board
2019	Present	Sakhalin Energy Investment Company Ltd.	Deputy Chairman of the Board of Directors, Co-chairman of the Supervisory Board,
2019	Present	Nord Stream 2 AG	Member of the Board of Directors
2019	Present	International Gas Union	Member of the Board
2019	Present	German-Russian Forum	Member of the Board of Trustees
2019	Present	GAZPROM Germania GmbH	Member of the Advisory Board
2019	Present	Nord Stream AG	Member of the Committee of Shareholders
2019	Present	Blue Stream Pipeline Company B.V.	Member of the Management Committee
2019	Present	JSC Moldovagaz	Chairman of the Supervisory Board
2019	Present	South Stream Transport B.V.	Member of the Board of Directors
2019	Present	Yugorosgaz a.d. Beograd	Member of the Supervisory Board, Chairman of the Supervisory Board
2019	Present	Gazprom EP International B.V.	Member of the Supervisory Board
2019	Present	Global Gas Center	Member of the Committee
2020	Present	Moravia Gas Storage a.s.	Member of the Supervisory Board
2020	Present	Erdgasspeiecher Peissen GmbH	Member of the Supervisory Board
2014	2018	Gazprom Marketing & Trading Ltd.	Member of the Board of Directors
2014	2015	Gazprom Marketing & Trading Singapore Ltd.	Member of the Board of Directors
2015	2016	GAZPROM Germania GmbH	Member of the Advisory Board
2015	2018	WIEH GmbH	Member of the Advisory Board

2015	2018	WINGAS GmbH	Member of the Advisory Board
2019	2019	LLC KazRosGaz	Member of the Supervisory Board

Famil Camilovich Sadygov

Since	**Till**	**Company Name**	**Position**
2019	Present	PJSC GAZPROM	Member of the Management Committee, Deputy Chairman of the Management Committee
2019	Present	JSC Gazprombank	Member of the Board of Directors
2019	Present	JSC Non-state Pension Fund “GAZFOND”	
2019	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2019	Present	OJSC Belgazprombank	Chairman of the Board of Directors
2019	Present	PJSC Gazprom Neft	Member of the Board of Directors
2019	Present	JSC Sogaz Insurance	Member of the Board of Directors
2019	Present	GAZPROM Germania GmbH	Member of the Advisory Board
2019	Present	Gazprom EP International B.V.	Member of the Supervisory Board, Chairman of the Supervisory Board
2019	Present	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors, Deputy Chairman od the Board of Directors
1999	2004	Ministry of Taxation of the Russian Federation	Deputy Minister
2005	2009	Federal Treasury	Deputy Head of the Federal Treasury
2009	2019	JSC Gazprombank	Member of the Management Coommittee, Deputy Chairman of the Management Committee
2014	2016	PJSC United Heavy Machinery Plants	Deputy Chairman of the Board of Directors
2014	2017	JSC Bank “GPB-Ipoteka”	Member of the Board of Directors, Deputy Chairman of the Board of Directors
2014	2017	JSC REP Holding	Member of the Board of Directors
2014	2018	PJSC United Heavy Machinery Plants	Member of the Board of Directors
2014	2018	Legal Research and Legal Education Fund	Member of the Supervisory Board
2014	2019	JSC Evrofinance Mosnarbank	Member of the Supervisory Board
2014	2019	Charity Fund “Social Responsibility”	Member of the Board of Trustees, Chairman of the Management Committee
2018	2019	JSC UHMP Enjineering	Member of the Board of Directors
2019	2020	Gazprom Holding Coöperatie U.A.	Chairman of the Supervisory Board

Sergey Ivanovich Kuznets

Since	**Till**	**Company Name**	**Position**
2019	Present	PJSC GAZPROM	Member of the Management Committee, Head of Department 104
2018	Present	Shtokman Development AG	Member of the Board of Directors
2019	Present	JSC Non-state Pension Fund “GAZFOND”	Member of the Board of Directors
2019	Present	EuRoPol GAZ s.a.	Member of the Supervisory Board
2019	Present	PJSC Gazprom Neft	Member of the Board of Directors
2019	Present	JSC Moldovagaz	Member of the Supervisory Board
2019	Present	JSC Gazprom-Media Holding	Member of the Board of Directors
2019	Present	Gazprom Holding Coöperatie U.A.	Member of the Supervisory Board
2019	Present	South Stream Transport B.V.	Member of the Board of Directors
2019	Present	LLC Lazurnaya	Member of the Board of Directors
2019	Present	JSC Latvijas Gaze	Member of the Board
2019	Present	JSC REPH	Member of the Board of Directors
2019	Present	OJSC Gazprom transgaz Belarus	Member of the Supervisory Board
1996	2002	Inter-Republican Bar Association	Lawyer, member of the Inter-Republican Bar Association, Deputy Head of Legal Aid Office No. 144 at the Inter-Republican Bar Association
2002	2006	PJSC GAZPROM	Deputy Head, Head of the Directorate for Legal Support of Foreign Trade Activities under the Legal Department of Gazprom

2006	2019	PJSC GAZPROM	Deputy Head of the Legal Department (since July 17, 2015 – Department 104)
2016	2020	GAZPROM Germania GmbH	Deputy Managing Director
2018	2019	GAZPROM Germania GmbH	Head of Legal
2019	2019	Sakhalin Energy Investment Company Ltd.	Alternative Nonexecutive Director

Sergey Nikolaevich Menshikov

Since	**Till**	**Company Name**	**Position**
2019	Present	PJSC GAZPROM	Member of the Management Committee, Head of Department 307
2019	Present	"New Technologies in Gas Industry" Association of Equipment Manufacturers	Member of the Management Committee
2019	Present	Sakhalin Energy Investment Company Ltd.	Member of the Board of Directors (Non-executive Director)
2019	Present	PJSC Gazprom Neft	Member of the Board of Directors
2019	Present	OJSC Vostokgazprom	Member of the Board of Directors
2019	Present	JSC Tomskgazprom	Member of the Board of Directors
2019	Present	Wintershall AG	Member of the Supervisory Board
2019	Present	LLC Achim Development	Member of the Board of Directors
2019	Present	JSC Achimgaz	Chairman of the Board of Directors, Member of the Board of Directors
2019	Present	LLC Gazprom Kyrgyzstan	Member of the Board of Directors
2019	Present	LLC Gazpromviet	Member of the Board of Directors, Chairman of the Board of Directors
2019	Present	Gazprom EP International B.V.	Member of the Supervisory Board
2020	Present	OJSC Severneftegazprom	Member of the Board of Directors
1994	2001	Kavkaztransgaz	Employed at the Stavropolskoye Gas Production Directorate of Kavkaztransgaz
2001	2007	Kavkaztransgaz	Chief Engineer of the Privolnenskoye Gas Pipeline Operation Center at Kavkaztransgaz
2007	2008	LLC Gazprom Dobycha Nadym	Head of the Production Division for Operation of Booster Compressor Stations and Gas Refrigeration Stations at Gazprom Dobycha Nadym
2008	2019	LLC Gazprom Dobycha Nadym	Director General
2008	2008	LLC Gazprom Dobycha Nadym	Chief Engineer and First Deputy Director General at Gazprom Dobycha Nadym

Gennady Nikolaevich Sukhov

Since	**Till**	**Company Name**	**Position**
2019	Present	PJSC GAZPROM	Member of the Management Committee, Head of Department 314
2019	Present	PJSC Mosenergo	Member of the Board of Directors
2019	Present	LLC RusChemAlliance	Member of the Board of Directors
2019	Present	PJSC TGK-1	Member of the Board of Directors
2020	Present	PJSC Gazprom Neft	Member of the Board of Directors
1997	2003	Mezhregiongaz	Head of the Balance Division, Deputy Head of the Gas Sales Directorate
2003	2014	PJSC GAZPROM	Head of Directorate under the Department for Gas and Liquid Hydrocarbon Marketing and Processing
2014	2019	PJSC GAZPROM	Deputy Head of Department 614
2014	2020	LLC Gas-Oil Trading	Member of the Board of Directors
2015	2020	CJSC Gazprom YRGM Trading	Member of the Board of Directors
2015	2020	JSC Gazprom YRGM Development	Member of the Board of Directors

Vitaliy Anatolievich Markelov. See "—Director Biographies."

Mikhail Evgenievich Putin

Since	Till	Company Name	Position
2018	Present	PJSC GAZPROM	Deputy Chairman of the Management Committee
2013	Present	JSC Sogaz Insurance	Deputy Chairman of the Management Committee
2018	Present	"Gazprom Shkola" Private School	Chairman of the Board of Trustees
2013	2018	PJSC Gazprom	Advisor to the Chairman of the Management Committee
2019	2020	LLC Gazprom Pitanie	Member of the Board of Directors, Chairman of the Board of Directors

Sergey Fedorovich Khomyakov

Since	Till	Company Name	Position
2007	Present	PJSC GAZPROM	Deputy Chairman of the Management Committee, member of the Management Committee
2008	Present	Gazprom's Corporate Security Service	Director General
2005	Present	JSC Gazprom Space Systems (formerly OJSC Gazkom)	Member of the Board of Directors
2014	Present	Federal Independent Educational Institution "National Research Tomsk Polytechnic University"	Member of the Supervisory Board
2015	Present	Saint-Petersburg State Electrotechnical University after V.I.Ulianov (Lenin) (Federal State Autonomous Educational Institution of Higher Education)	Member of the Supervisory Board
2015	Present	Gubkin Russian State University of Oil and Gas (Federal State Autonomous Educational Institution of Higher Education)	Member of the Board of Trustees
2016	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2017	Present	ANO "Voleyball Club Zenit – Saint-Petersburg"	Member of the Supervisory board, Chairman of the Supervisory board
2017	Present	JSC Zenit Football Club	Member of the Board of Directors
2019	Present	JSC Rusgeology	Member of the Board of Directors
2019	Present	GAZPROM Germania GmbH	Member of the Advisory Board
2009	2017	LLC Gazprom investproekt	Member of the Board of Directors

Oleg Evgenievich Aksyutin

Since	Till	Company Name	Position
2008	Present	PJSC GAZPROM	Member of the Management Committee
2015	Present	PJSC GAZPROM	Head of Department 123
2012	Present	OJSC Gazprom transgaz Belarus	Member of the Supervisory Board
2012	Present	PGS Banatski Dvor d.o.o.	Member of the Supervisory Board
2013	Present	South Stream Transport B.V.	Chief executive director, Member of the Board of Directors
2013	Present	"New Technologies in Gas Industry" Association of Equipment Manufacturers	Member of the Management Committee
2015	Present	Self-regulated organization "Association of gas and oil complex builders"	Member of the Board of Association
2016	Present	Nord Stream 2 AG	Member of the Board of Directors
2016	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2018	Present	Turkakim Gaz Tasima A.S.	Member of the Board of Directors

2019	Present	Union of Oil and Gas Industry Organizations "Russian Gas Society"	Member of the Supervisory Board
2019	Present	LLC Gazprom LNG Technology	Member of the Board of Directors
2019	Present	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors, Deputy Chairman of the Board of Directors
2020	Present	JSC Gazprom orgenergogas	Chairman of the Supervisory Board
2020	Present	Association of Gas Industry Construction Organizations	Member of the Board
2014	2016	CJSC Gazprom Armenia	Member of the Board of Directors, Deputy Head of the Board of Directors
2014	2016	LLC Gazprom Kyrgyzstan	Deputy Head of the Board of Directors
2008	2014	PJSC GAZPROM	Head of Gas Transportation, Underground Storage and Utilization Department.
Jan 2015	July 2015	PJSC GAZPROM	Head of Department 308
2012	2013	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors
2019	2020	LLC Gazprom LNG Technology	Member of the Board of Directors

Vladimir Konstantinovich Markov

Since	**Till**	**Company Name**	**Position**
2012	Present	PJSC GAZPROM	Member of the Management Committee
2015	Present	PJSC GAZPROM	Head of Department 613
2009	Present	Union of Oil and Gas Industry Organizations "Russian Gas Society"	Member of the Supervisory Board
2012	Present	JSC Insurance company "SOGAZ–Med"	Member of the Board of Directors
2007	2011	State Duma of the Russian Federation	Deputy, member of the energy committee
2011	2011	PJSC GAZPROM	Deputy Head of the Department of Relations with Regional Authorities of the Russian Federation
2012	2014	PJSC GAZPROM	Head of the Department of Relations with Regional Authorities of the Russian Federation
2012	2014	JSC Gazprom gazoraspredeleniye	Member of the Board of Directors
2012	2013	CJSC Yamalgazinvest	Member of the Board of Directors
2012	2019	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors

Elena Vladimirovna Mikhailova

Since	**Till**	**Company Name**	**Position**
2012	Present	PJSC GAZPROM	Member of the Management Committee
2015	Present	PJSC GAZPROM	Head of Department 105
2012	Present	PJSC Gazprom Neft	Member of the Board of Directors
2012	Present	PJSC Mosenergo	Member of the Board of Directors
2012	Present	OJSC Severneftegazprom	Member of the Board of Directors
2012	Present	CJSC Leader	Member of the Board of Directors
2012	Present	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors
2013	Present	JSC Latvijas Gaze	Member of the Board
2017	Present	ANO "Voleyball Club Zenit – Saint-Petersburg"	Member of the Supervisory Board
2018	Present	JSC Zenit Football Club	Member of the Board of Directors
2018	Present	JSC Non-state Pension Fund "GAZFOND"	Member of the Board of Directors
2019	Present	LLC Lazurnaya	Member of the Board of Directors, Chairman of the Board of Directors
2019	Present	OJSC Vostokgazprom	Member of the Board of Directors
2019	Present	JSC Tomskgazprom	Member of the Board of Directors
2012	2014	PJSC GAZPROM	Head of Asset Management and Corporate Relations Department
2007	2010	LLC Gazprom mezhregiongaz Vologda	Chairman of the Board of Directors
2007	2010	CJSC Gazprom mezhregiongaz Astrakhan	Chairman of the Board of Directors
2007	2010	LLC Astrakhanregiongas	Chairman of the Board of Directors

2007	2010	LLC Gazprom mezhregiongaz Saint Petersburg	Chairman of the Board of Directors
2007	2010	LLC Petersburgregiongas	Chairman of the Board of Directors
2007	2010	LLC Gazprom mezhregiongaz Pskov	Chairman of the Board of Directors
2007	2010	LLC Gazprom mezhregiongaz Samara	Chairman of the Board of Directors
2007	2012	OJSC Regiongasholding	Chairman of the Board of Directors
2007	2010	CJSC Gazenergoprombank	Member of the Board of Directors
2007	2011	OJSC Astrakhanoblgas	Member of the Board of Directors
2007	2011	OJSC Kalmgas	Member of the Board of Directors
2007	2014	JSC Gazprom gazoraspredeleniye	Member of the Board of Directors
2007	2017	LLC Gazprom Gazenergoset	Member of the Board of Directors
2007	2019	LLC Gazprom mezhregiongaz	Deputy Director General in charge of corporate and property relations
2008	2013	LLC Gazprom neftekhim Salavat	Member of the Board of Directors
2008	2012	CJSC Gazprom mezhregiongaz Kazan	Chairman of the Board of Directors
2009	2014	OJSC Neftyanoy Dom	Chairman of the Board of Directors
2009	2014	JSC Sobinbank	Member of the Board of Directors
2012	2013	CJSC Nortgaz	Member of the Board of Directors
2012	2017	LLC Gazprom investproekt (formerly LLC Russkiye Energeticheskiye Proekty)	Member of the Board of Directors
2016	2017	AS Conexus Baltic Grid	Member of the Board
2016	2017	Gazprom Social Initiatives Fund	Member of the Board of Fund, Chairman of the Board of Fund
2016	2018	JSC Non-state Pension Fund "GAZFOND"	Member of the Board of the Fund
2018	2019	LLC RusChemAlliance	Member of the Board of Directors
2019	2020	LLC Gazprom LNG Technology	Member of the Board of Directors

Vyacheslav Alexandrovich Mikhalenko

Since	Till	Company Name	Position
2015	Present	PJSC GAZPROM	Member of the Management Committee
2015	Present	PJSC GAZPROM	Head of the Department 308
2015	Present	Union of Oil and Gas Industry Organizations "Russian Gas Society"	Member of the Supervisory Board
2016	Present	"New Technologies in Gas Industry" Association of Equipment Manufacturers	Member of the Management Committee
2016	Present	CJSC Gazprom Armenia	Member of the Board of Directors, Deputy Chairman of the Board of Directors
2016	Present	JSC Gazprom Space Systems	Member of the Board of Directors
2016	Present	LLC Gazprom Kyrgyzstan	Deputy Chairman of the Board of Directors
2016	Present	OJSC Gazprom transgaz Belarus	Deputy Chairman of the Supervisory Board
2016	Present	International Business Congress (IBC) e. V.	Member of the Presidium
2017	Present	JSC REPH	Chairman of the Board of Directors
2017	Present	LLC Gazprom LNG Technology	Member of the Board of Directors
2020	Present	LLC Gazprom SPKA	Member of the Board of Directors, Chairman of the Board of Directors
2012	2015	LLC Gazprom transgaz Moscow	Director General
2007	2012	LLC Gazprom transgaz Tomsk	Chief Engineer – First Deputy Director General
2016	2019	LLC Gazprom gazomotornoe toplivo	Member of the Board of Directors

Description of Gazprom's Management

In accordance with Federal Law No. 208-FZ "On Joint Stock Companies" dated December 26, 1995, as amended ("**Joint Stock Company Law**") and Gazprom's Charter, Gazprom's operations are governed by Gazprom's General Meeting of Shareholders, Board of Directors, Management Committee and the Chairman of the Management Committee. The General Meeting of Shareholders is Gazprom's highest governing body and, among other things, elects the Board of Directors. The Board of Directors is responsible for formulating the strategy and the executive bodies (the Management Committee and the Chairman of the Management Committee) are responsible for implementing the strategy and managing Gazprom on a day-to-day basis. All of the governing bodies act in accordance with the laws of the Russian Federation, Gazprom's Charter and the regulations of these governing bodies which were approved by the General Meeting of Shareholders of Gazprom.

General Meeting of Shareholders

The General Meeting of Shareholders takes place annually, usually in June. The following decisions, among others, can be taken only by the General Meeting of Shareholders: amendments to the Charter, Gazprom's reorganization or liquidation, the election of the members of the Board of Directors and Internal Audit Commission, the determination of the quantity, category and nominal price of authorized shares as well as rights arising out of the ownership of shares, increases in the charter capital (when such decision is reserved for the General Meeting of Shareholders by the Charter in accordance with provisions of the Joint Stock Companies Law), reduction of the charter capital, approval of the annual report and annual accounts, approval of large transactions and transactions that involve interested parties (where such decision is within the authority of the General Meeting of Shareholders in accordance with the Joint Stock Companies Law), as well as making other decisions in accordance with the terms of the Joint Stock Companies Law and the Charter.

Board of Directors

The Board of Directors is responsible for the general management of Gazprom's activities. The General Meeting of Shareholders determines the number of members of the Board of Directors, which cannot be less than nine. Currently, there are 11 members of the Board of Directors. A total of nine members of the Board of Directors were nominated by the Russian Federation, including the Chairman of the Management Committee. Six of them were nominated as representatives of the Russian Federation and three of them as independent directors. The remaining members of the Board of Directors consist of one member of the Management Committee and one senior executive officer of a Gazprom's subsidiary.

The powers of the Board of Directors include determining the priorities of Gazprom's operations, approving annual budgets, calling General Meetings of Shareholders and determining the agenda for such meetings, determining the record date for Gazprom's General Meetings of Shareholders, increasing Gazprom's charter capital (except where such increase is within the authority of the General Meeting of Shareholders), issuing bonds or other securities in accordance with the Joint Stock Companies Law, appointing Gazprom's executive bodies (such as the Management Committee and the Chairman of the Management Committee), deciding on early termination of the powers of these bodies, approving candidates nominated by the Chairman of the Management Committee for the position of Deputy Chairman of the Management Committee, determining the remuneration of the Chairman and members of the Management Committee, recommending the size of dividends for approval by the General Meeting of Shareholders, using the reserve and other funds, creating branch and representative offices, specifying the means of effecting transactions, adopting decisions on major transactions and certain "interested party" transactions (except for those major or "interested party" transactions for which approval is within the competence of the General Meeting of Shareholders), establishing the terms of cooperation with subsidiaries and organizations of which Gazprom holds stock and equity participations, and other matters.

In 2002, the Board of Directors adopted a resolution whereby all transactions, involving: (i) acquisition, disposal or charge of interests that Gazprom holds in other companies; (ii) disposal or charge of interests that Gazprom's subsidiaries hold in other companies; (iii) acquisition of interests in other companies by Gazprom's subsidiaries (as amended in 2014, this is applicable to transactions exceeding 15% of a subsidiary's total assets as of the date of latest available financial statements); (iv) loans or other borrowings including guarantees by Gazprom having a value greater than 0.3% of Gazprom's balance sheet assets determined under Russian accounting principles as of the latest available date; and (v) purchases or disposals of Gazprom's fixed assets having a value greater than 0.3% of its balance sheet assets determined under Russian accounting principles as of the latest available date, require approval by the Board of Directors. Similar documents were adopted by all of Gazprom's significant joint-stock subsidiaries with respect to their activities.

Members of the Board of Directors are elected by the General Meeting of Shareholders by a system of cumulative voting for a term lasting until the next annual General Meeting of Shareholders and may be re-elected an unlimited number of times. The General Meeting of Shareholders may also terminate the authority of all members of the Board of Directors before the expiration of their terms. Members of the Management Committee may not comprise more than one-quarter of the Board of Directors. The Chairman of the Board of Directors is elected from and by the members of the Board of Directors by a majority vote and may be re-elected at any time by a special resolution requiring at least a two-thirds majority. The Chairman of the Management Committee cannot simultaneously serve as the Chairman of the Board of Directors.

Audit Committee

The Audit Committee of the Board of Directors is primarily focused on assessing the nominations for Gazprom's auditor, the auditor's report, ensuring independence and objectivity of internal and external audit, control of completeness, accuracy and reliability of Gazprom's financial statements as well as reliability and effectiveness of Gazprom's risk management and internal controls. The Audit Committee members are elected pursuant to the guidelines in relation to the formation and functioning of the Audit Committee that have been adopted by the Board of Directors. The powers of the Audit Committee expire concurrently with the termination of the powers of the Board of Directors that has appointed the relevant Audit Committee. Currently, V. Martynov (independent director) is the Chairman and M. Sereda and V. Mau (independent director) are members of the Audit Committee.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for internal and external assessment of performance, and development, review and monitoring of compliance with the remuneration policy in respect of the members of the Board of Directors, committees of the Board of Directors, the Management Committee and the Chairman of the Management Committee; development of conditions for early termination of employment of the members of the Management Committee and the Chairman of the Management Committee; identification of ways to improve the composition of the Board of Directors, preparation of recommendations for the shareholders in respect of the nominees to the Board of Directors; preparation of recommendations for the Board of Directors in respect of candidates for the positions of Chairman, deputy Chairman and members of the Management Committee, as well as the Corporate Secretary; making recommendations as regards to remuneration of the Corporate Secretary. Currently, the Chairman of the Nomination and Remuneration Committee is M. Sereda, the members are V. Martynov (independent director) and V. Mau (independent director).

Management Committee

The Management Committee and the Chairman of the Management Committee are Gazprom's executive bodies. The Chairman and other members of the Management Committee are each appointed by the Board of Directors for a term of five years. The Board of Directors has the right to terminate the authority of any member of the Management Committee as well as the Chairman of the Management Committee.

The authority of the Management Committee includes (i) developing forward-looking plans and principal programs for approval by the Board of Directors, including Gazprom's annual budget and investment programs, and preparing reports on the implementation of those programs; (ii) organizing gas flow management and management of the GTS; (iii) organizing control over the development of Gazprom's current and prospective plans and programs; (iv) approving the rules governing the organization and reliability of Gazprom's bookkeeping accounts and the timely preparation of the annual report and other financial reports; and (v) presenting information about Gazprom's activities for the use of shareholders, creditors, and the media.

The Management Committee meets, in general, at least twice every month in accordance with a schedule that is approved by the Chairman of the Management Committee.

Chairman of the Management Committee

The Chairman of the Management Committee has authority to act in Gazprom's name without power of attorney, presents Gazprom's interests, approves staff, issues orders and decrees, gives instructions to be carried out by all of Gazprom's employees and issues internal documents with respect to the current activities, with the exception of internal documents which are within the authority of Gazprom's other management bodies.

Additional Information about Gazprom's Directors and Management Committee Members

Directors' and officers' compensation

Key management personnel's (the members of the Board of Directors and Management Committee of Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR3,180 million and RR4,312 million for the years ended December 31, 2019 and 2018, respectively. Such amounts include payments for certain healthcare services. The members of the Board of Directors, who are Government officials, do not receive remuneration from the Group. Compensation of the members of the Board of Directors (other than remuneration for serving as directors of a company of the Group) is determined by the terms of the employment contracts.

Share ownership by directors and Management Committee members

Members of the Board of Directors who simultaneously hold managing positions, members of the Managing Committee and other managers of Gazprom are entitled to purchase Gazprom's shares pursuant to the Management Share Capital Participation Program.

As of June 30, 2020, the aggregate direct ownership of Gazprom's shares by the members of Gazprom's Management Committee and Board of Directors was 0.01%.

Conflicts of Interest

Gazprom is not aware of any conflicts of interest between any duties of the members of its Board of Directors or Management Committee owed to it and their own private interests and/or other duties.

SHAREHOLDING STRUCTURE OF GAZPROM

Gazprom's charter capital amounts to RR118,367,564,500, consisting of 23,673,512,900 ordinary shares with a nominal value of RR5 per each ordinary share. Holders of the ordinary shares are entitled to dividends that may be declared in respect of a quarter, half-year, nine months or a full financial year. Each ordinary share, as a general rule, will carry one vote at a General Meeting of Shareholders.

The Russian Federation currently controls over 50% of our Shares. As our controlling shareholder, the Russian Federation has a strong influence over the major decisions made at our shareholder meetings and, as the nominating party for a majority of the members of the Board of Directors, is able to determine our strategy, make policy decisions in relation to the main areas of our business (including investments, borrowings, risk management and asset allocation), and supervise the implementation of such decisions. Minority shareholders of Gazprom enjoy protections provided under the applicable corporate laws of the Russian Federation to which Gazprom and the Russian Federation, as its controlling shareholder, strictly adhere. For a summary of these protections, see "Description of Share Capital and Certain Requirements of Russian Legislation." We are also a "natural monopoly" in the transportation of natural gas under Federal Law No. 147 FZ, dated August 17, 1995 (the "**Natural Monopoly Law**"), which means that the tariffs we charge for gas transportation through our trunk pipelines are subject to regulation by the Government.

Gazprom's Shares are admitted to trading at, and listed on the Level I quotation lists of, the Moscow Exchange and the Saint Petersburg Exchange, the leading Russian stock exchanges.

In April 2006, Gazprom converted the Regulation S GDR facility to an unrestricted GDR facility, which provides for the deposit of Gazprom shares for issuance of the global depositary receipts ("**GDRs**") and surrender of GDRs for delivery of shares. The Bank of New York Mellon acts as the depositary. The GDRs are freely tradable on the over-the-counter stock market in the United States, the regulated market of the London Stock Exchange and on the following other exchanges: the Berlin Stock Exchange, the Frankfurt Stock Exchange and the Moscow Exchange. In addition, Gazprom has previously sold Rule 144A ADRs in the United States to qualified institutional buyers. Under the permit received by Gazprom from the Federal Service for Financial Markets (subsequently replaced by the CBR as the Russian securities market regulator) in accordance with the Russian securities regulations, the maximum volume of Gazprom shares that may be circulated outside Russia in the form of GDRs or otherwise may not exceed 35% of Gazprom's charter capital. In June 2014, up to 4,000,000,000 unrestricted GDRs representing 8,000,000,000 of Gazprom shares were admitted to listing and quotation on the Singapore Exchange Securities Trading Limited.

The following table sets forth information regarding the beneficial ownership of Gazprom shares as of June 30, 2020:

Shareholders	**(%)**
Federal Agency For State Property Management (1)	38.37
Rosneftegaz (1)	10.97
AO Rosgazifikatsiya (1)	0.89
Depository receipts holders (through The Bank of New York Mellon) (2)	17.99
Other entities(2)	31.78
Total	**100.00**

Notes:

(1) Entities controlled by the Russian Federation. The Russian Federation currently controls over 50% of Gazprom's shares through holding a 100% interest in Rosneftegaz which, in turn, holds a 74.55% interest in AO Rosgazifikatsiya as of December 31, 2019. The shareholding of AO Rosgazifikatsiya is presented as of June 1, 2020.

(2) As of June 30, 2020, our subsidiaries controlled 0.12% of Gazprom shares (in the form of shares and depository receipts).

In July and November 2019, our subsidiaries sold 2.93% and 3.59% of shares in Gazprom for total consideration of RR139 billion and RR188 billion, respectively, by effecting transactions on the trading platform of the Moscow Exchange.

CERTAIN TRANSACTIONS

Interested Party Transactions under Russian Law

The Joint Stock Companies Law sets forth certain requirements with respect to transactions involving interested parties. An interested party is any of the following: (i) a member of the board of directors, (ii) a person performing functions of the sole executive body (e.g., the Chairman of Gazprom's Management Committee), (iii) a member of the collective executive body (e.g., the Gazprom's Management Committee), (iv) a person controlling the company or (v) any person who has the right to issue mandatory instructions to the company, if such person or its spouse, parents, children, adoptive parents or children, siblings and/or persons (entities) controlled by it:

- is a party to, or beneficiary of, or a representative or intermediary in, a transaction with the company; or
- is a controlling person of a legal entity which is a party to, or beneficiary of, or a representative or intermediary in, a transaction with the company; or
- holds position in any management body of a legal entity which is a party to, or beneficiary of, or a representative or intermediary in, a transaction with the company (or in any management body of the management company of such entity).

In accordance with the Joint Stock Company Law the term "**controlling person**" includes any person which (directly or indirectly, through persons controlled by it, by virtue of its ownership in the share capital of the controlled entity, a trust, partnership, joint venture or agency agreement, shareholders agreement or any other agreement relating to the exercise of rights attached to the shares (interests) in the controlled entity) holds more than 50% of votes in the highest governance body of the controlled entity or has the powers to appoint or elect the sole executive body or more than 50% of the members of the collective executive body of the controlled entity. The aforementioned threshold is reduced to 20% with respect to the joint stock companies:

- included on the list of strategic enterprises and companies by a Decree of the President of the Russian Federation, or
- 50% or more of shares in which are held by the Russian Federation, or
- in which the Russian Federation holds a special management right ("golden share").

The Russian Federation, its constituent units or municipalities are not considered controlling persons under the Joint Stock Companies Law.

The Joint Stock Companies Law requires that the company shall notify the members of its board of directors, members of its collective executive body and, where all members of the board of directors of the company are interested, its shareholders of the contemplated interested party transaction. Such notice shall be given not later than 15 calendar days prior to the consummation of the transaction, unless the company's charter sets forth another notice period.

The Joint Stock Companies Law does not require the prior approval of an interested party transaction. However, the prior approval by the board of directors or by the general shareholders' meeting may be requested by:

- the sole executive body, or
- a member of the collective executive body, or
- a member of the board of directors, or
- a shareholder holding not less than 1% of voting shares.

In such case, the transaction in a non-public joint stock company must be approved by a majority vote (unless a qualified majority vote is required under the company's charter) of the disinterested directors or, if the number of such disinterested directors is less than the quorum required under the company's charter, by a simple majority of the company's disinterested shareholders.

If the company is a public joint stock company, such as Gazprom, the transaction shall be approved by a simple majority vote (unless a qualified majority vote is required under the company's charter) of the disinterested directors, who are not, nor within one year preceding the decision to approve the transaction were not:

- the sole executive body of the company; or

- members of any collective executive body of the company; or

- members of any management body of the company's management company; or

- a person whose spouse, parents, children, siblings, adopted parents and adopted children are members of the executive bodies of the management company or the manager of the company; or

- controlling persons of the company or its management company (sole manager); or

- persons having the right to issue mandatory instructions to the company.

The company's charter may set forth additional criteria with respect to directors approving interested party transactions. Gazprom's Charter contains no such criteria.

An interested party transaction must be approved by the majority of shareholders holding voting shares of the company, participating in the relevant general meeting of shareholders and being neither interested in the transaction nor controlled by interested shareholders where:

- the number of disinterested directors is not sufficient to constitute a quorum for voting on certain issues by directors of a public company under the company's charter; or

- the value of the assets in relation to which such transaction, or series of related transactions, is consummated is equal to or exceeds 10% of the balance sheet value of the company's assets as of the last reporting date; or

- the transaction, or series of related transactions, involves the disposal of the company's ordinary shares in an amount exceeding 2% of the previously issued ordinary shares of the company or securities convertible into such shares (unless the company's charter provides for a lower threshold); or

- the transaction, or series of related transactions, involves the disposal of the company's preference shares in an amount exceeding 2% of the previously issued shares of the company and shares convertible into such shares (unless the company's charter provides for a lower threshold).

If all the shareholders holding voting shares are interested in the transaction requiring approval by the general meeting of shareholders and there is another person being interested in the transaction, such transaction is to be approved by the majority of shareholders holding voting shares of the company and participating in the relevant general meeting of shareholders.

A general shareholders' meeting approving an interested party transaction is legally competent regardless of the number of participating disinterested shareholders.

The provisions of the Joint Stock Companies Law in respect of interested party transactions do not apply if:

- such transaction is to be consummated in the ordinary course of business, provided that similar transactions, which have not been interested party transactions, have been consummated for a long period of time on similar terms; or

- the company has only one shareholder holding 100% of the share capital who simultaneously is the sole executive body of the company; or

- all shareholders holding voting shares are interested in such transaction, provided that there are no other interested persons (except where the charter of a non-public company provides for the right of a shareholder to demand a prior approval of such transaction); or

- such transaction relates to the placement, including by way of subscription, of the company's shares and securities convertible into the company's shares; or

- such transaction relates to the public placement of bonds or purchase by the company of its bonds; or

- the company acquires or buys out its own shares; or

- the transaction is to be consummated as part of the company's reorganization, including under merger or accession agreements; or

- the company is required by the federal legislation of the Russian Federation to enter into the transactions, where settlements under such transactions are to be made pursuant to compulsory tariffs and prices established by the Government or competent federal state authorities authorized by the Government; or

- such transaction is consummated as a standard form (public) contract; or

- the transaction is consummated pursuant to paragraphs 6-8 of Article 8 of Federal Law No. 35-FZ "On Electric Power Sector" dated March 26, 2003, as amended; or

- the transaction is to be entered into under the same terms and conditions as set forth in the preliminary agreement containing all information set forth in paragraph 6 of Article 83 of the Joint Stock Companies Law, provided such preliminary agreement has been approved as an interested party transaction under the Joint Stock Companies Law; or

- the transaction is to be consummated at or as a result of a public tender, provided that such public tender and its terms have been approved in advance by the board of directors; or

- the value of the transaction or, if the transaction is to be consummated in respect of the assets, the price or the balance sheet value of which does not exceed 0.1% of the balance sheet value of the company's assets as of the last reporting date, provided that the price of such transaction does not exceed certain thresholds set forth by the Bank of Russia.

Directive No. 4335-U dated March 31, 2017 issued by the Bank of Russia sets forth such thresholds which, if exceeded, will result in an interested party transaction not qualifying for the de minimis exception. In case of Gazprom, such threshold level is RR2 billion.

If an interested party transaction is entered into without due approval, upon request of a member of the company's board of directors or a shareholder (or shareholders) holding not less than 1% of the company's voting shares, the company must provide the foregoing persons with information relating to such transaction, including documents confirming that such transaction does not prejudice the company's interests or is made substantially on arm's-length terms.

An interested party transaction may be challenged in court pursuant to an action of the company, a member of its board of directors or its shareholders holding not less than 1% of the company's voting shares if all of the following conditions are met:

- the transaction prejudices the company's interests; and

- the other party to the transaction knew or should have known that the transaction is an interested party transaction and/or that it had not been properly approved.

Unless otherwise proved in court, the transaction is deemed to have prejudiced the company's interests if all of the following criteria are met:

- there was no prior or subsequent approval of the challenged interested party transaction;

- it has been proved that the person filing an action challenging the interested party transaction was not provided with the information in respect of such transaction upon its request.

Irrespective of whether the interested party transaction has been invalidated by a court, the relevant interested party shall be responsible for the losses such interested party caused to the company.

Related Party Transactions

For the purposes of the Group's Financial Statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures." The nature of the related party relationships for those related parties with whom the Group had significant balances outstanding or entered into significant transactions as of or for the six months ended June 30, 2020 and 2019 and years ended December 31, 2019 and 2018 are described below.

For further information about our significant transactions and balances with related parties, please see Note 24 to our Unaudited consolidated interim condensed financial information and Note 36 to our consolidated financial statements for the year ended December 31, 2019.

Government

The Russian Federation controls over 50% of Gazprom's shares. In the normal course of business the Group enters into transactions with other entities under the Government's control. Prices of natural gas sales and transportation and electricity tariffs in Russia are regulated by the FAS. Bank loans are provided on the basis of market rates. Taxes are accrued and settled in accordance with tax legislation.

In the six months ended June 30, 2020 and 2019, transactions with the Government and entities under the Government's control resulted in revenues of approximately RR185 billion and RR201 billion, respectively, and expenses of RR776 billion and RR1,038 billion, respectively. In the years ended December 31, 2019 and 2018, transactions with the Government and entities under the Government's control resulted in revenues of approximately RR382 billion and RR373 billion, respectively, and expenses of approximately RR1,921 billion and RR1,945 billion, respectively. These expenses include current tax on profits, compulsory insurance contributions, other taxes, accrued interests, and expenses relating to transportation of oil and refined products.

Associates and joint ventures

The Group's transactions with associates and joint ventures occur in the ordinary course of business and include gas production services, interest income and expense, sale and purchase of gas, gas condensate, crude oil and refined products, gas transportation services, refining and other services, as well as other operating income, including rental income. Such companies include, but are not limited to Slavneft and subsidiaries, Panrusgas Co., Arcticgas, GPB and its subsidiaries, Messoyakhaneftegaz, KazRosGaz, Nord Stream AG, WIGA and its subsidiaries and Achimgaz. For the six months ended June 30, 2020 and 2019 and years ended December 31, 2019 and 2018, these transactions resulted in income of approximately RR64 billion, RR122 billion, RR236 billion and RR268 billion, respectively, and expenses of approximately RR211 billion, RR271 billion, RR550 billion and RR525 billion, respectively.

In addition, in the six months ended June 30, 2020 and 2019 and years ended December 31, 2019 and 2018 total revenues from operations with CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development amounted to RR36 billion, RR38 billion, RR74 billion and RR72 billion, respectively, while the expenses were RR43 billion, RR54 billion, RR96 billion and RR108 billion, respectively. CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are our significant related parties and not our associates or joint ventures.

We hold a 48.99% interest in JSC Gazstroyprom. Currently, the consolidation of construction assets within JSC Gazstroyprom is ongoing, including those of certain of our construction contractors. The Group has no control over management of JSC Gazstroyprom.

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of Gazprom) short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of Group companies, amounted to approximately RR3,180 million and RR4,312 million for the years ended December 31, 2019 and 2018, respectively. Such amounts include payments for certain healthcare services.

FACILITY AGREEMENT

The following is the text of the Facility Agreement entered into between Gazprom and the Issuer. In the context of each Series of Notes and the corresponding Loan, this Facility Agreement should be read in conjunction with, and is qualified in its entirety by, the relevant Loan Supplement for such Series and Loan.

This Amended and Restated Facility Agreement is made on 26 December 2019 **between**:

(1) **PUBLIC JOINT STOCK COMPANY GAZPROM**, a company established under the laws of the Russian Federation whose registered office is at 16 Nametkina Street, 117420 Moscow, Russian Federation ("**Gazprom**"); and

(2) **GAZ FINANCE PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 11th floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom (the "**Lender**").

Whereas:

(A) Gazprom and the Lender entered into a facility agreement dated 8 November 2019 relating to the Programme (the "**Original Facility Agreement**"). The parties to this Agreement wish to amend and restate the Original Facility Agreement and hereby agree that from the date of the Effective Date Notice (as defined below), the Original Facility Agreement shall be amended and restated in the form set out below.

(B) The Lender, at the request of Gazprom, agreed to make available to Gazprom a loan facility in the maximum amount of the Programme Limit (as defined below) on the terms and subject to the conditions of this Agreement, as amended and supplemented in relation to each Loan by a loan supplement dated the Closing Date substantially in the form set out in the Schedule thereto (each, a "**Loan Supplement**").

(C) It is intended that, concurrently with the extension of any Loan under this Agreement, the Lender will issue certain loan participation notes in the same nominal amount and bearing the same rate of interest as such Loan.

(D) It has been agreed in the Principal Trust Deed (as defined below) that if following the assignment by the Lender of its rights and obligations under any Loan Agreement, the Trustee or any person receiving payments under the direction of the Trustee in accordance with Clause 2.8 of the Principal Trust Deed is no longer a resident of a state with which the Russian Federation has a double taxation treaty providing for a zero withholding tax rate on income in the form of interest, then at the request of the Issuer, the Trustee may (subject to being indemnified and/or secured and/or prefunded to its satisfaction (using its powers under the Principal Trust Deed) select a new trustee or co-trustee, appoint an agent or nominee, delegate any of its functions or take such other measures that the Issuer deems advisable or necessary so that payments obtain the benefit of a zero withholding tax rate on payments in the form of interest.

Now it is hereby agreed as follows:

1 Definitions and Interpretation

1.1 Definitions

In this Agreement (including the recitals), the following terms shall have the meanings indicated:

"**Account**" means an account in the name of the Lender with the Account Bank as specified in the relevant Loan Supplement.

"**Affiliates**" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect control with such specified Person. For the purposes of this definition, "control" when used with respect to any Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"**Agency Agreement**" means the amended and restated paying agency agreement relating to the Programme dated 26 December 2019 between the Lender, Gazprom, the Trustee and the agents named therein.

“**Agreements**” means this Agreement, the Dealer Agreement, the Agency Agreement, the Principal Trust Deed, the Trustee and Agents Side Letter and, in relation to each Series, the relevant Final Terms, Subscription Agreement, Loan Supplement, Supplemental Agency Agreement, Supplemental Trust Deed and Fees and Expenses Side Agreement.

“**Applicable Time**” means, in respect of a Rule 144A Series, the time set out in the relevant Subscription Agreement at which the relevant Dealer(s) first convey(s) to potential subscribers for and purchasers of Notes of such Series the final pricing terms for such Notes in the relevant Pricing Notification.

“**Arrangers under the Dealer Agreement**” mean J.P. Morgan Securities plc and UBS AG London Branch or any additional or replacement arranger appointed, and excluding any Arranger whose appointment has terminated pursuant to clauses 14.1-14.3 of the Dealer Agreement.

“**Business Day**” means (save in relation to Clause 4) a day (other than a Saturday or Sunday) on which (a) banks and foreign exchange markets are open for business generally in the relevant place of payment, and (b) if on that day a payment is to be made in a Specified Currency other than euro hereunder, where payment is to be made by transfer to an account maintained with a bank in the Specified Currency, foreign exchange transactions may be carried on in the Specified Currency in the principal financial centre of the country of such Specified Currency and (c) if on that day a payment is to be made in euro hereunder, a day on which the TARGET System is operating and (d) in relation to a Loan corresponding to a Series of Notes to be sold pursuant to Rule 144A under the Securities Act, banks and foreign exchange markets are open for business generally in New York City.

“**Calculation Agent**” means, in relation to a Loan, Citibank, N.A., London Branch or any person named as such in the relevant Loan Supplement or any successor thereto.

“**Closing Date**” means the date specified as such in the relevant Loan Supplement.

“**Consolidated Assets**” means the total of all assets as set forth on the most recent consolidated balance sheet of Gazprom and its consolidated Subsidiaries prepared in accordance with IFRS, as consistently applied.

“**Day Count Fraction**” has the meaning specified in the relevant Loan Supplement.

“**Dealer Agreement**” means the amended and restated dealer agreement relating to the Programme dated 26 December 2019 between the Lender, Gazprom, the Arrangers under the Dealer Agreement and the other dealers appointed pursuant to it (as amended, restated or supplemented from time to time).

“**Dollars**”, “**$**” and “**U.S.$**” means the lawful currency of the United States of America.

"**Domestic Relevant Financial Indebtedness**” means any Relevant Financial Indebtedness which is denominated and payable in the lawful currency for the time being of the Russian Federation, is not quoted, listed or ordinarily dealt in or traded on any stock exchange, over the counter or other recognised securities market outside the Russian Federation and which on issue was placed only with investors within the Russian Federation.

“**Early Redemption Amount**” has the meaning specified in the relevant Loan Supplement.

“**Encumbrance**” means any mortgage, charge, pledge, lien (other than a lien arising solely by operation of law which is discharged within 90 calendar days of arising) or other security interest securing any obligation of any Person or any other type of preferential arrangement (including any title transfer and retention arrangement) having a similar effect.

“**Environmental Law**” means any applicable law in any jurisdiction in which any member of the Group conducts business which relates to the pollution or protection of the environment or harm to or the protection of human health or the health of animals or plants.

“**euro**” or “**€**” or “**EUR**” means the lawful currency of the member states of the European Union that adopted the single currency in accordance with the Treaty of Rome, as amended.

“**Event of Default**” has the meaning assigned to such term in sub-clause 11.1 hereof.

“**Fees and Expenses Side Agreement**” means, in relation to each Series, the agreement defined as such in the relevant Subscription Agreement.

"**Final Terms**" means, in relation to a Loan, final terms issued specifying the relevant issue details of such Loan, substantially in the form of Schedule C of the Dealer Agreement.

"**Financial Indebtedness**" means any obligation for the payment of money in any currency, whether sole, joint or several, and whether actual or contingent, other than (x) an obligation for the payment of money payable to any person domiciled, resident or having its head office or principal place of business in the Russian Federation and (y) any such obligation between members of the Group, in respect of:

(a) moneys borrowed or raised (including the capitalised value of obligations under financial leases and hire purchase agreements and deposits, but excluding moneys raised by way of the issue of share capital (whether or not for a cash consideration) and any premium on such share capital) and interest and other charges thereon or in respect thereof;

(b) any liability under any debenture, bond, note, loan stock or other security or under any acceptance or documentary credit, bill discounting or note purchase facility or any similar instrument;

(c) any liability in respect of the deferred acquisition cost of property, assets or services to the extent payable after the time of acquisition or possession thereof by the party liable, but not including any such liability in respect of normal trade credit for a period not exceeding six months for goods or services supplied;

(d) any liability under any interest rate or currency hedging agreement (and the amount of such Financial Indebtedness in relation to any such transaction shall be calculated by reference to the mark-to-market valuation of such transaction at the relevant time);

(e) any liability under or in respect of any bonding facility, guarantee facility or similar facility; and

(f) (without double counting) any guarantee or other assurance against financial loss in respect of such moneys borrowed or raised, interest, charges or other liability (whether the person liable in respect of such moneys borrowed or raised, interest, charges or other liability is or is not a member of the Group),

but not where the same relates to or is in connection with any Project Financing.

"**Fixed Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Floating Rate Loan**" means a Loan specified as such in the relevant Loan Supplement.

"**Gazprom Account**" means an account in the name of Gazprom as specified in the relevant Loan Supplement for receipt of Loan funds.

"**Gazprom Agreements**" means this Agreement, the Agency Agreement, the Dealer Agreement, the Trustee and Agents Fee Side Letter and together with, in relation to each Loan, the relevant Final Terms, Subscription Agreement and Loan Supplement.

"**Group**" means Gazprom and its Subsidiaries taken as a whole.

"**IFRS**" means the International Financial Reporting Standards issued by the International Accounting Standards Board (as amended, supplemented or re-issued from time to time).

"**Interest Payment Date**" means the dates specified as such in the relevant Loan Supplement.

"**Interest Period**" means each period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next Interest Payment Date.

"**Lead Manager(s)**" means the Relevant Dealer(s) specified as such in the relevant Subscription Agreement.

"**Lender Agreements**" means the Dealer Agreement, this Agreement, the Agency Agreement, the Principal Trust Deed, the Trustee and Agents Side Letter and together with, in relation to each Loan, the relevant Final Terms, Subscription Agreement, Loan Supplement and Supplemental Trust Deed and Fees and Expenses Side Agreement.

"**Lender's Retained Profits**" means an amount of EUR4,000 per annum and which shall constitute the Lender's "retained profit" within the meaning of Regulation 10 of the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296).

"**Loan**" means each loan to be made pursuant to, and on the terms specified in this Agreement and the relevant Loan Supplement and includes each Fixed Rate Loan and Floating Rate Loan.

"**Loan Agreement**" means this Agreement and (unless the context requires otherwise), in relation to a Loan means this Agreement as amended and supplemented by the relevant Loan Supplement.

"**Make Whole Premium**" has the meaning specified in the relevant Loan Supplement.

"**Material Adverse Effect**" means a material adverse effect on (a) the financial condition or operations of Gazprom and the Group taken as a whole or (b) Gazprom's ability to perform its payment or other material obligations under a Loan Agreement or (c) the rights or remedies of the Lender under a Loan Agreement.

"**Notes**" means the loan participation notes that may be issued from time to time by the Lender under the Programme in Series, each Series corresponding to a Loan and in relation to a Loan as defined in the relevant Loan Supplement.

"**Noteholder**" means, in relation to a Note, the person in whose name such Note is registered in the register of the noteholders (or in the case of joint holders, the first named holder thereof).

"**Officer's Certificate**" means a certificate signed by an officer of Gazprom who shall be the principal executive officer, principal accounting officer or principal financial officer of Gazprom in the form of Schedule 2.

"**Opinion of Counsel**" means a written opinion from international legal counsel who is acceptable to the Lender.

"**Permitted Interest**" means:

(i) any Encumbrance, guarantee or indemnity existing on the date of the relevant Loan Agreement;

(ii) any Encumbrance, guarantee or indemnity created or existing in respect of Domestic Relevant Financial Indebtedness;

(iii) any Encumbrance created in respect of Relevant Financial Indebtedness in the form of, or represented by, notes, debentures, bonds or other debt securities exchangeable or convertible into shares or equity securities in any other company listed or quoted on a stock exchange;

(iv) any Encumbrance existing on any property, income or assets of, or any guarantee or indemnity given by, any corporation at the time such corporation becomes a Subsidiary of Gazprom and not created in contemplation of such event, provided that no such Encumbrance, guarantee or indemnity shall extend to any other property, income or assets of such corporation or the Group;

(v) any Encumbrance on any property, income or assets of, or any guarantee or indemnity given by, any corporation existing at the time such corporation is merged or consolidated with or into Gazprom or any Subsidiary of Gazprom and not created in contemplation of such event, provided that no such Encumbrance, guarantee or indemnity shall extend to any other property, income or assets of the Group;

(vi) any Encumbrance, guarantee or indemnity arising out of the refinancing, extension, renewal or refunding of any Relevant Financial Indebtedness of Gazprom or any Subsidiary of Gazprom secured or supported by any Permitted Interest, provided that such Relevant Financial Indebtedness is not increased and, if the property, income or assets securing any such Relevant Financial Indebtedness or the guarantee or indemnity supporting such Relevant Financial Indebtedness are changed in connection with any such refinancing, extension, renewal or refunding, the value of the property, income or assets or the extent of the guarantee or indemnity securing or supporting such Relevant Financial Indebtedness is not increased;

(vii) any Encumbrance, guarantee or indemnity created or existing in respect of the Relevant Financial Indebtedness not exceeding in the aggregate 20 per cent. of the Consolidated Assets at any time of determination;

(viii) any Encumbrance, guarantee or indemnity created or existing in respect of any Financial Indebtedness that is not Relevant Financial Indebtedness.

"**Person**" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, company, firm, trust, organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"**Potential Event of Default**" means any event which after notice or passage of time or both would be, an Event of Default.

"**Principal Subsidiary**" means at any relevant time a Subsidiary of Gazprom:

(i) whose total assets or gross revenues (or, where the Subsidiary in question prepares consolidated accounts, whose total consolidated assets or gross consolidated revenues, as the case may be) represent not less than 5 per cent. of the total consolidated assets or the gross consolidated revenues of Gazprom and its Subsidiaries, all as calculated by reference to the then latest audited accounts (or consolidated accounts as the case may be) (in each case, produced on the basis of IFRS, consistently applied) of such Subsidiary and the then latest audited consolidated accounts of Gazprom (produced on the basis of IFRS, consistently applied) and its consolidated Subsidiaries; or

(ii) to which is transferred all or substantially all the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary.

"**Principal Trust Deed**" means the amended and restated principal trust deed dated 26 December 2019 between the Lender and the Trustee as amended, varied or supplemented from time to time in accordance with its terms.

"**Programme**" means the programme for the issuance of loan participation notes.

"**Programme Limit**" means EUR 30,000,000,000 or its equivalent in other currencies, being the maximum aggregate principal amount of Notes that may be issued and outstanding at any time under the Programme as may be increased in accordance with the Dealer Agreement.

"**Project Financing**" means any financing of all or part of the costs of the acquisition, construction, development or operation of any asset or project if the person or persons providing such financing expressly agrees to limit its recourse primarily to the asset or project financed and the revenues derived from such asset or project as the principal source of repayment for the moneys advanced.

"**Put Settlement Date**" has the meaning specified in the relevant Loan Supplement.

"**Qualifying Jurisdiction**" means any jurisdiction which has a double taxation treaty with Russia under which the payment of interest by Russian borrowers to lenders in the jurisdiction in which the lender is incorporated is generally able to be made without deduction or withholding of Russian income tax upon completion of any necessary formalities required in relation thereto.

"**Rate of Interest**" has the meaning assigned to such term in the relevant Loan Supplement.

"**Relevant Financial Indebtedness**" means any Financial Indebtedness which: (a)(i) is in the form of or represented by any bond, note, debenture stock, loan stock, certificate or other debt instrument (but for the avoidance of doubt, excluding term or revolving loans (whether syndicated or non-syndicated), credit facilities, credit agreements and other similar facilities and evidence of indebtedness under such loans, facilities or credit agreements other than loans specified in (a) (ii) below) which is listed or quoted on any stock exchange or (ii) is in the form of a loan to Gazprom which is financed by the issuance of any of the foregoing forms of debt in (a)(i) above, where such issuance is by a special purpose company or a bank or any other entity and the rights to payment of the holders of such forms of debt are limited to payments actually made by Gazprom pursuant to such loan; and (b) in the case of the debt referred to in (a)(i) above or the debt financing a loan referred to in (a)(ii) above, was initially issued outside the Russian Federation;

"**Relevant Time**" means, in relation to a payment in a Specified Currency, the time in the principal financial centre of such Specified Currency and, in relation to a payment in euro, Brussels time.

"**Repayment Date**" means the date specified as such in the relevant Loan Supplement.

"**Roubles**" means the lawful currency of the Russian Federation.

"**Same-Day Funds**" means funds for payment, in the Specified Currency as the Lender may at any time determine to be customary for the settlement of international transactions in the principal financial centre of the country of the Specified Currency or, as the case may be, euro funds settled through the TARGET System or such other funds for payment in euro as the Lender may at any time determine to be customary for the settlement of international transactions in Brussels of the type contemplated hereby.

"**Series**" means a series of Notes that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expressed to have the same series number.

"**Side Letter**" means the letter specified as such in the relevant Loan Supplement.

"**Specified Currency**" means the currency specified as such in the relevant Loan Supplement.

"**Sterling**" means the lawful currency of the United Kingdom.

"**Subscription Agreement**" means the agreement specified as such in the relevant Loan Supplement.

"**Subsidiary**" means, with respect to any Person, (i) any corporation, association or other business entity of which more than 50 per cent. of the total voting power entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such Person or one or more of the other Subsidiaries of such Person (or any combination thereof) and (ii) any partnership (a) the sole general partner or the managing general partner of which is such Person or a Subsidiary of such person or (b) the only general partners of which are such Person or of one or more Subsidiaries of such Person (or any combination thereof).

"**Supplemental Trust Deed**" means a supplemental trust deed in respect of a Series of Notes which constitutes and secures, *inter alia*, such Series dated the relevant Closing Date and made between the Lender and the Trustee (substantially in the form set out in Schedule 10 of the Principal Trust Deed).

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereof.

"**Taxes**" means any taxes (including interest or penalties thereon) which are now or at any time hereafter imposed, assessed, charged, levied, collected, demanded, withheld or claimed by the Russian Federation, the United Kingdom or any taxing authority thereof or therein provided, however, that for the purposes of this definition the references to United Kingdom shall, upon the occurrence of the Relevant Event (as this term is defined in the Trust Deed), be deemed to be references to any jurisdiction in which the Trustee is domiciled or resident for tax purposes; and the term "**Taxation**" shall be construed accordingly.

"**Trust Deed**" means the trust deed specified as such in the relevant Loan Supplement.

"**Trustee**" means Citibank, N.A., London Branch, as trustee under the Trust Deed and any successor thereto as provided thereunder.

"**Trustee and Agents Side Letter**" means an amended and restated side letter between Gazprom, the Trustee and the Agents (as named therein) dated on or around 26 December 2019.

"**United Kingdom**" means the United Kingdom of Great Britain and Northern Ireland and any political sub-division thereof.

"**VAT**" means value added tax and any other tax of a similar nature.

"**Warranty Date**" means the date hereof, each Trade Date, each Applicable Time (with respect to a Rule 144A Series only), the date of each Loan Supplement, each Closing Date, each date on which the Base Prospectus or any of the Lender Agreements is amended, supplemented or replaced and each date on which the Programme Limit is increased.

1.2 Other Definitions

Unless the context otherwise requires, terms used in this Agreement which are not defined in this Agreement but which are defined in the Principal Trust Deed, the Notes, the Agency Agreement or the Dealer Agreement shall have the meanings assigned to such terms therein.

1.3 Interpretation

Unless the context or the express provisions of this Agreement otherwise require, the following shall govern the interpretation of this Agreement:

1.3.1 All references to "Clause" or "sub-clause" are references to a Clause or sub-clause of this Agreement.

1.3.2 The terms "hereof", "herein" and "hereunder" and other words of similar import shall mean the relevant Loan Agreement as a whole and not any particular part hereof.

1.3.3 Words importing the singular number include the plural and vice versa.

1.3.4 All references to "taxes" include all present or future taxes, levies, imposts and duties of any nature and the terms "tax" and "taxation" shall be construed accordingly.

1.3.5 The table of contents and the headings are for convenience only and shall not affect the construction hereof.

1.3.6 Any reference herein to a document being in "agreed form" means that the document in question has been agreed between the proposed parties thereto, subject to any amendments that the parties may agree upon prior to the Issue Date.

1.3.7 All references to "**this Agreement**" are references to this Amended and Restated Facility Agreement.

2 Loans

2.1 Loans

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, the Lender hereby agrees to make available to Gazprom Loans up to the total aggregate amount equal to the Programme Limit.

2.2 Purpose

The proceeds of each Loan will be used for general corporate purposes, but the Lender shall not be concerned with the application thereof.

2.3 Separate Loans

It is agreed that with respect to each Loan, all the provisions of this Agreement and the Loan Supplement shall apply *mutatis mutandis* separately and independently to each such Loan and the expressions "**Account**", "**Closing Date**", "**Day Count Fraction**", "**Interest Payment Date**", "**Loan Agreement**", "**Notes**", "**Rate of Interest**", "**Repayment Date**", "**Specified Currency**", "**Subscription Agreement**" and "**Trust Deed**", together with all other terms that relate to such a Loan shall be construed as referring to those of the particular Loan in question and not of all Loans unless expressly so provided, so that each such Loan shall be made pursuant to this Agreement and the relevant Loan Supplement, together comprising the Loan Agreement in respect of such Loan and that, unless expressly provided, events affecting one Loan shall not affect any other.

3 Drawdown

3.1 Drawdown

On the terms and subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on the Closing Date thereof the Lender shall make a Loan to Gazprom and Gazprom shall make a single drawing in the full amount of such Loan.

3.2 Loan Fees

In consideration of the Lender making a Loan available to Gazprom, Gazprom hereby agrees that it shall, one Business Day before each Closing Date, pay to the Lender, in Same-Day Funds, loan fees in connection with the financing of each and any Loan in a total amount to be specified in the relevant Loan Supplement and invoice submitted by the Lender to Gazprom.

3.3 Disbursement

Subject to the conditions set forth herein and, as the case may be, in each Loan Supplement, on each Closing Date the Lender shall transfer the amount of the relevant Loan to the Gazprom Account specified in the relevant Loan Supplement.

3.4 Programme Fees

In consideration of the Lender establishing and maintaining the Programme and managing and servicing the Loans provided to Gazprom, Gazprom shall pay on demand to the Lender each year fees in an amount as set forth to Gazprom in an invoice from the Lender.

3.5 Additional Fee Payment

So long as any amount remains outstanding under a Loan Agreement, Gazprom hereby agrees that it shall pay to the Lender in Same-Day Funds a fee in an amount equal to the Lender's Retained Profits on or prior to 15 December in each calendar year. Payments to the Lender pursuant to this Clause shall be made by Gazprom on the basis of an invoice submitted to Gazprom by the Lender.

3.6 Act of Acceptance

In connection with all payments to be made under this Clause 3, Clause 12, Clause 13 and sub-Clause 14.2, Gazprom and the Lender shall enter into and sign a delivery and acceptance act with respect to the amounts to be paid by Gazprom.

3.7 VAT

All payments to be made by Gazprom pursuant to this Agreement are exclusive of VAT. If any VAT is chargeable on any payment made pursuant to this Agreement and evidenced in an invoice in respect of that payment, Gazprom shall pay an amount equal to such VAT in addition to the payments due hereunder.

4 Interest

4.1 Rate of Interest for Fixed Rate Loans

Each Fixed Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the applicable Rate of Interest.

If a Fixed Amount or a Broken Amount is specified in the relevant Loan Supplement, the amount of interest payable on each Interest Payment Date will amount to the Fixed Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified in the relevant Loan Supplement.

4.2 Payment of Interest for Fixed Rate Loans

Interest at the Rate of Interest shall accrue on each Fixed Rate Loan from day to day, starting from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date and shall be paid in arrear not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date.

4.3 Interest for Floating Rate Loans

4.3.1 *Interest Payment Dates:* Each Floating Rate Loan bears interest on its outstanding principal amount from (and including) the Interest Commencement Date and thereafter from (and including) each Interest Payment Date, to (but excluding) the next Interest Payment Date at the rate per annum (expressed as a percentage) equal to the applicable Rate of Interest, such interest being payable in arrear not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date. Such Interest Payment

Date(s) is/are either shown in the relevant Loan Supplement as Specified Interest Payment Date(s) or, if no Specified Interest Payment Date(s) is/are shown in the relevant Loan Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the relevant Loan Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

4.3.2 *Business Day Convention:* If any date referred to in the relevant Loan Supplement that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

4.3.3 *Rate of Interest for Floating Rate Loans:* The Rate of Interest in respect of Floating Rate Loans for each Interest Accrual Period shall be determined in the manner specified in the relevant Loan Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the relevant Loan Supplement.

(i) ISDA Determination for Floating Rate Loans

Where ISDA Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (i), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(a) the Floating Rate Option is as specified in the relevant Loan Supplement;

(b) the Designated Maturity is a period specified in the relevant Loan Supplement; and

(c) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the relevant Loan Supplement.

For the purposes of this sub-paragraph (i), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(ii) Screen Rate Determination for Floating Rate Loans

(a) Where Screen Rate Determination is specified in the relevant Loan Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

(I) the offered quotation; or

(II) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Loans is specified in the applicable Loan Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Loans will be determined as provided in the applicable Loan Supplement.

(b) if the Relevant Screen Page is not available or if, sub-paragraph (a)(I) applies and no such offered quotation appears on the Relevant Screen Page or if sub-paragraph (a)(II) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(c) if paragraph (b) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of Gazprom and the Lender suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

4.4 Accrual of Interest

Interest shall cease to accrue on each Loan on the due date for repayment unless payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the applicable Rate of Interest to but excluding the date on which payment in full of the principal thereof is made.

4.5 Margin, Maximum/Minimum Rates of Interest and Rounding

4.5.1 If any Margin is specified in the relevant Loan Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Clause 4.3 above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to the next paragraph.

4.5.2 If any Maximum or Minimum Rate of Interest is specified in the relevant Loan Supplement, then any Rate of Interest shall be subject to such maximum or minimum, as the case may be.

4.5.3 For the purposes of any calculations required pursuant to a Loan Agreement (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "**unit**" means the lowest amount of such currency that is available as legal tender in the country or countries of such currency.

4.6 Calculations

The amount of interest payable in respect of any Loan for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding principal amount of such Loan by the Day Count Fraction, unless an Interest Amount (or a formula for its calculation) is specified in the relevant Loan Supplement in respect of such period, in which case the amount of interest payable in respect of such Loan for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

4.7 Determination and Publication of Rates of Interest and Interest Amounts

The Calculation Agent shall, as soon as practicable on each Interest Determination Date or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts in respect of such Floating Rate Loan for the relevant Interest Accrual Period, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date to be notified to Gazprom, the Trustee, the Lender, each of the Paying Agents and any other Calculation Agent appointed in respect of such Floating Rate Loan that is to make a further calculation upon receipt of such information. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Clause 4.3.2, the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of Gazprom and the Lender by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If such Floating Rate Loan becomes due and payable under Clause 11, the accrued interest and the Rate of Interest payable in respect of such Floating Rate Loan shall nevertheless continue to be calculated as previously in accordance with this Clause but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Lender otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

4.8 Determination or Calculation by Trustee

If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount in relation to a Floating Rate Loan, the Lender and Gazprom agree that such determination or calculation may be made by or at the direction of the Trustee as set out in the conditions of the corresponding Series of Notes and such determination or calculation shall be deemed to have been made by the Calculation Agent. The parties acknowledge that in doing so, the Trustee shall apply or shall have applied the foregoing provisions of this Clause, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

4.9 Definitions

In this Clause 4, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET system is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of a currency and/or one or more Business Centres a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period, the "**Calculation Period**"):

(i) if "**Actual/365**" or "**Actual/Actual - ISDA**" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);

(ii) if "**Actual/365** (**Fixed**)" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 365;

(iii) if "**Actual/360**" is specified in the relevant Loan Supplement, the actual number of days in the Calculation Period divided by 360;

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (b) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));

(v) if "**30E/360**" or "**Eurobond Basis**" is specified in the relevant Loan Supplement, the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of a Calculation Period ending on the Maturity Date, the Maturity Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and

(vi) if "**Actual/Actual-ICMA**" is specified in the relevant Loan Supplement:

(a) If the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(I) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(II) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date.

"**Determination Date**" means the date specified in the relevant Loan Supplement or, if none is so specified, the Interest Payment Date.

"**Euro-zone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

"**Interest Accrual Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

"**Interest Amount**" means the amount of interest payable, and in the case of Fixed Rate Loans, means the Fixed Amount or Broken Amount, as the case may be.

"**Interest Commencement Date**" means the Closing Date or such other date as may be specified in the relevant Loan Supplement.

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the relevant Loan Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro.

"**Interest Period**" means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified in the relevant Loan Supplement.

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the relevant Loan Supplement.

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Lender after consultation with Gazprom or as specified in the relevant Loan Supplement.

"**Reference Rate**" means the rate specified as such in the relevant Loan Supplement.

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified in the relevant Loan Supplement.

4.10 Calculation Agent

The Lender shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the relevant Loan Supplement and for so long as any amount remains outstanding under a Loan Agreement. Where more than one Calculation Agent is appointed in respect of a Loan, references in the relevant Loan Agreement to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the relevant Loan Agreement. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Period or Interest Accrual Period or to calculate any Interest Amount, or to comply with any other requirement, the Lender shall (with the prior approval of Gazprom) appoint a leading bank or investment banking firm engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid. Both Gazprom and the Lender agree that such successor Calculation Agent will be appointed on the terms of the Agency Agreement in relation to each particular Series.

5 Repayment and Prepayment

5.1 Repayment

Except as otherwise provided herein and in the applicable Loan Supplement, Gazprom shall repay each Loan not later than 10.00 a.m. (Relevant Time) one Business Day prior to the Repayment Date therefor.

5.2 Special Prepayment

If, as a result of the application of or any amendments to or change in the Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Russian Federation for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income and capital gains or the laws or regulations of the Russian Federation or United Kingdom or of any political sub-division thereof or any authority therein or the enforcement of the security provided for in any Trust Deed, Gazprom would thereby be required to make or increase any payment due pursuant to any Loan Agreement as provided in sub-clauses 6.2 or 6.3, or if (for whatever reason) Gazprom would have to or has been required to pay additional amounts pursuant to Clause 8, then Gazprom may (without premium or penalty), upon not less than 10 days' notice to the Lender (which notice shall be irrevocable), prepay the relevant Loan in whole (but not in part) on any Interest Payment Date, in the case of a Floating Rate Loan, or at any time, in the case of a Fixed Rate Loan.

5.3 Illegality

If, at any time after the date of the relevant Loan Supplement, by reason of the introduction of, or any change in any applicable law or regulation or regulatory requirement or directive of any agency of any state the Lender reasonably determines (such determination being accompanied by an Opinion of Counsel with the cost of such Opinion of Counsel being borne solely by Gazprom) that it is or would be unlawful or contrary to such applicable law, regulation, regulatory requirement or directive for the Lender to allow all or part of the relevant Loan or the corresponding Series of Notes to remain outstanding or for the Lender to maintain or give effect to any of its obligations in connection with the relevant Loan Agreement and/or to charge or receive or to be paid interest at the rate then applicable to such Loan, then upon notice by the Lender to Gazprom in writing (setting out in reasonable detail the nature and extent of the relevant circumstances), Gazprom and the Lender shall consult in good faith as to a basis which eliminates the application of such circumstances; provided, however, that the Lender shall be under no obligation to continue such consultation if a basis has not been determined within 30 calendar days of the date on which it so notified Gazprom. If such a basis has not been determined within the 30 calendar days, then upon notice by the Lender to Gazprom in writing, Gazprom shall prepay such Loan in whole (but not in part) on the next Interest Payment Date therefor, in the case of a Floating Rate Loan, or, in the case of a Fixed Rate Loan, on such date as the Lender shall certify to be necessary to comply with such requirements.

5.4 Payment of Other Amounts

If a Loan is to be prepaid by Gazprom pursuant to any of the provisions of Clauses 5.2 or 5.3, Gazprom shall, simultaneously with such prepayment, pay to the Lender accrued interest thereon to the date of actual receipt of payment by the Lender and all other sums payable by Gazprom pursuant to the relevant Loan Agreement.

5.5 Optional Prepayment under Call Option at Make Whole

If Call Option at Make Whole is specified in the relevant Loan Supplement, Gazprom may, at its option at any time prior to the Repayment Date on giving not less than 30 nor more than 60 days' irrevocable notice to the Lender, in whole or in part, prepay the Loan at the Early Redemption Amount plus the Make Whole Premium. The notice to be given shall specify the date for prepayment of the Loan and the date for the redemption of the Notes (the "**Call at Make Whole Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan. Immediately on receipt of such notice, the Lender shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. The Loan shall be repaid on the date specified in such notice.

5.6 Optional Prepayment under Put Option

If Put Option is specified in the relevant Loan Supplement, following notification from the Lender, Gazprom shall prepay the Loan (without premium or penalty), to the extent of the aggregate principal amount of the Notes to be properly redeemed in accordance with Condition 6 of the terms and conditions of the Notes, two Business Days prior to the Put Settlement Date.

5.7 Optional Prepayment at Par

If Call Option at Par is specified in the relevant Loan Supplement, Gazprom may, at any time on or after the date three months prior to the Repayment Date, on giving not less than 30 nor more than 60 days' irrevocable notice to the Lender, prepay in whole or in part the Loan at its principal amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Call at Par Redemption Date (as defined below). The notice to be given shall specify the date for prepayment of the Loan and the date for the redemption of the Notes (the "**Call at Par Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan.

5.8 Reduction of Loan upon Cancellation of Notes

Gazprom or any Subsidiary of Gazprom may from time to time, in accordance with the conditions of a Series of the Notes, purchase Notes in the open market or by tender or by a private agreement at any price. In the event that an amount of Notes has been surrendered to the Lender (as issuer of such Notes) for cancellation by Gazprom or any of Gazprom's Subsidiaries and is subsequently cancelled, the relevant Loan shall be deemed to have been prepaid by Gazprom in an amount corresponding to the aggregate principal amount of the Notes surrendered to the Lender for cancellation, together with accrued interest and other amounts (if any) thereon and no further payment shall be made or required to be made by Gazprom in respect of such amounts.

5.9 Provisions Exclusive

Gazprom may not voluntarily prepay any Loan except in accordance with the express terms of the relevant Loan Agreement. Any amount prepaid may not be reborrowed.

6 Payments

6.1 Making of Payments

All payments of principal and interest to be made by Gazprom under each Loan Agreement shall be made to the Lender not later than 10.00 a.m. (Relevant Time) one Business Day prior to each Interest Payment Date or the Repayment Date (as the case may be) in Same-Day Funds to the relevant Account. The Lender agrees with Gazprom that it will not deposit any other moneys into such Account and that no withdrawals shall be made from such Account other than as provided for and in accordance with the relevant Trust Deed and the Paying Agency Agreement.

6.2 No Set-Off, Counterclaim or Withholding; Gross-Up

All payments to be made by Gazprom under each Loan Agreement shall be made in full without set-off or counterclaim and (except to the extent required by law) free and clear of and without deduction for or on account of any Taxes. If Gazprom shall be required by applicable law to make any deduction or withholding from any payment under a Loan Agreement for or on account of any Taxes, it shall increase any payment due under such Loan Agreement to such amount as may be necessary to ensure that the Lender receives a net amount in the Specified Currency equal to the full amount which it would have received had payment not been made subject to such Taxes, shall account to the relevant authorities for the relevant amount of such Taxes so withheld or deducted within the time allowed for such payment under the applicable law and shall deliver to the Lender without undue delay evidence satisfactory to the Lender of such deduction or withholding and of the accounting therefor to the relevant taxing authority. If the Lender pays any amount in respect of such Taxes, Gazprom shall reimburse the Lender in the Specified Currency for such payment on demand. For the avoidance of doubt, this Clause 6.2 shall not be prejudiced by the failure (if any) by the Lender to satisfy its obligation to obtain a certificate from the competent English authorities pursuant to Clause 10.3.1.

6.3 Withholding on Notes

If the Lender notifies Gazprom (setting out in reasonable detail the nature and extent of the obligation with such evidence as Gazprom may reasonably require) that it has become obliged to make any withholding or deduction for or on account of any Taxes from any payment which it is obliged to make under or in respect of a Series of Notes in circumstances where the Lender is required to pay additional amounts pursuant to Condition 8 of such Series of Notes, Gazprom agrees to pay to the Lender, not later than 10:00 am (Relevant Time) one Business Day prior to the date on which payment is due to the Noteholders of such Series in Same-Day Funds to the relevant Account, such additional amounts as are equal to the said additional amounts which the Lender must pay pursuant to Condition 8 of such Series of Notes; provided, however, that the Lender shall immediately upon receipt from any Paying Agent of any sums paid pursuant to this provision, to the extent that the Noteholders of such Series, as the case may be, are not entitled to such additional amounts pursuant to the Conditions of such Series of Notes, repay such additional amounts to Gazprom (it being understood that neither the Lender, nor the Principal Paying Agent nor any Paying Agent shall have any obligation to determine whether any Noteholder of such Series is entitled to such additional amount).

6.4 Reimbursement

To the extent that the Lender subsequently obtains or uses any tax credit or allowance or other reimbursements relating to a deduction or withholding with respect to which Gazprom has made a payment pursuant to this Clause 6 or obtains any reimbursement from the Trustee pursuant to the terms of any Trust Deed, it shall pay to Gazprom so much of the benefit it received as will leave the Lender in substantially the same position as it would have been had no additional amount been required to be paid by Gazprom pursuant to this Clause 6 or had no reimbursement been paid to the Lender pursuant to such Trust Deed; provided, however, that the question of whether any such benefit has been received, and accordingly, whether any payment should be made to Gazprom, the amount of any such payment and the timing of any such payment, shall be determined solely by the Lender. The Lender shall use its best endeavours to obtain any credits or refunds available to it, and the Lender shall disclose to Gazprom any information regarding its tax affairs or computations requested by Gazprom and notify Gazprom of any tax credit or allowance or other reimbursement it receives from the Trustee pursuant to such Trust Deed.

6.5 Mitigation

If at any time either party hereto becomes aware of circumstances which would or might, then or thereafter, give rise to an obligation on the part of Gazprom to make any deduction, withholding or payment as described in sub-clauses 6.2 or 6.3, then, without in any way limiting, reducing or otherwise qualifying the Lender's rights, or Gazprom's obligations, under such Clauses, such party shall promptly upon becoming aware of such circumstances notify the other party, and, thereupon the parties shall consider and consult with each other in good faith with a view to finding, agreeing upon and implementing a method or methods by which any such obligation may be avoided or mitigated and, to the extent that both parties can do so without taking any action which in the reasonable opinion of such party is prejudicial to its own position, take such reasonable steps as may be reasonably available to it to avoid such obligation or mitigate the effect of such circumstances. Gazprom agrees to reimburse the Lender for all properly incurred costs and expenses (including but not limited to legal fees) incurred by the Lender in connection with this Clause.

7 Conditions Precedent

7.1 Documents to be Delivered

The obligation of the Lender to make each Loan shall be subject to the receipt by the Lender on or prior to the relevant Closing Date of evidence that the person mentioned in sub-clauses 14.10.2 hereof have agreed to receive process in the manner specified therein.

7.2 Further Conditions

The obligation of the Lender to make each Loan shall be subject to the further conditions precedent that as of the relevant Closing Date (a) the representations and warranties made and given by Gazprom in Clause 9 shall be true and accurate as if made and given on such Closing Date with respect to the facts and circumstances then existing, (b) no event shall have occurred and be continuing that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default, (c) Gazprom shall not be in breach of any of the terms, conditions and provisions of the relevant Loan Agreement, (d) the relevant Subscription Agreement, Trust Deed and the Paying Agency Agreement shall have been executed and delivered, and the Lender shall have received the full amount of the proceeds of the issue of the corresponding Series of Notes pursuant to such Subscription Agreement and (e) the Lender shall have received in full the amount referred to in sub-clauses 3.2 and 3.4, if due and payable, above, as specified in the relevant Loan Supplement.

8 Change in Law or Increase in Cost

8.1 Compensation

In the event that after the date of a Loan Agreement there is any change in or introduction of any tax, law, regulation, regulatory requirement or official directive (whether or not having the force of law but, if not having the force of law, the observance of which is in accordance with the generally accepted financial practice of financial institutions in the country concerned) or in the interpretation or application thereof by any person charged with the administration thereof, which:

8.1.1 subjects or will subject the Lender to any Taxes with respect to payments of principal of or interest on such Loan or any other amount payable under such Loan Agreement (other than any Taxes payable by the Lender on its overall net income or any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.2 increases or will increase the taxation of or changes or will change the basis of taxation of payments to the Lender of principal of or interest on such Loan or any other amount payable under such Loan Agreement (other than any such increase or change which arises by reason of any increase in the rate of tax payable by the Lender on its overall net income or as a result of any Taxes referred to in sub-clauses 6.2 or 6.3); or

8.1.3 imposes or will impose on the Lender any other condition affecting such Loan Agreement or such Loan,

and if as a result of any of the foregoing:

(i) the cost to the Lender of making, funding or maintaining such Loan is increased; or

(ii) the amount of principal, interest or other amount payable to or received by the Lender under such Loan Agreement is reduced; or

(iii) the Lender makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of any sum receivable by it from Gazprom hereunder or makes any payment or foregoes any interest or other return on or calculated by reference to the gross amount of such Loan, then subject to the following, and in each such case:

(a) the Lender shall, as soon as practicable after becoming aware of such increased cost, reduced amount or payment made or foregone, give written notice to Gazprom, together with a certificate signed by two directors of the Lender or by any person empowered by the board of directors of the Lender to sign on behalf of the Lender describing in reasonable detail the introduction or change or request which has occurred and the country or jurisdiction concerned and the nature and date thereof and demonstrating the connection between such introduction, change or request and such increased cost, reduced amount or payment made or foregone, and setting out in reasonable detail the basis on which such amount has been calculated, and all relevant supporting documents evidencing the matters set out in such written notice; and

(b) Gazprom, in the case of clauses (i) and (iii) above, shall on demand by the Lender, pay to the Lender such additional amount as is sufficient to cover the amount of the increase in cost or forgone interest or other return, and, in the case of clause (ii) above, at the time the amount so reduced would otherwise have been payable, pay to the Lender such additional amount as is sufficient to cover the amount of the reduction, payment or foregone interest or other return,

provided that this sub-clause 8.1 will not apply to or in respect of any matter for which Gazprom has already paid under sub-clauses 6.2 or 6.3.

8.2 Mitigation

In the event that the Lender becomes entitled to make a claim pursuant to sub-clause 8.1:

8.2.1 the Lender shall consult in good faith with Gazprom and shall use reasonable efforts (based on the Lender's reasonable interpretation of any relevant tax, law, regulation, requirement, official directive, request, policy or guideline) to reduce, in whole or in part, Gazprom's obligations to pay any additional amount pursuant to such sub-clause; and

8.2.2 Gazprom may, only in accordance with Clause 17 of the Principal Trust Deed (including with the consent of the Trustee thereunder), require the substitution of the Lender as lender under the relevant Loan Agreement(s) and as issuer of the corresponding Series of Notes,

except that nothing in this sub-clause 8.2 shall obligate the Lender to incur any costs or expenses in taking any action hereunder unless Gazprom agrees to reimburse the Lender such costs or expenses.

9 Representations and Warranties

9.1 Gazprom's Representations and Warranties

Gazprom does, and on each Warranty Date shall be deemed to, represent and warrant to the Lender as follows, to the intent that such shall form the basis of each Loan Agreement:

9.1.1 Gazprom is duly organised and incorporated and validly existing under the laws of the Russian Federation and has the power and legal right to own its property, to conduct its business as currently conducted and to enter into and to perform its obligations under each Loan Agreement and to borrow Loans; Gazprom has taken all necessary corporate, legal and other action required to authorise the borrowing of Loans on the terms and subject to the conditions of each Loan Agreement and to authorise the execution and delivery of each Loan Agreement and all other documents to be executed and delivered by it in connection with each Loan Agreement, and the performance of each Loan Agreement in accordance with its terms.

9.1.2 The Loan Agreement, including each Loan Supplement in relation thereto, has been duly executed and delivered by Gazprom and constitutes a legal, valid and binding obligation of Gazprom enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium and similar laws affecting creditors' rights generally, and subject, as to enforceability, (i) to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law); (ii) with respect to the enforceability, to compliance with the applicable procedural rules and to any general legal limitations, exceptions and requirements applicable in the Russian Federation; and (iii) to the fact that the gross-up provisions contained in sub-clause 6.2 or 6.3 may not be enforceable under Russian law.

9.1.3 The execution, delivery and performance of each Loan Agreement, including each Loan Supplement in relation thereto, by Gazprom:

(i) do not contravene any law or regulation or any order of any governmental, judicial or public body or authority in the Russian Federation having jurisdiction over it;

(ii) do not violate the constitutive documents, rules and regulations of Gazprom; and

(iii) do not conflict with any agreement or other undertaking or instrument to which Gazprom is a party or which is binding upon Gazprom or any of its assets (save where conflict with such agreement or other undertaking or instrument would not have a Material Adverse Effect).

9.1.4 All consents, authorisations or approvals of, or filings with, any governmental, judicial and public bodies and authorities of the Russian Federation required by Gazprom under law applicable in the Russian Federation in connection with the execution, delivery, performance, legality, validity, enforceability, and, subject to Russian legal requirements, admissibility in evidence of each Loan Agreement have been obtained or effected and are in full force and effect.

9.1.5 No event has occurred that constitutes, or that, with the giving of notice or the lapse of time, or both, would constitute, an Event of Default, and no such event will occur upon the making of a Loan.

9.1.6 Except as disclosed in the base prospectus dated 8 November 2019 relating to the Programme (as amended, supplemented or replaced from time to time, the "**Base Prospectus**") there are no judicial, arbitral or administrative actions, proceedings or claims pending or, to the knowledge of Gazprom, threatened, against Gazprom or any of its Principal Subsidiaries, the adverse determination of which has or would be reasonably likely to have a Material Adverse Effect.

9.1.7 Except for Encumbrances of the types referred to in the definition of Permitted Interests in sub-clause 1.1 hereof, Gazprom and each of its Principal Subsidiaries has the right of ownership (as that expression is defined under the laws of the Russian Federation) to its property free and clear of all Encumbrances which if created would be reasonably likely to have a Material Adverse Effect and Gazprom's obligations under the Loans rank at least *pari passu* with all its other unsecured and unsubordinated Financial Indebtedness (apart from any obligations mandatorily preferred by law).

9.1.8 The most recent audited consolidated financial statements of Gazprom:

(i) were prepared in accordance with IFRS, as consistently applied; and

(ii) save as disclosed therein, present fairly in all material respects the assets and liabilities as at that date and the results of operations of Gazprom during the relevant financial year.

9.1.9 Except as disclosed in the Base Prospectus, there has been no material adverse change since the date of the last audited consolidated financial statements of Gazprom in the financial condition, results of business operations or prospects of Gazprom and the Group taken as a whole.

9.1.10 The execution, delivery and enforceability of each Loan Agreement is not subject to any tax, duty, fee or other charge, including, without limitation, any registration or transfer tax, stamp duty or similar levy, imposed by or within the Russian Federation or any political subdivision or taxing authority thereof or therein (other than the state duty paid on any claim filed with a Russian court in accordance with the applicable law).

9.1.11 Neither Gazprom nor, subject to the limitations on enforcement (including execution, attachment and other similar legal process) against the Unified Gas Supply System (*Edinaja sistema gazosnabzhenija*, as defined in Federal Law No.69-FZ "On Gas Supply in the Russian Federation" dated 31 March 1999 (the "**Gas Supply Law**") arising out of the Gas Supply Law, its property has any right of immunity from suit, execution, attachment or other legal process on the grounds of sovereignty or otherwise in respect of any action or proceeding relating in any way to each Loan Agreement.

9.1.12 Gazprom is in compliance in all material respects with all applicable provisions of law except where failure to be so in compliance would not have a Material Adverse Effect.

9.1.13 Neither Gazprom, nor any of its Principal Subsidiaries has taken any corporate action nor, to the best of the knowledge and belief of Gazprom, have any other steps been taken or legal proceedings started or threatened in writing against Gazprom or any of its Principal Subsidiaries (except for those which, being contested in good faith and which are capable of being discharged or stayed within 45 Business Days, the Lender reasonably considers to be frivolous or vexatious) for its or their bankruptcy, winding-up, dissolution, external administration or insolvent re-organisation related thereto (whether by voluntary arrangement, scheme of arrangement or otherwise) or for the appointment of a receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of its or of any or all of its or their material assets or revenues.

9.1.14 In any proceedings taken in the Russian Federation in relation to each Loan Agreement, the choice of English law as the governing law of each Loan Agreement and any arbitration award obtained in England pursuant to Clause 14.10 in relation to each Loan Agreement will be recognised and enforced in the Russian Federation subject to compliance with the applicable procedural rules and subject to any general legal limitations, exceptions and requirements applicable in the Russian Federation.

9.1.15 Subject to sub-clause 10.3.1, under the laws of the Russian Federation, it will not be required to make any deduction or withholding from any payment it may make hereunder.

9.1.16 Its execution of each Loan Agreement will constitute, and its exercise of its rights and performance of its obligations thereunder will constitute, private and commercial acts done and performed for private and commercial purposes.

9.1.17 It has no overdue tax liabilities which would be reasonably likely to have a Material Adverse Effect other than those which it has disclosed to the Lender prior to the date hereof or which it is contesting in good faith.

9.1.18 All licences, consents, examinations, clearances, filings, registrations and authorisations which are required in accordance with applicable law to enable Gazprom and any of its Principal Subsidiaries to own its assets and carry on its business are in full force and effect and, if not, the absence of which would be reasonably likely to not have a Material Adverse Effect.

9.1.19 Gazprom, and each of its Principal Subsidiaries, is in compliance with all Environmental Law except where failure to do so could not have a Material Adverse Effect.

9.2 Lender's Representations and Warranties

The Lender represents and warrants to Gazprom as follows:

9.2.1 The Lender is duly incorporated under the laws of England and Wales and is a resident for the United Kingdom taxation purposes in the United Kingdom and has full power and capacity to execute the Lender Agreements and to undertake and perform the obligations expressed to be assumed by it herein and therein and the Lender has taken all necessary action to approve and authorise the same.

9.2.2 By 5 p.m. (London time) on the date of each Loan Supplement, the Lender shall execute the Lender`s confirmation letter which supports (at least) the following statements:

(i) the Lender is a company duly incorporated under the laws of England and Wales which at the date hereof is a resident solely of the United Kingdom for taxation purposes, is subject to taxation in the United Kingdom on the basis of its registration as a legal entity, location of its management body or another similar criterion and it is not subject to taxation in the United Kingdom merely on income from sources in the United Kingdom or connected with property located in the United Kingdom. The Lender will be able to obtain a certificate, or a letter of confirmation, or other similar document issued by the competent United Kingdom authorities confirming its tax residence in the United Kingdom;

(ii) the Lender does not have a permanent establishment or presence outside the United Kingdom, including, in particular, in the Russian Federation. In particular:

(a) the Lender does not have a branch, representation, division, bureau, office, agency or any other economically autonomous subdivision or other place of business in any other country than the United Kingdom through which the business of the Lender is wholly or partially carried out;

(b) the Lender did not explicitly grant authority to and is not aware of an implied authority for Gazprom or any other Person located outside the United Kingdom to negotiate key parameters of any contracts or sign any contracts on behalf of the Lender, bind the Lender to any contracts by other means or otherwise represent the Lender in dealings with third parties;

(c) the Lender has its central management and control in the United Kingdom. The Lender's place of effective management is only in the United Kingdom; and

(d) the directors of the Lender are tax residents in the United Kingdom and shall at all times act independently and exercise their authority from and within the United Kingdom by taking all key decisions relating to the Lender in the United Kingdom.

For the purposes of this Clause in relation to Russia a branch, representation, division, bureau, office or an agency shall be understood to mean any fixed place in Russia at which the Lender possesses or rents premises.

For the purposes of this Clause in relation to Russia an economically autonomous subdivision shall be understood to mean any subdivision which is located in separate territory from the Lender at the location of which permanent workplaces are equipped.

(iii) the Lender has no intention to effect any corporate actions or reorganisations or change of its tax residency jurisdiction that would result in the Lender ceasing to be a tax resident of the United Kingdom or ceasing to be subject to taxation in the United Kingdom;

(iv) the Lender is liable to the United Kingdom corporate income tax at the applicable standard rates based on the Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296);

(v) the relevant Loan and the corresponding Series of Notes will be fully accounted for by the Lender on its balance sheet, meaning that the Loan will be treated as an asset of the Lender under accounting guidance applicable to the Lender while the Notes will be treated as a liability of the Lender.

9.2.3 The execution of the Lender Agreements and the undertaking and performance by the Lender of the obligations expressed to be assumed by it herein and therein will not conflict with, or result in a breach of or default under, the laws of England or the constitutive documents, rules and regulations of the Lender or any agreement or instrument to which it is a party or by which it is bound or in respect of indebtedness in relation to which it is a surety.

9.2.4 The Lender Agreements constitute legal, valid and binding obligations of the Lender.

9.2.5 All authorisations, consents and approvals required by the Lender for or in connection with the execution of the Lender Agreements, the performance by the Lender of the obligations expressed to be undertaken by it herein and therein have been obtained and are in full force and effect.

9.2.6 So long as any amount remains outstanding under a Loan Agreement, it will comply with the provisions of Clause 14.14 of the Principal Trust Deed.

10 Covenants

So long as any amount remains outstanding under a Loan Agreement:

10.1 Negative Pledge

Gazprom will:

10.1.1 not, and will procure that no Principal Subsidiary will, create or permit to subsist any Encumbrance (other than a Permitted Interest) upon or in respect of the whole or any part of its undertakings, property, income, assets or revenues, present or future, to secure for the benefit of the holders of any Relevant Financial Indebtedness:

(i) payment of any sum due in respect of any such Relevant Financial Indebtedness;

(ii) any payment under any guarantee of any such Relevant Financial Indebtedness; or

(iii) any payment under any indemnity or other like obligation relating to any such Relevant Financial Indebtedness;

10.1.2 procure that no Principal Subsidiary gives any guarantee of, or indemnity (other than a Permitted Interest) in respect of, any of the Lender's or Gazprom's Relevant Financial Indebtedness to the holders thereof,

without in any such case at the same time or prior thereto procuring that the Gazprom's obligations hereunder are (i) secured at least equally and rateably with such Relevant Financial Indebtedness for so long as such Relevant Financial Indebtedness is so secured or (ii) have the benefit of such other guarantee, indemnity or other like obligations or such other security (in each case) as the Trustee in its absolute discretion shall deem to be not materially less beneficial to the Noteholders of such Series, unless otherwise is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders of such Series.

10.2 Mergers

Gazprom shall not, without the prior written consent of the Lender, enter into any reorganisation (whether by way of a merger (*sliyanie*), accession (*prisoyedinenie*), division (*razdelenie*), separation (*videleniye*) or transformation (*preobrazovaniye*), as these terms are construed by applicable Russian legislation), or participate in any other type of corporate reconstruction and Gazprom shall ensure that no Principal Subsidiary enters into any reorganisation (whether by way of a merger (*sliyanie*), accession (*prisoyedinenie*), division (*razdelenie*), separation (*videleniye*) or transformation (*preobrazovaniye*) as these terms are construed by applicable Russian legislation), or participate in any other type of corporate reconstruction if such reorganisation or other type of corporate reconstruction could have a Material Adverse Effect.

10.3 Withholding Tax Exemption

10.3.1 The Lender shall use its best endeavours to provide Gazprom, not later than 20 calendar days prior to the date of the first Interest Payment Date (and thereafter as soon as possible at the beginning of each calendar year, but not later than 20 Business Days prior to the first Interest Payment Date in that year), with a certificate and/or a letter of confirmation and/or any other similar document, issued by the competent United Kingdom authorities, confirming the status of the Lender as a tax resident in the United Kingdom for the respective year (or such Qualifying Jurisdiction in which the Lender or any successor thereto is resident for tax purposes) (the "**Letter of Confirmation**"). The Lender shall not be liable for any failure to provide, or any delays in providing, the Letter of Confirmation as a result of any action or inaction of the competent United Kingdom authorities, but shall notify Gazprom without delay about any such failure or delay with a written description of the actions taken by the Lender to obtain the Letter of Confirmation. In the event that the Lender has not complied with its duty to provide such Letter of Confirmation as set out in this sub-clause, Gazprom has a right of recourse against the Lender in respect of such non compliance. The Letter of Confirmation shall be appropriately stamped or otherwise approved or certified by Her Majesty's Revenue and Customs in the United Kingdom, legalised or apostilled and a certified notarised translation supplied.

10.3.2 The Lender shall use its best efforts within 20 days of the request of Gazprom (to the extent it is able to do so under applicable law including Russian law), deliver to Gazprom such other information or forms to be duly completed and delivered as may be needed to obtain a tax refund if a relief from deduction or withholding of Russian taxes has not been obtained. If required, the other forms referred to in this Clause 10.3 shall be duly signed by the Lender and stamped or otherwise approved by the competent tax authority in United Kingdom and any requisite power of attorney issued by the Lender to Gazprom shall be duly signed and apostilled or otherwise legalised. The Lender shall provide Gazprom with all assistance it may reasonably require to ensure that Gazprom can deliver to the tax authorities the information or forms specified in this Clause 10.3. If a relief from deduction or withholding of Russian taxes under this Clause

10.3 has not been obtained and further to an application of Gazprom to the relevant Russian taxing authorities the latter requests the Lender's Rouble bank account details, the Lender shall, at the request of Gazprom, use reasonable efforts to procure that such bank account of the Lender is duly opened and maintained and thereafter furnish Gazprom with the details of such bank account. Gazprom shall pay for all costs, if any, associated with opening and maintaining such bank account. The Lender shall not be obliged to take any step under this Clause 10.3 if, in the reasonable opinion of the Lender, such step would be materially prejudicial to it (other than incurring of costs and expenses of an administrative nature).

10.3.3 Gazprom and the Lender using its best endeavours and in accordance with applicable law) agree that, should the Russian legislation regulating the procedure for obtaining an exemption from Russian income tax withholding or the interpretation thereof by the relevant competent authority change then the procedure referred to in sub-clause 10.3.1 will be deemed changed accordingly.

10.4 Reports

10.4.1 Gazprom will furnish to the Lender and publish on Gazprom's website as soon as they become available, but in any event within 180 days after the end of each of its financial years, copies of the Group's audited annual consolidated financial statements prepared in accordance with IFRS as consistently applied, including a report thereon by Gazprom's certified independent accountants.

10.4.2 On each Interest Payment Date, Gazprom shall deliver to the Lender a written notice in the form of an Officers' Certificate stating whether any Potential Event of Default or Event of Default has occurred and, if it has occurred and shall be continuing, what action Gazprom is taking or proposes to take with respect thereto.

10.4.3 Gazprom will on request of the Lender provide the Lender with such further information, other than information which Gazprom determines in good faith to be confidential, about the business and financial condition of Gazprom and its Subsidiaries as the Lender may reasonably require (including pursuant to Clauses 14.5 and 14.12 of the Principal Trust Deed).

10.4.4 At any time after Gazprom or any Subsidiary of Gazprom shall have purchased any Notes and retained such Notes for its own account or for the account of any other company, Gazprom will notify the Lender to that effect and thereafter deliver to the Lender as soon as practicable after being so requested in writing by the Lender a certificate of Gazprom setting out the total number of Notes which, at the date of such certificate, are held by Gazprom for its own account or for the account of any other company or any Subsidiary of Gazprom for its own account or for the account of any other company.

10.5 Compliance with Terms of Trust Deed

The Lender agrees that it will observe and comply with its obligations set out in the relevant Trust Deed and will not agree to any amendment to the terms of such Trust Deed without prior consultation, if reasonably practicable, with Gazprom. In addition, the Lender agrees that it will only exercise its power to appoint a new Trustee pursuant to Clause 28.1 of the Principal Trust Deed with the consent of Gazprom (such consent not to be unreasonably withheld or delayed).

11 Events of Default

11.1 Events of Default

If one or more of the following events of default (each, an "**Event of Default**") shall occur and be continuing, the Lender shall be entitled to the remedies set forth in sub-clause 11.3:

11.1.1 Gazprom fails to pay within seven Business Days, in respect of principal, or fourteen Business Days, in respect of interest or any additional amounts, any amount payable under a Loan Agreement as and when such amount becomes payable in the currency and in the manner specified therein.

11.1.2 Gazprom fails to perform or observe any of its other obligations under a Loan Agreement and (except where in any such case that failure is not capable of remedy when no such notices as is hereinafter mentioned will be required) that failure continues for the period of 45 calendar days (or such longer period as the Lender may permit) following the submission by the Lender to Gazprom of notice in writing requesting the same to be remedied.

11.1.3 Gazprom or any Principal Subsidiary (i) fails to pay any of its Financial Indebtedness as and when such Financial Indebtedness becomes payable, taking into account any applicable grace period or (ii) fails to perform or observe any covenant or agreement to be performed or observed by it contained in any other agreement or in any instrument evidencing any of its Financial Indebtedness if, as a result of such failure, any other party to such agreement or instrument has exercised the right to accelerate the maturity of any amount owing thereunder and such amount becomes so accelerated; provided that the total amount of such Financial Indebtedness unpaid and accelerated exceeds U.S.$250,000,000 (or its equivalent in another currency).

11.1.4 Gazprom or any Principal Subsidiary commences negotiations with its creditors generally with a view to the general readjustment or rescheduling of its indebtedness or makes a general assignment for the benefit of or a composition with its creditors generally; provided that the same could have a Material Adverse Effect.

11.1.5 Gazprom or any Principal Subsidiary takes any corporate action or any order is made by a competent court for its winding-up, dissolution, external administration or insolvent re-organisation whether by way of voluntary arrangement, scheme of arrangement or otherwise or for the appointment of a liquidator, receiver, administrator, administrative receiver, conservator, custodian, trustee or similar officer of it or of all or a material part of its revenues and assets: provided that the same could have a Material Adverse Effect.

11.1.6 Gazprom or any Principal Subsidiary (i) fails or is unable to pay its debts generally as they become due (ii) commences a voluntary case in bankruptcy or any other action or proceeding for any other relief under any law affecting creditors' rights as is similar to bankruptcy law, or (iii) a bankruptcy (insolvency) petition in respect of Gazprom or any Principal Subsidiary is accepted by any competent court and bankruptcy proceedings are initiated by such competent court and are not dismissed within 120 calendar days, or any action is brought in and accepted by any competent court for the liquidation of Gazprom or any Principal Subsidiary or a Russian federal law that provides for the liquidation of Gazprom as operator of the Unified Gas Supply System is adopted and comes into effect provided that the same could have a Material Adverse Effect.

11.1.7 Any governmental authorisation necessary for the performance of any obligation of Gazprom under a Loan Agreement fails to be in full force and effect and such failure has not been remedied within 60 Business Days after the occurrence thereof.

11.1.8 Any governmental authority or court takes any action that has a material adverse effect on Gazprom's ability to perform its payment or other material obligations under a Loan Agreement or the validity or enforceability of a Loan Agreement or the rights or remedies of the Lender under a Loan Agreement, save where such action is being contested in good faith by Gazprom, and is not removed, paid out, stayed or discharged within 60 Business Days of such action being taken.

11.1.9 Any execution or distress is levied against, or an encumbrancer takes possession of, the whole or any material part of, the assets of Gazprom or any event occurs which under the laws of any jurisdiction has a similar or analogous effect and the same could have a Material Adverse Effect unless such execution, distress, enforcement of an Encumbrance or similar or analogous event is being contested in good faith by Gazprom and is not removed, paid out, stayed or discharged within 120 calendar days of such execution, distress being levied, taking of possession or similar or analogous act, as the case may be.

11.1.10 Any seizure, compulsory acquisition, expropriation or nationalisation after the date of a Loan Agreement from Gazprom or any of its Principal Subsidiaries by or under the authority of a government authority of all, or greater than 15 per cent. of, Consolidated Assets, and the same could have a Material Adverse Effect.

11.1.11 Gazprom or any of its Principal Subsidiaries ceases to carry on the principal business it carries on at the date of a Loan Agreement: provided that, in the case of a Principal Subsidiary, the same could have a Material Adverse Effect.

11.1.12 At any time it is or becomes unlawful for Gazprom to perform or comply with any or all of its (in the opinion of the Lender) material obligations under a Loan Agreement or any of such material obligations (subject as provided in sub-clause 9.1.2) are not, or cease to be, legal, valid, binding and enforceable.

11.1.13 Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs, subject to the same thresholds and cure periods as set out in the relevant paragraph.

11.2 Notice of Default

Gazprom shall deliver to the Lender and the Trustee, (i) promptly upon becoming aware thereof, or (ii) within 10 days of any written request by the Lender, written notice in the form of an Officers' Certificate substantially in the form of Schedule 2, stating whether any event which is a Potential Event of Default or an Event of Default has occurred, its status and what action Gazprom is taking or proposes to take with respect thereto.

11.3 Default Remedies

If any Event of Default shall occur and be continuing, the Lender may, by notice in writing to Gazprom, (a) declare the obligations of the Lender under the relevant Loan Agreement to be immediately terminated, whereupon such obligations shall terminate, and (b) declare all amounts payable under such Loan Agreement by Gazprom that would otherwise be due after the date of such termination to be immediately due and payable, whereupon all such amounts shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are all expressly waived by Gazprom; provided, however, that if any event of any kind referred to in sub-clause 11.1.6 occurs, the obligations of the Lender under such Loan Agreement shall immediately terminate, and all amounts payable under such Loan Agreement by Gazprom that would otherwise be due after the occurrence of such event shall become immediately due and payable, all without diligence, presentment, demand of payment, protest or notice of any kind, which are especially waived by Gazprom.

11.4 Rights Not Exclusive

The rights provided for in each Loan Agreement are cumulative and are not exclusive of any other rights, powers, privileges or remedies provided by law.

12 Indemnity

12.1 Indemnification

Gazprom undertakes to the Lender that if the Lender or any director, officer, employee or agent, provided that in relation to an agent only, to the extent such agent is appointed in accordance with the Agreements (other than the Principal Paying Agent or any of the Paying Agents) of the Lender (an "**Indemnified Party**") incurs any loss, liability, cost, claim, charge, expense (including all legal fees properly incurred), demand or damage (a "**Loss**") which may be properly incurred in respect of a Loan Agreement (or enforcement thereof), and/or the issuance, constitution, sale, listing and/or enforcement of the corresponding Series of Notes and/or the Notes of such Series being outstanding (excluding a Loss that is the subject of the undertakings contained in Clauses 8 and 13 and sub-clause 14.6 of this Agreement (it being understood that the Lender may not recover twice in respect of the same Loss)) Gazprom shall pay to the Indemnified Party on demand an amount equal to such Loss (as evidenced by an invoice distributed to Gazprom by the Lender in accordance with sub-clause 14.4) unless, in any such case, such Loss was either caused by such Indemnified Parties' negligence or wilful misconduct or arose out of a breach of the representations and warranties of the Lender contained herein or in the Dealer Agreement; provided that this sub-clause 12.1 will not apply to or in respect of any Taxes with respect to payments of principal and interest on the Loan or any other amount payable under such Loan Agreement. It is understood and agreed that any payment to be made by Gazprom pursuant to this Clause 12.1 shall be made through the Lender, provided that any obligation of Gazprom to pay any amount pursuant to this Clause 12.1 shall only be discharged to the extent that payments of such amount is actually received by the relevant Indemnified Party. It is understood that the amount of Loss that is to be paid pursuant to the preceding provisions of this paragraph, provided such amount is duly documentarily evidenced, will be paid by Gazprom on the basis of an invoice distributed to Gazprom by the Lender and a delivery and acceptance act signed by Gazprom and the Lender.

If circumstances arise which would result in payment being required to be made pursuant to this Clause 12.1, then, without in any way limiting, reducing or otherwise qualifying the rights of the Lender or Gazprom's obligations under any of the foregoing provisions, the Lender shall, in consultation with Gazprom, and to the extent it can lawfully do so and without prejudice to its own position, take reasonable steps to avoid or mitigate the effects of such circumstances.

12.2 Notice and Payment of Loss, Defence of Action and Settlement

If any proceeding (including a governmental investigation), claim or demand shall be instituted involving an Indemnified Party, it shall promptly notify Gazprom in writing and Gazprom shall have the right to assume the defence thereof and appoint lawyers which are acceptable to the Indemnified Party (acting reasonably in assessing acceptability) and shall be liable to pay the fees and expenses of such lawyers related to such proceeding. In any proceeding, the Indemnified Party shall have the right to retain its own lawyers, but the fees and expenses of such lawyers shall be at the expense of the Indemnified Party unless (i) Gazprom and the Indemnified Party shall have mutually agreed to the retention of such lawyers or (ii) the named parties to any such proceeding (including any joined parties) include Gazprom and the Indemnified Party and representation of both parties by the same lawyers (in the reasonable opinion of the Indemnified Party) would be inappropriate due to actual or potential differing interests between them or (iii) pursuant to the previous sentence Gazprom has elected to assume the defence itself but has within a reasonable time after the notification of the institution of such action failed to appoint lawyers as contemplated above or (iv) pursuant to the previous sentence Gazprom has elected not to assume such defence itself and the Indemnified Party has assumed such defence and retained lawyers in respect thereof. It is understood that Gazprom shall reimburse such fees and expenses as they are incurred in respect of (i), (ii), (iii) and (iv) above. Gazprom shall not be liable for any settlement of any such proceeding, claim or demand effected without its written consent (provided that such consent shall not be unreasonably withheld or delayed), but if settled with such consent (or without such consent in circumstances where such consent shall have been unreasonably withheld or delayed as aforesaid) or if there be a final judgment for the Indemnified Party, Gazprom agrees to indemnify the Indemnified Party from and against any loss or liability by reason of such settlement or judgment. Gazprom will not settle any proceeding in respect of which indemnity may be sought pursuant to Clause 12.1 without the written consent of the relevant Indemnified Party, unless such settlement includes an unconditional release of each Indemnified Party from all liability arising out of such proceeding, claim or demand.

12.3 Independent Obligation

Sub-clause 12.1 constitutes a separate and independent obligation of Gazprom from its other obligations under or in connection with each Loan Agreement or any other obligations of Gazprom in connection with the issuance of Notes by the Lender and shall not affect, or be construed to affect, any other provision of a Loan Agreement or any such other obligations.

12.4 Evidence of Loss

A certificate of the Lender, supported by relevant documentation, setting forth the amount of losses, expenses and liabilities described in sub-clause 12.1 and specifying in full detail the basis therefor shall be prima facie evidence of the amount of such losses, expenses and liabilities.

12.5 Survival

The obligations of Gazprom pursuant to sub-clauses 6.2, 6.3 and 12.1 shall survive the execution and delivery of each Loan Agreement and the drawdown and repayment of the relevant Loan, in each case by Gazprom.

13 Fees and Costs

13.1 Payment of Front-end Fees and Costs

Gazprom shall, pursuant to sub-clause 3.2 hereof and the relevant Loan Supplement, pay to the Lender in the Specified Currency front-end commissions, fees and costs in connection with the financing of the Loan, negotiation, preparation and execution of each Loan Agreement and all related documents and other costs connected with the extension of the Loan.

13.2 Payment of Ongoing Fees

In addition, Gazprom hereby agrees to pay, pursuant to sub-clause 3.4 hereof, to the Lender on demand in the Specified Currency ongoing commissions, costs, fees in respect of each Loan Agreement or related documents as specified by the Lender in the invoice submitted to Gazprom by the Lender.

Gazprom shall also reimburse the Lender for any enforcement costs or related payment obligations of the Lender (other than the obligation of the Lender to make payments of principal, interest or additional amounts in respect of the corresponding Series of Notes), as specified by the Lender in the invoice submitted to Gazprom by the Lender providing, in reasonable detail, the nature, details and calculation of the relevant enforcement costs.

14 General

14.1 Evidence of Debt

The entries made in the relevant Account shall, in the absence of manifest error, constitute prima facie evidence of the existence and amounts of Gazprom's obligations recorded therein.

14.2 Stamp Duties

14.2.1 Gazprom shall pay all stamp, registration and documentary taxes or similar charges (if any) imposed on Gazprom by any Person in the Russian Federation, Luxembourg, Belgium, the United Kingdom or the United States of America which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and shall indemnify the Lender against any and all costs and expenses which may be incurred or suffered by the Lender with respect to, or resulting from, delay or failure by Gazprom to pay such taxes or similar charges.

14.2.2 Gazprom agrees that if the Lender incurs a liability to pay any stamp, registration and documentary taxes or similar charges (if any) imposed by any person in the Russian Federation, Belgium, the United Kingdom, the United States of America or Luxembourg which may be payable or determined to be payable in connection with the execution, delivery, performance, enforcement, or admissibility into evidence of any Loan Agreement and any documents related thereto as well as Notes of corresponding Series and any documents related thereto, Gazprom shall repay the Lender on demand an amount equal to such stamp or other documentary taxes or duties and shall indemnify the Lender against any and all costs and expenses connected with the payment of such amounts.

14.3 Waivers

No failure to exercise and no delay in exercising, on the part of the Lender or Gazprom, any right, power to privilege under any Loan Agreement and no course of dealing between Gazprom and the Lender shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof, or the exercise of any other right, power or privilege. The rights and remedies provided in each Loan Agreement are cumulative and not exclusive of any rights, or remedies provided by applicable law.

14.4 Notices

All notices, requests, demands or other communications to or upon the respective parties to each Loan Agreement shall be given or made in the English language by facsimile transmission or otherwise in writing and shall be deemed to have been duly given or made to the party to which such notice, request, demand or other communication is required or permitted to be given or made under such Loan Agreement:

(a) if by way of hand or courier, when such communications have been signed for or a receipt has been issued or some similar delivery confirmation has been given; and

(b) if sent by facsimile transmission, when confirmation to its transmission has been recorded by the sender's fax machine at the end of the communication, such notice, request, demand or other communication to be addressed as follows:

14.4.1 if to Gazprom:

Public Joint Stock Company Gazprom
16 Nametkina Street
117420 Moscow
Russian Federation

Fax: (7 495) 718 6393
Attention: Financial and Economic Department

14.4.2 if to the Lender:

Gaz Finance Plc
11th floor
200 Aldersgate Street
London
EC1A 4HD
United Kingdom

Fax: +44 (0) 207 466 1700
Attention: Gaz Finance Directors, c/o Vice President - Maples Fiduciary Services (UK) Limited

or to such other address or facsimile number as any party may hereafter specify in writing to the other.

14.5 Assignment

14.5.1 Each Loan Agreement shall inure to the benefit of and be binding upon the parties, their respective successors and any permitted assignee or transferee of some or all of a party's rights or obligations under such Loan Agreement. Any reference in a Loan Agreement to any party shall be construed accordingly and, in particular, references to the exercise of rights and discretions by the Lender or the giving of an opinion by the Lender, following the enforcement of the security and/or assignment referred to in sub-clause 14.5.3 below, shall be references to the exercise of such rights or discretions or the giving of an opinion by the Trustee (as Trustee). Notwithstanding the foregoing, the Trustee shall not be entitled to participate in any discussions between the Lender and Gazprom or any agreements of the Lender or Gazprom pursuant to sub-clauses 6.4 or 6.5 or Clause 8.

14.5.2 Gazprom shall not assign or transfer all or any part of its rights or obligations hereunder to any other party.

14.5.3 The Lender may not assign or transfer, in whole or in part, any of its rights and benefits or obligations under any Loan Agreement except pursuant to (i) the charge by way of first fixed charge granted by the Lender in favour of the Trustee (as Trustee) of the Lender's rights and benefits under such Loan Agreement and (ii) the absolute assignment by the Lender to the Trustee of certain rights, interests and benefits under such Loan Agreement, in each case, pursuant to Clause 6 of the relevant Supplemental Trust Deed.

14.6 Currency Indemnity

To the fullest extent permitted by law, the obligation of Gazprom in respect of any amount due in the Specified Currency under a Loan Agreement shall, notwithstanding any payment in any other currency (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the Specified Currency that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in such other currency (after any premium and costs of exchange) on the Business Day immediately following the day on which the Lender receives such payment. If the amount in the Specified Currency that may be so purchased for any reason falls short of the amount originally due (the "**Due Amount**"), Gazprom hereby agrees to indemnify and hold harmless the Lender against any deficiency in the Specified Currency. Any obligation of Gazprom not discharged by payment in the Specified Currency shall, to the fullest extent permitted by applicable law, be due as a separate and independent obligation and, until discharged as provided the relevant Loan Agreement, shall continue in full force and effect. If the amount in the Specified Currency that may be purchased exceeds that Due Amount the Lender shall promptly pay the amount of the excess to Gazprom.

14.7 Prescription

Subject to the Lender having received such amounts from Gazprom, the Lender shall forthwith repay to Gazprom as redundant payments the amount equal to the principal amount or the interest amount thereon, respectively, of any Series of Notes upon any Notes of such Series becoming void pursuant to Condition 11 of such Notes. The Lender and Gazprom shall, at such time, enter into an amendment to the relevant Loan Agreement providing for such repayment and the corresponding reduction of the relevant Loan in form satisfactory to Gazprom.

14.8 Contracts (Rights of Third Parties) Act 1999

A person who is not a party to a Loan Agreement has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of such Loan Agreement.

14.9 Choice of Law

Each Loan Agreement shall be governed by, and construed in accordance with, the laws of England.

14.10 Jurisdiction

14.10.1 Each of the parties hereby agrees that any dispute, controversy, claim or cause of action brought by any party against another party or arising out of or relating to any Loan Agreement may be settled by arbitration administered by the LCIA (formerly the London Court of International Arbitration) (the "**LCIA**") in accordance with the Rules of the LCIA, which rules are deemed to be incorporated by reference into this Clause. The place of arbitration shall be London, England and the language of the arbitration shall be English. The number of arbitrators shall be three, each of whom shall not be interested in the dispute or controversy, shall have no connection with any party thereto and shall be an attorney experienced in international securities transactions. Each party shall nominate an arbitrator, who, in turn, shall nominate the Chairman of the Tribunal. If a dispute, claim controversy or cause of action shall involve more than two parties, the parties thereto shall attempt to align themselves on two sides (i.e. claimant and respondent) each of which shall appoint an arbitrator as if there were only two sides to such dispute, claim controversy or cause of action. If such alignment and appointment shall not have occurred within twenty (20) calendar days after the initiating party serves the arbitration demand or if a Chairman has not been selected within thirty (30) calendar days of the selection of the second arbitrator, the Arbitration Court of the LCIA shall appoint the three arbitrators or the Chairman, as the case may be. The parties and the Arbitration Court may appoint arbitrators from among the nationals of any country, whether or not a party is a national of that country. The arbitrators shall have no authority to award punitive or other punitive type damages and may not, in any event, make any ruling, finding or award that does not conform to the terms and conditions of this Agreement.

Fees of the arbitration (excluding each party's preparation, travel, attorneys' fees and similar costs) shall be borne in accordance with the decision of the arbitrators. The decision of the arbitrators shall be final, binding and enforceable upon the parties and judgment upon any award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event that the failure of a party to comply with the decision of the arbitrators requires any other party to apply to any court for enforcement of such award, the non-complying party shall be liable to the other for all costs of such litigation, including reasonable attorneys' fees.

14.10.2 Gazprom agrees that the process by which any dispute, controversy, claim or cause of action in England is begun may be served on it by being delivered to Gazprom (U.K.) Limited at its registered office being at 20 Triton Street, London NW1 3BF, United Kingdom or its other principal place of business in England for the time being or at any other address for the time being at which process may be served on such person in accordance with the Companies Act 2006 (as modified or re-enacted from time to time). If such person is not or ceases to be effectively appointed to accept service of process on Gazprom's behalf, Gazprom shall, on the written demand of the Lender, appoint a further person in England to accept service of process on its behalf and, failing such appointment within 15 calendar days, the Lender shall be entitled to appoint such a person by written notice to Gazprom. Nothing in this Clause shall affect the right of the Lender to serve process in any other manner permitted by law.

14.10.3 To the extent that Gazprom may now or hereafter be entitled, in any jurisdiction in which any suit, action or proceedings arising out of this Agreement may at any time be commenced with respect to this Agreement, to claim for itself or any of its undertaking, properties, assets or revenues any immunity (sovereign or otherwise) from suit, jurisdiction of any court, attachment prior to judgment, attachment in aid of execution of a judgment, execution of a judgment or from set-off, banker's lien, counterclaim or any other legal process or remedy with respect to its obligations under this Agreement and/or to the extent that in any such jurisdiction there may be attributed to Gazprom, any such immunity (whether or not claimed), Gazprom hereby to the fullest extent permitted by applicable law irrevocably agrees not to claim, and hereby to the fullest extent permitted by applicable law waives, any such immunity.

The above waiver is subject to the limitations on enforcement (including execution, attachment and other similar legal process) against the Unified Gas Supply System arising out of the Gas Supply Law.

14.11 Counterparts

Each Loan Agreement may be executed in any number of counterparts and all of such counterparts taken together shall be deemed to constitute one and the same agreement.

14.12 Language

The language which governs the interpretation of each Loan Agreement is the English language.

14.13 Effective Date

This Agreement will become effective and binding on date of the Effective Date Notice (as defined in the Agency Agreement).

14.14 Amendments

Except as otherwise provided by its terms, each Loan Agreement may not be varied except by an agreement in writing signed by the parties.

14.15 Partial Invalidity

The illegality, invalidity or unenforceability to any extent of any provision of each Loan Agreement under the law of any jurisdiction shall affect its legality, validity or enforceability in such jurisdiction to such extent only and shall not affect its legality, validity or enforceability under the law of any other jurisdiction, nor the legality, validity or enforceability of any other provision.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the date first written above.

For and on behalf of PUBLIC JOINT STOCK COMPANY GAZPROM:

By:
Title:

For and on behalf of GAZ FINANCE PLC:

By:
Title:

Schedule 1

Form of Loan Supplement

This Loan Supplement is made on [●] **between**:

(1) **GAZ FINANCE PLC**, a public limited company incorporated under the laws of England and Wales, whose registered office is at 11th floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom (the "**Lender**"); and

(2) **PUBLIC JOINT STOCK COMPANY GAZPROM**, a company established under the laws of the Russian Federation whose registered office is at 16 Nametkina Street, 117420 Moscow, Russian Federation ("**Gazprom**").

Whereas:

(A) Gazprom has entered into an amended and restated facility agreement dated 26 December 2019 (the "**Facility Agreement**") with the Lender in respect of Gazprom's EUR 30,000,000,000 Programme for the Issuance of loan participation notes (the "**Programme**").

(B) Gazprom proposes to borrow [●] (the "**Loan**") and the Lender wishes to make such Loan on the terms set out in the Facility Agreement and this Loan Supplement.

It is agreed as follows:

1. Definitions

Capitalised terms used but not defined in this Loan Supplement shall have the meaning given to them in the Facility Agreement save to the extent supplemented or modified herein.

2. Additional Definitions

For the purpose of this Loan Supplement, the following expressions used in the Facility Agreement shall have the following meanings:

"**Account**" means the account in the name of the Lender with the Account Bank (account number [●], [●]);

"**Base Prospectus**" means [●];

["**Calculation Agent**" means Citibank, N.A., London Branch;]

"**Closing Date**" means [●];

["**Early Redemption Amount**" means [●] per [●] amount of the Loan, plus accrued interest, if any, to the Call at Make Whole Redemption Date;]

["**Financial Adviser**" means [●];]

"**Gazprom Account**" means the account in the name of Gazprom (account number [●]);

"**Loan Agreement**" means the Facility Agreement as amended and supplemented by this Loan Supplement;

["**Make Whole Premium**" means the excess of (a) the present value at such Call at Make Whole Redemption Date of the Loan, plus any required interest payments that would otherwise be due to be paid on such Loan from such Call at Make Whole Redemption Date through to the Repayment Date, together with any accrued and unpaid interest as of such Call at Make Whole Redemption Date, if any, calculated using a discount rate equal to the Treasury Rate at such Call at Make Whole Redemption Date plus [●] basis points, over (b) the principal amount of the Loan, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances for the purpose of this Loan Agreement, the value of the Make Whole Premium will be equal to zero;]

"**Notes**" means [●] [[●] per cent.][Floating Rate] Loan Participation Notes due [●] issued by the Lender as Series [●] under the Programme;

[“**Put Settlement Date**” means [●];]

“**Repayment Date**” means [●];

"**Rule 144A Series**" means an offering (i) within the United States to qualified institutional buyers (as defined in Rule 144A under the Securities Act ("Rule 144A")) that are also qualified purchasers as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940 in reliance on the exemption from registration provided by Rule 144A and (ii) to certain non-U.S. persons in offshore transactions in reliance on Regulation S;

[“**Series Prospectus**” means the stand alone prospectus dated [●] prepared by the Issuer and Gazprom in relation to the Notes and which incorporates by reference the Base Prospectus (which terms shall include those documents incorporated by reference into each of them in accordance with their terms and save as provided therein), and references to “**Final Terms**” in the Loan Agreement shall be replaced with references to the Series Prospectus;]

“**Side Letter**” means [●];

“**Specified Currency**” means [●];

“**Subscription Agreement**” means an agreement between the Lender, Gazprom and [●] dated [●] relating to the Notes;

[“**Treasury Rate**” means a rate equal to the yield, as published by the [●], on actively traded [●] with a maturity comparable to the remaining life of the Loan, as selected by the Financial Adviser. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary [●] dealers in [●] selected by the Financial Adviser. The Treasury Rate will be calculated on the third day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business generally in [●] preceding the Call at Make Whole Redemption Date; and]

“**Trust Deed**” means the Amended and Restated Principal Trust Deed between the Lender and the Trustee dated 26 December 2019 as amended and supplemented by a Supplemental Trust Deed to be dated on or about [●] constituting and securing the Notes.

3. Incorporation by Reference

Except as otherwise provided, the terms of the Facility Agreement shall apply to this Loan Supplement as if they were set out herein and the Facility Agreement shall be read and construed, only in relation to the Loan constituted hereby, as one document with this Loan Supplement.

4. The Loan

4.1 Drawdown

Subject to the terms and conditions of the Loan Agreement, the Lender agrees to make the Loan on the Closing Date to Gazprom and Gazprom shall make a single drawing in the full amount of the Loan on that date.

Subject to the terms and conditions of the Loan Agreement, on the Closing Date the Lender shall itself, or procure that a third party upon the Lender’s instruction will, transfer the amount of the Loan to the Gazprom Account.

4.2 Interest

The Loan is a [Fixed Rate][Floating Rate] Loan [and the Notes comprise a Rule 144A Series]. Interest shall be calculated, and the following terms used in the Facility Agreement shall have the meanings, as set out below:

4.2.1	**Fixed Rate Loan Provisions**	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Commencement Date:	[●]

	(ii)	Rate[(s)] of Interest:	[●] per cent. per annum payable [annually/semi-annually] in arrear
	(iii)	Interest Payment Date(s):	[●] in each year
	(iv)	Fixed Amount[(s)]:	[●] per [●] in principal amount
	(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount [(s)]*]
	(vi)	Day Count Fraction (Clause 4.9):	[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]
	(vii)	Determination Date(s) (Clause 4.9):	[●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
	(viii)	Other terms relating to the method of calculating interest for Fixed Rate Loans:	[Not Applicable/*give details*]
4.2.2	**Floating Rate Loan Provisions**		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Commencement Date:	[●]
	(ii)	Interest Period(s):	[●]
	(iii)	Specified Interest Payment Dates:	[●]
	(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
	(v)	Business Centre(s) (Clause 4.9):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other (*give details*)]
	(vii)	Interest Period Date(s):	[Not Applicable/*specify dates*] (*will be not applicable unless different from Interest Payment Date*)
	(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(ix)	Screen Rate Determination (Clause 4.3.3):	
		– Reference Rate:	[●]

	–	Interest Determination Date(s):	[●]
	–	Relevant Screen Page:	[●]
(x)	ISDA Determination (Clause 4.3):		
	–	Floating Rate Option:	[●]
	–	Designated Maturity:	[●]
	–	Reset Date:	[●]
(xi)	Margin(s):		[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:		[●] per cent. per annum
(xiii)	Maximum Rate of Interest:		[●] per cent. per annum
(xiv)	Day Count Fraction (Clause 4.9):		[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]
(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Loans, if different from those set out in the Facility Agreement:		[●]

4.2.3	**Put / Call Options**	[Put Option / Call Option at Make Whole / Call Option at Par/ Not Applicable]

5. Fees

Pursuant to Clause 3.2 of the Facility Agreement and in consideration of the Lender making the Loan to Gazprom, Gazprom hereby agrees that it shall, one Business Day before the Closing Date, pay to the Lender, in Same-Day Funds, the loan fee in connection with financing of the Loan, pursuant to an invoice submitted by the Lender to Gazprom in the total amount of [●].

6. Governing Law

This Loan Supplement shall be governed by and construed in accordance with English law.

This Loan Supplement has been entered into on the date stated at the beginning.

PUBLIC JOINT STOCK COMPANY GAZPROM

By: By:

GAZ FINANCE PLC

By: By:

Schedule 2
Form of Officers' Certificate

To: **Gaz Finance Plc**
Citibank, N.A., London Branch

From: Public Joint Stock Company Gazprom

Dated:

Dear Sirs

Public Joint Stock Company Gazprom - EUR 30,000,000,000 Amended and Restated Facility Agreement dated 26 December 2019 (the "Loan Agreement")

1. We refer to the Loan Agreement. This is an Officers' Certificate for the purposes of Clause 11.2 of the Loan Agreement.

2. We confirm that no Potential Event of Default or Event of Default has occurred since the date of our last certification, or if none, the Closing Date[5].

Terms used but not defined herein shall have the meanings given to them in the Loan Agreement.

For and on behalf of Public Joint Stock Company Gazprom

Signed:

....	....
[principal executive officer/ principal accounting officer/ principal financial officer] of Public Joint Stock Company Gazprom	[officer] of Public Joint Stock Company Gazprom

[5] If this statement cannot be made, the certificate should identify any Potential Event of Default or Event of Default that is continuing and the steps, if any, being taken to remedy it.

TERMS AND CONDITIONS OF THE NOTES

The following is the text of the Terms and Conditions of the Notes, which contain summaries of certain provisions of the Trust Deed, and which (subject to completion and amendment in accordance with the provisions of Part A of the relevant Final Terms) will be attached to the Notes in definitive form, if issued, and (subject to the provisions thereof) apply to the Global Notes representing each Series. Either (i) the full text of these terms and conditions together with Part A of the relevant provisions of the Final Terms or (ii) these terms and conditions as so completed, amended, supplemented or varied (and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms. Those definitions will be endorsed on the definitive Notes. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are constituted by, are subject to, and have the benefit of, a supplemental trust deed dated the Issue Date specified hereon (the "**Supplemental Trust Deed**") supplemental to an amended and restated principal trust deed (as further amended or supplemented as at the Issue Date, the "**Principal Trust Deed**") dated 26 December 2019, each made between Gaz Finance Plc (the "**Issuer**") and Citibank, N.A., London Branch (the "**Trustee**", which expression shall include any trustee or trustees for the time being under the Trust Deed) as trustee and successors thereof for the holders of the Notes (the "**Noteholders**"). The Principal Trust Deed and the Supplemental Trust Deed as modified from time to time in accordance with the provisions therein contained and any deed or other document expressed to be supplemental thereto, as from time to time so modified, are together referred to as the "**Trust Deed**".

The Issuer has authorised the creation, issue and sale of the Notes for the sole purpose of financing a loan (the "**Loan**") as specified hereon to Public Joint Stock Company Gazprom (the "**Borrower**"). The Issuer and the Borrower have recorded the terms of the Loan in an amended and restated facility agreement (the "**Facility Agreement**") dated 26 December 2019, as supplemented on the Issue Date specified hereon by a loan supplement (the "**Loan Supplement**") each between the Issuer and the Borrower (together, the "**Loan Agreement**").

In each case where amounts of principal, interest and additional amounts (if any) are stated herein or in the Trust Deed to be payable in respect of the Notes, the obligations of the Issuer to make any such payment shall constitute an obligation only to account to the Noteholders on each date upon which such amounts of principal, interest and additional amounts (if any) are due in respect of the Notes, for an amount equivalent to sums of principal, interest and additional amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights (as defined below). Noteholders must therefore rely solely on the covenant to pay under the Loan Agreement and the credit and financial standing of the Borrower. Noteholders shall otherwise have no recourse (direct or indirect) to the Issuer or any other assets of the Issuer.

The Issuer has charged by way of first fixed charge in favour of the Trustee for the benefit of itself and the Noteholders as security for its payment obligations in respect of the Notes and under the Trust Deed (a) all principal, interest and other amounts payable by Gazprom to the Issuer as lender under the Loan Agreement, (b) the right to receive all sums which may be or become payable by Gazprom under any claim, award or judgment relating to the Loan Agreement and (c) all the rights, title and interest in and to all sums of money now or in the future deposited in an account with Citibank, N.A., London Branch in the name of the Issuer (the "**Account**") and debts represented thereby, including interest from time to time earned on the Account (other than any rights and benefits constituting Reserved Rights and amounts relating to the Reserved Rights (as defined in the Trust Deed)) (the "**Charge**") and has assigned absolutely certain other rights under the Loan Agreement to the Trustee (the "**Assignment**" and together with the Charge, the "**Security Interests**"). At any time following the occurrence of an Event of Default (as defined in the Loan Agreement) or a Relevant Event (as defined in the Trust Deed) and subject as provided in the Trust Deed and Condition 9, the Trustee can (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) be required by Noteholders holding at least one quarter of the principal amount of the Notes outstanding or by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders to exercise certain of its powers under the Trust Deed (including those arising under the Security Interests).

Payments in respect of the Notes will be made (subject to the receipt of the relevant funds from the Borrower) pursuant to, an amended and restated paying agency agreement (the "**Agency Agreement**") dated 26 December 2019 and made between the Issuer, Citigroup Global Markets Europe AG as registrar (the "**Registrar**" which expressions shall include any successors Citibank, N.A., London Branch as the principal paying agent (the "**Principal Paying Agent**") and calculation agent and Citibank, N.A., London Branch as transfer agent (the "**Transfer Agent**", which expression shall include any additional or successor transfer agent), the Borrower and the Trustee.

Copies of the Trust Deed, the Loan Agreement, the Agency Agreement and the Final Terms are available at https://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/Dept-Security-Documents/?progID=1268&FIELDSORT=docId.

The statements contained in these Terms and Conditions include summaries or restatements of, and are subject to, the detailed provisions of the Trust Deed, the Final Terms, the Loan Agreement (the form of which is scheduled to and incorporated in the Trust Deed) and the Agency Agreement. Noteholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and certain provisions of the Agency Agreement.

All capitalised terms used but not otherwise defined in these Terms and Conditions have the meanings given to them in the Trust Deed.

1 Status

The sole purpose of the issue of the Notes is to provide the funds for the Issuer to finance the Loan. The Notes constitute the obligation of the Issuer to apply the proceeds from the issue of the Notes solely for financing the Loan and to account to the Noteholders for an amount equivalent to sums of principal, interest and other amounts (if any) actually received by or for the account of the Issuer pursuant to the Loan Agreement, less any amount in respect of Reserved Rights.

The Trust Deed provides that payments in respect of the Notes equivalent to the sums actually received by or for the account of the Issuer by way of principal, interest or other amounts (if any) pursuant to the Loan Agreement, less any amounts in respect of the Reserved Rights, will be made pro rata among all Noteholders, on the date of, and in the currency of, and subject to the conditions attaching to, the equivalent payment pursuant to the Loan Agreement. The Issuer shall not be liable to make any payment in respect of the Notes other than as expressly provided herein and in the Trust Deed. As provided therein, neither the Issuer nor the Trustee shall be under any obligation to exercise in favour of the Noteholders any rights of set-off or counterclaim that may arise out of other transactions between the Issuer or the Trustee and the Borrower.

Noteholders have notice of, and have accepted, these Terms and Conditions, the Final Terms and the contents of the Trust Deed and the Loan Agreement, and have hereby accepted that:

1.1 neither the Issuer nor the Trustee makes any representation or warranty in respect of, or shall at any time have any responsibility for, or, save as otherwise expressly provided in the Trust Deed or in paragraph 1.6 below, liability or obligation in respect of the performance and observance by the Borrower of its obligations under the Loan Agreement or the recoverability of any sum of principal or interest (or any other amounts) due or to become due from the Borrower under the Loan Agreement;

1.2 neither the Issuer nor the Trustee shall at any time have any responsibility for, or obligation or liability in respect of, the financial condition, creditworthiness, affairs, status or nature of the Borrower;

1.3 neither the Issuer nor the Trustee shall at any time be liable for any representation or warranty or any act, default or omission of the Borrower under or in respect of the Loan Agreement;

1.4 neither the Issuer nor the Trustee shall at any time have any responsibility for, or liability or obligation in respect of, the performance and observance by the Principal Paying Agent, any of the Paying Agents, the Registrar or the Transfer Agent of their respective obligations under the Agency Agreement;

1.5 the financial servicing and performance of the terms of the Notes depend solely and exclusively upon performance by the Borrower of its obligations under the Loan Agreement and its covenant to make payments under the Loan Agreement and its credit and financial standing. The Borrower has represented and warranted to the Issuer in the Loan Agreement that the Loan Agreement constitutes a legal, valid and binding obligation of the Borrower; and

1.6 the Issuer and the Trustee shall be entitled to rely on a certificate signed by a duly authorised officer of the Borrower confirming that the Borrower is complying with its obligations under the Loan Agreement and shall not otherwise be responsible for investigating any aspect of the Borrower's performance in relation thereto and, subject as further provided in the Trust Deed, the Trustee will not be liable for any failure to make the usual or any investigations which might be made by a security holder in relation to the property which is the subject of the Trust Deed and held by way of security for the Notes, and shall not be bound to enquire into or be liable for any defect or failure in the right or title of the Issuer to the assigned property whether such defect or failure was known to the Trustee or might have been discovered upon examination or enquiry or whether capable of remedy or not, nor will it have any liability for the enforceability of the security created by the Security Interests whether as a result of any failure, omission or defect in registering or filing or otherwise protecting or perfecting such security; the Trustee has no responsibility for the value of such security.

Under the Trust Deed, the obligations of the Issuer in respect of the Notes rank *pari passu* and rateably without any preference among themselves.

In the event that the payments under the Loan Agreement are made by the Borrower to, or to the order of, the Trustee or (subject to the provisions of the Trust Deed) the Principal Paying Agent, they will *pro tanto* satisfy the obligations of the Issuer in respect of the Notes.

Save as otherwise expressly provided herein and in the Trust Deed, no proprietary or other direct interest in the Issuer's right under or in respect of the Loan Agreement or the Loan exists for the benefit of the Noteholders. Subject to the terms of the Trust Deed, no Noteholder will have any entitlement to enforce the Loan Agreement or direct recourse to the Borrower except through action by the Trustee pursuant to the Assigned Rights granted to the Trustee in the Trust Deed. Neither the Issuer nor, following the enforcement of the Security Interests created in the Trust Deed, the Trustee shall be required to take proceedings to enforce payment under the Loan Agreement unless it has been indemnified and/or secured and/or prefunded to its satisfaction.

The obligations of the Issuer under the Notes shall be solely to make payments of amounts in aggregate equal to each sum actually received and retained by or for the account of the Issuer from the Borrower in respect of principal, interest or, as the case may be, other amounts relating to the Loan pursuant to the Loan Agreement (after deduction or withholding of such taxes or duties as may be required to be made by the Issuer by law in respect of or in relation to such sum or in respect of the Notes and for which the Issuer has not received a corresponding payment (also after deduction or withholding of such taxes or duties as may be required to be made by the Issuer in respect thereof) pursuant to the Loan Agreement) (less any amounts in respect of Reserved Rights), the right to receive which will, *inter alia*, be assigned to the Trustee as security for the Issuer's payment obligations in respect of the Notes. Accordingly, all payments to be made by the Issuer under the Notes will be made only from and to the extent of such sums actually received and retained net of tax or recovered by or on behalf of the Issuer or the Trustee (following a Relevant Event or (if applicable) an Event of Default). Noteholders shall look solely to such sums for payment to be made by the Issuer under the Notes, the obligation of the Issuer to make payments in respect of the Notes will be limited to such sums and Noteholders will have no further recourse to the Issuer or any of the Issuer's other assets in respect thereof. To the extent that such sums and the proceeds of the enforcement of the security relating to the Notes are less than the amounts that would otherwise be due to Noteholders if the full amount due under the Loan Agreement had been received and retained net of tax (the difference being the referred to as a "shortfall"), such shortfall shall be extinguished and Noteholders may take no further action to recover such amounts.

None of the Noteholders or the other creditors (nor any other person acting on behalf of any of them) shall be entitled at any time to institute against the Issuer, or join in any institution against the Issuer of, any bankruptcy, administration, moratorium, reorganisation, controlled management, arrangement, insolvency, examinership, winding-up, dissolution, arrangement, reconstruction, reorganisation or liquidation proceedings or similar insolvency proceedings under any applicable bankruptcy or similar law in connection with any obligation of the Issuer relating to the Notes or otherwise owed to the creditors, save for lodging a claim in the liquidation of the Issuer which is initiated by another party or taking proceedings to obtain a declaration or judgment as to the obligations of the Issuer.

No Noteholder shall have any recourse against any director, shareholder, or officer of the Issuer in respect of any obligations, covenants or agreement entered into or made by the Issuer in respect of the Notes.

2 Form, Denomination and Title

The Notes will be issued in fully registered form, and in the Specified Denomination shown hereon or integral multiples thereof, without interest coupons; provided that the Rule 144A Notes shall be held in amounts of not less than U.S.$200,000 and further provided that all Notes will have a minimum Specified Denomination of €100,000 (or its equivalent in any other currency as at the date of issue of those Notes).

A Note issued under the Principal Trust Deed may be a Fixed Rate Note, a Floating Rate Note, a combination of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis specified hereon.

3 Register, Title and Transfers

The Registrar will maintain a register (the "**Register**") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions the "holder" of a Note means the person in whose name such Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly. A Note will be issued to each Noteholder in respect of its registered holding.

The holder of each Note shall (except as otherwise required by law) be treated as the absolute owner of such Note for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft of such Note) and no person shall be liable for so treating such holder.

A Note may be transferred upon surrender of the relevant Note, with the endorsed form of transfer duly completed, at the specified office of the Registrar or at the specified office of the Transfer Agent, together with such evidence as the Registrar or the Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer. Where not all the Notes represented by the surrendered Note are the subject of the transfer, a new Note in respect of the balance of the Note will be issued to the transferor.

Subject to the last paragraph of this Condition, within five business days of the surrender of a Note in accordance with the immediately preceding paragraph above, the Registrar will register the transfer in question and deliver a new Note to each relevant holder at its specified office or (at the request and risk of such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this paragraph, "business day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar has its specified office.

The transfer of a Note will be effected without charge but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.

Noteholders may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Notes.

4 Restrictive Covenants

As provided in the Trust Deed, so long as any of the Notes remains outstanding (as defined in the Trust Deed), the Issuer will not, without the prior written consent of the Trustee, agree to any amendments to or any modification or waiver of, or authorise any breach or proposed breach of, the terms of the Loan Agreement and will act at all times in accordance with any instructions of the Trustee from time to time with respect to the Loan Agreement, except as otherwise expressly provided in the Loan Agreement. Any such amendment, modification, waiver or authorisation made with the consent of the Trustee shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such amendment or modification shall be notified by the Issuer to the Noteholders in accordance with Condition 14.

Save as provided above, so long as any Note remains outstanding, the Issuer, without the prior written consent of the Trustee shall not, *inter alia*, incur any other indebtedness for borrowed moneys, engage in any other business (other than acquiring and holding the Charged Property in respect of each Series, issuing Notes, entering into Loans and performing any act incidental to or necessary in connection with the foregoing), declare any dividends, have any subsidiaries or employees, purchase, own, lease or otherwise acquire any real property (including office premises or like facilities), consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in these conditions and the Trust Deed), issue any shares, give any guarantee or assume any other liability, or subject to the laws of England and Wales, petition for any winding-up or bankruptcy.

5 Interest

(a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding principal amount from (and including) the Interest Commencement Date at the rate(s) per annum (expressed as a percentage) equal to the Rate(s) of Interest specified hereon which shall be equal to the rate per annum at which interest under the Loan accrues. Accordingly, on each Interest Payment Date the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

If a Fixed Coupon Amount or a Broken Amount is specified hereon, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount or, if applicable, the Broken Amount so specified and in the case of the Broken Amount will be payable on the particular Interest Payment Date(s) specified hereon.

(b) **Interest on Floating Rate Notes**

(i) *Interest Payment Dates:* Each Floating Rate Note bears interest on its outstanding nominal amount from (and including) the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest specified hereon, which shall be equal to the rate per annum at which interest under the Loan accrues, such interest being payable in arrear on each Interest Payment Date. Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date. Accordingly, on each such date, the Issuer shall account to the Noteholders for an amount equivalent to amounts of interest under the Loan received by or for the account of the Issuer pursuant to the Loan Agreement.

(ii) *Business Day Convention:* If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and as set out in the Loan Agreement.

(c) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (as well after as before judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(d) **Calculations:** The amount of interest payable in respect of any Note for any period shall be calculated by multiplying the product of the Rate of Interest and the outstanding nominal amount of such Note by the Day Count Fraction as specified hereon and in the Loan Agreement, unless an Interest Amount (or a formula for its calculation) is specified in respect of such period, in which case the amount of interest payable in respect of such Note for such period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable in respect of such Interest Period shall be the sum of the amounts of interest payable in respect of each of those Interest Accrual Periods.

(e) **Publication of Rates of Interest and Interest Amounts:** The Calculation Agent shall, as soon as practicable after calculating or determining the Rate of Interest and the Interest Amounts for each Interest Period and the relevant Interest Payment Date as set out in the Loan Agreement, cause such Rate of Interest and Interest Amounts to be notified to the Trustee, the Issuer, Gazprom, each of the Paying Agents, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed and/or admitted to trading on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Clause 11 of the Facility Agreement, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(f) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Period or any Interest Amount pursuant to the Loan Agreement, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply or shall have applied the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.

6 Redemption

Unless previously prepaid or repaid pursuant to Clause 5.2 or 5.3 of the Facility Agreement, the Borrower will be required to repay the Loan one Business day prior to its Repayment Date (as defined in the Loan Agreement) and, subject to such repayment, as set forth in the Loan Agreement, all the Notes then remaining outstanding will be redeemed or repaid by the Issuer in the relevant Specified Currency on the Maturity Date specified hereon at their Final Redemption Amount (which, unless otherwise specified hereon, is 100 per cent. of the principal amount thereof).

If the Loan should become repayable (and be repaid) pursuant to the Loan Agreement prior to its Repayment Date, all Notes then remaining outstanding will thereupon become due and redeemable or repayable at their Early Redemption Amount (which, unless otherwise specified hereon is par together with interest accrued to the date of redemption) and the Issuer will endeavour to give not less than eight days' notice thereof to the Trustee and the Noteholders in accordance with Condition 14.

To the extent that the Issuer receives amounts of principal, interest or other amounts (other than amounts in respect of the Reserved Rights) following acceleration of the Loan pursuant to Clause 11 of the Facility Agreement, the Issuer shall pay an amount equal to and in the same currency as such amounts on the Business Day following receipt of such amounts, subject as provided in Condition 7.

The Issuer, subject to the Borrower's written consent (which consent shall not be unreasonably withheld or delayed), may compel any beneficial owner of Notes initially sold pursuant to Rule 144A under the U.S. Securities Act of 1933, as amended (the "**Securities Act**") to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is a U.S. person that is not a qualified institutional buyer (as defined in Rule 144A under the Securities Act) and also a qualified purchaser (as defined in Section 2(a)(51) of the U.S. Investment Company Act of 1940).

Call Option at Make Whole

If Call Option at Make Whole is specified hereon, then pursuant to Clause 5.5 of the Facility Agreement and the relevant Loan Supplement, the Borrower may, at its option at any time prior to the Repayment Date specified hereon on giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer, in whole or in part, repay the Loan at the Early Redemption Amount specified hereon plus the Make Whole Premium specified hereon (the "**Call Option at Make Whole**"). The notice to be given (the "**Call Option Notice at Make Whole**") shall specify the date for prepayment of the Loan and the date for the redemption of the Notes (the "**Call at Make Whole Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan. Immediately on receipt of the Call Option Notice at Make Whole, the Issuer shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. If, as a result of the Call Option at Make Whole, the Loan is repaid by the Borrower (and be repaid) prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of such amounts from the Borrower under the Loan, redeem the Notes on the Call at Make Whole Redemption Date. The Issuer's obligations in respect of this Condition to redeem and make payment for the Notes shall constitute an obligation only to account to Noteholders on the Call at Make Whole Redemption Date for an amount equivalent to the sums received by or for the account of the Issuer pursuant to the Loan Agreement.

Call Option at Par

If Call Option at Par is specified hereon, then pursuant to Clause 5.7 of the Facility Agreement and the relevant Loan Supplement, at any time on or after the date falling three months prior to the Repayment Date, Gazprom may, on giving not less than 30 nor more than 60 days' irrevocable notice to the Issuer, prepay in whole or in part the Loan at its principal amount plus accrued and unpaid interest on the Loan so prepaid to but excluding the Call at Par Redemption Date (as defined below) (the "**Call Option at Par**"). The notice to be given (the "**Call Option Notice at Par**") shall specify the date for prepayment of the Loan and the date for the redemption of the Notes (the "**Call at Par Redemption Date**"), which shall be the next following Business Day after the date for repayment of the Loan.

Immediately on receipt of the Call Option Notice at Par, the Issuer shall forward it to the Noteholders, the Trustee and the Principal Paying Agent. If the Loan should become repayable following exercise of the Call Option at Par by the Borrower (and be repaid) prior to the Repayment Date, the Notes will thereupon become due and repayable and the Issuer shall, subject to receipt of such amounts from the Borrower under the Loan, redeem the Notes on the Call at Par Redemption Date. In the case of a partial redemption, the Notes to be redeemed shall be selected either: (i) in accordance with the procedures of the relevant clearing systems; or (ii) if the Notes are not held in a clearing system or if the relevant clearing systems prescribe no method of selection, the Notes will be redeemed on a pro rata basis according to the holding of each Noteholder; subject, in each case, to compliance with any applicable laws and stock exchange or other relevant regulatory requirements. Neither the Trustee nor the Principal Paying Agent shall have any liability for any selection made pursuant to this Condition.

Put Option

If Put Option is specified hereon, the Issuer shall, at the option of any Noteholder redeem such Note on the Put Settlement Date specified hereon (the "**Put Option**") at its principal amount together with accrued interest. To exercise such option a Noteholder must deposit the Note or Notes to be redeemed with any Paying Agent together with a duly completed put redemption notice in the form obtainable from any of the Paying Agents, not more than 60 but not less than 30 days prior to the Put Settlement Date. No Note so deposited may be withdrawn. Provided, however, that if, prior to the Put Settlement Date, a Relevant Event has occurred or, upon due presentation of any Note on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, such Note shall, without prejudice to the exercise of the Put Option, be returned to the Noteholder by uninsured first class mail (airmail if overseas) at such address as may have been given by such Noteholder in the relevant Put Option Notice. The Issuer shall notify the Borrower, not more than three Business Days after receipt of notice thereof from the Paying Agent, of the amount of the Loan to be prepaid as a consequence of the exercise by Noteholders of the option contained in this Condition 6. Subject to timely receipt of the relevant amounts from the Borrower under the Loan Agreement, the Issuer shall redeem the Notes in accordance with this Condition 6 on the Put Settlement Date, subject as provided in Condition 7.

Cancellation

Gazprom or any Subsidiary of Gazprom may, among other things, from time to time deliver Notes to the Issuer, or request the Issuer to purchase such Notes on behalf or at the request of Gazprom, and deliver to the Issuer a request to present such Notes to the Registrar for cancellation, and may also from time to time procure the delivery to the Registrar of the relevant Global Notes with instructions to cancel a specified aggregate principal amount of Notes represented thereby whereupon the Issuer shall have the Notes cancelled.

Upon any such cancellation, the principal amount of the Loan corresponding to the principal amount of such Notes surrendered for cancellation together with all accrued interest and other amounts (if any) shall be deemed to have been prepaid by Gazprom and extinguished as of the date of such cancellation and no further payment shall be made or required to be made by the Issuer in respect of such Notes.

7 Payments and Agents

Payments of principal shall be made against presentation and surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent or of the Registrar and in the manner provided in the paragraph below.

Interest shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest shall be made in the Specified Currency by cheque drawn on a bank in the principal financial centre for the Specified Currency or, in the case of euro, in a city in which banks have access to the TARGET System (a "**Bank**") and mailed to the holder (or to the first named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or the Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank, or by transfer to an account in the Specified Currency maintained by the payee with, a Bank in the principal financial centre of such Specified Currency or in the case of euro, a Bank specified by the payee or at the option of the payee, by a euro-cheque and (in the case of interest payable on redemption) upon surrender of the relevant Notes at the specified office of the Principal Paying Agent or at the specified office of the Transfer Agent.

All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to the provisions of Condition 8. No commissions or expenses shall be charged to the Noteholders in respect of such payments.

If the due date for payments of interest or principal is not a business day, a Noteholder shall not be entitled to payment of the amount due until the next following business day and shall not be entitled to any further interest or other payment in respect of any such delay. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "Financial Centres" hereon, and (i) (in the case of a payment in a currency other than euro) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency or (ii) (in the case of a payment in euro) which is a TARGET Business Day.

The names of the initial Paying Agents and their initial specified offices are set out below. The Agency Agreement provides that the Issuer may at any time, with the prior written approval of the Trustee, vary or terminate the appointment of the Principal Paying Agent or any of the Paying Agents, and appoint additional or other paying agents provided that the Issuer shall at all time maintain a principal paying agent. Any such variation, termination or appointment shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not more than 45 days' and not less than 30 days' notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In addition, if the due date for redemption or repayment of a Note is not an Interest Payment Date, interest accrued from the preceding Interest Payment Date or, as the case may be, from the Issue Date as specified hereon shall be payable only as and when actually received by or for the account of the Issuer pursuant to the Loan Agreement.

Save as otherwise directed by the Trustee at any time after any of the Security Interests created in the Trust Deed becomes enforceable, the Issuer will, pursuant to Clause 7 of the Agency Agreement require the Borrower to make all payments of principal and interest to be made pursuant to the Loan Agreement to the Principal Paying Agent to an account in the name of the Issuer (the "**Account**"). Under the Charge, the Issuer will charge by way of first fixed charge all the rights, title and interest in and to all sums of money then or in the future deposited in the Account in favour of the Trustee for the benefit of itself and the Noteholders.

8 Taxation

All payments in respect of the Notes by or on behalf of the Issuer will be made without deduction or withholding for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the Russian Federation or the United Kingdom or any authority thereof or therein having the power to tax, unless the deduction or withholding of such taxes or duties is required by law.

In such event, the Issuer shall make such additional payments as shall result in the receipt by the Noteholders of such amount as would have been received by them if no such withholding or deduction had been required but only to the extent and only at such time as the Issuer receives an equivalent amount from the Borrower under the Loan Agreement. To the extent that the Issuer receives a lesser additional amount from the Borrower, the Issuer will account to each Noteholder for an additional amount equivalent to a pro rata proportion of such additional amount (if any) as is actually received by, or for the account of, the Issuer pursuant to the Loan Agreement on the date of, in the currency of, and subject to any conditions attaching to the payment of such additional amount to the Issuer provided that no such additional amount will be payable in respect of any Note:

8.1 to a Noteholder who (a) is able to avoid such deduction or withholding by satisfying any statutory requirements or by making a declaration of non-residence or other claim for exemption to the relevant tax authority; or (b) is liable for such taxes or duties by reason of his having some connection with the Russian Federation or the United Kingdom other than the mere holding of such Note or the receipt of payments in respect thereof;

8.2 in respect of a Note presented for payment of principal more than 30 days after the Relevant Date except to the extent that such additional payment would have been payable if such Note had been presented for payment on such 30th day; or

8.3 in respect of a Note presented for payment by or on behalf of a Noteholder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a Member State of the European Union.

As used herein, "**Relevant Date**" (i) means the date on which any payment under the Loan Agreement first becomes due but (ii) if the full amount payable by the Borrower has not been received by, or for the account of, the Issuer pursuant to the Loan Agreement on or prior to such date, it means the date on which such moneys shall have been so received and notice to that effect shall have been duly given to the Noteholders by or on behalf of the Issuer in accordance with Condition 14.

Notwithstanding any other provision contained in these Terms and Conditions, any amounts to be paid on the Notes by or on behalf of the Issuer will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 through 1474 of the Code (or any regulations thereunder or official interpretations thereof) or an intergovernmental agreement between the United States and another jurisdiction facilitating the implementation thereof (or any fiscal or regulatory legislation, rules or practices implementing such an intergovernmental agreement) (any such withholding or deduction, a "**FATCA**

Withholding"). Neither the Issuer nor any other person will be required to pay any additional amounts in respect of FATCA Withholding.

Any reference herein or in the Trust Deed to payments in respect of the Notes shall be deemed also to refer to any other amounts which may be payable in accordance with the Trust Deed and this Condition 8 or any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed.

9 Enforcement

The Trust Deed provides that only the Trustee may pursue the remedies under the general law, the Trust Deed or the Notes to enforce the rights of the Noteholders and no Noteholder will be entitled to pursue such remedies unless the Trustee (having become bound to do so in accordance with the terms of the Trust Deed) fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

At any time after an Event of Default (as defined in the Facility Agreement) or of a Relevant Event (as defined in the Trust Deed) has occurred and is continuing, the Trustee may, at its discretion and without notice and shall, if requested to do so by Noteholders owning 25 per cent. in aggregate principal amount of the Notes outstanding, or if directed to do so by an Extraordinary Resolution and, in either case, subject to it being secured and/or indemnified and/or prefunded to its satisfaction, institute such steps, actions or proceedings as it may think fit to enforce the rights of the Noteholders and the provisions of the Trust Deed, including to declare all amounts payable under the Loan Agreement by the Borrower to be due and payable (in the case of an Event of Default), or enforce the security created in the Trust Deed in favour of the Trustee (in the case of a Relevant Event). Upon repayment of the Loan following an Event of Default and a declaration as provided herein, the Notes will be redeemed or repaid at their principal amount together with interest accrued to the date fixed for redemption and thereupon shall cease to be outstanding.

10 Meetings of Noteholders; Modification of Notes, Trust Deed and Loan Agreement; Waiver; Substitution of the Issuer

The Trust Deed contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including any modification of, or any arrangement in respect of, the Notes, the Loan Agreement or the Trust Deed. Noteholders will vote pro rata according to the principal amount of their Notes. Special quorum provisions apply for meetings of Noteholders convened for the purpose of amending certain terms concerning, *inter alia*, the amount payable on, and the currency of payment in respect of, the Notes and the amounts payable and currency of payment under the Loan Agreement. Any resolution duly passed at a meeting of Noteholders will be binding on all the Noteholders, whether present or not.

The Trustee may agree, without the consent of the Noteholders, to any modification of the Notes and the Trust Deed or, following the creation of the Security Interests, the Loan Agreement which in the opinion of the Trustee is of a formal, minor or technical nature, is made to correct a manifest error or is not materially prejudicial to the interests of the Noteholders.

The Trustee may also waive or authorise or agree to the waiving or authorising of any breach or proposed breach by the Issuer of the Terms and Conditions of the Notes or the Trust Deed or, following the creation of the Security Interests, by the Borrower of the terms of the Loan Agreement, or determine that any event which would or might otherwise give rise to a right of acceleration under the Loan Agreement shall not be treated as such, if, in the opinion of the Trustee, to do so would not be materially prejudicial to the interests of the Noteholders (as a class). Any such modification, waiver or authorisation shall be binding on the Noteholders and, unless the Trustee agrees otherwise, any such modification shall be promptly notified to the Noteholders.

The Trust Deed contains provisions to the effect that the Issuer may, and at the request of the Borrower shall, having obtained the consent of the Borrower (if such substitution is not to be made at the request of the Borrower) and the Trustee (which latter consent may be given without the consent of the Noteholders) and having complied with such reasonable requirements as the Trustee may direct in the interests of the Noteholders, substitute any entity in place of the Issuer as creditor under the Loan Agreement, as issuer and principal obligor in respect of the Notes and as principal obligor under the Trust Deed, subject to the relevant provisions of the Trust Deed and the substitute's rights under the Loan Agreement being charged and assigned, respectively, to the Trustee as security for the payment obligations of the substitute obligor under the Trust Deed and the Notes.

In connection with the exercise of any of its powers, trusts, authorities or discretions, the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, shall not have regard to the consequences of such exercise for individual Noteholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory. No Noteholder is entitled to claim from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders.

11 Prescription

Notes will become void unless presented for payment of principal within 10 years (in the case of principal) or five years (in the case of interest) from the due date for payment in respect thereof.

12 Indemnification of Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings or any steps or actions to enforce payment unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into contracts or transactions with the Issuer and/or the Borrower and any entity related to the Issuer and/or the Borrower without accounting for any profit, fees, corresponding interest, discounts or share of brokerage earned, arising or resulting from any such contract or transactions.

The Trustee's responsibilities are solely those of trustee for the Noteholders on the terms of the Trust Deed. Accordingly, the Trustee makes no representations and assumes no responsibility for the validity or enforceability of the Loan Agreement or the security created in respect thereof or for the performance by the Issuer of its obligations under or in respect of the Notes and the Trust Deed or by the Borrower in respect of the Loan Agreement.

The Trustee has no obligation to take any action (or step) which would or might in its opinion result in it incurring liabilities of any nature unless it is indemnified and/or secured and/or prefunded to its satisfaction in respect of the same and in forming any such opinion the Trustee shall be entitled to rely on legal advice or other advice received by it (as provided for by the Trust Deed) as to the existence and extent of such liabilities without liability to Noteholders for so doing regardless of whether and the extent to which the taking of any action or step by the Trustee is thereby delayed.

Nothing contained in these Conditions shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties or the exercise of any right, power, authority or discretion hereunder if it has reasonable grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.

13 Replacement of Notes

If any Note shall become mutilated, defaced, lost, stolen or destroyed it may, subject to all applicable laws and regulations and stock exchange requirements, be replaced at the specified office of any Registrar on payment of such costs, expenses, taxes and duties as may be incurred in connection therewith and on such terms as to evidence, security and indemnity and otherwise as may reasonably be required by or on behalf of the Issuer or the Trustee. Mutilated or defaced Notes must be surrendered before replacements will be issued.

14 Notices

All notices to the Noteholders shall be deemed to have been duly given if (i) posted to such holders at their respective addresses as shown on the Register and (ii) so long as the Notes are listed and/or admitted to trading on the Irish Stock Exchange and the rules of that exchange so require, through a medium required by the rules and regulations of the Irish Stock Exchange. Any such notice shall be deemed to have been given on the first date on which both conditions shall have been met.

In case by reason of any other cause it shall be impracticable to publish any notice to holders of Notes as provided above, then such notification to such holders as shall be given with the approval of the Trustee shall constitute sufficient notice to such holders for every purpose hereunder.

15 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the amount and the date of the first payment of interest) so as to be consolidated and form a single series with the Notes. Such further Notes shall be constituted by a deed supplemental to the Trust Deed between the Issuer and the Trustee. The Trust Deed contains provisions for convening a single meeting of Noteholders and the holders of Notes of other series in certain circumstances where the Trustee so decides. In relation to any further issue which is to be consolidated and form a single series with the Notes, the Issuer will enter into a loan agreement supplemental to the Loan Agreement with the Borrower on substantially the same terms as the Loan Agreement (or in all respects except for the amount and the date of the first payment of interest on the further Notes). The Issuer will provide a further fixed charge in favour of the Trustee in respect of certain of its rights and interests under such loan agreement and will assign absolutely certain of its rights under such loan agreement which will secure both the Notes and such further Notes and which will supplement the Security Interests in relation to the existing Notes of such Series.

16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

17 Governing Law

The Notes, the Agency Agreement and the Trust Deed are governed by, and shall be construed in accordance with, English law. The Issuer has submitted in the Trust Deed to the exclusive jurisdiction of the courts of England.

GAZ FINANCE PLC

Gaz Finance Plc (the "**Issuer**") was incorporated in England and Wales on 2 September 2019 (company number 12185355), as a public limited company under the Companies Act 2006. The registered office of the Issuer is 11th floor, 200 Aldersgate Street, London, EC1A 4HD, United Kingdom. The Issuer has no subsidiaries. The Issuer has been established as a special purpose vehicle or entity for the purpose of issuing asset backed securities (including the Notes). The Issuer's telephone number is +44 20 7466 1600.

Principal Activities

The principal objects of the Issuer are set out in its articles of association and are, among other things, to acquire, hold and manage financial assets, to lend or advance money and to give credit to any persons (whether individuals or legal entities) for any purpose whatsoever within the United Kingdom or elsewhere, and whether secured (on any such property or otherwise) or unsecured, to undertake all kinds of loans, financial commitments and other operations and to provide any type of financial services including, without limitation, lending and participation in securities issues and the provision of services related to such issues, as well as to act as the issuer of the notes for the purposes of funding a loan to a borrower and fund, hold and manage such loan to a borrower.

The Issuer will covenant to observe certain restrictions on its activities, which will be detailed in the Terms and Conditions of the Notes and the Trust Deed.

The Issuer is legally and beneficially owned and controlled directly by Gaz Finance Holdings Limited, a private limited company incorporated in England and Wales with company number 12182759. The rights of Gaz Finance Holdings Limited as a shareholder in the Issuer are contained in the articles of association of the Issuer and the Issuer will be managed in accordance with those articles of association and with the provisions of laws of England and Wales.,

Gaz Finance Holdings Limited is legally owned and held on trust by Maples Fiduciary Services (UK) Limited, a private limited company incorporated in England and Wales with registered number 09422850.

Directors and Secretary

The directors of the Issuer and their respective business addresses are:

Name:	**Business Address:**
Charles Leahy	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom
MaplesFS UK Corporate Director No.1 Limited	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom
MaplesFS UK Corporate Director No.2 Limited	11th Floor, 200 Aldersgate Street, London EC1A 4HD, United Kingdom

The company secretary of the Issuer is Maples Fiduciary Services (UK) Limited, a company incorporated in England and Wales, whose business address is 11th Floor, 200 Aldersgate Street, 11th Floor, London EC1A 4HD, United Kingdom.

Authorised and Issued Capital

The authorised and issued capital of the Issuer as at the date of this Base Prospectus is as follows: £50,000 of which £12,500 is paid up.

Financial Statements

The financial year of the Issuer ends on 31 December in each year. The Issuer will not prepare interim financial statements. Since its date of incorporation, the Issuer has not commenced operations and no financial statements of the Issuer have been prepared as at the date of this Base Prospectus.

No financial statements of the Issuer are included in this Base Prospectus. The obligations under the notes issued by the Issuer will be fully consolidated into the Group's Financial Statements.

TRANSFER RESTRICTIONS

Rule 144A Notes

Each purchaser of Rule 144A Notes within the United States, by accepting delivery of this Base Prospectus and the Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A (a "**QIB**") that is also a qualified purchaser as defined in Section 2(a)(51) of the Investment Company Act (a "**QP**"), (b) not a broker-dealer that owns and invests on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers, (c) not a participant-directed employee plan, such as a 401(k) plan, (d) acting for its own account, or for the account of a QIB that is also a QP, (e) not formed for the purpose of investing in the Issuer, and (f) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.

(2) It will, (a) along with each account for which it is purchasing, hold and transfer beneficial interests in the Rule 144A Notes in a principal amount that is not less than U.S.$200,000 and (b) provide notice of these transfer restrictions to any subsequent transferees. In addition, it understands that the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories.

(3) It understands that the Rule 144A Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB that is also a QP purchasing for its own account or for the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State or another jurisdiction of the United States.

(4) It understands that the Issuer has the power under the Trust Deed and Condition 6 to compel any beneficial owner of Rule 144A Notes that is a U.S. person and is not a QIB and also a QP to sell its interest in the Rule 144A Notes, or may sell such interest on behalf of such owner. The Issuer has the right to refuse to honor the transfer of an interest in the Rule 144A Notes to a U.S. person who is not a QIB and a QP.

It understands that the Rule 144A Notes, unless otherwise agreed between the Issuer and the Trustee in accordance with applicable law, will bear a legend to the following effect:

THIS NOTE AND THE LOAN IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "**QIB**") THAT IS ALSO A QUALIFIED PURCHASER AS DEFINED IN THE INVESTMENT COMPANY ACT OF 1940 (A "**QP**") THAT (A) IS NOT A BROKER-DEALER WHICH OWNS AND INVESTS ON A DISCRETIONARY BASIS LESS THAN U.S.$25 MILLION IN SECURITIES OF UNAFFILIATED ISSUERS, (B) IS NOT A PARTICIPANT-DIRECTED EMPLOYEE PLAN, SUCH AS A 401(K) PLAN, (C) IS ACQUIRING THIS NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB THAT IS ALSO A QP, IN A PRINCIPAL AMOUNT THAT IS NOT LESS THAN U.S.$200,000, (D) WAS NOT FORMED FOR THE PURPOSE OF INVESTING IN THE ISSUER OF THIS NOTE, (E) UNDERSTANDS THAT THE ISSUER MAY RECEIVE A LIST OF PARTICIPANTS HOLDING POSITIONS IN ITS SECURITIES FROM ONE OR MORE BOOK-ENTRY DEPOSITORIES AND (F) WILL PROVIDE NOTICE OF THESE TRANSFER RESTRICTIONS TO ANY SUBSEQUENT TRANSFEREE, OR (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. A TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE OR EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE ISSUER OF THIS NOTE, THE TRUSTEE OR ANY INTERMEDIARY. THE ISSUER, SUBJECT TO THE BORROWER'S (AS DEFINED IN THE TRUST DEED) WRITTEN CONSENT (WHICH CONSENT SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED) HAS THE RIGHT UNDER THE TRUST DEED TO COMPEL ANY BENEFICIAL OWNER THAT IS A U.S. PERSON AND IS NOT A QIB AND A QP TO SELL ITS INTEREST IN THIS NOTE, OR MAY SELL SUCH INTEREST ON BEHALF OF SUCH BENEFICIAL OWNER. THE ISSUER HAS THE RIGHT TO REFUSE TO HONOR A TRANSFER OF AN INTEREST IN THIS NOTE TO A U.S. PERSON WHO IS NOT A QIB AND A QP. THE ISSUER HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT

COMPANY ACT OF 1940.

EACH BENEFICIAL OWNER HEREOF REPRESENTS AND WARRANTS THAT BY ITS PURCHASE AND FOR SO LONG AS IT HOLDS THIS NOTE OR ANY INTEREST HEREIN (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE U.S. TAX CODE, APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS FOR PURPOSES OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE, (2) IF IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR ANY OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING CONSIDERED PLAN ASSETS OF SUCH GOVERNMENTAL PLAN OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THE SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

(5) At the time of its purchase and throughout the period in which it holds such Notes or any interest therein (a) it is not and will not be (i) an employee benefit plan as described in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, (ii) a plan to which Section 4975 of the U.S. Tax Code applies, or (iii) an entity whose underlying assets include plan assets for purposes of ERISA or Section 4975 of the U.S. Tax Code by reason of an investment in the entity by a person described in (i) or (ii) above or otherwise, (b) if it is a governmental plan, as defined in Section 3(32) of ERISA or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, the purchase, holding and disposition of the Notes or any interest therein does not and will not violate any statute, regulation, administrative decision, policy or any other legal authority applicable to such governmental plan or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, and the purchase, holding and disposition of the Notes or any interest therein does not and will not result in the assets of the Issuer being considered plan assets of such governmental plan or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, and (c) it will not sell or otherwise transfer any such Note or interest therein to any person without first obtaining the same foregoing representations, warranties and covenants from that person.

(6) It acknowledges that the Issuer, Gazprom, the Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Rule 144A Notes is no longer accurate, it shall promptly notify the Issuer, Gazprom and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(7) It understands that the Rule 144A Notes will be evidenced by a global Note (the "**Rule 144A Global Note**"). Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent with a written certification (substantially in the form provided in the Agency Agreement) as to compliance with applicable laws.

Prospective purchasers are hereby notified that sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S Notes

Each purchaser of Regulation S Notes outside the United States and each subsequent purchaser of Regulation S Notes in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Base Prospectus and the Regulation S Notes, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Regulation S Notes are purchased will be, the beneficial owner of such Regulation S Notes and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Issuer, Gazprom or a person acting on behalf of such an affiliate.

(2) It understands that the Regulation S Notes have not been and will not be registered under the Securities Act and, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Notes except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believes is a QIB that is also a QP purchasing for its own account or the account of a QIB that is also a QP or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It acknowledges that the Issuer, Gazprom, the Registrar, the Dealers and their affiliates and others will rely upon the truth and accuracy of the above acknowledgements, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of Notes is no longer accurate, it shall promptly notify the Issuer, Gazprom and the Dealers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each of those accounts and that it has full power to make the above acknowledgements, representations and agreements on behalf of each account.

(4) It understands that the Regulation S Notes will be evidenced by a global Note (the "**Regulation S Global Note**"). Before any interest in the Regulation S Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Note, it will be required to provide a Transfer Agent with a written certification (substantially in the form provided in the Agency Agreement) as to compliance with applicable laws.

(5) At the time of its purchase and throughout the period in which it holds such Notes or any interest therein (a) it is not and will not be (i) an employee benefit plan as described in Section 3(3) of ERISA that is subject to the provisions of Title I of ERISA, (ii) a plan to which Section 4975 of the U.S. Tax Code applies or (iii) an entity whose underlying assets include plan assets for purposes of ERISA or Section 4975 of the U.S. Tax Code by reason of an investment in the entity by a person described in (i) or (ii) above or otherwise, (b) if it is a governmental plan, as defined in Section 3(32) of ERISA, or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, the purchase, holding and disposition of the Notes or any interest therein does not and will not violate any statute, regulation, administrative decision, policy or any other legal authority applicable to such governmental plan or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, and the purchase, holding and disposition of the Notes or any interest therein does not and will not result in the assets of the Issuer being considered plan assets of such governmental plan or other plan not subject to Title I of ERISA or Section 4975 of the U.S. Tax Code, and (c) it will not sell or otherwise transfer any such Note or interest therein to any person without first obtaining the same foregoing representations, warranties and covenants from that person.

CLEARING AND SETTLEMENT

The Global Notes

Each Series of Notes will be evidenced on issue by a Regulation S Global Note deposited with, and registered in the name of a nominee for, a common depositary for Euroclear and Clearstream, Luxembourg and, in the case of Rule 144A Notes, a Rule 144A Global Note deposited with (i) a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, Luxembourg, or (ii) Citibank, N.A., London Branch as custodian for, and registered in the name of Cede & Co. as nominee of, DTC.

Beneficial interests in a Regulation S Global Note may be held only through Euroclear or Clearstream, Luxembourg at any time. See "—Book-Entry Procedures for the Global Notes." By acquisition of a beneficial interest in a Regulation S Global Note, the purchaser thereof will be deemed to represent, among other things, that it is not a U.S. person, and that, if it determines to transfer such beneficial interest prior to the expiration of the 40-day distribution compliance period, it will transfer such interest only to a person whom the seller reasonably believes (a) to be a non-U.S. person in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (b) to be a person who takes delivery in the form of an interest in a Rule 144A Global Note (if applicable). See "Transfer Restrictions." Beneficial interests in a Rule 144A Global Note may be held through DTC or Euroclear and Clearstream, Luxembourg. See "—Book-Entry Procedures for the Global Notes." By acquisition of a beneficial interest in a Rule 144A Global Note, the purchaser thereof will be deemed to represent, among other things, that it is a QIB that is also a QP and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Trust Deed. See "Transfer Restrictions."

Beneficial interests in each Global Note will be subject to certain restrictions on transfer set forth therein and in the Trust Deed, and with respect to Rule 144A Notes, as set forth in Rule 144A, and the Notes will bear the legends set forth thereon regarding such restrictions set forth under "Transfer Restrictions." A beneficial interest in a Regulation S Global Note may be transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note in denominations greater than or equal to the minimum denominations applicable to interests in a Rule 144A Global Note and only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) to the effect that the transferor reasonably believes that the transferee is a QIB that is also a QP and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Beneficial interests in a Rule 144A Global Note may be transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note only upon receipt by the Registrar of a written certification (in the form provided in the Agency Agreement) from the transferor to the effect that the transfer is being made to a non-U.S. person and in accordance with Regulation S.

Any beneficial interest in a Regulation S Global Note that is transferred to a person who takes delivery in the form of an interest in a Rule 144A Global Note will, upon transfer, cease to be an interest in the Regulation S Global Note and become an interest in the Rule 144A Global Note, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Note for as long as it remains such an interest. Any beneficial interest in a Rule 144A Global Note that is transferred to a person who takes delivery in the form of an interest in a Regulation S Global Note will, upon transfer, cease to be an interest in the Rule 144A Global Note and become an interest in the Regulation S Global Note and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Note for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Notes, but the Registrar may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Except in the limited circumstances described below, owners of beneficial interests in Global Notes will not be entitled to receive physical delivery of certificated Notes in definitive form (the "**Definitive Notes**"). The Notes are not issuable in bearer form.

So long as the Notes are represented by a Global Note and the relevant clearing system(s) so permit, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or, if more than one Specified Denomination, the lowest Specified Denomination) and integral multiples of the Tradeable Amount in excess thereof specified in the relevant Final Terms or Series Prospectus, as the case may be.

Amendments to Conditions

Each Global Note contains provisions that apply to the Notes that they represent, some of which modify the effect of the above Terms and Conditions of the Notes. The following is a summary of those provisions:

- Payments. Payments of principal and interest in respect of Notes evidenced by a Global Note will be made to the person who appears at the Record Date on the register of Noteholders. So long as the relevant Global Note is held by or on behalf of a common depositary for Euroclear, Clearstream, Luxembourg, DTC or an Alternative Clearing System, "**Record Date**" shall mean the Clearing System Business Day before the relevant due date for payment, where “**Clearing System Business Day**” means a day when Euroclear, Clearstream, Luxembourg and DTC are open for business.

- Notices. So long as any Notes are evidenced by a Global Note and such Global Note is held by or on behalf of a clearing system, notices to Noteholders may be given by delivery of the relevant notice to that clearing system for communication by it to entitled account holders in substitution for delivery thereof as required by the Terms and Conditions of such Notes provided that for so long as the Notes are listed and admitted to trading on Euronext Dublin and the Guidelines for Asset Backed Securities (the “**Guidelines**”) so require, notices will also be filed at the Companies Announcements Office of Euronext Dublin.

- Meetings. For the purposes of any meeting of Noteholders, the holder of each Global Note will be treated as being two persons for the purposes of any quorum requirements of, or the right to demand a poll at, a meeting of Noteholders and in any such meeting as being entitled to one vote in respect of each integral currency unit of the specified currency of the Notes.

- Trustee Powers. In considering the interests of Noteholders while the Global Notes are held on behalf of a clearing system, the Trustee, to the extent it considers it appropriate to do so in the circumstances, may have regard to any information provided to it by such clearing system or its operator as to the identity (either individually or by category) of its accountholders with entitlements to each Global Note and may consider such interests as if such accountholders were the holders of any Global Note.

- Cancellation. Cancellation of any Note required by the Terms and Conditions of the Notes to be cancelled will be effected by reduction in the principal amount of the applicable Global Note.

Exchange for Definitive Notes

Exchange

Each Global Note will be exchangeable, free of charge to the holder, in whole but not in part, for Notes in definitive form if: (i) a Global Note is held by or on behalf of a clearing system and such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so, by the holder giving notice to the Registrar or the Transfer Agent or (ii) if the Issuer would suffer a material disadvantage in respect of the Notes as a result of a change in the laws or regulations (taxation or otherwise) of any jurisdiction referred to in Condition 8 which would not be suffered were the Notes in definitive form and a notice to such effect signed by two directors of the Issuer or by any person(s) empowered by the board of directors of the Issuer to sign on behalf of the Issuer is delivered to the Trustee, by the Issuer giving notice to the Registrar or the Transfer Agent and the Noteholders of its intention to exchange the relevant Global Note for Definitive Notes on or after the Exchange Date (as defined below) specified in the notice.

On or after the Exchange Date, the holder of a Global Note may surrender such Global Note to or to the order of the Registrar or the Transfer Agent. In exchange for such Global Note, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes in or substantially in the form set out in Part 1 of Schedule 2 to the Trust Deed.

The Registrar will not register the transfer of, or exchange of interests in, a Global Note for Definitive Notes for a period of 15 calendar days ending on the due date for any payment of principal or interest in respect of the Notes; provided that any such transfer shall be made in accordance with the Trust Deed.

“**Exchange Date**” means a day falling not later than 90 days after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Registrar or the Transfer Agent is located.

Delivery

In such circumstances, the relevant Global Note shall be exchanged in full for Definitive Notes and the Issuer will, at the cost of the Borrower (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Notes to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Noteholders. A person having an interest in a Global Note must provide the Registrar with (a) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Notes and (b) in the case of a Rule 144A Global Note only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A to a QIB that is also a QP. Definitive Notes issued in exchange for a beneficial interest in a Rule 144A Global Note shall bear the legend applicable to transfers pursuant to Rule 144A, as set out under "Transfer Restrictions."

Legends

The holder of a Definitive Note may transfer the Notes evidenced thereby in whole or in part in the applicable minimum denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Rule 144A Definitive Note bearing the legend referred to under "Transfer Restrictions," or upon specific request for removal of the legend on a Rule 144A Definitive Note, the Issuer will deliver only Rule 144A Definitive Notes that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set forth therein are required to ensure compliance with the provisions of the Securities Act and the Investment Company Act.

Book-Entry Procedures for the Global Notes

For each Series of Notes evidenced by both a Regulation S Global Note and a Rule 144A Global Note, custodial and depositary links are to be established between DTC, Euroclear and Clearstream, Luxembourg to facilitate the initial issue of the Notes and cross-market transfers of the Notes associated with secondary market trading. See "—Settlement and Transfer of Notes."

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each hold securities for their customers and facilitate the clearance and settlement of securities transactions through electronic book-entry transfer between their respective accountholders. Indirect access to Euroclear and Clearstream, Luxembourg is available to other institutions which clear through or maintain a custodial relationship with an accountholder of either system. Euroclear and Clearstream, Luxembourg provide various services including safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems across which their respective customers may settle trades with each other. Their customers are worldwide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Investors may hold their interests in such Global Notes directly through Euroclear or Clearstream, Luxembourg if they are accountholders ("**Direct Participants**") or indirectly ("**Indirect Participants**" and together with Direct Participants, "**Participants**") through organizations which are accountholders therein.

DTC

DTC has advised the Issuer as follows: DTC is a limited purpose trust company organized under the laws of the State of New York, a "banking organization" under the laws of the State of New York, a member of the U.S. Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its Participants and facilitate the clearance and settlement of securities transactions between Participants through electronic computerized book-entry changes in accounts of its Participants, thereby eliminating the need for physical movement of certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Direct Participant, either directly or indirectly.

Investors may hold their interests in Rule 144A Global Notes directly through DTC if they are Direct Participants in the DTC system, or as Indirect Participants through organizations which are Direct Participants in such system.

DTC has advised the Issuer that it will take any action permitted to be taken by a holder of Notes only at the direction of one or more Direct Participants and only in respect of such portion of the aggregate principal amount of the relevant Rule 144A Global Notes as to which such Participant or Participants has or have given such direction. However, in the circumstances described under "—Exchange for Definitive Notes," DTC will surrender the relevant Rule 144A Global Notes for exchange for individual Rule 144A Definitive Notes (which will bear the legend applicable to transfers pursuant to Rule 144A).

Book-Entry Ownership

Euroclear and Clearstream, Luxembourg

The Regulation S Global Note representing Regulation S Notes or the Rule 144A Global Note representing Rule 144A Notes of any Series will have an ISIN and a Common Code and will be registered in the name of a nominee for, and deposited with a common depositary on behalf of, Euroclear and Clearstream, Luxembourg. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium, and the address of Clearstream, Luxembourg is 42 Avenue J.F. Kennedy, L-1855, Luxembourg.

DTC

The Rule 144A Global Note representing Rule 144A Notes of any Series will have an ISIN, Common Code and a CUSIP number and will be deposited with a custodian (the "**Custodian**") for and registered in the name of Cede & Co. as nominee of, DTC. The Custodian and DTC will electronically record the principal amount of the Notes held within the DTC System. The address of DTC is 55 Water Street, New York, New York 10041, United States of America.

Relationship of Participants with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or DTC as the holder of a Note evidenced by a Global Note must look solely to Euroclear, Clearstream, Luxembourg or DTC (as the case may be) for his share of each payment made by the Issuer to the holder of such Global Note and in relation to all other rights arising under such Global Note, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg or DTC (as the case may be). The Issuer expects that, upon receipt of any payment in respect of Notes evidenced by a Global Note, the common depositary by whom such Note is held, or nominee in whose name it is registered, will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Note as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by Direct Participants in any clearing system to owners of beneficial interests in any Global Note held through such Direct Participants in any clearing system will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are evidenced by such Global Note and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Note in respect of each amount so paid. None of the Issuer, the Trustee or any Agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Note or for maintaining, supervising or reviewing any records relating to such ownership interests.

Settlement and Transfer of Notes

Subject to the rules and procedures of each applicable clearing system, purchases of Notes held within a clearing system must be made by or through Direct Participants, which will receive a credit for such Notes on the clearing system's records. The ownership interest of each actual purchaser of each such Note (the "**Beneficial Owner**") will in turn be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from any clearing system of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which such Beneficial Owner entered into the transaction.

Transfers of ownership interests in Notes held within the clearing system will be affected by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in such Notes, unless and until interests in any Global Note held within a clearing system are exchanged for Definitive Notes.

No clearing system has knowledge of the actual Beneficial Owners of the Notes held within such clearing system and their records will reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by the clearing systems to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

The laws of some jurisdictions may require that certain persons take physical delivery in definitive form of securities. Consequently, the ability to transfer interests in a Global Note to such persons may be limited. Because DTC can only act on behalf of Direct Participants, who in turn act on behalf of Indirect Participants, the ability of a person having an interest in a Rule 144A Global Note to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by a lack of physical certificate in respect of such interest.

Trading between Euroclear and/or Clearstream, Luxembourg Participants

Secondary market sales of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg to purchasers of book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, Luxembourg and will be settled using the procedures applicable to conventional Eurobonds.

Trading between DTC Participants

Secondary market sales of book-entry interests in the Notes between DTC participants will occur in the ordinary way in accordance with DTC rules and will be settled using the procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement ("**SDFS**") system in same-day funds, if payment is effected in U.S. dollars, or free of payment, if payment is not effected in U.S. dollars. Where payment is not effected in U.S. dollars, separate payment arrangements outside DTC are required to be made between the DTC participants.

Trading between DTC seller and Euroclear/Clearstream, Luxembourg purchaser

When book-entry interests in Notes are to be transferred from the account of a DTC participant holding a beneficial interest in a Rule 144A Global Note to the account of a Euroclear or Clearstream, Luxembourg accountholder wishing to purchase a beneficial interest in a Regulation S Global Note (subject to the certification procedures provided in the Agency Agreement), the DTC participant will deliver instructions for delivery to the relevant Euroclear or Clearstream, Luxembourg accountholder to DTC by 12 noon, New York time, on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg participant. On the settlement date, the custodian of the Rule 144A Global Note will instruct the Registrar to (i) decrease the amount of Notes registered in the name of Cede & Co. and evidenced by the Rule 144A Global Note of the relevant class and (ii) increase the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by the Regulation S Global Note. Book-entry interests will be delivered free of payment to Euroclear or Clearstream, Luxembourg, as the case may be, for credit to the relevant accountholder on the first business day following the settlement date.

Trading between Euroclear/Clearstream, Luxembourg seller and DTC purchaser

When book-entry interests in the Notes are to be transferred from the account of a Euroclear or Clearstream, Luxembourg accountholder to the account of a DTC participant wishing to purchase a beneficial interest in a Rule 144A Global Note (subject to the certification procedures provided in the Agency Agreement), the Euroclear or Clearstream, Luxembourg participant must send to Euroclear or Clearstream, Luxembourg delivery free of payment instructions by 7.45 p.m., Brussels or Luxembourg time, one business day prior to the settlement date. Euroclear or Clearstream, Luxembourg, as the case may be, will in turn transmit appropriate instructions to the common depositary for Euroclear and Clearstream, Luxembourg and the Registrar to arrange delivery to the DTC participant on the settlement date. Separate payment arrangements are required to be made between the DTC participant and the relevant Euroclear or Clearstream, Luxembourg accountholder, as the case may be. On the settlement date, the common depositary for Euroclear and Clearstream, Luxembourg will (a) transmit appropriate instructions to the custodian of the Rule 144A Global Note who will in turn deliver such book-entry interests in the Notes free of payment to the relevant account of the DTC participant and (b) instruct the Registrar to (i) decrease the amount of Notes registered in the name of the nominee of the common depositary for Euroclear and Clearstream, Luxembourg and evidenced by a Regulation S Global Note; and (ii) increase the amount of Notes registered in the name of Cede & Co. and evidenced by a Rule 144A Global Note.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interest in Global Notes among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC, they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Trustee or any Agent will have the responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective Direct or Indirect Participants of their respective obligations under the rules and procedures governing their operations.

Pre-issue Trades Settlement

It is expected that delivery of Notes will be made against payment therefor on the Closing Date thereof, which could be more than three business days following the date of pricing. Under Rule 15c6-1 under the Exchange Act, trades in the United States secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes in the United States on the date of pricing or the next succeeding business days until three days prior to the relevant Closing Date will be required, by virtue of the fact the Notes initially will settle beyond T+3, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Notes may be affected by such local settlement practices, and purchasers of Notes between the relevant date of pricing and the relevant Closing Date should consult their own advisors.

SUBSCRIPTION AND SALE

Summary of Dealer Agreement and Dealer Side Agreement

Subject to the terms and on the conditions contained in the amended and restated dealer agreement dated December 26, 2019 (the "**Dealer Agreement**") between the Issuer, Gazprom, J.P. Morgan Securities plc and UBS AG London Branch and the amended and restated dealer side agreement dated December, 26 2019 (the "**Dealer Side Agreement**")) between the Issuer and the Permanent Dealers and Arrangers, the Notes will be offered from time to time by an Issuer to the Permanent Dealers or such other Dealers as may be appointed from time to time in respect of any Series of Notes pursuant to the Dealer Agreement. Any agreement for the sale of Notes, pursuant to the Dealer Agreement, will, among other things, make provision for the form and terms and conditions of the relevant Notes, whether the placement of the Notes is underwritten or sold on an agency basis only, the price at which such Notes will be purchased by the Dealers and the commissions or other agreed deductibles (if any) which are payable or allowable by the Issuer in respect of such purchase and the form of any indemnity to the Dealers against certain liabilities in connection with the offer and sale of the relevant Notes. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the Relevant Dealer. The Dealer Agreement also provides for Notes to be issued in syndicated Series that may be jointly and severally underwritten by two or more Dealers.

Each of the Issuer and Gazprom has agreed to indemnify the Dealers against certain losses, as set out in the Dealer Agreement. The Dealer Agreement entitles the Dealers to terminate any agreement that they make to subscribe for the Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Selling Restrictions

United States

The Notes and the corresponding Loans have not been and will not be registered under the Securities Act, the securities laws of any State or other jurisdiction of the United States or the securities laws of any other jurisdiction. Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that:

- the Notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from the registration requirements of the Securities Act or in transactions not subject to those registration requirements; and

- except as permitted by the Dealer Agreement and the Dealer Side Agreement it will not offer or sell the Notes of any Series (i) as part of their distribution at any time or (ii) otherwise until 40 days after the completion of the distribution of the Series of which such Notes are a part, as determined and certified to the Principal Paying Agent by such Dealer (or, in the case of such Series of Notes sold to or through more than one Dealer on a syndicated basis, by any Dealer acting as lead manager), within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each Dealer to which it sells Notes (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

Terms used in this section have the meanings given to them by Regulation S.

Notes offered and sold outside the United States to non-U.S. persons may be sold in reliance on Regulation S. Each of the Dealer Agreement and the Dealer Side Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Notes within the United States only to persons whom they reasonably believe are QIBs that are also QPs who can represent that (a) they are QPs who are QIBs within the meaning of Rule 144A; (b) they are not broker-dealers who own and invest on a discretionary basis less than U.S.$25 million in securities of unaffiliated issuers; (c) they are not a participant-directed employee plan, such as a 401(k) plan; (d) they are acting for their own account, or the account of another QIB who is a QP; (e) they are not formed for the purpose of investing in the Issuer; (f) each account for which they are purchasing will hold and transfer at least U.S.$200,000 in principal amount of Notes at any time; (g) they understand the Issuer may receive a list of participants holding positions in its securities from one or more book-entry depositories; and (h) they will provide notice of the transfer restrictions set forth in this Base Prospectus to any subsequent transferees.

In addition, until 40 days after commencement of the offering of any identifiable Series of Notes, an offer or sale of such Notes within the United States by a dealer (whether or not participating in the offering of such Series of Notes) may violate the registration requirements of the Securities Act, if such offer or sale is made otherwise than in accordance with Rule 144A.

This Base Prospectus has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States, the resale of the Notes in the United States and for the listing of Notes on the Regulated Market of Euronext Dublin. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Base Prospectus does not constitute an offer to any person in the United States or to any U.S. person other than any QIB who is also a QP (a "**QIB/QP**") and to whom an offer has been made directly by one of the Dealers or its U.S. broker-affiliate. Distribution of this Base Prospectus by any non-U.S. person outside the United States or by any QIB/QP in the United States to any U.S. person or to any other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QP with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, other than any QIB/QP and those persons, if any, retained to advise such non-U.S. person or QIB/QP, is prohibited.

United Kingdom

Each Dealer has represented and agreed that (i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of section 19 of FSMA by the Issuer, (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of FSMA does not apply to the Issuer, and (iii) it has complied and will comply with all applicable provisions of FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

Russian Federation

Each of the Dealers has agreed that the Notes will not be offered, transferred or sold as part of their initial distribution or at any time thereafter to or for the benefit of any person (including legal entities) resident, incorporated, established or having their usual residence in the Russian Federation or to any person located within the territory of the Russian Federation unless and to the extent otherwise permitted under Russian law; it being understood and agreed that the Dealers may distribute this Base Prospectus and (or) the Final Terms or Series Prospectus to persons in the Russian Federation in a manner that does not constitute advertisement or offering of the Notes in Russia (each as defined in Russian securities laws) and may sell the Notes to Russian persons in a manner that does not constitute "offering," "placement" or "circulation" of the Notes in the Russian Federation (as defined in Russian securities laws) and otherwise not in breach of Russian law.

Canada

Each of the Dealers in relation to any offering of the Notes, has or will have, prior to any such offering, acknowledged, represented and agreed that: (i) the Notes have not been, and will not be, qualified for sale under the securities laws of any province or territory of Canada; (ii) it has not offered, sold, solicited an offer to purchase, or delivered, and that it will not offer, sell, solicit an offer to purchase or deliver, any Notes, directly or indirectly, in Canada or to, or for the benefit of, any Canadian Person; (iii) it has not distributed, and will not distribute, this Base Prospectus or any other offering material relating to the Notes in Canada or to, or for the benefit of Canadian Persons; and (iv) Canadian Persons are restricted from participating in any way, directly or indirectly, in the offering of the Notes (or any dealings related to the offering of the Notes), pursuant to the Special Economic Measures (Russia) Regulations.

Singapore

Each Dealer has acknowledged that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

*Singapore SFA Product Classification: In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Prohibition of Sales to EEA and UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Hong Kong

In relation to each Series of Notes, each Dealer has represented and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except for Notes which are a "structured product" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

General

Each Dealer has agreed that it has, to the best of its knowledge and belief, complied and will comply in all material respects with applicable laws and regulations in each jurisdiction in which they offer, sell or deliver Notes or distribute this Base Prospectus (and any amendments thereof and supplements thereto) or any other offering or publicity material relating to the Notes, the Issuer or Gazprom.

The Arrangers, the Dealers and their respective affiliates have engaged and are engaged in transactions with Gazprom and other members of the Group (including, in some cases, credit agreements and credit lines) in the ordinary course of their banking business. The Arrangers and the Dealers performed various investment banking, financial advisory, and other services for Gazprom, for which they received customary fees, and the Arrangers, the Dealers and their respective affiliates may provide such services in the future.

In addition, in the ordinary course of their business activities, the Arrangers, the Dealers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer, Gazprom and/or other members of the Group. Certain of the Arrangers, the Dealers and their respective affiliates that have a lending relationship with the Issuer, Gazprom and/or other members of the Group routinely hedge their credit exposure to the Issuer, Gazprom and/or other members of the Group consistent with their customary risk management policies. Typically, such Arrangers, Dealers and their respective affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the securities of the Issuer, Gazprom and/or other members of the Group, including potentially any Notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The Arrangers, the Dealers and their respective affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

These selling restrictions may be modified by the agreement of the Issuer, Gazprom and the Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Final Terms, or Series Prospectus, as the case may be, issued in respect of the issue of Notes to which it relates or in a supplement to this Base Prospectus.

TAXATION

Prospective purchasers of the Notes are advised to consult their own tax advisors as to the consequences arising in their particular circumstances under the tax laws of countries of which they are residents of the purchase, ownership, holding and disposition of any series of the Notes, including, but not limited to, the consequences of the receipt of interest and the sale or redemption of the Notes. The following is a general description of certain tax considerations relating to the Notes and the Loans and does not purport to be a comprehensive discussion of the tax treatment of the Notes or the Loans.

The information and analysis contained within this section are limited to tax issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Notes or the Loans.

Russian Federation

General

The following is a general summary of certain Russian tax considerations relevant to the purchase, ownership and disposal of any Series of the Notes as well as taxation of interest and some other payments on the corresponding Loans. This summary does not seek to address tax implications arising for the Noteholders in connection with the purchase, ownership and disposal of the Notes and/or receipt of interest and other payments on the corresponding Loans in the countries of their tax residency.

The summary is based on the laws of the Russian Federation as in effect on the date of this Base Prospectus (that are subject to changes which could occur frequently, at short notice and could apply retrospectively). The summary does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia or tax implications arising for the Noteholders applying special tax regimes available under Russian tax legislation. Similarly, this summary does not seek to address the availability of double tax treaty relief to, and the eligibility for double tax relief of any Noteholder in respect of income payable to that Noteholder on any Series of the Notes, or practical difficulties connected with claiming and obtaining such double tax treaty relief. The analysis set out herein does not include any comments on tax implications which could arise for the Noteholders in connection with entering into REPO or stock lending transactions with any Series of the Notes or into term deals, derivatives and/or any similar types of transactions with any Series of the Notes.

Many aspects of Russian tax laws and regulations are subject to significant uncertainty and lack of interpretive guidance resulting in differing interpretations and inconsistent application thereof by the various Russian authorities in practice. Further, the substantive provisions of Russian tax laws and regulations applicable to financial instruments may be subject to more rapid and unpredictable changes (possibly with the retroactive effect) and inconsistent application as compared to jurisdictions with more developed capital markets and tax systems. The interpretation and application of these provisions will, in practice, to a large extent rest substantially with local tax inspectorates and such interpretations may often be inconsistent or may often change.

In practice, interpretation and application of tax laws and regulations by different tax inspectorates in Russia and their representatives may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated by the law. Furthermore, court rulings on tax or other related matters adopted by different courts relating to the same or similar circumstances may also be inconsistent or contradictory.

Prospective investors should consult their own tax advisors regarding tax consequences of investing in the Notes that may arise in their own particular circumstances. No representation with respect to Russian tax consequences relevant to any particular Noteholder is made hereby.

Taxation of the Notes

General

For the purposes of this summary, the term "**Resident Noteholder**" means:

- (i) a Russian legal entity which acquires, holds and disposes the Notes, (ii) an organization formed under a non-Russian law, which acquires, holds and disposes the Notes through its permanent establishment in Russia or an organization organized under a non-Russian law and recognized as Russian tax resident in accordance with the requirements set out in the Russian Tax Code which acquires, holds and disposes the Notes (the **"Resident Noteholder-Legal Entity**"). An organization organized under a non-Russian law shall be deemed to be tax resident of the Russian Federation for the purposes of the Russian Tax Code if (1) it is deemed to be tax resident of the Russian Federation in accordance with an applicable double tax treaty or (2) its place of management is in the Russian Federation unless a different conclusion follows from an applicable double tax treaty;

- a Noteholder who is an individual actually present in Russia for an aggregate period of 183 calendar days or more in any period comprised of 12 consecutive months, who acquires, holds and disposes of the Notes of any Series (the "**Resident Noteholder—Individual**"). Presence in Russia for Russian personal income tax residency purposes is not considered interrupted if an individual departs from Russia for short periods of time (less than six months) for medical treatment, education purposes or completion of employment or other duties related to work (rendering services) at offshore hydrocarbon fields.

For the purposes of this summary, the term "**Non-Resident Noteholder**" means:

- an organization which is a Noteholder and does not qualify as the Resident Noteholder – Legal Entity (the "**Non-Resident Noteholder—Legal Entity**");

- a Noteholder who is an individual and does not qualify as the Resident Noteholder – Individual who acquires, holds and disposes of the Notes (the "**Non-Resident Noteholder—Individual**").

Currently, the Russian Tax Code is generally interpreted by both the Russian tax authorities and taxpayers such that days of arrival as well as days of departure should be taken into account when calculating the total number of days of presence of an individual in Russia. However, we are aware of a court case where the court expressed the opinion that days of arrival should not be taken into account as opposed to days of departure.

For the purposes of this summary, the definitions of "**Resident Noteholder**" and "**Non-Resident Noteholder**" in respect of individuals are taken at face value based on the wording of Russian tax law as currently written. In practice, however, the application of the above formal residency definition by the Russian tax authorities may differ depending on their position in each case.

Tax residency rules and Russia's rights with regard to taxation may be affected by the applicable double tax treaty. Russian tax treatment of interest payments to be made by Gazprom to the Issuer (or to the Trustee, as the case may be) under the relevant Loan Agreement may affect taxation of the Noteholders. See Section "Taxation of Interest Payments on the Loans."

Resident Noteholders

The Resident Noteholders will be subject to all applicable Russian taxes in respect of income derived by them in connection with the acquisition, ownership and/or disposal of the Notes (including interest received on the Notes) or in connection with payments under the respective Loan Agreement made by Gazprom to the Issuer (or to the Trustee, as the case may be) if Resident Noteholders qualify for persons that have actual right to the income concerned for Russian tax purposes. See Section "Taxation of Interest Payments on the Loans" below.

The Resident Noteholders should consult their own tax advisors with respect to the effect that the acquisition, holding and/or disposal of the Notes may have on their tax position.

Non-Resident Noteholders

Taxation of the Non-Resident Noteholders—Legal Entities

Acquisition of the Notes

Acquisition of the Notes by the Non-Resident Noteholders—Legal Entities (whether upon their issue or in the secondary market) should not trigger any Russian tax implications for the Non-Resident Noteholders—Legal Entities at the time of the acquisition.

Interest on the Notes

The Non-Resident Noteholders—Legal Entities generally should not be subject to any Russian taxes in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes of any Series may however be affected by the taxation treatment of interest on any Loan in Russia (see "Taxation of Interest Payments on the Loans" below).

Sale or other Disposal of the Notes

Generally, there should be no Russian tax on gains from sale or other disposal of the Notes imposed on Non-Resident Noteholder—Legal Entity. There is some uncertainty regarding the Russian withholding tax treatment of the portion of the sales or disposal proceeds, if any, attributable to accrued interest (coupon) on the Notes where proceeds from sale or other disposal of the Notes are received from a source within Russia by a Non-Resident Noteholder–Legal Entity. It is caused by isolated instances in which the Russian tax authorities challenged the non-application of the Russian withholding tax to the amount of accrued interest (coupon) embedded into the sale price of the Eurobonds. Although the Ministry of Finance of the Russian Federation in its most recent clarification letters opined that the amount of sale or other disposal proceeds attributable to the accrued interest on the Eurobonds paid to a non-Russian organization should not be regarded as Russian source income and on this basis should not be subject to taxation in Russia, there remains a possibility that a Russian entity or a foreign entity having registered tax presence in Russia which purchases the Notes from a Non-Resident Noteholder-Legal Entity or acts as an intermediary may seek to assess Russian withholding tax at the rate of 20 per cent. (or such other rate as could be effective at the time of such sale or other disposal) on the accrued interest portion of the disposal proceeds of the Notes.

Redemption of the Notes

The Non-Resident Noteholders—Legal Entities generally should not be subject to any Russian taxes in respect of repayment of principal on the Notes received from the Issuer.

Taxation of the Non-Resident Noteholders—Individuals

Acquisition of the Notes

Acquisition of the Notes by the Non-Resident Noteholders—Individuals may constitute a taxable event for Russian personal income tax purposes pursuant to provisions of the Russian Tax Code relating to the material benefit (deemed income) received by individuals as a result of the acquisition of securities. In particular, if the acquisition price of the Notes is below the lower margin of the fair market value of the Notes calculated based on specific procedure for the determination of market prices of securities for Russian personal income tax purposes, the difference may become subject to Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of acquisition), which is, arguably, subject to reduction or elimination under the applicable double tax treaty.

Under the Russian tax legislation, taxation of income of the Non-Resident Noteholders—Individuals will depend on whether this income is qualified as received from Russian or non-Russian sources. Since the Russian Tax Code does not contain any provisions in relation to how the related material benefit receivable by individuals should be sourced, in practice the Russian tax authorities may infer that such income should be considered as Russian source income if the Notes are purchased "in Russia." In the absence of any additional guidance as to what should be considered as a purchase of securities "in Russia," in practice the Russian tax authorities may apply various criteria in order to determine the source of the related material benefit, including looking at the place of conclusion of the acquisition transaction, the location of the issuer, or other similar criteria. There is no assurance therefore that as a result any material benefit received by the Non-Resident Noteholders—Individuals in connection with the acquisition of the Notes will not become taxable in Russia.

Interest on the Notes

The Non-Resident Noteholders—Individuals generally should not be subject to Russian personal income tax in respect of payment of interest on the Notes received from the Issuer. Taxation of interest on the Notes may however be affected by the taxation treatment of income from sale of the Notes and interest on any Loan (see "Taxation of Interest Payments on the Loans" below).

Sale, Redemption or other Disposal of the Notes

A Non-Resident Noteholder-Individual should not be subject to any Russian taxes in respect of gain or other income realized on a redemption, sale or other disposal of the Notes outside of Russia, provided that the proceeds of such sale, redemption, or disposal are not received from a source within Russia.

Subject to any available tax treaty relief, if receipt of any proceeds from the sale or other disposal of the Notes by a Non-Resident Noteholder—Individual is classified as income from Russian sources for Russian personal income tax purposes, these proceeds will become subject to Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of disposal). Since the Russian Tax Code does not contain any additional guidance as to when the sales or disposal proceeds should be deemed to be received from Russian sources by an individual not qualifying as a tax resident for Russian personal income tax purposes, in practice the Russian tax authorities may infer that such income should be considered as Russian source income, if the Notes are sold or disposed of "in Russia." In absence of any guidance as to what should be considered as a sale or other disposal of securities "in Russia," the Russian tax authorities may apply various criteria in order to determine the source of the sale or other disposal, including looking at the place of conclusion of the transaction, the location of the Issuer, or other similar criteria. There is no assurance therefore that as a result sales or disposal proceeds received by the Non-Resident Noteholders—Individuals will not become taxable in Russia.

If the disposal proceeds are considered as being derived from Russian sources, Russian personal income tax will apply to the gross amount of sales or disposal proceeds received upon the disposal of the Notes (including accrued and paid interest on any Series of the Notes) decreased by the amount of any duly documented cost deductions (including the original acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes) provided that the Notes qualify as securities under Russian and applicable foreign law and such documentation is duly executed. There is a risk that, if the documentation supporting the cost deductions is deemed insufficient by the Russian tax authorities the deduction will be disallowed and the tax will apply to the gross amount of the sales or disposal proceeds.

Under certain circumstances, if sales and/ or disposal proceeds (including accrued and paid interest on any Series of the Notes) are paid to a Non-Resident Noteholder—Individual by a party considered as tax agent for Russian tax purposes, the applicable Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of payment) should be withheld at source by such tax agent. Starting from January 1, 2020 any Russian legal entity, an individual entrepreneur, a Russian representative office or Russian branch of a foreign organisation making payment of proceeds under sale and purchase agreement or exchange agreement to Non-Resident Noteholder—Individual may be considered as tax agent. The amount of tax withheld will be calculated after taking into account available documented deductions for the original acquisition cost and related expenses on the acquisition, holding and sale or other disposal of the Notes to the extent such deductions and expenses can be determined by the entity making the payment of income to the Non-Resident Noteholder-Individual. The tax agent would be required to report to the Russian tax authorities in respect of its inability to withhold personal income tax in full within one month upon termination of the agreement (see above) or by March 1 of the year following the calendar year in which the income was received. Failure or inability of the tax agent to timely withhold the applicable Russian personal income tax in full will place the onus of reporting and payment of such tax on the Non-Resident Noteholder-Individual.

If the duly documented acquisition costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes were born within the relationship with a party other than the tax agent obligated to calculate and withhold Russian personal income tax in relation to the sales proceeds, then these original duly documented costs and other documented expenses related to the acquisition, holding and the sale or other disposal of the Notes may be taken into account by the tax agent upon written application of the Non-Resident Noteholder-Individual and presentation of the documents confirming the costs and expenses.

When the Notes are sold to legal entities or organizations or individuals other than tax agents as defined in the preceding paragraphs, generally no Russian personal income tax should be withheld at source by these persons. The Non-Resident Noteholder—Individual will be required to file a personal income tax return individually, report the amount of income realized to the Russian tax authorities and apply for a deduction in the amount of the acquisition and other expenses related to the acquisition, holding and the sale or other disposal of the Notes confirmed by the supporting documentation. The applicable personal income tax will then have to be paid by the Non-Resident Noteholder—Individual on the basis of the personal income tax return.

Under certain circumstances gains received and losses incurred by a Non-Resident Noteholder—Individual as a result of the sale or other disposal of the Notes and other securities of the same category (i.e., securities qualified as traded or non-traded for Russian personal income tax purposes) occurring within the same tax year may be aggregated for Russian personal income tax purposes which would affect the total amount of personal income tax payable by a Non-Resident Noteholder—Individual in Russia.

Any taxable gains derived by a Non-Resident Noteholder—Individual from the sale or other disposal of the Notes are affected by changes in the exchange rate between the currency of the acquisition of the Notes, the currency of the sale or other disposal of the Notes and rubles. For personal income tax purposes deductible costs and proceeds from disposal of the Notes are converted into Russian rubles at the exchange rate of the Central Bank of Russia as of the date when the costs were incurred and proceeds were received, respectively. This may result in a taxable income due to devaluation of the Russian ruble, even if in the foreign currency terms there are no gains or even a capital loss.

Non-Resident Noteholders—Individuals should consult their own tax advisors with respect to tax consequences of the purchase of the Notes, sale or other disposal of the Notes, including the receipt of sales proceeds from a source within Russia.

Tax Treaty Relief

The Russian Federation has entered into double tax treaties with a number of countries and honors some double tax treaties concluded by the former Union of Soviet Socialist Republics. These double tax treaties may contain provisions allowing the reduction or elimination of Russian income taxes applicable to income received by a Non-Resident Noteholder from Russian sources in connection with the acquisition, holding, sale or other disposal of the Notes.

In order to obtain the benefits available under the respective double tax treaty, a Non-Resident Noteholder must comply with the certification, information and reporting requirements which are in force in the Russian Federation (relating, in particular, to the confirmation of the entitlement and eligibility for treaty benefits).

In order to enjoy double tax treaty benefits, a Non-Resident Noteholder–Legal Entity which has the actual right to receive income (i.e., which qualifies as the "beneficial owner of income") and is eligible for the benefits of the applicable double tax treaty should provide the tax agent with the satisfactory documentary evidence to these facts as well as the duly executed tax residency certificate before the date of the income payment. The tax residency of Non-Resident Noteholders – Legal Entities which are banks residing in jurisdictions which have concluded double tax treaties with the Russian Federation and which have the actual right to receive income can be confirmed by public information guides (e.g. Bankers Almanac) in lieu of the tax residency certificate.

In order to apply for tax exemption or payment of tax at a reduced tax rate under the respective double tax treaty a Non-Resident Noteholder-Individual has to provide to the tax agent a passport of a foreign citizen in order to prove his/ her tax residency status in the foreign jurisdiction. If this document is not sufficient to prove the tax residency status, the tax agent will request the Non-Resident Noteholder-Individual to provide a tax residency certificate issued by the competent authority in his/ her country of residence for tax purposes. If the documents proving residency in the respective state are submitted to the tax agent after the personal income tax is withheld, the tax agent will be required to reimburse to the Non-Resident Noteholder—Individual the amount of tax withheld.

The law does not clearly establish how the tax agent shall determine whether a passport is sufficient to confirm the individual's eligibility for double tax treaty benefits.

It is not explicit whether under tax legislation Russian citizens who are Non-Resident Noteholders-Individuals would be able to enjoy exemption from taxation at source under an applicable double tax treaty in practice.

The procedure of elimination of double taxation by means of exemption under an applicable double tax treaty of the Non-Resident Noteholders-Individuals in case of absence of a tax agent is not explicitly indicated in the Russian Tax Code.

The Non-Resident Noteholders should consult their own tax advisors regarding possible tax treaty relief and procedures for obtaining such relief with respect to any Russian taxes imposed in respect of interest income on the Notes or any income received in connection with the acquisition and the sale or other disposal of the Notes of any Series.

On June 7, 2017, 68 jurisdictions, including Russia, signed the MLI. Several additional jurisdictions have signed the MLI since then. Several jurisdictions have expressed their intention to sign the MLI. On April 30, 2020 the Russian Federation submitted through OECD diplomatic channels its notification of completion of the internal procedures required for the MLI application to the double tax treaties concluded with 27 countries starting from 1 January 2021. The MLI-related changes have an additional adverse impact on the availability of double taxation treaty benefits to the Non-Resident Noteholders that are tax residents in the respective countries. See "Risk Factors— Risks Relating to the Russian Federation— Risks Relating to the Notes and the Trading Market— Payments we make under the Loans may become subject to Russian withholding tax."

Refund of Tax Withheld

If Russian withholding tax on income derived from Russian sources by a Non-Resident Noteholder—Legal Entity was withheld at source, a claim for a refund of the tax that was withheld at source can be filed by that Non-Resident Noteholder—Legal Entity with the Russian tax authorities either based on general tax reclaim procedures within three years following the date of withholding, or provided that such Non-Resident Noteholder—Legal Entity is entitled to the benefits of the applicable double tax treaty allowing it not to pay the tax or allowing it to pay the tax at a reduced tax rate in relation to such income within three years following the year in which the tax was withheld. There is no guarantee that such refund will be available in practice to the Non-Resident Noteholder—Legal Entity.

If Russian personal income tax on income derived from Russian sources by a Non-Resident Noteholder—Individual was withheld at source despite the right of this Non-Resident Noteholder—Individual to rely on benefits of the applicable double tax treaty allowing such individual not to pay the tax in Russia or allowing to pay the tax at a reduced tax rate in relation to such income, a claim for a refund of Russian personal tax which was excessively withheld at source together with a passport of a foreign individual/tax residency certificate issued by the competent authorities in his/ her country of residence may be filed by that Non-Resident Noteholder-Individual with the tax agent within three years following the tax year when the corresponding income was received. In the absence of a tax agent who withheld the Russian personal income tax under consideration (e.g. in case of a liquidation of the tax agent), an application for a refund may be filed with the Russian tax authorities within the same period (three years following the tax year when the corresponding income was received) with the Russian tax return, a tax residency certificate and documents proving tax withholding to the Russian tax authorities. There can be no assurance that the tax agent and/ or the Russian tax authorities will refund this tax in practice.

Although the Russian Tax Code arguably contains an exhaustive list of documents and information which have to be provided by the foreign person to the Russian tax authorities for the tax refund purposes, the Russian tax authorities may, in practice, require a wide variety of documentation confirming, for instance, a right of a Non-Resident Noteholder to obtain tax relief available under the applicable double tax treaty. Such documentation may not be explicitly required by the Russian Tax Code and may to a large extent depend on the position of local representatives of the tax inspectorates.

Obtaining a refund of Russian income taxes which were excessively withheld at source is likely to be a time consuming and lengthy process requiring many efforts and no assurance can be given that such refund will be granted to the Non-Resident Noteholders in practice.

The Non-Resident Noteholders should consult their own tax advisors regarding procedures required to be fulfilled in order to obtain refund of Russian income taxes, which were excessively withheld at source.

Taxation of Interest Payments on the Loans

In general, payments of interest on borrowed funds made by a Russian legal entity to a non-resident legal entity or organization having no registered presence and/or no permanent establishment or no tax residency in Russia are subject to Russian withholding tax at the rate of 20% (or such other tax rate as may be effective at the time of payment), which could be potentially reduced or eliminated under the terms of an applicable double tax treaty.

Generally, no withholding tax should arise in Eurobond structures by virtue of the special exemption envisaged by the Russian Tax Code. The Russian Tax Code provides that Russian borrowers should be fully released from the obligation to withhold tax from interest and other payments made to foreign entities provided that the following conditions are all met:

(1) interest is paid on debt obligations of Russian entities that arose in connection with the placement by foreign entities of "issued bonds," which are defined as bonds or other debt obligations (a) listed and/or admitted to trading on one of the qualifying foreign exchanges and/or (b) that have been registered with one of the qualifying foreign depository/clearing organizations;

    The lists of qualifying foreign exchanges and foreign depositary/clearing organizations were approved by the Central Bank of the Russian Federation in its Order № 4393-U of May 30, 2017 (the "**Lists**"). The Irish Stock Exchange plc (currently operating under the trading name Euronext Dublin), Euroclear and Clearstream, Luxembourg are included in the Lists. DTC is not expressly mentioned in the Lists, but to the extent the Notes are admitted to trading and/or have been listed on the Irish Stock Exchange plc, the aforementioned conditions should be considered satisfied.

    The connection between the loan and the issued bonds should be evident and supported with certain documents, which are set forth in the Russian Tax Code, including the relevant prospectus and/or the loan agreement.

(2) the recipient of interest on the relevant Loan is a foreign entity which is the issuer of issued bonds (i.e., the Issuer), or a foreign entity authorized to receive interest income payable on the issued bonds, or a foreign entity to which rights and obligations under bonds issued by another foreign entity have been assigned;

(3) there is a double tax treaty between Russia and the jurisdiction of tax residence of the recipient of payments on any Loan which can be confirmed by a duly executed tax residency confirmation.

We believe that it should be possible to satisfy conditions established by the Russian Tax Code and obtain a release from the obligation to withhold Russian income tax from payments of interest and certain other amounts, as the case may be, on each Loan to the Issuer as long as the conditions set forth above are met throughout the term of each Loan and the Notes of any Series.

Importantly, the Russian Tax Code does not provide for the exemption of the foreign interest income recipients from Russian withholding tax and/or Russian personal income tax, as the case may be, in addition to the release of the Russian borrower from withholding tax obligations in respect of interest payable on the relevant loans. Currently there is no requirement and mechanism in the Russian tax legislation for the foreign legal entities to self-assess and pay the tax to the Russian tax authorities, in case the tax was not withheld at source. Moreover, the Ministry of Finance of the Russian Federation acknowledged in its information letter published on its website that the release of Russian companies from withholding tax agent obligations arising in Eurobonds structures should effectively mean that no Russian withholding tax should arise, since there is neither a mechanism nor obligation for a non-resident to calculate and pay independently the tax to the Russian budget under such circumstances. There can be no assurance, however, that such requirements and mechanism will not be introduced in the future or that the Russian tax authorities would not make attempts to collect the tax from the foreign income recipients, including the Issuer or the Noteholders.

If interest and/or any other amounts due under any Loan become payable to the Trustee pursuant to the Trust Deed, there is some residual uncertainty whether the release from the obligation to withhold tax under the Russian Tax Code would be available to Gazprom.

Specifically, there is some uncertainty whether following the enforcement of the Security, the Trustee will qualify for the "entity authorized to receive interest income payable on the issued bonds" containing in the Russian Tax Code. It is not expected that the Trustee will, or will be able to, claim a Russian withholding tax exemption or reduction under any applicable double tax treaty under such circumstances. It creates a potential risk that in case payments under any Loan are made to the Trustee for the benefit of the Non-Resident Noteholders, the Russian withholding tax at the rate of 20% (or such other tax rate as may be effective at the time of payment) or Russian personal income tax at the rate of 30% (or such other tax rate as may be effective at the time of payment), should be deducted from the amount of interest and some other payments under the relevant Loan Agreement. While some Non-Resident Noteholders may seek a reduction or elimination of Russian withholding tax or personal income tax, as applicable, or a refund of the respective taxes under applicable double tax treaties entered into between their countries of tax residence and the Russian Federation, where such treaties exist and to the extent they are applicable, there is no assurance that any treaty relief will be available to them in practice under such circumstances. Resident Noteholders that have the actual right to interest and other income on any Loan will be subject to Russian personal income tax (for Resident Noteholders - Individuals) or profit tax (for Resident Noteholders – Legal Entities) at applicable Russian tax rates, which may be withheld at source or payable on a self-assessed basis.

If any payments under any Loan become subject to Russian withholding tax (as a result of which the Issuer or the Trustee will be required to reduce payments made by it under the corresponding Series of the Notes by the amount of such withholding tax) we will be obliged (subject to certain conditions) under the terms of the relevant Loan Agreement to increase payments made under the relevant Loan, as may be necessary, so that the net payments received by the Issuer or the Trustee will be equal to the amounts it would have received in the absence of such withholding tax. There is a risk that gross-up for Russian withholding tax will not take place and that payments under the respective Loans will be reduced by the amount of Russian income tax or Russian personal income tax withheld by us at source.

If we are obligated to increase any payments under any Loan or to make additional payments on any or all Loans as described above, we may (without premium or penalty), subject to certain conditions, prepay the relevant Loan in full. In such case, all outstanding Notes of the corresponding Series will each be redeemable at par together with accrued and unpaid interest and additional amounts, if any, to the date of repayment.

No VAT will be payable in Russia in respect of interest and principal payments under each Loan.

United Kingdom

General

The following is a general summary of (i) certain aspects of United Kingdom withholding taxation in respect of the Notes and (ii) certain features of the United Kingdom tax treatment of the Issuer as at the date of this Base Prospectus. It is based on United Kingdom law and published practice of United Kingdom HM Revenue and Customs ("**HMRC**") as at the date of this Base Prospectus, and law and practice may change at any time, possibly with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Notes and may not apply to certain classes of persons, including dealers, or certain professional investors, insurance companies, collective investment schemes and persons holding their Notes through individual savings accounts, to whom special rules may apply. The following is a general guide and should be treated with appropriate caution. It is not and does not purport to constitute tax or legal advice, or to be a comprehensive analysis of all potential United Kingdom tax consequences which may arise in connection with the Notes. Noteholders who are in any doubt as to their tax position should consult their professional advisers. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom in respect of their acquisition, holding or disposal of the Notes are particularly advised to consult their professional advisers as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

Interest

The Notes should constitute "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007, provided they are and continue to be listed on a "recognised stock exchange" within the meaning of section 1005 of the Income Tax Act 2007 or admitted to trading on a "multilateral trading facility" within the meaning of Section 987 of the Income Tax Act 2007. Euronext Dublin is a recognised stock exchange for the purposes of this section. The Notes should constitute "quoted Eurobonds" if they are officially listed in Ireland in accordance with provisions corresponding to those generally applicable in EEA states and are admitted to trading on the regulated market of Euronext Dublin. Provided the Notes remain so listed payments of interest on the Notes may be made without withholding or deduction for or on account of United Kingdom income tax.

In other cases, and subject to the availability of another exemption, an amount must generally be withheld from payments of interest on the Notes that have a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty). Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty or under relevant domestic law.

The reference to "interest" in this "United Kingdom tax considerations" section means "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the Terms and Conditions of the Notes or any related documentation.

Transfer of the Notes

UK corporation taxpayers

In general, Noteholders within the charge to UK corporation tax will be treated for UK corporation tax purposes as realizing profits, gains or losses (including exchange gains and losses) in respect of the Notes on a basis which is broadly in accordance with their statutory accounting treatment, so long as the accounting treatment is in accordance with generally accepted accounting practice as that term is defined for UK corporation tax purposes. Such profits, gains and losses will be taken into account in computing taxable income for UK corporation tax purposes.

Other UK taxpayers

The disposal (including a redemption) of Notes by a Noteholder who is resident for tax purposes in the United Kingdom, or who carries on a trade, profession or vocation in the United Kingdom through a branch or agency to which the Notes are attributable and who is not subject to UK corporation tax in respect of the Notes, may give rise to a chargeable gain or an allowable loss for the purposes of UK tax on capital gains depending on individual circumstances and subject to any relief which may be due.

Stamp Duty and SDRT

No stamp duty or stamp duty reserve tax should be payable on issue of the Notes or on a transfer of the Notes.

UK tax treatment of the Issuer

The Issuer has been advised that it should fall within the permanent regime for the taxation of securitisation companies (as introduced by the Securitisation Tax Regulations), and as such should be taxed only on the amount of its "retained profit" (as that term is defined in the Securitisation Tax Regulations), for so long as it satisfies the conditions of the Securitisation Tax Regulations. However, if the Issuer does not satisfy the conditions of the Securitisation Tax Regulations (or subsequently ceases to satisfy those conditions), then the Issuer may be subject to tax liabilities not contemplated in the cash flows for the transaction described in this Base Prospectus. Any such tax liabilities may reduce amounts available to the Issuer to meet its obligations under the Notes and may result in investors receiving less interest and/or principal than expected.

Provision of information

Noteholders may wish to note that HMRC has the power to obtain information (including the name and address of the beneficial owner of interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual (or a partnership including an individual). Information so obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which a Noteholder is resident for tax purposes.

United States

The following is a summary of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Notes by a U.S. Holder (as defined below) and, to the extent discussed below under "Foreign Account Tax Compliance," a non-U.S. Holder (as defined below). This summary does not address the U.S. federal income tax consequences of every type of Note which may be issued under the Programme, and the relevant Final Terms or Series Prospectus, as the case may be, will contain additional or modified disclosure concerning the U.S. federal income tax consequences relevant to such type of Note, as appropriate. This summary deals only with purchasers of Notes that beneficially own the Notes as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**U.S. Tax Code**") and that purchase the Notes upon their initial issuances at their issue price. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the purchase, ownership or disposition of Notes by particular investors or to investors subject to special tax treatment under U.S. federal income tax laws (such as financial institutions, insurance companies, banks, regulated investment companies, U.S. expatriates, investors liable for the alternative minimum tax, individual retirement accounts and other tax deferred accounts, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons subject to special tax accounting rules as a result of any item of gross income with respect to the Notes being taken into account in an applicable financial statement, investors holding the Notes in connection with a trade or business conducted outside of the United States or investors whose functional currency is not the U.S. dollar) and does not address the tax consequences of the purchase, ownership or disposition of Notes with respect to any state, local, non-U.S. tax laws, any income tax treaties, or other tax laws, including U.S. federal estate and gift tax laws. Prospective U.S. Holders should consult their own tax advisor with regard to the application of any non-U.S. or U.S. federal, state, and local tax and tax treaties, including income, gift and estate tax laws.

As used herein, the term "**U.S. Holder**" means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual who is a citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States, any state or political subdivision thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity or arrangement treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities or arrangements treated as partnerships for U.S. federal income tax purposes and partners in such partnership should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the purchase, ownership and disposition of Notes by the partnership.

As used in this discussion, a "**non-U.S. Holder**" means a beneficial owner of a Note that is not a U.S. Holder and is not an entity or arrangement treated as a partnership for US federal income tax purposes.

The summary is based on the tax laws of the United States including the U.S. Tax Code, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PURCHASING, OWNING AND DISPOSING OF THE NOTES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Characterization of the Notes

No authority directly addresses the U.S. federal income tax characterization of securities like the Notes and the Issuer has not and will not seek a ruling from the U.S. Internal Revenue Service ("**IRS**") as to their characterization for such purposes. The Issuer intends to treat the Notes as indebtedness for such purposes and this discussion assumes that treatment is correct, but no assurance can be given that the IRS will not assert, or that a court would not sustain, a position regarding the characterization of the Notes that is contrary to this intended treatment. One possible alternative characterization is treatment of the Notes as beneficial ownership of the Loans, the U.S. federal income tax consequences of which should be no less favorable than holding Notes of the Issuer. Another alternative characterization may be as equity in the Issuer. In that event, because the Issuer is a passive foreign investment company ("**PFIC**"), such characterization would generally result in adverse U.S. federal income tax consequences to the U.S. Holders and may require additional filings by U.S. Holders with the IRS. Prospective investors should seek advice from their own tax advisors as to the consequences to them of alternative characterizations of the Notes for U.S. federal income tax purposes.

The following discussion assumes that the Notes will be treated as indebtedness for U.S. federal income tax purposes.

Payments of Interest

Interest on a Note, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "**foreign currency**"), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for U.S. federal income tax purposes. Interest paid by the Issuer on the Notes will generally constitute income from sources outside the United States. Prospective purchasers should consult their tax advisors concerning the applicability of the foreign tax credit and source of income rules to income attributable to the Notes.

Original Issue Discount

This summary assumes that the Notes will not be issued with original issue discount ("**OID**"). Generally, a Note will be treated as issued with OID if the excess of the Note's "stated redemption price at maturity" over its issue price is greater than or equal to a *de minimis* amount (0.25% of the Note's stated redemption price at maturity multiplied by the number of complete years to maturity).

Sale or Retirement of Notes

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and such U.S. Holder's tax basis in the Note. A U.S. Holder's tax basis in a Note will generally be its U.S. dollar cost. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year. The ability of U.S. Holders to offset capital losses against ordinary income is limited. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source income.

Foreign Currency Notes

Interest

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt of payment, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within the taxable year).

Under the second method, the U.S. Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period (or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the IRS.

In the case of an accrual basis U.S. Holder, upon receipt of an interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in, or determined by reference to, a foreign currency, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) for each accrual period equal to the difference between the amount received with respect to such accrual period (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued during such accrual period (as determined above), regardless of whether the payment is in fact converted into U.S. dollars.

Sale or Retirement

As discussed above under "—Sale or Retirement of Notes," a U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and its adjusted tax basis in the Note. A U.S. Holder's tax basis in a Note that is denominated in a foreign currency will be determined by reference to the U.S. dollar cost of the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or, in the case of Notes traded on an established securities market (within the meaning of the applicable Treasury Regulations) purchased by a cash basis U.S. Holder (or an electing accrual basis U.S. Holder), on the settlement date for the purchase. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or, in the case of Notes traded on an established securities market (within the meaning of the applicable Treasury Regulations) sold by a cash basis U.S. Holder (or an electing accrual basis U.S. Holder), on the settlement date for the sale. Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder will recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (i) on the date of sale or retirement and (ii) on the date on which the U.S. Holder acquired the Note. Any such exchange gain or loss will be realized only to the extent of total gain or loss realized on the sale or retirement (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest).

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Additional Tax on Net Investment Income

U.S. Holders that are individuals or estates and certain trusts are generally subject to an additional 3.8% tax on all or a portion of their "net investment income," or "undistributed net investment income" (in the case of an estate or trust), to the extent such income exceeds certain thresholds. Among other items, net investment income generally includes gross income from interest and net gain attributable to the disposition of certain property, less certain deductions. U.S. Holders should consult their own tax advisors regarding the possible implications of this legislation in their particular circumstances.

Backup Withholding and Information Reporting

In general, payments of principal and interest on, and the proceeds of a sale or retirement of the Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding will apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or otherwise fails to comply with applicable certification requirements, or establish an exemption from, the backup withholding requirements. Backup withholding is not an additional tax and may be refunded or credited against the holder's federal income tax liability if certain required information is timely furnished to the IRS. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Substitution of Issuer

The terms of the Notes provide that, in certain circumstances, the obligations of the Issuer under the Notes may be assumed by another entity. Any such assumption might be treated for U.S. federal income tax purposes as a deemed disposition of Notes by a U.S. Holder in exchange for new notes issued by the new obligor. As a result of this deemed disposition, a U.S. Holder could be required to recognize capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the issue price of the new notes (as determined for U.S. federal income tax purposes), and the U.S. Holder's adjusted tax basis in the Notes. U.S. Holders should consult their tax advisors concerning the U.S. federal income tax consequences to them of a change in obligor with respect to the Notes.

"Specified Foreign Financial Asset" Reporting

Individuals and certain domestic entities who own "specified foreign financial assets" with an aggregate value exceeding certain U.S. dollar thresholds are generally required to file an information report with respect to such assets with their tax returns. "Specified foreign financial assets" include any financial accounts maintained by foreign financial institutions, as well as any of the following, but only if they are not held in accounts maintained by financial institutions: (1) stocks and securities issued by non-U.S. persons, (2) financial instruments and contracts held for investment that have non-U.S. issuers or counterparties, and (3) interests in foreign entities. The Notes are expected to constitute specified foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution).

Penalties apply to any failure to file a required information report. Additionally, in the event a U.S. Holder does not file the information report relating to disclosure of specified foreign financial assets, the statute of limitations on the assessment and collection of U.S. federal income taxes of such U.S. Holder for the related tax year may not close before such information is filed. U.S. Holders should consult their own tax advisor as to the possible application of this information reporting requirement and the related statute of limitations tolling provision.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, ownership or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. Various monetary penalties and adverse consequences can result from a failure to file. In addition, the Issuer and its advisors may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. U.S. Holders should consult their tax advisors regarding the application of these rules to the acquisition, ownership or disposition of Notes.

Foreign Account Tax Compliance

Pursuant to certain provisions of the U.S. Tax Code, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Certain aspects of the application of these rules to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, proposed regulations have been issued that provide that such withholding would not apply prior to the date that is two years after the date of publication in the U.S. Federal Register of final regulations defining "foreign passthru payments". In the preamble to the proposed regulations, the U.S. Treasury Department indicated that taxpayers may rely on these proposed regulations until the issuance of final regulations. Additionally, Notes issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding (assuming the Notes are not treated as equity for U.S. federal income tax purposes and have a fixed term) and payments on such Notes would generally not be subject to FATCA withholding unless such Notes were materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

CERTAIN U.S. EMPLOYEE BENEFIT PLAN CONSIDERATIONS

Notes are not permitted to be acquired or held by (a) employee benefit plans as described in Section 3(3) of ERISA that are subject to Title I of ERISA (collectively, "**ERISA Plans**"), (b) plans not subject to ERISA but subject to Section 4975 of the U.S. Tax Code, including IRAs, Keogh Plans which cover only self-employed persons and their spouses and other employee benefit plans which cover only the owners of a business (collectively, "**Section 4975 Plans**"), or (c) entities whose underlying assets include plan assets by reason of an investment in the entity by ERISA Plans or Section 4975 Plans or otherwise (collectively, "**Plan Asset Entities**"). ERISA Plans, Section 4975 Plans and Plan Asset Entities are collectively referred to as "Benefit Plan Investors." Subject to certain restrictions described below, Notes are permitted to be acquired and held by governmental plans, non-U.S. plans and non-electing church plans that are not subject to ERISA or Section 4975 of the U.S. Tax Code (collectively, "**Non-ERISA Plans**").

ERISA imposes fiduciary standards and certain other requirements on ERISA Plans and on those persons who are fiduciaries with respect to ERISA Plans. Section 4975 Plans are subject to certain restrictions similar to ERISA's prohibited transaction rules. Non-ERISA Plans are subject to applicable state, local or federal law, as well as the restrictions of duties of common law, and may also be subject to prohibited transaction provisions that operate similarly to those under ERISA.

Under the regulation 29 CFR section 2510.3-101 adopted by the U.S. Department of Labor ("**DOL**"), as modified by Section 3(42) of ERISA (the "**Plan Assets Regulations**"), unless certain exceptions apply, if a Benefit Plan Investor invests in an "equity interest" of an entity, the Benefit Plan Investor's assets include both the equity interest and an undivided interest in each of the entity's underlying assets. This "look through" rule will only apply where Benefit Plan Investors own 25% or more of the value of any class of equity interest in the entity. For purposes of this 25% determination, the value of equity interests held by persons (other than Benefit Plan Investors) that have discretionary authority or control with respect to the assets of the entity or that provide investment advice for a fee (direct or indirect) with respect to such assets (or any affiliate of such person) is disregarded. An equity interest does not include debt (as determined by applicable local law) which does not have substantial equity features.

If the underlying assets of an entity are deemed to be plan assets (as defined under the Plan Assets Regulations), those with discretionary authority or control over the entity would be fiduciaries with respect to the entity's assets. The assets of the entity would also be subject to the prohibited transaction rules of ERISA and Section 4975 of the U.S. Tax Code, as well as other rules applicable to plan assets.

The Issuer believes that the Notes should be treated as debt rather than equity for purposes of the Plan Assets Regulations. The DOL, however, may take a contrary view or may view the Notes as having substantial equity features. Further, the Issuer will not be able to monitor the Noteholders' status as Benefit Plan Investors. Accordingly, the Notes are not permitted to be acquired or held by any Benefit Plan Investor.

Non-ERISA Plans and entities that include the assets of Non-ERISA Plans are permitted to acquire and hold the Notes subject to certain restrictions described below. Each Non-ERISA Plan acquiring and holding the Notes will be deemed to have represented and warranted that the acquisition, holding and disposition of the Notes or any interest therein does not and will not violate any statute, regulation, administrative decision, policy or other legal authority applicable to the Non-ERISA Plan and the purchase, holding and disposition of the Notes or any interest therein do not and will not result in the assets of the Issuer being considered plan assets of such Non-ERISA Plan. Non-ERISA Plans are generally not subject to ERISA nor do the prohibited transaction provisions of ERISA or Section 4975 of the U.S. Tax Code apply to these types of plans. However, governmental plans (as described in Section 3(32) of ERISA) are subject to prohibitions on related-party transactions under Section 503 of the U.S. Tax Code, which prohibitions operate similarly to the prohibited transaction rules under ERISA or Section 4975 of the U.S. Tax Code, and other Non-ERISA Plans may be subject to similar prohibitions. Accordingly, the fiduciary of a Non-ERISA Plan must consider applicable state or local laws, if any, imposed upon such plan before purchasing and holding a Note or any interest therein.

BY ITS PURCHASE AND HOLDING OF A NOTE OR ANY INTEREST THEREIN, THE PURCHASER AND/OR HOLDER THEREOF AND EACH TRANSFEREE WILL BE DEEMED TO HAVE REPRESENTED AND WARRANTED AT THE TIME OF ITS PURCHASE AND THROUGHOUT THE PERIOD THAT IT HOLDS SUCH NOTE OR INTEREST THEREIN, THAT (1) IT IS NOT AND WILL NOT BE (A) AN EMPLOYEE BENEFIT PLAN AS DESCRIBED IN SECTION 3(3) OF ERISA THAT IS SUBJECT TO THE PROVISIONS OF TITLE I OF ERISA, (B) A PLAN TO WHICH SECTION 4975 OF THE U.S. TAX CODE APPLIES OR (C) AN ENTITY WHOSE UNDERLYING ASSETS INCLUDE PLAN ASSETS FOR PURPOSES OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE BY REASON OF AN INVESTMENT IN THE ENTITY BY A PERSON DESCRIBED IN (A) OR (B) ABOVE OR OTHERWISE, (2) IF IT IS A GOVERNMENTAL PLAN, AS DEFINED IN SECTION 3(32) OF ERISA, OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, THE PURCHASE, HOLDING AND DISPOSITION OF THE NOTES OR ANY INTEREST THEREIN DOES NOT

AND WILL NOT VIOLATE ANY STATUTE, REGULATION, ADMINISTRATIVE DECISION, POLICY OR OTHER LEGAL AUTHORITY APPLICABLE TO SUCH GOVERNMENTAL PLAN OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, AND THE PURCHASE, HOLDING AND DISPOSITION OF THIS NOTE OR ANY INTEREST HEREIN DOES NOT AND WILL NOT RESULT IN THE ASSETS OF THE ISSUER OF THE NOTES BEING CONSIDERED PLAN ASSETS OF SUCH GOVERNMENTAL PLAN OR OTHER PLAN NOT SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE U.S. TAX CODE, AND (3) IT WILL NOT SELL OR OTHERWISE TRANSFER ANY SUCH NOTE OR INTEREST THEREIN TO ANY PERSON WITHOUT FIRST OBTAINING THIS SAME FOREGOING REPRESENTATIONS, WARRANTIES AND COVENANTS FROM THAT PERSON.

The foregoing is not intended to be exhaustive and the law governing investments by Benefit Plan Investors and Non-ERISA Plans is subject to extensive administrative and judicial interpretations. The foregoing discussion should not be construed as legal advice. Any potential purchaser, holder or transferee of Notes or any interest therein should consult counsel with respect to issues arising under ERISA, the U.S. Tax Code and other applicable laws and make their own independent decisions.

FORM OF FINAL TERMS

The form of Final Terms that will be issued in respect of each Series, subject only to the deletion of non-applicable provisions, is set out below:

Public Joint Stock Company GAZPROM

Issue of [Aggregate Principal Amount of Series] [Title of Loan Participation Notes]
by Gaz Finance plc
for the sole purpose of financing a Loan to Public Joint Stock Company GAZPROM
under a EUR 30,000,000,000 Programme for the Issuance of Loan Participation Notes

Part A - Contractual Terms

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated October 6, 2020 [and the supplemental Base Prospectus dated [●]] which [together] constitute[s] a base prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council (the "**Prospectus Regulation**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 8 of the Prospectus Regulation and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on Gazprom, the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus [and the supplemental Base Prospectus] [has]/[have] been published on [Issuer's/financial intermediaries'/ regulated market] website.][6]

MIFID II product governance / Professional investors and ECPs only target market – solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS – the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**") or in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation.

In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are [prescribed capital markets products] / [capital markets products other than prescribed capital markets products] (as defined in the CMP Regulations 2018) and [are] [Excluded] / [Specified] Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products.][[*N.B.: For any Notes to be offered to Singapore investors, the Issuer*

[6] Delete for unlisted Notes.

to consider whether it needs to re-classify the Notes pursuant to Section 309B of the SFA prior to the launch of the offer.]]

1	(i)	Issuer:	[●]
	(ii)	Borrower:	Public Joint Stock Company GAZPROM
2	Series Number:		[●]
	[(*If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)*		[●]]
3	Specified Currency:		[●]
4	Aggregate Principal Amount of Notes admitted to trading:		[●]
5	Issue Price:		[●] per cent. of the Aggregate Principal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)]
6	Specified Denominations:		[●][7]
			[●]
7	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[●]
8	Maturity Date:		[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year*]
9	Interest Basis:		[[●] per cent. Fixed Rate]
			[Floating Rate]
10	Redemption/Payment Basis:		Redemption at par
11	Change of Interest or Redemption/Payment Basis:		[Applicable]/[Not Applicable]
12	(i)	Status and Form of the Notes:	Senior, Registered
	(ii)	[Date Board approval for issuance of Notes and borrowing of Loan obtained:	[ ] [and [ ], respectively]](N.*B Only relevant where Board (or similar) authorisation is required for the particular Series of Notes or related Loan*)]
13	Method of distribution:		[Syndicated/Non-syndicated]
14	Financial Centres (Condition 7):		[●]
15	Loan Amount:		[●]
16	Put/Call Options:		[Put Option / Call Option at Make Whole / Call Option at Par / Not Applicable]

PROVISIONS RELATING TO INTEREST PAYABLE UNDER THE LOAN

7 Not to be less than €100,000 (or its equivalent in other currencies). Notes (including Notes denominated in sterling) in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of section 19 of FSMA and which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies)

17	Fixed Rate Note Provisions:		[Applicable/Not Applicable] *(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Rate [(s)] of Interest:	[●] per cent. per annum payable [annually/semi-annually] in arrear
	(ii)	Interest Payment Date(s):	[●] in each year
	(iii)	Fixed Coupon Amount[(s)]:	[●] per [●] in principal amount of Notes in each case payable [annually/semi-annually] in arrear [in equal instalments]
	(iv)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount [(s)]*]
	(v)	Day Count Fraction:	[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]
	(vi)	Determination Date(s):	[●] in each year. *[Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)]*
18	Floating Rate Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Business Day Convention:	[Floating Rate Business Day Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention]
	(iv)	Business Centre(s):	[●]
	(v)	Manner in which the Rate(s) of Interest is/ are to be determined:	[Screen Rate Determination/ISDA Determination]
	(vi)	Interest Period Date(s):	[Not Applicable/*specify dates*] (*will be not applicable unless different from Interest Payment Date*)
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
	(viii)	Screen Rate Determination:	[Yes]/[No]
	(ix)	ISDA Determination:	[Yes]/[No]
	(x)	Margin(s):	[+/-] [●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum

(xii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiii)	Reference Rate:	[LIBOR] or [EURIBOR]
(xiv)	Day Count Fraction (Condition 5):	[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]

PROVISIONS RELATING TO REDEMPTION

19	Final Redemption Amount of each Note:		[[●] per Note of [●] specified denomination in principal amount of Notes]
20	Early Redemption Amount(s) of each Note payable if the Loan should become repayable under the Loan Agreement prior to the Maturity Date:		[● per Note of ● specified denomination in principal amount of Notes, plus accrued interest, if any, to the Redemption Date]
21	Call Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Early Redemption Amount:	[●] per [●] amount of the Loan, plus accrued interest, if any, to the Call at Make Whole Redemption Date
22	Put Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*
	(i)	Put Settlement Date(s):	[●]

DISTRIBUTION

23	(i)	If syndicated, names of Managers:	[Not Applicable/*give names*]
	(ii)	Stabilising Manager(s) (if any):	[Not Applicable/*give name*]
24	If non-syndicated, name of Dealer:		[Not Applicable/*give name*]
25	Additional selling restrictions:		[Not Applicable/*give details*]

[LISTING AND ADMISSION TO TRADING APPLICATION

These Final Terms comprise the final terms required to list and have admitted to trading the issue of Notes described herein pursuant to the EUR 30,000,000,000 Programme for the Issuance of Loan Participation Notes of Gazprom.]

RESPONSIBILITY

The Issuer and Gazprom accept responsibility for the information contained in these Final Terms. [● has been extracted from ●. Each of the Issuer and Gazprom confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by ●, no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer: Signed on behalf of Gazprom:

By: ___________________________
Duly authorised

By: ___________________________
Duly authorised

By: ___________________________
Duly authorised

By: ___________________________
Duly authorised

Part B – Other Information

1. LISTING

(i) Listing:	[Euronext Dublin / None]
(ii) Admission to trading:	[Application has been made for the Notes to be admitted to trading on regulated market of Euronext Dublin with effect from [●].] [Not Applicable.]
(iii) Estimate of total expenses related to admission to trading:	[●]

2. RATINGS

Ratings:	The Notes to be issued have been rated:
	● [[*Insert credit rating agency*] is established in the European Community and has applied for registration under Regulation (EC) No 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.][[*Insert credit rating agency*] is established in the European Community and registered under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No 1060/2009 but is endorsed by [*insert credit rating agency*] which is established in the European Union and registered under Regulation (EC) No 1060/2009.][[*Insert credit rating agency*] is not established in the European Community and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.] A rating must be issued by a credit rating agency established in the European Community and registered under the Regulation (EC) No 1060/2009 (the "CRA Regulation") unless the rating is provided by a credit rating agency that operated in the European Community before 7 June 2010 and which has submitted an application for registration in accordance with the CRA Regulation and such application for registration has not been refused. (*The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.*)

3. [NOTIFICATION

The Central Bank of Ireland [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the Prospectus Regulation.]

4. **[INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

If applicable a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest is to be included. This may be satisfied by the inclusion of the following statement:

"Save as discussed in "Subscription and Sale", so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."][8]

5. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

(i) Reasons for the offer	[ ] (S*ee "Use of Proceeds" wording in Base Prospectus – if reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*]
(ii)] Estimated net proceeds:	[●] *(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.*)
(iii)] Estimated total expenses:	[●] *[Include breakdown of expenses.]*

6. **[Fixed Rate Notes only – YIELD**

Indication of yield:	[●] The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

7. **OPERATIONAL INFORMATION**

Legal Entity Identifier of the Issuer:	[●]
ISIN Code (Reg S Notes):	[●]
ISIN Code (Rule 144A Notes):	[●]
Common Code (Reg S Notes):	[●]
Common Code (Rule 144A Notes):	[●]
Rule 144A CUSIP number:	[●]

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[8] If there are material interests, but they are not discussed in "Subscription and Sale", insert the section name where they are discussed instead. If there are no material interests, delete the whole of paragraph 4.

Any clearing system(s) other than Euroclear Bank SA/NV as operator of the Euroclear System and Clearstream Banking S.A. [or DTC] and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s [and addresses])*]
Delivery:	Delivery [against/free of] payment
Names and addresses of additional Paying Agent(s) (if any):	[●]

8. GENERAL

Tradeable Amount:	[●] So long as the Notes are represented by a Global Note, the Notes will be tradeable only in principal amounts of at least the Specified Denomination and integral multiples of the Tradeable Amount in excess thereof.

9. THE LOAN

The following terms used in the Facility Agreement shall have the following meanings:

Terms of the Loan

(i)	Drawdown:	[●] [*Closing Date*]
(ii)	Call at Make Whole Redemption Date:	the date for the redemption of the Notes
(iii)	Closing Date:	[●]
(iv)	Early Redemption Amount:	[●] per [●] amount of the Loan, plus accrued interest, if any, to the Call at Make Whole Redemption Date
(v)	Make Whole Premium:	the excess of (a) the present value at such Call at Make Whole Redemption Date of the Loan, plus any required interest payments that would otherwise be due to be paid on such Loan from such Call at Make Whole Redemption Date through to the Repayment Date, together with any accrued and unpaid interest as of such Call at Make Whole Redemption Date, if any, calculated using a discount rate equal to the Treasury Rate at such Call at Make Whole Redemption Date plus [●] basis points, over (b) the principal amount of the Loan, provided that if the value of the Make Whole Premium at any time would otherwise be less than zero, then in such circumstances for the purpose of this Loan Agreement, the value of the Make Whole Premium will be equal to zero
(vi)	Put Settlement Date:	[●]
(vii)	Repayment Date:	[●]
(viii)	Specified Currency:	[●]
(ix)	Treasury Rate:	a rate equal to the yield, as published by the [●], on actively traded [●] with a maturity comparable to the remaining life of the Loan, as selected by

		the Financial Adviser. If there is no such publication of this yield during the week preceding the calculation date, the Treasury Rate will be calculated by reference to quotations from selected primary [●] dealers in [●] selected by the Financial Adviser. The Treasury Rate will be calculated on the third day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for business generally in [●] preceding the Call at Make Whole Redemption Date
(x)	Governing Law:	the Loan shall be governed by and construed in accordance with English law
(xi)	Put/Call Options:	[Put Option/Call Option at Make Whole / Call Option at Par/ Not Applicable]

Interest

The Loan is a [Fixed Rate][Floating Rate] Loan [and the Notes comprise a Rule 144A Series]. Interest shall be calculated as set out below:

Fixed Rate Loan Provisions		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Commencement Date:	[●]
(ii)	Rate[(s)] of Interest:	[●] per cent. per annum payable [annually/semi-annually] in arrears
(iii)	Interest Payment Date(s):	[●] in each year
(iv)	Fixed Amount[(s)]:	[●] per [●] in principal amount
(v)	Broken Amount:	[*Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Amount[(s)]*]
(vi)	Day Count Fraction (Clause 4.9):	[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]
(vii)	Determination Date(s) (Clause 4.9):	[●] in each year. [*Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*]
Floating Rate Loan Provisions		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*)
(i)	Interest Commencement Date:	[●]
(ii)	Interest Period(s):	[●]
(iii)	Specified Interest Payment Dates:	[●]

(iv)	Business Day Convention:	[Floating Rate Business Day Convention/Following Business Day Convention/ Modified Following Business Day Convention/Preceding Business Day Convention]
(v)	Business Centre(s) (Clause 4.9):	[●]
(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination]
(vii)	Interest Period Date(s):	[Not Applicable/specify dates] (will be not applicable unless different from Interest Payment Date)
(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent):	[●]
(ix)	Screen Rate Determination (Clause 4.3.3):	[●]
	—Reference Rate:	[●]
	—Interest Determination Date(s):	[●]
	—Relevant Screen Page:	[●]
(x)	ISDA Determination (Clause 4.3.3):	[●]
	—Floating Rate Option:	[●]
	—Designated Maturity:	[●]
	—Reset Date:	[●]
(xi)	Margin(s):	[+/-][●] per cent. per annum
(xii)	Minimum Rate of Interest:	[●] per cent. per annum
(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
(xiv)	Day Count Fraction (Clause 4.9):	[Actual/Actual-ISDA] [Actual/365 (Fixed)] [Actual/360] [30/360] [360/360] [Bond Basis] [30E/360] [Eurobond Basis] [Actual/Actual-ICMA]

OVERVIEW OF THE RUSSIAN GAS INDUSTRY, CLASSIFICATION OF RESERVES AND CERTAIN APPLICABLE REGULATORY MATTERS

The information set forth in this section is based on publicly available information, including Russian legislation and regulatory acts. Each of the Issuer and Gazprom accepts responsibility for accurately reproducing such information and as far as Gazprom or the Issuer is aware no facts have been omitted which would render such information misleading, but neither Gazprom, nor the Issuer accepts any further responsibility in respect of such information. Such information may include approximations or use rounded numbers.

General

We currently account for the majority of natural gas production in Russia. In 2019 and 2018, we produced 501.2 bcm and 498.7 bcm of natural gas, accounting for approximately 68% and 69% of total natural gas production in Russia for the periods indicated, respectively (based on CDU TEC (source: www.cdu.ru) and Gazprom figures). The current Russian gas market is also characterized by declining demand, rising competition and a significant level of government regulation.

Independent suppliers increased their combined share in Russian gas production from 27% in 2013 to 34% in 2016 and decreased to 32% in 2019. In the short term, their share may continue to increase as well as their share of sales to consumers in Russia. In the medium and long term, the share of independent suppliers in gas production and sales in Russia will largely depend on their financial and technological ability to implement new gas production, transportation and marketing projects.

Classification of Reserves

DeGolyer and MacNaughton have evaluated our reserves of natural gas, gas condensate and crude oil according to PRMS Standards. In addition, certain evaluations were prepared in accordance with the Russian reserves system, which differs in certain material respects from PRMS Standards and standards applied by the SEC.

Russian Reserves System

From January 2016, calculation of reserves in Russia is carried out in accordance with the Classification under categories A, B_1, B_2, C_1 and C_2 for reserves and under categories D_0, D_L, D_1 and D_2 for resources.

In our corporate reporting we will take into account the total amount of reserves falling under categories $A + B_1 + C_1$ (which corresponds to the former categories $A + B + C_1$) and, if necessary, specify the total amount of reserves falling under categories $B_2 + C_2$ (which corresponds to the former category C_2).

The Classification has introduced a new concept of extractable gas reserves, which previously were taken equal to the geological gas reserves. In accordance with the Classification, we intend to include extractable gas reserves in our corporate reports instead of geological gas reserves. As a RER is nearly always less than 1, the volumes of gas reserves reported in prior periods may be adjusted down in our future reports. This adjustment of gas reserves will occur gradually over several years as we calculate RERs and approve new field development projects with respect to the new extractable gas reserves. The adjustments will have no effect on our reserves amounts reported for preceding periods and our reserves reported under the PRMS standards.

From the start of the transition period through December 31, 2019, RERs at our fields containing approximately 29% of our AB_1C_1 reserves were evaluated, with the average RER being approximately 0.88. See "Gazprom—Reserves and production—Reserves." We continue assessing the RER for our fields. The results of such assessment may materially affect our AB_1C_1 natural gas reserves estimates in subsequent years. Over time, all our AB_1C_1 natural gas reserves will be presented using the RER metric. See "Risk Factors— There are numerous uncertainties inherent in estimating our reserves of natural gas, gas condensate and crude oil."

In relation to the liquid hydrocarbon reserves, our corporate reports contain information on extractable reserves calculated both in accordance with the prior classification and the Classification.

The Russian reserves system is based on an analysis of the geological attributes of reserves and takes into account the actual presence of, and the probability of the presence of, hydrocarbons in the applicable geological formations.

Russian methods for calculating and classifying reserves differ from generally accepted practices in the United States and other countries. Reserves that are calculated using different methods cannot accurately be reconciled.

The estimation of reserves of natural gas, gas condensate and crude oil can be broken down into two components:

- *geological reserves* – or the quantities of crude oil, natural gas, gas condensate and other components contained in the subsoil in the drilled deposits, proved by trial or commercial exploitation or wells probation, or by geological and technological studies;

- *extractable reserves* – part of geological reserves that can be extracted from a deposit (field) throughout the entire period of development using optimal project solutions and by using available technology and taking into account compliance with the requirements of subsoil and environmental protection.

Under the Classification, the reserves of crude oil and natural gas are divided into categories based on the degree of commercial development and exploration: A – productive, drilled, B_1 – productive, undrilled, developed, B_2 – productive, undrilled, estimated, C_1 – developed and C_2 – estimated.

Category A reserves are calculated on the part of a deposit (or a portion thereof) drilled with producing wells and being developed in accordance with either a technological development project or an approved technological development scheme (drilled reserves).

Category B₁ represents the reserves of undrilled deposits (or portion thereof) which are to be developed in accordance with approved project documentation, the results of a seismic survey, drilling of prospecting, appraisal, development, transit or deepened production wells containing commercial flows of crude oil or gas (some wells may be not probed, however, their productivity is based on the results of geophysical, geological and technological studies, as well as the results of core examination) (productive, undrilled, developed).

Category B₂ represents the reserves of undrilled deposits (or portion thereof), development of which is being designed in accordance with an approved project documentation (trial industrial development project or an approved technological development scheme), the results of a seismic survey or other high-precision survey, such reserves being proved by the results of geophysical, geological and technological studies and by well drilling data (productive, undrilled, estimated).

Category C₁ represents the reserves of undrilled deposits (or portion thereof) of the fields that have not been brought into commercial development, in respect of which the trial exploitation of all or some of the wells can be carried out (developed), where, in respect of such deposits, a seismic survey or other high-precision survey has been carried out and the prospecting, appraisal, development wells containing commercial flows of crude oil or gas (some wells may be not probed, however, their productivity is expected basing on the results of geophysical, geological and technological studies, as well as the results of core examination) have been drilled.

In respect of discovered fields at sea, including the continental shelf of the Russian Federation in territorial sea waters, inland sea waters, as well as in the Caspian and Azov Seas, the category C_1 reserves include deposits (or portion thereof) drilled with the first exploration well in which the qualitative results of hydrodynamic logging (HDL) permitting assessment of the reservoir saturation have been obtained.

Category C₂ represents the reserves of undrilled deposits (or portion thereof) of the fields that have not been brought into commercial development, which are being developed in accordance with a pilot operation project, pilot operation project in respect of particular wells, where in respect of such deposits a seismic survey or other high-precision survey has been carried out, such reserves being proved by the results of geophysical, geological and technological studies and by well drilling data (estimated).

The resources of oil, gas, and gas condensate on the basis of the level of geological study are divided into categories: D_0 – developed, D_L – localized, D_1 – prospective, D_2 – anticipated.

Category D₀ represents the resources of oil, gas, and gas condensate contained in potentially productive reservoirs in the prepared for drilling traps located in the proved commercial oil-and-gas bearing areas or in the undrilled productive reservoirs (developed). The form, size and stratification conditions of the assumed deposits are estimated from the results of geological and geophysical research. The thickness, the reservoir characteristics of the formations, the composition and the characteristics of hydrocarbons are assumed to be analogous to those for explored fields.

Category D_L represents the resources of oil, gas, and gas condensate contained in potentially productive reservoirs in traps identified on the basis of the results of geophysical and geological studies carried out within the areas with proved commercial oil-and-gas bearing areas (localized).

Category D₁ resources are reserves in lithological and stratigraphic series that are evaluated within the boundaries of large regional structures confirmed to contain commercial reserves of oil and gas (prospective). Prospective reserves are calculated based on the results of regional geological, geophysical and geochemical research.

Category D₂ resources are reserves in lithological and stratigraphic series that are evaluated within the boundaries of large regional structures not yet confirmed to contain commercial reserves of oil and gas. (anticipated). The prospects for these series to prove to be oil- and gas-bearing are evaluated based on geological, geophysical and geochemical research.

PRMS Standards

While the Russian reserves system focuses on the actual physical presence of hydrocarbons in geological formations, and reserves are estimated based on the probability of such physical presence, PRMS Standards take into account not only the probability that hydrocarbons are physically present in a given geological formation but also the economic viability of recovering the reserves (including such factors as exploration and drilling costs, ongoing production costs, transportation costs, taxes, prevailing prices for the products, and other factors that influence the economic viability of a given deposit).

Under PRMS Standards, reserves are classified as "proved," "probable" and "possible."

Proved reserves include reserves that are confirmed with a high degree of certainty through an analysis of the development history and/or volume method analysis of the relevant geological and engineering data. Proved reserves are those that, based on the available evidence and taking into account technical and economic factors, have a better than 90% chance of being produced.

Probable reserves are those reserves in which hydrocarbons have been located within the geological structure with a lesser degree of certainty because fewer wells have been drilled and/or certain operational tests have not been conducted. Probable reserves are those reserves that, on the available evidence and taking into account technical and economic factors, have a better than 50% chance of being produced.

Possible reserves are those additional reserves which analysis of geoscience and engineering data suggest are less likely to be recoverable than Probable reserves. The total quantities ultimately recovered from the project have a low probability to exceed the sum of Proved plus Probable plus Possible reserves, which is equivalent to the high estimate scenario. In this context, when probabilistic methods are used, there should be at least a 10% probability that the actual quantities recovered will equal or exceed the Proved plus Probable plus Possible reserves estimate.

An evaluation of proved, probable and possible natural gas reserves naturally involves multiple uncertainties. The accuracy of any reserves evaluation depends on the quality of available information and engineering and geological interpretation. Based on the results of drilling, testing and production after the audit date, reserves may be significantly restated upwards or downwards. Changes in the price of natural gas, gas condensate or crude oil may also affect our proved and probable reserves estimates, as well as estimates of our future net revenues and present worth, because the reserves are evaluated, and the future net revenues and present worth are estimated, based on prices and costs as of the audit date.

Differences between PRMS Standards and SEC Standards

PRMS Standards differ in certain material respects from SEC Standards. The SEC has recently adopted revisions to the SEC Standards that make such regulations more consistent with PRMS Standards in certain respects. These revisions became effective on January 1, 2010. The principal differences between PRMS Standards and the current SEC Standards include the following:

Certainty of existence. Under PRMS Standards, reserves in undeveloped drilling sites that are located more than one well location from a commercial producing well may be classified as proved reserves if there is "reasonable certainty" that they exist. Under current SEC Standards, it must be "demonstrated with certainty" that reserves exist before they may be classified as proved reserves. The revisions to the SEC Standards establish a uniform standard of "reasonable certainty" that applies to all proved reserves, regardless of location or distance from producing wells.

Duration of license. Under PRMS Standards, proved reserves are projected for the period of the efficient development of the evaluated fields. Under SEC Standards, crude oil and gas deposits may not be classified as proved reserves if they will be recovered after the expiration of a current license period unless the license holder has the right to renew the license and there is a demonstrated history of license renewal. The absence of an absolute legal right to an extension and lack of historical support prevents us from concluding that the extractable reserves in our fields for periods past the expiration of the primary terms of these licenses could be considered proved under SEC Standards. We have not reviewed our fact pattern with the SEC and therefore do not have definitive guidance on whether in our circumstances such extractable reserves could be considered proved under SEC Standards.

Accordingly, information relating to our estimated proved natural gas, gas condensate and crude oil reserves under PRMS Standards is not necessarily indicative of information that would be reported under SEC Standards. In addition, although the revised SEC Standards allow for voluntary disclosure of "probable" and "possible" reserves after January 1, 2010, current SEC Standards do not permit the presentation of reserves other than proved reserves.

If we applied SEC Standards, these differences could potentially cause the amount of estimated proved natural gas, gas condensate and crude oil reserves reported by us under SEC Standards to be lower than would otherwise be reported under PRMS Standards. An eventual decrease in the amount of natural gas, gas condensate and crude oil reserves reported by us could, if material, affect certain financial data reported by us in the Group's Financial Statements in future periods.

Russian Regulation

The regulation of legal and economic relations in the Russian natural gas industry is generally based on the Constitution, the Civil Code, the Subsoil Resources Law, the Natural Monopoly Law, the Gas Supply Law, the Gas Export Law, the Continental Shelf Law, Federal Law No. 191-FZ of December 17, 1998 "On the Exclusive Economic Zone of the Russian Federation," as amended (the "**EEZ Law**"), and Federal Law No. 155-FZ "On the Internal Sea Waters, the Territorial Sea and the Contiguous Zone of the Russian Federation," as amended (the "**Internal Sea Waters Law**"). The most important piece of legislation is the Gas Supply Law, which establishes a legal, economic and organizational framework for natural gas supply in the Russian Federation and is directed at meeting state needs for strategic energy resources.

Under the Gas Supply Law, Russian federal authorities have jurisdiction over natural gas supplies, including, among other things, the development and implementation of Government policy on natural gas supply, the regulation of strategic natural gas reserves, federal state monitoring and control over the industrial and environmental safety of the industrial sites of the natural gas supply systems, federal state control (compliance monitoring) over setting and (or) application of the state-controlled prices (tariffs) in the gas supply sector, standardization, unification of measurement, mandatory confirmation of compliance with respect to natural gas supply and setting procedures for the development and approval of the industrial safety standards.

With respect to gas supply, the Government has the authority to: (i) set the procedure for forming and approving the projected natural gas production and sales balance in Russia based on available gas resources, technical capacity of the gas transportation system and anticipated demand for energy supplies, (ii) determine the level of natural gas prices and natural gas transportation tariffs for gas transportation through pipelines and gas distribution networks, (iii) approve procedures for compensation of losses incurred by gas distribution companies that supply gas to subsidized households, (iv) regulate natural gas deliveries, (v) approve gas utilization and gas supply regulations; (vi) set procedures for providing independent organizations with access to the natural gas transportation and distribution networks, (vii) set procedures for utilization of gas as fuel, (viii) set procedures for limitation of supply and consumption of gas, (ix) determine the categories of customers, including those that have the preemptive right for gas utilization as engine fuel, to whom natural gas deliveries cannot be restricted or suspended, (x) approve regulations as regards determination of reliability and quality of transportation services through gas distribution networks, (xi) approve regulations for determining the boundaries of the gas facilities protective zones and minimum distances from trunk and industrial pipelines, (xii) approve standard forms of documents required for the connection (technological connection) of capital construction to the gas distribution network, (xiii) set forth requirements for persons engaged in maintenance, repair and technical diagnostics of the domestic gas equipment or designate the federal authority authorized to determine such requirements, (xiv) approve the methodology for producing the data on gasification coverage areas or determine the federal authority authorized to approve such methodology and (xv) approve the methodology for calculating damages caused by pipeline gas theft or determining the federal governmental authority in charge of approving such methodology.

The Ministry of Industry and Trade of the Russian Federation is a federal executive body responsible for, among other things, the development of governmental civil and military industrial policy, regulation of certain sectors of industry, including the improvement of energy efficiency of markets, supporting exports of industrial products and the state regulation of foreign trade (except for tariff and customs regulation).

The Ministry of Energy of the Russian Federation is responsible, in particular, for the development of governmental fuel and energy sector policy, regulation of the energy sector, provision of state services, management of state property in the energy sector and use of energy resources.

The Ministry of Natural Resources and Ecology of the Russian Federation is a federal executive body responsible, in particular, for the development of governmental policy and regulation of the use, study, reproduction and protection of natural resources and water objects and environmental monitoring and protection.

The Federal Service for Environmental, Technological and Nuclear Supervision ("**Rostekhnadzor**") is a federal executive body responsible for the development of governmental policy and regulation in the area of subsoil use and industrial safety. Rostekhnadzor is also a state authority responsible for mining, federal energy and construction supervision.

The Constitution of the Russian Federation stipulates that subsoil legislation is under the joint jurisdiction of the federal and regional authorities.

The Subsoil Resources Law provides that the authority of the federal governing bodies concerning the regulation of subsoil use may by resolutions of the Government be delegated to regional executive bodies.

Subsoil licensing

In 1992, the Subsoil Resources Law introduced a licensing system governing the geological survey, exploration and production of natural resources from the subsoil in Russia. Under the Subsoil Resources Law, licenses for fields and subsoil plots were awarded through auctions or tenders conducted by the Committee on Geology and the Use of Mineral Resources of the Government ("**Geokom of Russia**"), together with the legislative branch of the relevant constituent entity of the Russian Federation. Currently, licenses are generally awarded by the federal authority responsible for management of state property in the area of subsoil use, which in accordance with Governmental Resolution No. 293 of June 17, 2004, as amended, is Rosnedra.

The Subsoil Resources Law provides criteria for determining subsoil plots of federal importance and defines legal grounds for establishment and termination of rights to use subsoil plots of federal importance. Under the Subsoil Resources Law, subsoil plots of federal importance are awarded through auctions or without an auction procedure with respect to the subsoil plots of federal importance included in the list approved by the Government. The most important criterion for determining an auction winner is the amount of the proposed payment for the right to use the subsoil.

The Gas Supply Law and the Subsoil Resources Law set forth special requirements in relation to granting the right of subsoil use for gas fields to the owner of the UGSS. In particular, to maintain reliability of gas supplies in Russia, the Government may grant the right of subsoil use (combined licenses) for fields of federal importance to the owner of the UGSS without an auction.

There are several categories of licenses applicable to the geological survey, exploration and production of natural resources, including: (i) licenses for geological survey; (ii) licenses for exploration and production of natural resources; and (iii) licenses for geological survey, exploration and production of natural resources (combined licenses). Under the Subsoil Resources Law, licenses are granted either for the term stipulated in the license or for an indefinite term. Subject to a special regime applicable to hard-to-recover natural resources effective from May 31, 2020, geological survey licenses may have a maximum term of 5 years (10 years for geological survey of subsoil areas of internal sea waters, territorial seas and the continental shelf and 7 years for geological survey of subsoil areas located in Russian regions with severe environmental and weather conditions); exploration and production licenses may have a term of the expected operational life of the field based on a feasibility study that provides for rational use and protection of subsoil; production licenses for underground waters may have a maximum term of 25 years; licenses for the production of natural resources based on the short-term right to use subsoil plots may have a maximum term of one year. The Subsoil Resources Law allows the subsoil user to request an extension of the existing license in order to complete either the development of the field or the procedures necessary to vacate the land once the exploration, assessment and exploitation of the subsoil is complete, subject to compliance with the terms and conditions of the license. Indefinite term licenses (not related to production of natural resources) are provided, in particular, for the construction and operation of waste burial facilities and underground oil and gas storage facilities.

Licenses for subsoil use may be transferred only under certain limited circumstances that are identified in the Subsoil Resources Law, including the reorganization or merger of the license holder, transfer of a license as part of the property of a bankrupt license holder, or in the event that an initial license holder transfers its license to a legal entity in which it has at least a 50% ownership interest as well as any transfer of a license within a consolidated group of companies, provided that the transferee possesses the equipment and authorizations necessary to conduct the exploration or production activity that is covered by the transferred license. A license shall be reissued when the right for subsoil use is transferred or if the legal name of a license holder has changed. In this case the terms and conditions of subsoil use set forth in the previous license are not subject to revision. A transfer of the right to use a subsoil plot and the re-issuance of the license, which has been granted on the basis of a production sharing agreement, is regulated by Federal Law "On Production Sharing Agreements" No. 225-FZ of December 30, 1995, as amended (the "**PSA Law**").

Unless otherwise provided by law, the transfer of a subsoil area of federal importance is prohibited to any entity established in accordance with the Russian legislation that has participation of a foreign investor, or a group of entities that includes a foreign investor, in which a foreign investor has the ability to (i) directly or indirectly control more than 10% of the entity's voting shares, (ii) control the entity's management by contract or otherwise, or (iii) appoint the entity's chief executive officer or more than 10% of its executive officers or members of the entity's board of directors or other management committee. In exceptional circumstances and in accordance with the Government's resolutions, the transfer of rights to use subsoil plots of federal importance to such entities may be permitted.

Under a licensing agreement, the licensee assumes certain undertakings, including obligations with respect to the period and volume of exploration, provision of pre-project and project documentation, payments for subsoil use, projected extraction volume of natural resources, compliance with environmental safety requirements, elimination of environmental pollution, and, in certain instances, assurance of employment and development of infrastructure. When a license expires, the licensee, at its own cost, shall restore the relevant subsoil plot to a condition which is adequate for future use. The licensee can incur administrative liability, including fines, or the license can be revoked, suspended or limited if the licensee breaches material terms of a license, including timing and scope of works at a subsoil plot, submission of required reports, as well as in cases of direct threat to the lives or health of the people working or residing in the area where licensed activities are carried on, in case of emergency or other circumstances.

Most of the conditions provided by licensing agreements are based on mandatory provisions of Russian law; however, other provisions may be negotiated by the parties subject to mandatory provisions of the Subsoil Resources Law.

A holder of a license for subsoil use, including geological survey of natural resources, assessment and exploration of fields, must make one-off payments for subsoil use under certain conditions as may be provided in the license including one-off payments in the event of the change of subsoil area borders, and regular payments for subsoil use. The regular payments for subsoil use based on economic and geographic conditions, size of the subsoil area, type of natural resources, period of exploration, geological profile of the subsoil plot and degree of risk. Such payments are charged separately on each type of subsoil use works and with the account for the stage of geological process and pursuant to specific rates set by Rosnedra within the range established by law.

Payments for subsoil are in addition to relevant tax obligations applicable to the license holder in accordance with general tax legislation.

Federal Law No.161-FZ dated June 29, 2015 "On Peculiarities of Legal Regulation of Subsoil Use Relations in Connection with the Accession to the Russian Federation of the Republic of Crimea and the City of Federal Significance Sevastopol" , among other things, (i) provides that granting the rights of subsoil use with respect to the subsoil areas located in the Black Sea and Azov Sea within the sovereign territory of the Russian Federation is permitted pursuant to a resolution of the Government based on the results of a bidding process, however, certain restrictions may be introduced on participation in such auctions; (ii) determines the procedures for subsoil use in the Republic of Crimea and the City of Sevastopol on the basis of special licenses granted before the enactment of Federal Law No.6-FKZ dated March 21, 2014 "On Accession to the Russian Federation of the Republic of Crimea and Formation of the Republic of Crimea and the City of Federal Significance Sevastopol as New Constituent Regions of the Russian Federation"; (iii) determines the procedures for (a) forming and maintaining the national cadaster of fields and mineral resources and the national balance of mineral reserves and (b) the extraction of mineral resources and subsoil uses for other purposes.

Regulation of the natural monopoly activities

The Natural Monopoly Law defines "natural monopoly" as a condition of the commodities market in which the demand for products is satisfied more effectively in the absence of competition due to technological characteristics of the manufacturing process and in which another product cannot readily be substituted for the monopoly product, which makes demand for the monopoly product less responsive to the price movements than demand for other products. The Natural Monopoly Law sets out, among other things, a regime for the regulation of entities which have a natural monopoly over natural gas transportation. It also establishes an authority which supervises:

- transactions involving the acquisition by a natural monopoly entity (whose revenues derived from the activities regulated by the Natural Monopoly Law exceed 1% of its total revenues) of title to (or the rights to use) assets unrelated to the industry in which the natural monopoly entity operates ("durable means of production and distribution"), where the value of such assets exceeds 10% of the natural monopoly entity's own capital (as calculated in accordance with its latest audited balance sheet);
- investments by a natural monopoly entity (whose revenues derived from the activities regulated by the Natural Monopoly Law exceed 1% of its total revenues) in production or distribution of goods, not related to the industry of the natural monopoly entity, whose value exceeds 10% of the natural monopoly entity's own capital (as calculated in accordance with its latest audited balance sheet);
- sales, leases or other transactions whereby an entity purchases title to (or the rights to use) assets of a natural monopoly entity used in the industry in which a natural monopoly entity operates where the value of such assets exceeds 10% of the value of the natural monopoly entity's own capital (as calculated in accordance with its latest audited balance sheet) and provided that as a result of such acquisition the acquiring entity's revenues related to its operations in the natural monopoly industries exceed 1% of its total revenues;
- setting and (or) application of prices (tariffs), in particular, for gas transportation through pipelines; and

- compliance with disclosure requirements by natural monopoly entities.

The FAS supervises the activities of natural monopolies and is responsible for setting tariffs.

The FAS can adopt binding decisions in the case of a breach of the Natural Monopoly Law and issue binding instructions to a natural monopoly to prevent a breach of the Natural Monopoly Law, including instructions on eliminating the consequences of a breach.

The principal methods of regulating the activities of natural monopolies by relevant supervising authorities are:

- price regulation by setting prices (tariffs) or price limits; and
- identifying consumers entitled to receive mandatory services and (or) setting natural monopoly minimum supply levels for such consumers (with a view to protecting the rights and legal interests of citizens, state security, the environmental and cultural values).

As a natural monopoly entity, we must submit ongoing reports on our activities and drafts of capital investment plans to the relevant supervisory authority pursuant to the Natural Monopoly Law.

In order to promote transparency in activity and regulation, natural monopolies, including Gazprom, are required to grant free access to the information on their activity in accordance with the standards of disclosure approved by the Government. Information on the regulated activity of the natural monopolies includes the following: (i) information on prices (tariffs) for regulated goods and services; (ii) information on principal operational and financial activity, which is regulated; (iii) information on basic consumer characteristics of the regulated goods and services and their compliance with statutory requirements; (iv) information on technical access to the regulated goods and services, or the lack thereof and on the status of applications relating to technical connection to natural monopoly infrastructure; (v) information on the terms and conditions of supply of the regulated goods and services or on terms and conditions of contracts for connection to the infrastructure facilities of natural monopolies; (vi) information on investment plans and performance reports, etc.

The supervisory authority has the authority to: (i) regulate natural monopoly entities and to apply regulatory measures contemplated by the Natural Monopoly Law including price regulation; (ii) instruct natural monopoly entities to cease violations and mitigate its consequences, enter into contracts with the consumers entitled to the mandatory provision of services, instruct natural monopoly entities to make amendments to existing contracts or to transfer to federal budget profits from activities violating the Natural Monopoly Law; and (iii) perform other acts contemplated by federal laws.

The UGSS

The Gas Supply Law defines the UGSS as a centrally managed, technologically and economically regulated system of gas production, processing, transportation, storage and supply.

Gazprom is currently the owner of the UGSS. Under the Gas Supply Law, the owner of the UGSS has a number of responsibilities. To ensure reliable gas supply and compliance with international treaties of the Russian Federation and gas delivery contracts, Gazprom maintains and develops a network of UGSS facilities, monitors and manages the function of its facilities, procures the use of equipment and processes for power-saving and environmental safety at its industrial sites, takes action to ensure industrial and environmental safety within the UGSS and operates emergency management systems.

The Gas Supply Law does not permit the division of the UGSS. The liquidation of its owner can only be carried out if a federal law is passed permitting such liquidation. As amended, the Gas Supply Law requires that at least 50% plus one ordinary share of the company owning the UGSS must be owned by the Russian Federation or joint stock companies in which the Russian Federation owns at least a 50% plus one share interest, and may be disposed of by federal law. Currently, the Russian Federation controls more than 50% of Gazprom's ordinary shares.

Production sharing agreements

Production sharing agreements are commercial arrangements between the Russian Federation and investors relating to exploration and development and the sharing of production of mineral resources between parties. Under a production sharing agreement, an investor is exempted from a number of taxes and other mandatory payments in exchange for giving the Russian Federation a portion of its production, generally, after the investor has recovered its development costs.

The PSA Law came into force in January 1996. It established the principal legal framework for state regulation of production sharing agreements relating to oil and gas field exploration, development and production. The PSA Law contains rules purporting to protect investors against adverse changes in federal, regional and local laws and regulations.

The PSA Law provides that operations conducted under a production sharing agreement pursuant to the PSA Law will be governed by the production sharing agreement itself and will not be affected by contrary provisions of any other legislation, subject to several exceptions. Furthermore, production sharing agreements entered into by the Russian Federation prior to the enactment of the PSA Law (e.g., Sakhalin I, Sakhalin II and Kharyaga) are "grandfathered" so that their provisions will be effective even if they are inconsistent with the PSA Law.

In accordance with Order of the Government No. 1539-r dated September 6, 2011 we have been assigned the right of the Russian Federation to receive consideration in kind as a payment for production of natural resources (royalty) and a share in sales under the Sakhalin II production sharing agreement.

Transportation and supply of gas

The relationship between natural gas suppliers and off-takers is governed by the Gas Supply Law, the Regulation on Natural Gas Supplies in the Russian Federation approved by Government Resolution No. 162 dated February 5, 1998 ("**Resolution No. 162**"), as amended, and other regulations.

In order to enter into a gas supply contract, a customer shall send to a gas supplier a gas purchase request, which shall specify, among other things, required gas volumes, the anticipated period of supply and the initial supply date. The gas supplier shall process the gas supply request within 30 days and send to the customer an offer, or a written motivated refusal, to enter into a contract.

Customers that purchase natural gas for the Government, utility consumers and households, and other customers seeking to extend their existing natural gas supply agreements have a priority when entering into natural gas supply agreements.

In accordance with the Gas Supply Law, consumers are required to pay for natural gas supplies and transportation services. The Gas Supply Law and related gas supply rules contain provisions aimed at securing payments for supplied gas and transportation services. In particular, customers having overdue debt for gas supplies exceeding twice their average monthly gas invoice are required to provide a payment guarantee to suppliers. If the customers fail to pay for gas, suppliers have the right to impose penalties and to limit or suspend natural gas supplies to such consumers in accordance with specific procedures provided for by a number of Government resolutions. Government Resolution No. 364 dated May 29, 2002 provides for special terms and conditions of gas delivery to institutions responsible for national security. The supplier may not suspend or limit gas supplies below the limits provided by the state-related customer for its affiliated institutions.

Pursuant to Government Resolution No. 858 dated July 14, 1997, we grant to independent suppliers access to the GTS subject to the following requirements:

- availability of spare transport capacity from an access point to an off-take point for the time period proposed by the independent supplier;
- quality and technical parameters of the natural gas supplies;
- availability of input connections from suppliers and output connections to customers and natural gas recovery and quality control stations.

The Saint Petersburg International Mercantile Exchange has arranged gas trading in the double-sided auction mode. Exchange trading is governed by Federal Law No. 325-FZ dated November 21, 2011 "On Organized Trading", Resolution No. 162 and other pieces of legislation.

In accordance with Government Resolution No. 294 dated April 4, 2000, as amended, payments for natural gas acquired in trading systems are to be made pursuant to gas supply agreements the terms of which are consistent with the rules for conducting trading activities and enactments of the Government. Resolution No. 162, as amended, provides that the requirements as to minimum and maximum daily gas supply volumes do not apply to trading system transactions.

Gas exports

Pursuant to the Gas Export Law, as the owner of the UGSS, Gazprom and its wholly owned subsidiaries have the exclusive right to export natural gas in its natural state produced in any hydrocarbon field within Russia, except for gas produced under production sharing agreements that were entered into before the Gas Export Law came into effect. Federal Law No. 318-FZ dated November 30, 2013 and Federal Law No. 137-FZ dated April 24, 2020 introduced amendments to the Gas Export Law granting the right to export LNG produced in Russia also to other companies that meet specified requirements.

Transportation of crude oil and petroleum products

The trunk pipelines transmitting crude oil and petroleum products in Russia are owned by Transneft which is a state-controlled monopoly. Pursuant to the Natural Monopolies Law, pipeline terminal access rights for the purpose of crude oil export are allocated among oil producers and their parent companies in proportion to the volumes of oil delivered to the Transneft pipeline system (and not in proportion only to oil production volumes).

The Ministry of Energy of the Russian Federation develops quarterly plans that detail the precise volumes of oil that each oil producer can pump through the Transneft system for export. Once the access rights are allocated, oil producers have some flexibility in altering delivery routes subject to agreement with Transneft. Oil producers are generally allowed to transfer their access rights within one group of companies. The FAS sets the tariffs for oil transportation through Transneft's trunk pipelines.

Prices and tariffs

Pricing of gas produced by Gazprom and its affiliates, as well as rates for gas transportation services through trunk gas pipelines operated by Gazprom, are regulated and supervised by the Russian Federation pursuant to the Gas Supply Law and the Natural Monopoly Law, as well as certain governmental regulations, such as Government Resolution No. 239 "On Measures to Stabilize State Regulation of Prices (Tariffs)" dated March 7, 1995, as amended, and Government Resolution No. 1021 "On State Regulation of Gas Prices and Tariffs for Gas Transportation in the Territory of the Russian Federation" dated December 29, 2000, as amended. In accordance with the Gas Supply Law, the Government is authorized, and has implemented such right, to substitute service tariffs for gas transportation through pipelines, which is a natural monopoly activity, with the regulation of natural gas prices for end users as well as tariffs on gas transportation services for independent organizations.

Currently, the Government regulates wholesale prices for natural gas produced by Gazprom and our affiliates (excluding wholesale natural gas prices sold through trading systems, wholesale prices for natural gas sold by Gazprom and its affiliated parties and supplied to legal entities for subsequent liquefaction and export sales and gas supplied to legal entities and intended for production and subsequent export of methanol out of natural gas in gaseous state and supplied under contracts signed after November 1, 2018 in respect of the supplies to take place after January 1, 2020), tariffs for gas transportation services through trunk pipelines for independent organizations, tariffs for gas transportation through pipelines owned by independent organizations, tariffs for gas transportation through supply networks, tariffs for connecting gas utilization equipment to gas distribution networks and payments for the supply and marketing services rendered by gas distribution companies to the population and retail natural gas prices, special markups to gas transportation tariff charged for gas transmission through distribution networks to finance various gasification programs.

Tariffs charged to unaffiliated third parties for the transportation of natural gas through our trunk pipelines are established by the FAS. See "Gazprom—Transport." A tariff system consists of (i) a payment for the use of natural gas pipelines, which depends on the regions of input to and output from the GTS and (ii) a payment for transportation of mcm per 100 km.

Bankruptcy moratorium in the Russian Federation

In response to the COVID-19 pandemic in the Russian Federation, mandated closures and stay-at-home orders, the Russian Government has taken a number of measures and has implemented a number of initiatives, alone or in conjunction with other governmental authorities, to help mitigate the challenges posed by the events. One of such actions was the passing of Federal law N 98-FZ that took effect in April 2020 delegating the authority to the Russian Government to enact the regime of bankruptcy moratorium in emergency circumstances. By its decree dated April 3, 2020 the Russian Government formally introduced the moratorium aimed at protecting the companies and enterprises that suffered from the consequences of the pandemic or are regarded as strategic or systemically important for the Russian economy for a period of six months. Under the law, among other things, the following consequences apply to an entity covered by the bankruptcy moratorium, subsequent to the moratorium's introduction by the Russian Government:

- its creditors are not permitted to file a bankruptcy petition;
- the duties of chief executive officer to self-initiate bankruptcy proceedings are suspended;
- no dividends may be paid by it;
- no set-off is permitted in breach of the statutorily defined priority of creditors' claims;
- no penalties or fines accrue in respect of claims that had arisen prior to the entry into force of the moratorium;

- no enforcement against pledged assets is permitted;
- any execution proceedings in relation to claims that had arisen prior to the entry into force of the moratorium are suspended.

The moratorium automatically applied to the designated set of companies and enterprises without any action on their part. Gazprom was added to such list of companies and enterprises and, accordingly, was subject to the bankruptcy moratorium but subsequently waived its application. Further, on October 1, 2020 the Russian Government extended the moratorium for additional three months for a special category of companies and individual enterpreneurs. Such special category does not include Gazprom.

Recent Changes in Russian Tax Regulation

On October 1, 2011, the first stage of a new tax regime for the Russian oil industry took effect (the "60-66 tax regime"). The 60-66 tax regime reduced the marginal export duty rate on crude oil from 65% to 60% and unified export duties for light and dark petroleum products at 66% of the export duty on crude oil, except for gasoline and naphtha export duty which was set at 90% of the export duty on crude oil. More specifically, the 60-66 tax regime increased the export duty on fuel oil from 46.7% to 66%, while decreasing the export duty on diesel and jet oil from 67% to 66%.

In 2013 and 2014 further amendments to Russia's customs regime were introduced which resulted in a gradual decrease in the marginal rate of general export duty on crude oil to 59% in 2014, 42% in 2015, 42% in 2016 and 30% in 2017 and changes in export duty rates for oil products. There were no changes to the marginal rate for 2018-2020 compared to 2017.

In the period from 2019 to 2024, the export duty rate on crude oil and gas condensate will gradually decrease by 5% every year. As a result of such planned decreases, the rate of the export duty on crude oil, gas condensate and oil products is expected to fall to zero at the beginning of 2024.

Export duty rate for oil products (percentage of the export duty on crude oil)	**2013**	**2014**	**2015**	**2016**	**2017 onwards**
Light and medium distillates, benzol, toluene, xylenes	66	65	48	40	30
Lubricants	66	66	48	40	30
Gasoline	90	90	78	61	30
Naphtha	90	90	85	71	55
Fuel oil, bitumen and some other dark products	66	66	76	82	100

The current export duty rates for natural gas and for LNG equal to 30% and 0%, respectively. Marginal rate of general export duty on crude oil and gas condensate was 42% in 2016 and 30% in 2017 and remained unchanged in 2020. Export duty for dark petroleum products was equal to 82% of the general export duty rate on crude oil in 2016 and equaled the export duty for crude oil for 2017-2020. Export duty rates for light oil products for 2016 was 61% of the general export duty rate on crude oil for gasoline and 40% for light and medium distillates, benzol, toluene, xylenes, lubricants; they were decreased to 30% starting from 2017 and onwards. Export duty rate for naphtha was 71% of a general export duty rate in 2016 and was decreased to 55% for 2017 and onwards.

Starting January 1, 2019 the Government could apply increased export duty rates on crude oil (up to 45%) and certain oil products (up to 60% of the current export duty rate on crude oil) in extraordinary circumstances, that is, in event of a significant increase of world oil prices (by 15% or more).

MET Changes

Gas and Gas Condensate

Federal law No. 263-FZ, dated September 30, 2013 effective July 1, 2014 introduced a formula for calculating the MET rate for natural gas and gas condensate instead of fixed MET rates.

Beginning January 1, 2015, generally the MET rates for natural gas and gas condensate have been determined as a product of:

1) the base rate of RR35 per mcm for natural gas and RR42 per ton for gas condensate,

2) the base value of a unit of fuel equivalent, calculated taking into account various macroeconomic indicators including oil and gas prices, and

3) (A) with respect to natural gas, the coefficient representing the degree of difficulty of extraction of natural gas or (B) with respect to gas condensate, the coefficient representing the degree of difficulty of extraction of gas condensate and a special multiplying coefficient of 4.4 from January 1 to December 31, 2015, 5.5 from January 1 to December 31, 2016. From January 1, 2017 the coefficient is determined by dividing 6.5 by the coefficient reflecting the export return on a unit of standard fuel for the Group. Federal law No. 254-FZ, dated July 29, 2017, increased this coefficient for the Group for the 4th quarter 2017 and extended the application of the coefficient reflecting the export return on a unit of standard fuel for the Group till January 1, 2021. Federal law No. 199-FZ, dated July 19, 2018 also increased the coefficient reflecting the export return on a unit of standard fuel for the Group for the period from September to December 2018. The values of the coefficient for the periods starting from 2019 remained unchanged. Federal law No. 424-FZ, dated November 27, 2018 extended the period of application of the coefficient reflecting the export return on a unit of standard fuel for the Group until January 1, 2022 and Federal law No. 325-FZ, dated September 29, 2019 made the application of this coefficient permanent.

In order to determine the MET rates for natural gas, the product of items (1)-(3) above is added to a coefficient reflecting the transportation costs for natural gas, which has not been applicable for calculating the MET rates for 2015 - 2019.

Starting from January 1, 2015, the Russian Tax Code provides for a tax relief with respect to gas and helium production, transportation and storage projects implemented in various regions in Eastern Siberia and Far East. In particular, a zero MET rate is set for gas production in the Republic of Sakha (Yakutia) and/or the Irkutsk Region for 15 years following the start of commercial production from January 1, 2018, with a subsequent gradual increase in the MET rate from 10% to 100% of the standard MET rate over the following 10 years.

Starting January 1, 2016, the calculation of the base value of a unit of fuel equivalent with respect to both natural gas and gas condensate was changed. These amendments affected Gazprom and its affiliated companies by increasing MET rate with respect to natural gas by 36.7%. These changes were effective for 2016.

Federal law No. 401-FZ, dated November 30, 2016, introduced amendments to the formula for calculating MET for natural gas and gas condensate for the period from 2017 onwards (taking into account further amendments set by the Federal law No. 254-FZ, dated July 29, 2017, the Federal law No. 199-FZ, dated July 19, 2018, the Federal law No. 424-FZ, dated November 27, 2018 and Federal Law No.325-FZ, dated September 29, 2019). Depending on certain variables, such as oil and gas prices and other components of the MET formula, the amendments could result in an increase in our MET burden with respect to natural gas in 2019 and onwards as compared to 2016.

In particular, as a result of the foregoing amendments, the standard MET rate (i.e., the rate without regard to reducing coefficients, the actual level of depletion, the actual volume of extracted minerals and other factors reflected in the MET formula) for gas condensate decreased by 13.6% starting from January 1, 2017 and onwards. The base value of a unit of fuel equivalent and, consequently, the standard MET rate on natural gas produced by Gazprom and its affiliates has been changing as follows:

- increased by 31.4% for the first, second and third quarters of 2017 as compared to 2016,
- further increased by 26.5% in the fourth quarter 2017 as compared to the period covering the first, second and third quarters of 2017,
- decreased by 38.3% starting January 1, 2018 as compared to the fourth quarter of 2017,
- increased by 46.6% starting September 1, 2018 as compared to the period from January to August 2018,
- decreased by 29.7% in 2019 as compared to the period from September to December 2018,
- will remain unchanged in 2020 and onwards as compared to the period from January to December 2019. Federal Law No. 325-FZ, dated September 29, 2019, reversed the pre-scheduled expiration of one of the MET tax multipliers, which had been initially set to lapse from 2022, and made such tax multiplier permanent.

However, our actual MET burden in respect of natural gas and gas condensate production will also depend on other factors reflected in the MET formula, in particular, various macroeconomic indicators including oil and gas prices.

From January 1, 2018 certain amendments to calculation of the MET rate related to extraction of natural gas and gas condensate entered into force. These amendments are related to natural gas extracted from deep-occurrence hydrocarbon reservoirs and to extraction of gas condensate under certain conditions. These amendments could allow the Group to reduce the standard MET rate (i.e., the rate without regard to (1) reducing coefficients, e.g. those depending on the actual level of depletion, (2) the actual volume of extracted minerals and (3) other factors reflected in the MET formula).

Furthermore, the Federal law No. 301-FZ, dated August 3, 2018 introduced certain amendments to the MET rate on gas condensate from January 1, 2019 that are implemented to compensate for future losses of budget revenues from the reduction of export duties on crude oil and gas condensate. To that effect, new coefficients have been added to the MET formula for gas condensate to address such tax policy aims.

Crude Oil

Starting 2015 the MET rate for crude oil was also amended and is calculated pursuant to the following formula:

MET = Basic rate x C_p *–* C_e, where

Basic rate equals RR857 per ton for 2016 and RR919 per ton set from 2017;

C_p is a coefficient reflecting fluctuations of crude oil prices; and

C_e is a coefficient reflecting the characteristics of oil extraction and parameters of the "Tax Maneuver" completion.

C_e is calculated using the same coefficients and indicators that are used for determining the MET rate for crude oil under the 2014 legislation except for a new coefficient C_k effective starting 2017. Effective from 2019 product of new coefficients C_{man} and C_{vo} plus C_{ptds} have also been added to C_e by the Federal law No. 301-FZ, dated August 3, 2018, and by the Federal law No. 424-FZ, dated November 27, 2018.

The coefficient C_k reduces the amount of C_e and equals to:

- 306 for 2017
- 357 for 2018
- 428 for 2019 and onwards.

The MET incentives established prior to 2015 have not been abolished but currently the minimum MET rate, instead of a zero rate applied in accordance with prior to 2015 tax regime, is determined as a difference between the MET rate on crude oil established by the current regime and the MET rate on crude oil under the MET regime effective before 2015.

New coefficient C_{man} is calculated as follows:

Cman = ED x R x C_{adj}*,-* F_m where

"ED" is equivalent to the export duty rate for oil in 2018

"R" is the average RR/USD exchange rate

"C_{adj}*" is the number having the value indicated in the table below for the relevant year:*

Year	2019	2020	2021	2022	2023	2024 onwards
C_{adj} value for MET on crude oil and gas condensate	0.167	0.333	0.5	0.667	0.833	1

"Fm" is the number reflecting an increase by the Russian Government of export duty rates on crude oil in the event of a significant increase in world oil prices by 15% or more.

As a result, MET obligations relating to crude oil production were raised in respect of 2017 and subsequent periods. At the same time, starting from 2019 an option to apply zero C_p and C_k coefficients is available for superviscous oil and oil extracted from reservoirs within the Bazhenov, Abalak, Khadum and Domanik productive formations, subject to additional conditions being met.

New coefficient C_{vo} equals 0.1 for superviscous oil extraction, subject to certain conditions, or 1 in other cases.

New coefficient C_{ptds} represents an MET increase within the framework of completing the "Tax maneuver" and defines an additional subsidy for the oil refinery industry for petrol and diesel fuel. At the same time, such amendments to the MET obligations only apply in case a similar amount of subsidy is provided to the oil refinery industry.

AIT regime

In order to create conditions for development of new fields and ensure rational use of subsoil resources, Federal law No. 199-FZ, dated July 19, 2018 ("**Federal law No. 199-FZ**"), effected a number of changes to the Russian Tax Code, establishing the tax regime that takes into account the economic life of, and the investment period leading to production in hard-to-recover hydrocarbon fields (the "**AIT regime**"). The AIT regime categorizes all eligible fields into five groups:

Group 1. New fields situated wholly or partially on the Russian section of the seabed of the Caspian Sea and in the Republic of Sakha (Yakutia), the Irkutsk Province, the Krasnoyarsk Region, the Yamal-Nenets Autonomous District north of the 65th degree of northern latitude and the Nenets Autonomous District with an oil reserve depletion level of less than or equal to 0.05 as at January 1, 2017 (excluding the fields comprising Group 2 and Group 5). This group also includes the fields situated in those regions for which the reserves were first registered with the state balance sheet of mineral reserves after January 1, 2017.

Group 2. Fields for which the reduced export duty rate is applicable as of January 1, 2018, i.e. fields specified in Note 8 to the unified Goods Nomenclature for Foreign Economic Activities of the Eurasian Economic Union as at January 1, 2018.

Group 3. Fields under development which are situated wholly or partially in the Khanty-Mansiisk and Yamal-Nenets Autonomous Districts, the Republic of Komi and the Tyumen Province with an oil reserve depletion level:

- greater than or equal to 0.2, but less than or equal to 0.8 as at January 1, 2017;
- greater than or equal to 0.1 but less than or equal to 0.8 as at January 1, 2017 if the depletion level of the field as at January 1, 2011 was greater than 0.01 and if the site had been under development for at least six years as at 1 January 2017.

Group 4. New fields situated wholly or partially in the Khanty-Mansiisk and Yamal-Nenets Autonomous Districts, the Republic of Komi and the Tyumen Province with an oil reserve depletion level of less than or equal to 0.05 and initial recoverable oil reserves of less than 30 million tons as at January 1, 2017 or as at 1 January 2019 in respect of subsurface sites for which oil reserves have been added to the state balance sheet of mineral reserves after 1 January 2017.

Group 5. Federal law No 65-FZ, dated March 18, 2020 has established new group of fields. This group includes fields located wholly or partially north of 70 degrees of northern latitude completely within the borders of the Krasnoyarsk Territory, the Republic of Sakha (Yakutia), and the Chukotka Autonomous Region with an oil reserve depletion level of less than or equal to 0.001 as at January 1, 2019. This group also includes the fields situated in those regions for which the reserves were first registered with the state balance sheet of mineral reserves after January 1, 2019. The group provides more attractive AIT and income tax parameters to participants compared to the groups 1-4 to prompt the development of the Arctic zone.

Federal law No. 199-FZ also contains an exhaustive list of fields included in Groups 3 and 4 that are subject to the AIT regime. The tax rate of 50% applies to the income earned from extracting hydrocarbon from the fields included in one of five groups, less operational and capital development costs in respect of the development of the field, the amount of charged MET, export duties and transportation costs.

Operational and capital costs are deductible by the companies in the amount of up to RR9,520 (RR7,140 for 2019-2020), taking into account annual average inflation rates from January 1, 2021.

MET remains due and payable under the AIT regime, although at a lower tax rate. Additionally, the taxpayers that develop the fields that are categorized as Group 1, Group 2, Group 4 and Group 5 have the right to apply a reducing coefficient during first several years tied to the year of commercial oil production.

Excise Tax

Following the recent tax changes jet fuel, paraxylene and benzol, subject to certain conditions, became subject to excise tax starting in 2015, and medium distillates – starting in 2016. The Federal laws 301-FZ, dated August 3, 2018 and No. 255-FZ, dated June 30, 2019 introduced certain amendments to the list of excisable goods. Excise tax rates are set forth below:

Oil Product	Rate, RR per ton							
	April 1, 2016-December 31, 2016	**January 1, 2017-December 31, 2017**	**January 1, 2018- June 30, 2018**	**June 1, 2018-December 31, 2018**	**January 1, 2019-December 31, 2019**	**January 1, 2020-December 31, 2020**	**January 1, 2021-December 31, 2021**	**January 1, 2022-December 31, 2022**
Petrol:								
– Inconsistent with Class 5	13,100.0	13,100.0	13,100.0	13,100.0	13,100.0	13,100.0	13,624.0	14,169.0
– Class 5	10,130.0	10,130.0	11,213.0	8,213.0	12,314.0	12,752.0	13,262.0	13,793.0
Diesel fuel	5,293.0	6,800.0	7,665.0	5,665.0	8,541.0	8,835.0	9,188.0	9,556.0
Motor oil	6,000.0	5,400.0	5,400.0	5,400.0	5,400.0	5,616.0	5,841.0	6,075.0
Naphtha*	13,100.0	13,100.0	13,100.0	13,100.0	13,912.0	14,720.0	15,533.0	16,345.0
Medium distillates**	5,293.0	7,800.0	8,662.0	6,665.0	9,241.0	From 9,535.0 to 9,585.0***	9,938.0***	10,306.0***
Jet fuel****	-5,520.0	-5,824.0	-5,824.0	-5,824.0	-5,824.0	-5,824.0	-5,824.0	-5,824.0
Paraxylene, benzol****	-8,520.0	-9,520.0	-9,520.0	-9,520.0	-9,959.0	-10,396.0	-10,836.0	-11,275.0

Notes:

* The company may receive a deduction in the amount of excise tax increased by a coefficient equal to 1.7, if naphtha is used for the production of petrochemical products (subject to certain requirements) or for the production of benzol, paraxylene or orthoxylene. Beginning January 1, 2019 the excise tax rates are determined pursuant to a new formula.

** The company may receive a deduction in the amount of excise tax increased by a coefficient equal to 2, if middle distillates are processed at the production facilities required for processing. Beginning April 1, 2020 the entities included in the register of bunker fuel suppliers to foreign companies could apply an excise duty deduction which amount depends on the coefficient reflecting regional factors involved in the production of medium distillates. Also starting from 2022 the entities included in the register of bunker fuel suppliers to foreign companies could apply an additional excise duty deduction.

*** Excise tax rate equals to 9 535 RR per ton is effective from January 1, 2020 until March 31, 2020. Starting 1 April, 2020 the excise tax rate is determined pursuant to a new formula and depends on the excise tax rate on diesel fuel and the difference between the world price and the notional average domestic price for diesel fuel.

**** A negative value of excise tax for jet fuel, paraxylene and benzol means that the amount of such excise tax is to be offset if certain conditions are met. Beginning January 1, 2019 the excise tax rates are determined pursuant to a new formula. Also starting from August 1, 2019 an additional excise duty deduction for jet fuel could be applied (the amount of the new deduction depends on the difference between the world price and the notional average domestic price for jet fuel).

In addition, starting 2015 natural gas became subject to excise tax if it is provided by the terms of international agreements of the Russian Federation. The excise tax rate is set at 30% of the cost of natural gas sold net of customs duties and expenses for transportation outside Russia unless otherwise provided by international agreements.

Effective from January 1, 2019 a so-called petroleum feedstock (i.e. crude oil and some other components) is added to the list of excisable goods. Subject to satisfaction of certain requirements, oil refineries are permitted to apply certain tax deductions. This measure is aimed at supporting Russian oil refineries upon the abolishment of the export duty on crude oil.

Tax Incentives for Offshore Projects

From January 1, 2014, oil and gas development on the Russian continental shelf has been incentivized through introduction of ad valorem MET rates, export duty relief, transport tax and property tax exemptions, as well as VAT, profit tax and transfer pricing incentives for new offshore projects. In particular, the law provides for lower MET rates for natural gas (depending on the complexity of recovery) with respect to fields that enter the stage of industrial production of hydrocarbons after 2016. The law also extends application of a zero MET rate for a specified period of time for crude oil extracted from fields meeting certain criteria. The law also provides an exemption for a specified period of time from export duties on crude oil, natural gas, stable gas condensate and on LNG processed from hydrocarbon feedstock produced fields meeting certain criteria. In addition, the law introduced property tax breaks for properties located on the continental shelf used for exploring, preparing and developing offshore fields and transport tax breaks relating to offshore floating and stationary platforms, offshore mobile drilling rigs and drill ships.

Property Tax

In 2012 amendments to tax legislation also provide for an increase in property tax rate imposed on infrastructure property, including power lines and trunk pipelines, over a six-year transition period starting 2013. The corporate property tax rate for the aforementioned types of property was set at 1.9% in 2018 and is 2.2% in 2019 and onwards. Starting in 2017 special reduced rates are set for public railway tracks and for facilities that are integral technological parts of such tracks. In addition, from 2014 the property tax imposed on certain immovable property is calculated on the basis of its cadastral value instead of its average annual net book value. However, starting 2015 a zero property tax rate effective until January 1, 2035 was introduced in relation to trunk pipelines, installations which form an integral technological part of them, gas extraction facilities, facilities for the production and storage of helium located in the Republic of Sakha (Yakutia), the Irkutsk Region or the Amur Region, subject to certain conditions, and starting in 2017 – to objects specified in the technical projects of fields exploitation.

Effective from January 1, 2018, certain property tax exemptions and incentives in relation to the property tax may only be provided by regional authorities of the Russian Federation as set out in their regional laws. This applies to tax exemptions for fixed assets that are classified as highly energy-efficient facilities, assets located in the Russian part of the Caspian Sea and movable properties qualified as the third and/or a subsequent depreciation class with a useful life of more than 3 years. If the regional law does not provide for such tax exemption, such movable properties cannot be taxed at a rate greater than 1.1% in 2018 compared to the generally applicable property tax rate of 2.2%.

Beginning January 1, 2019, movable property will no longer be subject to property tax.

Procurement Law

In accordance with the Procurement Law, certain categories of legal entities, including natural monopoly entities, their subsidiaries in which a natural monopoly entity holds more than 50% of the share capital (the "**Direct Subsidiaries**") and the subsidiaries of the Direct Subsidiaries in which any Direct Subsidiary holds more than 50% of the share capital (the "**Indirect Subsidiaries**"), are generally required to purchase goods, services and works on a competitive basis (through a competitive tender, public auction, invitation for proposals, request for quotation or other mechanisms set forth in a company's procurement regulations), although non-competitive procurement means may also be used provided that they are set out in a company's procurement regulations and are compliant with the Procurement Law. Gazprom is a natural monopoly entity pursuant to Articles 3 and 4 of the Natural Monopoly Law. In accordance with the Procurement Law we enacted the Procurement Regulation setting out rules and procedures for purchase of goods, services and works by us, our Direct Subsidiaries and Indirect Subsidiaries and published them on our internet website. Gazprom and its Direct Subsidiaries and Indirect Subsidiaries carry out procurement of goods, services and works pursuant to the Procurement Law, regulations adopted thereunder and the Procurement Regulation. We publish information with respect to our procurement and related contracts on our internet website as required by the Procurement Law.

Environmental requirements

Russian environmental legislation establishes a "pay-to-pollute" regime. The Federal Service for the Supervision of the Use of Natural Resources, which is subordinate to the Ministry of Natural Resources and Ecology of the Russian Federation, exercises supervision over use of natural resources, environmental protection (including technological and environmental impact restrictions and the handling of hazardous wastes but excluding nuclear waste), controls geological exploration, the rational use and protection of subsoil (including compliance with the relevant terms and conditions of subsoil licenses) and exercises land control.

Fees are assessed for both pollution within the limits agreed on emissions and effluents and for pollution in excess of these limits. To mitigate the negative impact on the environment and incentivize introduction of best available technologies, the fees assessed for the pollution are subject to discounts. For instance, following the implementation of best available technologies in a particular facility, a reduction factor of zero in respect of the emissions within the technological limits is applicable. A breach of the limits would, however, result in an increased factor being applied. Fines may be imposed for certain breaches of environmental regulations. Environmental protection laws require compensation to be paid to the budget for any environmental loss caused by pollution. In the event of a dispute concerning losses caused by breaches of environmental laws and regulations, the prosecutor's office or other authorized governmental bodies may bring suit. Courts may also impose clean-up obligations.

Subsoil licenses generally require certain environmental commitments. Although these commitments can be substantial, the penalties for failing to comply and the clean-up requirements are generally low.

Health and Safety

The principal law regulating industrial safety is Federal Law No. 116-FZ dated July 21, 1997 "On Industrial Safety of Hazardous Industrial Facilities," as amended (the "**Safety Law**"). The Safety Law applies, in particular, to industrial facilities where certain activities related to exploration and production of gas, among other things, are carried out. The Safety Law also contains a comprehensive list of hazardous substances and their permitted concentrations, and extends to facilities where these substances are or can be used.

Our activities include operation of certain hazardous industrial sites regulated by Rostekhnadzor. Project documentation relating to laying up or liquidation of a dangerous industrial site is subject to state industrial safety review. Project documentation in relation to reequipment of a dangerous industrial site has to be reviewed by a licensed expert with the results of the review to be submitted to the Rostekhnadzor unless the documentation is subject to state review in accordance with the urban planning legislation. Any amendment of project documentation in the process of construction or reconstruction of regulated industrial sites needs to be reviewed by a licensed state expert in accordance with the Russian urban-planning legislation. Any amendment of project documentation in the process of laying up or liquidation of regulated industrial sites is subject to state industrial safety review and needs to be approved by the Rostekhnadzor or its territorial body. Any amendment of project documentation in the process of reequipment of a dangerous industrial site has to be agreed with the Rostekhnadzor or its territorial body unless the change has been agreed with the urban planning authorities.

Companies that operate hazardous industrial sites have a wide range of obligations under the Safety Law and the labor legislation of the Russian Federation. In particular, they must limit access to such sites to certified specialists without any medical contra-indications, maintain industrial safety controls, carry insurance for third-party liability for injuries caused in the course of operating hazardous industrial sites and form financial and material reserves that could be used to contain or liquidate consequences of an accident on a hazardous industrial site. The Safety Law also requires these companies to enter into contracts with professional emergency-rescue companies or create their own emergency-rescue services and conduct personnel training programs, create systems to cope with and inform respective state authorities and local residents of accidents and maintain these systems in good working order.

In case of an accident, a special commission led by a representative of the Rostekhnadzor conducts a technical investigation of the cause. The company operating the industrial facility where the accident took place must bear all costs of the investigation and provide the special commission with all necessary information required to conduct an investigation. The Rostekhnadzor may suspend a company's operations or impose other administrative liability on a company or its officials.

Any company or individual violating industrial safety rules may incur administrative and/or civil liability and individuals may also incur criminal liability. A company that violates safety rules in a way that adversely impacts the health or causes death of an individual may also be liable to compensate the individual for lost earnings, as well as health-related damages.

The Safety Law classifies all industrially hazardous assets into four groups: 1st hazard class or extremely dangerous assets, 2nd hazard class or highly dangerous assets, 3rd hazard class or moderately dangerous assets, and 4th hazard class or lowly dangerous assets. Depending on potential consequences of an accident for individuals and society and in accordance with a set of criteria established by the Safety Law, operational facilities are assigned relevant hazard classes upon registration of such facilities in the state register. For instance, industrially hazardous assets in gas transportation are deemed 2nd hazard class if they are designed to transport natural gas under pressure in excess of 1.2 MPa or liquefied natural gas to the extent the pressure is greater than 1.6 MPa. Gas distribution and gas utilization networks operating under pressure from 0.005 MPa to 1.2 MPa and LNG facilities operating under pressure from 0.005 Mpa to 1.6 MPa are deemed 3rd hazard class. Gas distribution and gas utilization networks, including LNG facilities, operating under pressure below 0.005 MPa are not considered to be industrially hazardous assets. Safety measures to be observed in operating industrial facilities are prescribed by the hazard class applied to a particular asset. In certain cases, companies operating hazardous industrial sites must prepare declarations of industrial safety which would summarize the risks associated with operating a particular regulated industrial site and measures the company has taken and will take to mitigate such risks and use such site in accordance with applicable industrial safety requirements. Declaration of industrial safety must be prepared in relation to 1st and 2nd hazard class assets. Such declaration must be adopted by the chief executive officer of the company, who is personally responsible for the completeness and accuracy of the data contained therein, and is subject to the state industrial safety review and registration with the Rostekhnadzor.

Employment and Labor Regulation

Labor matters in Russia are governed by the Labor Code and various federal laws. In respect to certain territories with harsh climatic conditions, Russian legislation establishes additional regulations to protect the interest of employees. Under Law of the Russian Federation No. 4520-1 "On State Guarantees and Compensations for Persons Working and Residing in the Far North Regions and Areas of Equal Status" dated February 19, 1993, as amended, the employees working in certain territories with harsh climatic conditions are entitled to certain additional benefits, including the regional coefficients pursuant to which the salary and other benefits of such employees are increased (the amount of coefficient differs for each territory) and additional vacation days.

Inland sea waters, territorial sea, continental shelf and the exclusive economic zone

Offshore hydrocarbon operations in the internal sea waters, territorial sea, continental shelf and the exclusive economic zone of the Russian Federation are governed by the Commercial Maritime Code of the Russian Federation No. 81-FZ, dated April 30, 1999, as amended, EEZ Law, the Subsoil Resources Law, the Continental Shelf Law, Internal Sea Waters Law, the PSA Law and international treaties to which the Russian Federation is a party.

The territorial sea of the Russian Federation is a belt of sea adjacent to its land territory or its internal waters, with the breadth of twelve nautical miles, measured from the baselines has determined in accordance with the Russian Internal Sea Waters Law. The internal sea waters of the Russian Federation are waters on the landward side of the baseline of the territorial sea, which form part of the Russian territory. The continental shelf of the Russian Federation comprises the seabed and subsoil of the submarine areas that extend beyond its territorial sea throughout the natural prolongation of its land territory to the outer edge of the continental margin. Inner and outer limits of the continental shelf are determined in accordance with the Continental Shelf Law and international treaties. The "exclusive economic zone" of the Russian Federation is the marine area located outside Russia's territorial sea and limited by the 200 nautical miles from the baselines from which the width of the territorial sea of the Russian Federation is measured (or as otherwise provided by international law or treaty), including all islands located within this area except for mountain rocks ineligible for living and self-sustained economic activities.

The EEZ Law focuses on protecting and monitoring the natural resources of the exclusive economic zone, including mineral resources. The EEZ Law establishes a framework of protective measures with respect to dumping, accidents at sea, and protection and conservation of ice-bound and other specially designated areas. Users of resources in the exclusive economic zone make certain payments in accordance with Russian legislation.

Foreign Investments

On April 29, 2008, Federal Law No. 57-FZ "On the Procedure for Making Foreign Investments in the Companies Of Strategic Importance for the Defense and State Security," as amended (the "**Foreign Investment Law**"), was adopted. The Foreign Investment Law sets forth certain restrictions relating to foreign investments in Russian companies of strategic importance for national defense and security. Among others, companies engaged in the geological exploration and/or extraction of minerals at the subsoil sites of federal significance are considered to be strategically important and foreign investments in such companies are subject to restrictions set out by the Foreign Investment Law.

Under the Foreign Investments Law, an acquisition by a foreign investor of direct or indirect control over a Russian company of strategic importance requires a permit of the special Governmental commission. In addition, an acquisition by a foreign investor or its group of companies of the shares (participation interests) in a company of strategic importance (directly or indirectly) exceeding certain thresholds (which vary from over 5% to over 50% of total voting rights in the charter capital of a company of strategic importance, depending on the type of a foreign investor and the type of a company of strategic importance) requires obtaining a prior permit of the special Governmental commission. If the acquisition of interest over the relevant threshold happens without the requisite prior permit, the acquisition transaction is void under Russian law and the foreign investor and/or its group of companies may be held deprived from voting rights regarding the charter capital of a company of strategic importance.

For purposes of the Foreign Investment Law, Gazprom is a company of strategic importance for national defense and security, but we are generally exempted from the approval procedures contained therein because the Russian Federation directly or indirectly holds more than 50% of our voting shares.

Decree No. 1285 requires that companies listed as "strategic" by the President, as well as their subsidiaries (including Gazprom and its subsidiaries), obtain permission from an authorized governmental agency before engaging in certain activities with foreign governments (including their regulatory and controlling bodies), international organizations and unions of foreign states.

Specifically, when requested "by the bodies of foreign states or by international organizations, unions of foreign states, or bodies (institutions) of these organizations and unions," such companies and their subsidiaries must not, without prior consent of the authorized governmental agency:

- provide to such "bodies, organizations or unions" information relating to their business activities;
- amend contracts entered into with foreign parties, or amend any other documents related to their business policies, including pricing policies, in foreign countries; or
- dispose of their (i) shares in foreign companies; (ii) rights to conduct business in foreign countries; or (iii) immovable property in foreign states.

Prior permission for aforementioned activities is not required if the information is provided pursuant to Russian legislation and in the course of the issuance, circulation and acquisition of securities.

Permission for such activities shall be refused if they could harm the economic interests of the Russian Federation.

The Ministry of Energy of the Russian Federation has been authorized to issue permissions to Gazprom and its subsidiaries pursuant to Decree No. 1285.

Regulation Abroad

Gas Directives

The Third Energy Package of the EU became effective in September 2009 and has been applied within the EU since March 2011. The Third Energy Package included, in particular, the Third Gas Directive and Directive 2009/72/EC (electricity) providing for further liberalization of the EU gas and electricity markets. The Third Gas Directive envisages three alternatives for the vertical disintegration of existing gas producers and suppliers from operators of relevant gas transportation networks. These alternatives establish various degrees of restriction on the participation of gas producers in the ownership and management of gas transportation networks, from certain restrictions in managing the networks imposed by a national regulator up to a mandatory disposition of assets or requirement to transfer control over assets to an independent operator. Rules of the Third Gas Directive apply to all undertakings and transportation networks within the EU.

In 2019, a set of amendments to the Third Gas Directive entered into effect. Such amendments, in particular, extend the application of the Third Gas Directive to gas pipelines from third countries within the territorial sea of the EU member states. The EU member state having the first interconnection with such pipelines from third countries is responsible for application of the relevant rules of the Third Gas Directive and, in particular, such member state is authorized to grant a derogation from the otherwise applicable requirements for up to 20 years (subject to a possible renewal), provided that such derogation would not be detrimental to competition on or the effective functioning of the internal market in natural gas or security of supply in the EU.

If, pursuant to the Third Gas Directive, an EU state chooses to implement the most restrictive measures on participation of energy producers in ownership and management of the transportation networks, we may be required to dispose of our gas transportation assets in Europe. In light of the requirements of the Third Gas Directive and related national rules and regulations, we have restructured our assets in Europe and disposed of our holdings in gas transportation companies in a number of European countries, including the Baltic States. See "Risk Factors—Risks Relating to Our Business—We encounter competition in our largest business, natural gas sales, from alternative fuel sources and other natural gas producers and suppliers and actions of antitrust regulators, structural changes in our markets or regulation can intensify this competition or otherwise adversely affect our operations or financial position."

As a result of the liberalization of the EU natural gas market, short-term contracts and spot transactions involving natural gas have become more popular. Continued development of short-term contracts and spot transactions has had in the past and may continue to have a significant effect on the state of the market. The long-term "take-or-pay" contracts under which most of Europe's natural gas is supplied by the Group, however, provide for balancing interests of both exporters and importers. Such contracts constitute the main element of major natural gas export financing projects, which provide producers with capital needed for investment in gas production and transportation infrastructure. At the same time, these long-term contracts also ensure that gas importers have access to the required quantities of natural gas over long periods of time. In light of anticipated growth of import demand for natural gas in the European countries, in the face of depletion of natural gas reserves in the region, and the liberalization of the gas market, long-term contracts are likely to be of a continuing importance.

GENERAL INFORMATION

(1) The Base Prospectus has been approved on October 6, 2020. Transactions will normally be effected for delivery on the third working day after the day of the transaction. However, Notes may be issued pursuant to the Programme which will not be listed on any stock exchange. The Listing Agent is not seeking admission to listing of the Notes on the Regulated Market of Euronext Dublin for the purposes of the Prospectus Regulation on its own behalf, but as agent on behalf of Gazprom and the Issuer. Arthur Cox Listing Services Limited is acting solely in its capacity as listing agent for the Issuer in connection with the Notes and is not itself seeking admission of the Notes to the Official List or trading on its regulated market for the purposes of the Prospectus Regulation.

(2) LEI of the Issuer is 213800UNP9N6BPNYMQ45.

(3) The establishment of the Programme was approved by a resolution of the Board of Directors of the Issuer on November 7, 2019. Gazprom and the Issuer will obtain all necessary consents, approvals and authorizations in Russia and the United Kingdom in connection with any Loan and the issue and performance of the corresponding Series of Notes.

(4) Except as disclosed under "Overview," "Risk Factors," "Summary Consolidated Financial Information," "Summary Production Information," "Summary Sales and Operating Information," "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Gazprom," "Certain Transactions," "Overview of the Russian Gas Industry, Classification of Reserves and Certain Applicable Regulatory Matters," "Index to Financial Information," "Appendix A" or "Appendix B" in this Base Prospectus, there has been no significant change in the financial or trading position of Gazprom or the Group since June 30, 2020 and there has been and no material adverse change in the prospects of Gazprom or the Group since December 31, 2019.

(5) There has been no significant change in the financial or trading position and no material adverse change in the prospects of the Issuer since its date of incorporation.

(6) Except as disclosed under "Risk Factors" and "Gazprom" in this Base Prospectus, neither Gazprom nor any of its subsidiaries has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Gazprom is aware) during the 12 months preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of Gazprom or the Group.

(7) The Issuer has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which Issuer is aware) since its date of incorporation preceding the date of this Base Prospectus which may have or have had in the recent past significant effects on the financial position or profitability of the Issuer.

(8) The consolidated financial statements of the Group for the years ended December 31, 2019 and 2018 included in this Base Prospectus have been audited by FBK, independent auditors, as stated in their audit report appearing herein. With respect to the Unaudited consolidated interim condensed financial information included in this Base Prospectus, FBK reported that they have applied limited procedures in accordance with professional standards for review of such information. However, their report dated August 27, 2020, appearing herein, states that they did not audit and they do not express an opinion on the Unaudited consolidated interim condensed financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

Gazprom publishes unaudited consolidated interim condensed financial information prepared in accordance with IAS 34, for the three-month period ended March 31, the six-month period ended June 30 and for the nine-month period ended September 30 in each year. Gazprom does not publish audited or unaudited interim or year-end consolidated or non-consolidated financial statements prepared in accordance with U.S. GAAP.

(9) Certain information with respect to Gazprom's and Gazprom Neft's natural gas, gas condensate and crude oil reserves associated with their respective natural gas, gas condensate and crude oil properties is derived from the report of DeGolyer and MacNaughton, an internationally recognized firm of independent reservoir engineers, as of December 31, 2019, and has been included herein upon the authority of said firm as an expert with respect to the matters covered by such report and in giving such report. DeGolyer and MacNaughton annually evaluates hydrocarbon reserves of the Group in accordance with PMRS and delivers respective reports to Gazprom's and Gazprom Neft's management. DeGolyer and MacNaughton's headquarter is at 5001 Spring Valley Road, Suite 800 East, Dallas, Texas 75244 with a number of international offices located in Houston, Texas, Moscow, Calgary and Algiers. The D&M Letter has been prepared at the request of Gazprom. DeGolyer and MacNaughton holds

no interest in the Issuer.

(10) The Notes have been accepted for clearance through Euroclear, Clearstream, Luxembourg and DTC. The Common Code and the International Securities Identification Number ("**ISIN**") and (where applicable) the CUSIP number and the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Final Terms or Series Prospectus, as the case may be.

(11) The issue price and the amount of the relevant Notes will be determined before filing of the relevant Final Terms or Series Prospectus of each Series, based on then prevailing market conditions. Gazprom and the Issuer do not intend to provide any post-issuance information in relation to any issues of Notes.

(12) For so long as the Programme remains in effect or any Note remain outstanding, the following documents in electronic form will be available from the date hereof at:

https://www.ise.ie/Market-Data-Announcements/Debt/Individual-Debt-Instrument-Data/Dept-Security-Documents/?progID=1268&FIELDSORT=docId

- the articles of association of the Issuer;
- the Principal Trust Deed;
- the Agency Agreement;
- a copy of this Base Prospectus together with any supplement to this Base Prospectus or further Base Prospectus; and
- each Final Terms or Series Prospectus, as the case may be, for Notes which are listed on Euronext Dublin or any other stock exchange (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market within the United Kingdom or the European Economic Area nor offered in the United Kingdom or the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Regulation will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer, Gazprom and the Principal Paying Agent as to its holding of Notes and identity).

For so long as the Programme remains in effect or any Note remain outstanding, the following documents in electronic form will be available from the date hereof at:

https://www.gazprom.com/

- the Charter of Gazprom; and
- the audited consolidated financial statements of Gazprom as of and for the years ended December 31, 2019 and 2018, in each case together with the audit reports thereon, and the unaudited consolidated interim condensed financial statements of Gazprom as of and for the six months ended June 30, 2020 and 2019.

(13) Any website referred to in this document does not form part of this Base Prospectus unless that information is incorporated by reference into this Base Prospectus and has not been scrutinized or approved by the Central Bank of Ireland. The Issuer does not have and does not intend to have its own website.

(14) Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Issuer and their affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such short positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

GLOSSARY OF SELECTED TERMS

"bbls"	Billions of barrels
"bboe"	Billon barrels of oil equivalent
"bcf"	Billion cubic feet
"bcm"	Billion cubic meters, as measured under one atmosphere of pressure at 20C°
"Board of Directors"	Gazprom's board of directors, consisting of 11 members and appointed pursuant to the Joint Stock Companies Law and the Charter
"boe"	Barrel of oil equivalent
"CBR"	Central Bank of the Russian Federation
"Central and Eastern Europe"	For the purposes of this Base Prospectus: Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, North Macedonia, Hungary, Montenegro, Poland, Romania, Serbia, Slovakia and Slovenia
"Charter"	Gazprom's Charter of May 31, 1996, as amended or replaced
"CIS"	The Commonwealth of Independent States. For the purposes of this Base Prospectus the CIS includes Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and excludes Russia
"Constitution"	The constitution of the Russian Federation adopted on December 12, 1993
"Customs Union"	A customs union of the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan established in accordance with the Treaty on the Establishment of the Common Customs Territory and Formation of the Customs Union of October 6, 2007
"Energy Charter Treaty"	Treaty between European states, the main objective of which is to assist in the development of the European energy market
"EU"	European Union
"Europe"	For the purposes of this Base Prospectus, Central and Eastern Europe and Western Europe
"Europe and Other Countries"	For the purposes of this Base Prospectus, refers to countries other than Russia and the FSU countries
"FAS"	Federal Antimonopoly Service of the Russian Federation, established pursuant to Government Resolution No.331 dated June 30, 2004
"FEED"	Front-end engineering and design
"FSU"	Excluding Russia, the countries which formerly comprised the Soviet Union: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan
"Gas Directives"	Directive 2009/73/EC, Directive 2003/55/EC and Directive 98/30/EC adopted by the European Parliament and the Council in 2009, 2003 and 1998, respectively, and came into force in March 2011, July 2004 and August 1998, respectively, with the purpose of establishing common rules for the organization and functioning of the European natural gas market
"Gcal"	Gigacalories
"Gcal/h"	Gigacalories per hour
"General Meeting of Shareholders"	Gazprom's highest authority in accordance with its Charter, with exclusive power over various aspects of Gazprom's management
"GPP"	Gas processing plant
"GTS"	Gas Transportation System, a system of gas transportation and storage facilities including pipelines, compressor stations and UGSFs designed to deliver gas to points of delivery to gas distribution companies.
"GW"	Gigawatt
"IFRS"	International Financial Reporting Standards, including International Accounting Standards and Interpretations issued by the International Accounting Standards Board
"International Energy Agency"	A forum with 28 member countries that serves as a forum in which to share energy information, coordinate energy policies and cooperate in the development of energy programs, and is an authoritative source for energy statistics worldwide
"km"	Kilometer
"kW"	Kilowatt
"kWh"	Kilowatt hour

"Management Committee"	An executive body of Gazprom, which, along with the Management Committee Chairman, manages Gazprom's day-to-day affairs and implements the strategic plans of the Board of Directors
"mcf"	Thousand cubic feet
"mcm"	Thousand cubic meters, as measured under one atmosphere of pressure at 20°C
"mmbls"	Millions of barrels
"mmboe"	Million barrels of oil equivalent
"mmcm"	Million cubic meters, as measured under one atmosphere of pressure at 20°C
"mtoe"	Million metric tons of oil equivalent
"MW"	Megawatt
"NGV"	Natural gas vehicle
"OFAC"	The Office of Foreign Assets Control of the US Department of the Treasury
"OGKs"	Wholesale market generation companies
"Russia"	Russian Federation
"Russian Tax Code"	Federal Law No.146-FZ "Tax Code of the Russian Federation (part one)", as amended, and Federal Law No.117-FZ "Tax Code of the Russian Federation (part two)", as amended
"State Duma"	Lower chamber of the Russian parliament
"subject to any sanctions"	solely for the purposes of the "Use of Proceeds" section of this Base Prospectus, with respect to any person, activity, business or transaction means that engaging in such activity, business or transaction or dealing with such person would be prohibited by sanctions for any U.S., EU, U.K., Swiss person or other person to whom the relevant sanctions restrictions apply in accordance with their terms, and, for the purposes of this definition only, such activity, business or transaction shall be deemed to include the activity, business or transaction that is the basis for the imposition of the sanctions pursuant to (x) Section 232 of the United States Countering America's Adversaries Through Sanctions Act of 2017 and (y) Section 4(b)(1) of the United States Ukraine Freedom Support Act of 2014, in the case of each of (x) and (y) as in effect on the Closing Date of the respective Series
"tce"	Metric ton of standard coal equivalent
"tcf"	Trillion cubic feet
"tcm"	Trillion cubic meters, as measured under one atmosphere of pressure at 20C°
"TGKs"	Territorial generation companies
"toe"	Metric ton of oil equivalent
"ton"	One metric ton
"UGSF"	Underground natural gas storage facility
"UGSS"	Unified Gas Supply System
"U.K."	United Kingdom
"U.S."	United States of America
"Western Europe"	For the purposes of this Base Prospectus: Andorra, Austria, Belgium, Cyprus, Denmark, Finland, France, Germany, Greece, Greenland, Iceland, Republic of Ireland, Italy, Liechtenstein, Luxembourg, Malta, Monaco, The Netherlands, Norway, Portugal, San Marino, Spain, Sweden, Switzerland, Turkey and the United Kingdom
"WFLH"	Wide fraction of light hydrocarbons

CONVERSION TABLE

metric measure	U.S. measure
1 bcm	35,316,000,000 cubic feet
1 tcm	35,316,000,000,000 cubic feet
1 ton	1,000 kilos, 2,204.6 pounds, 7.33 barrels of crude oil, 8.18 barrels of gas condensate
1 kilometer	Approximately 0.62 miles
1 metric ton of oil equivalent	25.2 quadrillion btus (British Thermal Units), approximately 1,125 mcm of natural gas
1 barrel of gas condensate	1 barrel of oil equivalent (boe)
1 metric ton of gas condensate	8.18 barrels of gas condensate
1 mcm of natural gas	6.49 barrels of oil equivalent (boe)

INDEX TO FINANCIAL INFORMATION

ФБК

PJSC GAZPROM

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 June 2020

Moscow | 2020

Contents

ФБК

Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders of PJSC Gazprom

Introduction

We have reviewed the accompanying consolidated interim condensed balance sheet of PJSC Gazprom and its subsidiaries as of 30 June 2020 and the related consolidated interim condensed statement of comprehensive income for the three and six months ended 30 June 2020, consolidated interim condensed statements of cash flows and changes in equity for the six months ended 30 June 2020, and notes to the consolidated interim condensed financial information.

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

Scope of Review

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

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Conclusion

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

President of FBK, LLC

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

Engagement partner

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

Общество с ограниченной ответственностью «Финансовые и бухгалтерские консультанты» ФБК Г.Р. № 484583 г. Москва

Date of the Report on Review
27 August 2020

Audited entity	Auditor
Name:	**Name:**
Public Joint Stock Company Gazprom (PJSC Gazprom).	FBK, LLC.
Address of the legal entity within its location:	**Address of the legal entity within its location:**
16 Nametkina St., Moscow, 117420, Russian Federation.	44/1 Myasnitskaya St, Bldg 2AB, Moscow, 101990, Russian Federation.
State registration:	**State registration:**
Registered by the Moscow Registration Chamber on 25 February 1993, registration number 022.726.	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 2 August 2002 under primary state registration number 1027700070518.	The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.
	Membership in self-regulatory organization of auditors:
	Member of Self-regulatory organization of auditors Association "Sodruzhestvo".
	Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC Gazprom
Consolidated Interim Condensed Balance Sheet (Unaudited)
as of 30 June 2020
(in millions of Russian Rubles)

Notes		30 June 2020	31 December 2019
	Assets		
	Current assets		
6	Cash and cash equivalents	738,836	696,057
	Short-term financial assets	55,298	57,571
7	Accounts receivable and prepayments	913,136	1,040,340
8	Inventories	967,104	946,361
	VAT recoverable	131,811	142,545
13	Other current assets	704,845	945,279
		3,511,030	**3,828,153**
	Non-current assets		
9	Property, plant and equipment	15,259,745	14,856,448
10	Right-of-use assets	200,189	214,244
	Goodwill	130,995	130,028
11	Investments in associates and joint ventures	1,274,209	1,182,862
12	Long-term accounts receivable and prepayments	949,804	846,735
22	Long-term financial assets	356,669	434,282
13	Other non-current assets	376,360	389,596
		18,547,971	**18,054,195**
	Total assets	**22,059,001**	**21,882,348**
	Liabilities and equity		
	Current liabilities		
	Accounts payable, provisions and other liabilities	1,453,922	1,422,116
	Current profit tax payable	6,791	39,709
	Taxes other than on profit and fees payable	239,749	291,449
	Short-term borrowings, promissory notes and current portion of long-term borrowings	667,052	774,202
		2,367,514	**2,527,476**
	Non-current liabilities		
14	Long-term borrowings, promissory notes	3,755,948	3,089,702
21	Provisions	640,995	606,783
15	Deferred tax liabilities	665,244	768,448
	Long-term lease liabilities	207,704	205,493
	Other non-current liabilities	112,023	68,759
		5,381,914	**4,739,185**
	Total liabilities	**7,749,428**	**7,266,661**
	Equity		
16	Share capital	325,194	325,194
16	Treasury shares	(331)	(331)
	Retained earnings and other reserves	13,461,589	13,779,970
		13,786,452	**14,104,833**
	Non-controlling interest	523,121	510,854
	Total equity	**14,309,573**	**14,615,687**
	Total liabilities and equity	**22,059,001**	**21,882,348**

A.B. Miller
Chairman of the Management Committee
27 August 2020

M.N. Rosseev
Chief Accountant
27 August 2020

The accompanying notes on pages 9 to 44 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Comprehensive Income (Unaudited)
for the Three and Six Months Ended 30 June 2020
(in millions of Russian Rubles)

Notes		Three months ended 30 June 2020	Three months ended 30 June 2019	Six months ended 30 June 2020	Six months ended 30 June 2019
17	Sales	1,163,316	1,784,930	2,903,148	4,076,751
	Net gain (loss) from trading activity	4,043	(26,020)	14,438	(32,615)
18	Operating expenses	(1,253,556)	(1,414,471)	(2,693,257)	(3,196,687)
	Impairment loss on financial assets	(17,277)	(22,323)	(34,344)	(66,571)
	Operating profit (loss)	**(103,474)**	**322,116**	**189,985**	**780,878**
19	Finance income	324,386	95,415	459,352	353,638
19	Finance expense	(58,014)	(55,502)	(740,984)	(124,493)
11	Share of profit of associates and joint ventures	29,016	51,323	74,841	115,255
	(Loss) profit before profit tax	**191,914**	**413,352**	**(16,806)**	**1,125,278**
	Current profit tax expense	(9,884)	(77,230)	(37,788)	(197,494)
	Deferred profit tax income (expense)	(28,488)	(16,991)	100,054	(49,140)
	Profit tax	(38,372)	(94,221)	62,266	(246,634)
	Profit for the period	**153,542**	**319,131**	**45,460**	**878,644**
	Other comprehensive income (loss):				
	Items that will not be reclassified to profit or loss:				
	(Loss) gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	34,820	70,666	(71,273)	47,499
21	Remeasurement of provision for post-employment benefits	(40,290)	(53,739)	(35,091)	(77,852)
	Total other comprehensive (loss) income that will not be reclassified to profit or loss	**(5,470)**	**16,927**	**(106,364)**	**(30,353)**
	Items that may be reclassified subsequently to profit or loss:				
	Share of other comprehensive loss of associates and joint ventures	(1,450)	(2,433)	(34,535)	(4,329)
	Translation differences	(154,043)	(24,663)	172,076	(140,628)
	(Loss) gain from hedging operations, net of tax	(54)	4,668	(11,999)	10,024
	Total other comprehensive income (loss) that may be reclassified subsequently to profit or loss	**(155,547)**	**(22,428)**	**125,542**	**(134,933)**
	Total other comprehensive income (loss) for the period, net of tax	**(161,017)**	**(5,501)**	**19,178**	**(165,286)**
	Comprehensive income (loss) for the period	**(7,475)**	**313,630**	**64,638**	**713,358**
	Profit for the period attributable to:				
	Owners of PJSC Gazprom	149,168	300,589	32,919	836,497
	Non-controlling interest	4,374	18,542	12,541	42,147
		153,542	**319,131**	**45,460**	**878,644**
	Comprehensive income (loss) for the period attributable to:				
	Owners of PJSC Gazprom	(1,371)	296,378	40,666	679,588
	Non-controlling interest	(6,104)	17,252	23,972	33,770
		(7,475)	**313,630**	**64,638**	**713,358**
20	**Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)**	**6.31**	**13.60**	**1.39**	**37.85**

A.B. Miller
Chairman of the Management Committee
27 August 2020

M.N. Rosseev
Chief Accountant
27 August 2020

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PJSC Gazprom
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)
for the Six Months Ended 30 June 2020
(in millions of Russian Rubles)

Notes		Six months ended 30 June 2020	Six months ended 30 June 2019
	Cash flows from operating activities		
	(Loss) profit before profit tax	(16,806)	1,125,278
	Adjustments to (loss) profit before profit tax for		
18	Depreciation	396,891	347,875
19	Net finance expense (income)	281,632	(229,145)
11	Share of profit of associates and joint ventures	(74,841)	(115,255)
	Impairment loss on assets and change in provision for post-employment benefits	69,123	85,695
18	Derivatives (gain) loss	(1,798)	10,051
	Other	17,733	33,489
	Total effect of adjustments	688,740	132,710
	Cash flows from operating activities before working capital changes	671,934	1,257,988
	Increase in non-current assets	(3,575)	(14,896)
	Increase in non-current liabilities	32,620	7,882
	Changes in working capital	148,427	280,454
	Profit tax paid	(89,755)	(274,775)
	Net cash from operating activities	**759,651**	**1,256,653**
	Cash flows from investing activities		
	Capital expenditures	(720,196)	(788,381)
19	Interest capitalised and paid	(63,720)	(62,456)
	Net change in loans issued	(1,132)	(119,061)
	Acquisition of subsidiaries, net of cash acquired	(40)	(70)
	Investments in associates and joint ventures	(41,767)	(56,640)
	Interest received	36,197	46,880
	Change in long-term financial assets measured at fair value through other comprehensive income	6,250	2,448
	Proceeds from associates and joint ventures	21,845	75,974
	Proceeds from the sale of associates and joint ventures	7,585	-
	Proceeds from the sale of subsidiaries	-	417
	Placement of long-term bank deposits	(86,023)	(100)
	Repayment of long-term bank deposits	3,497	1,331
	Other	(21,467)	(58,946)
	Net cash used in investing activities	**(858,971)**	**(958,604)**
	Cash flows from financing activities		
	Proceeds from long-term borrowings	688,601	594,185
	Repayment of long-term borrowings (including current portion of long-term borrowings)	(498,980)	(442,649)
	Proceeds from short-term borrowings	59,830	33,110
	Repayment of short-term borrowings	(84,249)	(56,780)
	Repayment of lease liabilities	(19,373)	(25,490)
	Dividends paid	(89)	(5,513)
19	Interest paid	(22,931)	(26,913)
	Acquisition of non-controlling interests in subsidiaries	(124)	(124)
	Proceeds from sale of non-controlling interests in subsidiaries	66	-
	Other	(36,347)	1,500
	Net cash from financing activities	**86,404**	**71,326**
	Effect of foreign exchange rate changes on cash and cash equivalents	55,695	(64,824)
	Increase in cash and cash equivalents	**42,779**	**304,551**
6	Cash and cash equivalents at the beginning of the period	696,057	849,419
6	**Cash and cash equivalents at the end of the period**	**738,836**	**1,153,970**

A.B. Miller
Chairman of the Management Committee
27 August 2020

M.N. Rosseev
Chief Accountant
27 August 2020

The accompanying notes on pages 9 to 44 are an integral part of this consolidated interim condensed financial information.

PJSC Gazprom
Consolidated Interim Condensed Statement of Changes in Equity (Unaudited)
for the Six Months Ended 30 June 2020
(in millions of Russian Rubles)

Notes		Equity attributable to the owners of PJSC Gazprom						
		Number of shares outstanding (billions)	Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Six months ended 30 June 2019							
	Balance as of 31 December 2018	**22.1**	**325,194**	**(235,919)**	**13,210,734**	**13,300,009**	**476,144**	**13,776,153**
	Effect of changes in accounting policies	-	-	-	(29,316)	(29,316)	(870)	(30,186)
	Balance as of 1 January 2019 (restated)	**22.1**	**325,194**	**(235,919)**	**13,181,418**	**13,270,693**	**475,274**	**13,745,967**
	Profit for the period	-	-	-	836,497	836,497	42,147	878,644
	Other comprehensive income (loss):							
	Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	47,499	47,499	-	47,499
21	Remeasurement of provision for post-employment benefits	-	-	-	(77,822)	(77,822)	(30)	(77,852)
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(4,329)	(4,329)	-	(4,329)
	Translation differences	-	-	-	(132,270)	(132,270)	(8,358)	(140,628)
	Gain from hedging operations, net of tax	-	-	-	10,013	10,013	11	10,024
	Comprehensive income for the period	-	-	-	**679,588**	**679,588**	**33,770**	**713,358**
	Change in non-controlling interest in subsidiaries	-	-	-	2,440	2,440	(321)	2,119
	Dividends declared	-	-	-	(367,087)	(367,087)	(11,597)	(378,684)
	Balance as of 30 June 2019	**22.1**	**325,194**	**(235,919)**	**13,496,359**	**13,585,634**	**497,126**	**14,082,760**
	Six months ended 30 June 2020							
	Balance as of 31 December 2019	**23.6**	**325,194**	**(331)**	**13,779,970**	**14,104,833**	**510,854**	**14,615,687**
	Profit for the period	-	-	-	32,919	32,919	12,541	45,460
	Other comprehensive income (loss):							
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(71,273)	(71,273)	-	(71,273)
21	Remeasurement of provision for post-employment benefits	-	-	-	(35,059)	(35,059)	(32)	(35,091)
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(34,535)	(34,535)	-	(34,535)
	Translation differences	-	-	-	160,612	160,612	11,464	172,076
	Loss from hedging operations, net of tax	-	-	-	(11,998)	(11,998)	(1)	(11,999)
	Comprehensive income for the period	-	-	-	**40,666**	**40,666**	**23,972**	**64,638**
	Change in non-controlling interest in subsidiaries	-	-	-	1,296	1,296	1,722	3,018
	Dividends declared	-	-	-	(360,343)	(360,343)	(13,427)	(373,770)
	Balance as of 30 June 2020	**23.6**	**325,194**	**(331)**	**13,461,589**	**13,786,452**	**523,121**	**14,309,573**

A.B. Miller
Chairman of the Management Committee
27 August 2020

M.N. Rosseev
Chief Accountant
27 August 2020

The accompanying notes on pages 9 to 44 are an integral part of this consolidated interim condensed financial information.

1 General Information

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

The Group is involved in the following activities:

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

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

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

2 Economic Environment in the Russian Federation

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

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

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

The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods.

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

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

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

- as of 30 June 2020 – 78.6812 (as of 30 June 2019 – 71.8179);
- as of 31 December 2019 – 69.3406 (as of 31 December 2018 – 79.4605).

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

3 Basis of Presentation

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

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

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

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

Application of Amendments to Standards

The following amendments to current standards became effective beginning on or after 1 January 2020:

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

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

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

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

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

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

5 Segment Information

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

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

Based on that information the following reportable segments were determined:

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

Other activities' results have been included within "All other segments".

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

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

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

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

(in millions of Russian Rubles)

5 Segment Information (continued)

	Production of gas	Transpor-tation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Three months ended 30 June 2020									
Sales of segments	**180,468**	**319,484**	**558,604**	**15,268**	**194,517**	**353,301**	**94,157**	**63,686**	**1,779,485**
Inter-segment sales	174,625	266,281	43,464	13,984	103,328	5,407	-	-	607,089
External sales	5,843	53,203	515,140	1,284	91,189	347,894	94,157	63,686	1,172,396
Financial result of segments	**(23,989)**	**68,720**	**(40,138)**	**2,166**	**27,928**	**(71,949)**	**5,769**	**(7,434)**	**(38,927)**
Depreciation	44,069	123,790	4,500	7,642	40,152	16,425	15,827	13,140	265,545
Share of profit of associates and joint ventures	443	7,989	1,448	-	7,522	513	87	11,014	29,016
Three months ended 30 June 2019									
Sales of segments	**255,750**	**284,716**	**886,455**	**14,793**	**405,041**	**538,310**	**104,482**	**78,437**	**2,567,984**
Inter-segment sales	249,409	230,063	57,025	13,812	212,483	1,848	-	-	764,640
External sales	6,341	54,653	829,430	981	192,558	536,462	104,482	78,437	1,803,344
Financial result of segments	**20,029**	**30,954**	**159,380**	**2,245**	**95,421**	**25,369**	**8,999**	**(8,022)**	**334,375**
Depreciation	43,857	120,456	5,152	6,510	36,330	16,682	12,142	12,576	253,705
Share of profit of associates and joint ventures	1,260	6,243	1,215	-	35,300	1,250	14	6,041	51,323

	Production of gas	Transpor-tation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Six months ended 30 June 2020									
Sales of segments	**409,368**	**600,939**	**1,506,946**	**28,542**	**474,332**	**831,248**	**252,240**	**132,406**	**4,236,021**
Inter-segment sales	397,943	491,649	131,782	26,124	262,282	10,395	-	-	1,320,175
External sales	11,425	109,290	1,375,164	2,418	212,050	820,853	252,240	132,406	2,915,846
Financial result of segments	**(19,088)**	**88,187**	**(149,767)**	**3,783**	**96,730**	**(83,516)**	**38,380**	**(50,777)**	**(76,068)**
Depreciation	88,367	250,111	9,057	15,299	85,047	29,653	31,556	24,517	533,607
Share of profit of associates and joint ventures	1,517	15,737	649	-	35,409	330	101	21,098	74,841
Six months ended 30 June 2019									
Sales of segments	**537,552**	**555,312**	**2,281,529**	**27,415**	**804,293**	**1,047,505**	**277,895**	**161,315**	**5,692,816**
Inter-segment sales	525,190	445,158	154,297	25,275	421,346	4,134	-	-	1,575,400
External sales	12,362	110,154	2,127,232	2,140	382,947	1,043,371	277,895	161,315	4,117,416
Financial result of segments	**42,848**	**37,283**	**502,495**	**3,172**	**192,126**	**34,790**	**41,974**	**(8,092)**	**846,596**
Depreciation	87,766	241,367	9,193	14,075	72,869	28,667	29,522	24,602	508,061
Share of profit of associates and joint ventures	3,248	14,061	1,941	-	78,783	2,340	38	14,844	115,255

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

(in millions of Russian Rubles)

5 Segment Information (continued)

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

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

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

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

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

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

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

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

	Production of gas	Transportation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 30 June 2020									
Assets of segments	2,794,403	7,006,803	1,536,360	359,131	3,127,344	2,650,784	880,142	1,641,074	19,996,041
Investments in associates and joint ventures	13,873	189,965	43,096	2	594,104	31,255	1,291	400,623	1,274,209
Capital expenditures[1]	89,293	81,927	5,313	3,072	176,482	147,517	40,201	32,085	575,890
As of 31 December 2019									
Assets of segments	2,736,680	7,000,467	1,691,356	370,887	3,053,664	2,555,819	882,264	1,612,910	19,904,047
Investments in associates and joint ventures	15,583	183,176	37,638	2	546,493	22,992	1,100	375,878	1,182,862
Capital expenditures[2]	360,215	464,203	25,827	14,268	316,011	437,758	79,001	121,394	1,818,677

[1] Capital expenditures for the six months ended 30 June 2020.
[2] Capital expenditures for the year ended 31 December 2019.

(in millions of Russian Rubles)

5 Segment Information (continued)

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

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

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

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

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

(in millions of Russian Rubles)

5 Segment Information (continued)

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

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

6 Cash and Cash Equivalents

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

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

7 Accounts Receivable and Prepayments

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

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

8 Inventories

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

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

(in millions of Russian Rubles)

9 Property, Plant and Equipment

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

(in millions of Russian Rubles)

9 Property, Plant and Equipment (continued)

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

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

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

(in millions of Russian Rubles)

10 Right-of-Use Assets

Notes		Operating assets	Social assets	Total
	Six months ended 30 June 2019			
	Net book value as of 31 December 2018	-	-	-
	Initial recognition	148,877	31,408	180,285
9	Reclassification from property, plant and equipment	41,082	-	41,082
	Net book value as of 1 January 2019	**189,959**	**31,408**	**221,367**
	Reclassification	25,992	(25,992)	-
	Depreciation	(16,160)	(437)	(16,597)
	Additions as a result of new leases	16,020	424	16,444
	Effect of modification and changes of estimates in lease contracts	2,624	(91)	2,533
	Translation differences	(5,435)	-	(5,435)
	Net book value as of 30 June 2019	**213,000**	**5,312**	**218,312**
	As of 30 June 2019			
	Cost	229,871	5,741	235,612
	Accumulated depreciation and impairment allowance	(16,871)	(429)	(17,300)
	Net book value as of 30 June 2019	**213,000**	**5,312**	**218,312**
	Six months ended 31 December 2019			
	Depreciation	(21,566)	(987)	(22,553)
	Impairment allowance accrual	(6,007)	-	(6,007)
	Additions as a result of new leases	24,975	3,198	28,173
	Effect of modification and changes of estimates in lease contracts	(2,774)	(17)	(2,791)
	Translation differences	(890)	-	(890)
	Net book value as of 31 December 2019	**206,738**	**7,506**	**214,244**
	As of 31 December 2019			
	Cost	250,471	8,930	259,401
	Accumulated depreciation and impairment allowance	(43,733)	(1,424)	(45,157)
	Net book value as of 31 December 2019	**206,738**	**7,506**	**214,244**
	Six months ended 30 June 2020			
	Depreciation	(19,867)	(585)	(20,452)
	Additions as a result of new leases	3,143	290	3,433
	Effect of modification and changes of estimates in lease contracts	706	(118)	588
	Disposals	(2,418)	(221)	(2,639)
	Translation differences	5,015	-	5,015
	Net book value as of 30 June 2020	**193,317**	**6,872**	**200,189**
	As of 30 June 2020			
	Cost	257,482	8,764	266,246
	Accumulated depreciation and impairment allowance	(64,165)	(1,892)	(66,057)
	Net book value as of 30 June 2020	**193,317**	**6,872**	**200,189**

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

The total cash outflow under lease agreements amounted to RUB 27,706 million and RUB 33,861 million for the six months ended 30 June 2020 and 30 June 2019, respectively.

(in millions of Russian Rubles)

11 Investments in Associates and Joint Ventures

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

[1] In March 2020 the Group purchased Gazprombank (Joint-stock Company) ordinary shares from one of the shareholders, as the result of which the Group's ownership interest increased from 47.87 % to 49.88 %.
[2] In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries as of 31 December 2019 became accounted for as the investment into a joint venture.
[3] In January 2020 the remaining 25 % of ordinary registered uncertificated shares not allocated at the date of JSC NPF GAZFOND state registration were distributed among its shareholders in proportion to the number of the shares they owned. The Group's voting share in JSC NPF GAZFOND did not changed.

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

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

(in millions of Russian Rubles)

11 Investments in Associates and Joint Ventures (continued)

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

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

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

[1] The amount of revenue of Gazprombank (Joints-stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking companies.
[2] Country of incorporation is Bermuda Islands.
[3] Country of incorporation is Switzerland.
[4] The investment in the entity is accounted using the equity method, as the Group has no control over activities of the entity in accordance with provisions of its constituent documents.
[5] Country of incorporation is Germany.
[6] Share in voting shares.

(in millions of Russian Rubles)

12 Long-term Accounts Receivable and Prepayments

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

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

13 Other Current and Non-Current Assets

Other current assets are provided in the table below.

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

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

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

14 Long-Term Borrowings, Promissory Notes

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

(in millions of Russian Rubles)

14 Long-Term Borrowings, Promissory Notes (continued)

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

(in millions of Russian Rubles)

14 Long-Term Borrowings, Promissory Notes (continued)

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

[1] Loans received from consortiums of banks, named lender is the bank-agent.
[2] Loan received within financing the Amur gas processing plant construction.
[3] Issuer of these bonds is Gaz Finance Plc. Bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes.
[4] Issuer of these bonds is PJSC Gazprom Neft.
[5] Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.
[6] According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of currency exchange rates set in the agreements).
[7] Issuer of these bonds is GazAsia Capital S.A.
[8] Borrowings were obtained for financing of the Nord Stream 2 project.
[9] Issuer of these bonds is Gazprom capital LLC.
[10] Issuer of these bonds is PJSC Gazprom.

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

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

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

14 Long-Term Borrowings, Promissory Notes (continued)

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

As of 30 June 2020 and 31 December 2019 according to the agreements signed within the framework of financing the Nord Stream 2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

As of 30 June 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur Gas Processing Plant, 99.9 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 30 June 2020 the secured obligations to agent banks China Construction Bank Corporation, Beijing branch, ING Bank N.V., Intesa Sanpaolo S.p.A., London branch, Banca IMI S.p.A. and PJSC Sberbank amounted to RUB 293,649 million. No borrowings were made as of 31 December 2019.

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

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

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

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

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

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

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

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

(in millions of Russian Rubles)

15 Profit Tax

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

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

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

16 Equity

Share Capital

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

Treasury Shares

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

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

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

(in millions of Russian Rubles)

16 Equity (continued)

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

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

17 Sales

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

[1] The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated interim condensed financial information when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments on sales for the three and six months ended 30 June 2020 recorded as an increase of sales by RUB 6,086 million and RUB 2,324 million, respectively. The effects of retroactive gas price adjustments for the three and six months ended 30 June 2019 recorded as an increase of sales by RUB 8,009 million.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to change of related accruals following agreements reached prior to the issuance of the respective consolidated interim condensed financial information.

(in millions of Russian Rubles)

18 Operating Expenses

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

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

19 Finance Income and Expense

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

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

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

Foreign exchange gain and loss for the six month ended 30 June 2020 and 30 June 2019 were recognised as a result of change in the Euro and US Dollar exchange rates against the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in foreign currencies.

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

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

(in millions of Russian Rubles)

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

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

The Group has no dilutive financial instruments.

21 Provisions

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

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

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

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

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

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

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

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

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

(in millions of Russian Rubles)

21 Provisions (continued)

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

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

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

22 Fair Value of Financial Instruments

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

a) Financial instruments included in Level 1

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

b) Financial instruments included in Level 2

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

c) Financial instruments included in Level 3

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

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

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

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

(in millions of Russian Rubles)

22 Fair Value of Financial Instruments (continued)

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

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

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

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

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

(in millions of Russian Rubles)

23 Acquisition of a Subsidiary

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

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

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

The REPH Group's activities include design, development, manufacture, installation, sale, as well as after-sales and warranty services for turbocompressor and power equipment.
As a result of the transaction, goodwill was recognised in the provisional amount of RUB 22,999 million. The Group's share in the voting shares of the JSC REPH amounted to 72 %.

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

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

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

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

(in millions of Russian Rubles)

24 Related Parties

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

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

Government (Russian Federation)

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

As of 30 June 2020 the Government directly owns 38.373 % of PJSC Gazprom's issued shares JSC ROSNEFTEGAZ and JSC Rosgazifikatsiya controlled by the Government own 11.859 % of PJSC Gazprom's issued shares.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group's financial position, performance and cash flows.

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Parties Under the Government Control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 30 June 2020 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the Federal Antimonopoly Service (the "FAS").

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

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

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

(in millions of Russian Rubles)

24 Related Parties (continued)

	As of 30 June 2020		Three months ended 30 June 2020		Six months ended 30 June 2020	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Borrowings	-	188,408	-	-	-	-
Short-term lease liabilities	-	8,166	-	-	-	-
Long-term lease liabilities	-	88,436	-	-	-	-

	As of 31 December 2019		Three months ended 30 June 2019		Six months ended 30 June 2019	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with the Government						
Current profit tax	9,021	31,567	-	74,626	-	191,066
Insurance contributions	1,856	11,708	-	38,267	-	78,827
VAT	297,217	105,070	-	-	-	-
Customs duties	26,595	-	-	-	-	-
MET	11	86,565	-	289,561	-	589,019
Other taxes	19,855	66,948	-	43,898	-	99,627
Transactions and balances with entities under the Government control						
Gas sales	-	-	24,981	-	79,181	-
Electric and heat energy sales	-	-	33,239	-	97,194	-
Gas transportation sales	-	-	11,086	-	22,237	-
Other sales	-	-	1,043	-	1,925	-
Transit of oil and refined products expenses	-	-	-	32,924	-	70,121
Interest expense	-	-	-	4,421	-	8,858
Cash and cash equivalents	61,072	-	-	-	-	-
Short-term deposits	4,815	-	-	-	-	-
Long-term deposits	1,867	-	-	-	-	-
Accounts receivable	47,390	-	-	-	-	-
Short-term financial assets	27,792	-	-	-	-	-
Long-term financial assets	6,002	-	-	-	-	-
Accounts payable	-	27,033	-	-	-	-
Borrowings	-	195,297	-	-	-	-
Short-term lease liabilities	-	7,671	-	-	-	-
Long-term lease liabilities	-	84,428	-	-	-	-

See the consolidated interim condensed statement of changes in equity for returns of social assets to governmental authorities during the six months ended 30 June 2020 and 30 June 2019. See Note 9 for the net book values as of 30 June 2020 and 31 December 2019 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

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

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

	As of 30 June 2020		Three months ended 30 June 2020		Six months ended 30 June 2020	
	Assets	Liabilities	Income	Expenses	Income	Expenses
Transactions and balances with JSC FSC						
Electric and heat energy sales	-	-	26,914	-	68,659	-
Electricity and heating expenses	-	-	-	4,268	-	10,094
Accounts receivable	3,727	-	-	-	-	-
Accounts payable	-	1,216	-	-	-	-

(in millions of Russian Rubles)

24 Related Parties (continued)

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

Compensation for Key Management Personnel

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

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

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

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

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

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

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

Associates and Joint Ventures

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

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

(in millions of Russian Rubles)

24 Related Parties (continued)

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

[1] CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

(in millions of Russian Rubles)

24 Related Parties (continued)

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 40,000 million and RUB 40,000 million for the three and six months ended 30 June 2020 and RUB nil million and RUB 90,000 million for the three and six months ended 30 June 2019, respectively.

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

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

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

(in millions of Russian Rubles)

24 Related Parties (continued)

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

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

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 30 June 2020 and 31 December 2019 net of allowance for expected credit losses in the amount of RUB 8,166 million and RUB 6,511 million as of 30 June 2020 and 31 December 2019, respectively.

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

Under the loan facility agreements concluded in 2019-2020 the Group has obligations to provide JSC Gazstroyprom loans to repay its loan liability towards the bank in case of late payment. The limit of loan facilities according to the concluded agreements amounted to RUB 181,710 million and RUB 106,500 million as of 30 June 2020 and 31 December 2019, respectively. The loan facilities are valid until 31 December 2027. As of 30 June 2020 and 31 December 2019 the Group did not provide loans. The loan commitments of the Group are limited by the loan liabilities of JSC Gazstroyprom to the bank.

In 2019, the Group made borrowings secured by inventories due in 2020 under buyback agreements entered into with Gazprombank (Switzerland) Ltd. and GPB Financial Services Limited. Amounts to be repaid under these borrowings were EUR 514 million and EUR 922 million as of 30 June 2020 and 31 December 2019, respectively.

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

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

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

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

25 Commitments and Contingencies

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 30 June 2020 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Legal Proceedings

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

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

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

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

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

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

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

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

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

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

25 Commitments and Contingencies (continued)

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

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the EU for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in the EU member countries from Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and LLC Gazprom export allegedly violated Article 102 of the Treaty on the Functioning of the EU. In this complaint PGNiG S.A. states that PJSC Gazprom and LLC Gazprom export violate the antitrust law of the EU through:

1) applying unfair pricing policy with respect to PGNiG S.A.;

2) preventing cross-border gas sale;

3) tying commercial issues with infrastructure.

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

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) dated 30 April 2018 on the initiation of an investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % of the annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

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

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

25 Commitments and Contingencies (continued)

Following a further exchange of letters, on 31 July 2020 PJSC Gazprom received an official notice dated 29 July 2020 from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) about the imposition of a fine of about EUR 50 million on PJSC Gazprom for the failure to provide the information requested earlier by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) as part of the above-mentioned general investigation. PJSC Gazprom is going to appeal the decision of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to impose the fine on PJSC Gazprom within the established deadlines. If the fine is appealed in court, it will not be subject to recovery until a respective court decision becomes effective.

On 24 August 2020 PJSC Gazprom filed appeals to Poland's competent court against the decisions made by Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to restrict PJSC Gazprom's access to the evidence gathered in the course of the investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project.

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

1) making "predatory" investments when implementing the Nord Stream 2 project;

2) blocking the virtual reverse flow of gas to Ukraine;

3) abusing PJSC Gazprom's dominance in pipeline gas export;

4) "margin decrease" when making gas supplies to the Federal Republic of Germany.

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

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various regulations of environmental protection issued by various governmental authorities regarding handling, storage and disposal of certain products. Management believes that there are no such current legal proceedings or other claims outstanding, which could have a material adverse effect on the financial performance or the financial position of the Group.

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

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

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

25 Commitments and Contingencies (continued)

Sanctions

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

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

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

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

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

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

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

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

On 15 July 2020 the U.S. Department of State issued a new guidance (the "New Guidance") for Section 232 of the Act of 2 August 2017, which cancelled the earlier effective exception that stated that investments in projects commenced prior to 2 August 2017 would not be subject to sanctions. Under the New Guidance, Section 232 of the Act of 2 August 2017 explicitly applies to the Nord Stream 2 gas pipeline and the second line of the TurkStream gas pipeline. At the same time, the U.S. Department of State mentioned in the New Guidance that sanctions would not target gas pipelines in existence on, and capable of transporting commercial quantities of gas, as of the enactment date of the Act of 2 August 2017. In addition, the U.S. Department of State deleted the portion of the guidance in effect earlier that stated that investments and loans related to the construction of export pipelines made prior to 2 August 2017 would not be subject to sanctions and indicated that any actions with investments (except for reasonable steps to wind down effective contracts) made on or after 15 July 2020 might become a reason for the imposition of sanctions under Section 232 of the Act of 2 August 2017.

25 Commitments and Contingencies (continued)

The National Defense Authorization Act, which was enacted on 20 December 2019, (the "Act of 20 December 2019") envisages sanctions against persons that provide vessels for the construction of the Nord Stream 2 and the TurkStream gas pipelines.

The Act of 20 December 2019 envisages that not later than 60 days after the date of the enactment of this Act, and every 90 days thereafter, the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) shall submit reports that identify:

1) vessels that engage in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 and the TurkStream export pipelines (or any project that is a successor to either such project); and

2) foreign persons (both individuals and legal entities) that the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) believes to have knowingly sold, leased, or provided those vessels for the construction of such a project; or intentionally facilitated deceptive or structured transactions to provide those vessels for the construction of such a project.

Persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above and their corporate officers or principal shareholders with a controlling interest shall be excluded from the U.S. and the U.S. Secretary of State shall deny a U.S. visa to such persons and revoke all visas earlier issued to them. Assets of the persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above that are located in the U.S. would be frozen (including in case of their transfer to third parties) and U.S. persons would be prohibited from entering into transactions with such persons.

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

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

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

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

U.S. sanctions apply to any entity, in the capital of which the companies from the sanctions list directly or indirectly, individually or in the aggregate, own 50 or more percent equity interest.

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

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

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

(in millions of Russian Rubles)

25 Commitments and Contingencies (continued)

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

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

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

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

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production.

The Group is currently assessing an influence of adopted economic measures on its financial position and financial performance.

Financial Guarantee Contracts

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

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

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 448 million and USD 598 million as of 30 June 2020 and 31 December 2019, respectively, as well as amounts denominated in Euros of EUR 2,201 million and EUR 2,292 million as of 30 June 2020 and 31 December 2019, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the agent bank Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 30 June 2020 and 31 December 2019 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 31,333 million (USD 448 million) and RUB 37,022 million (USD 598 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the agent bank Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 30 June 2020 and 31 December 2019 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 112,123 million (EUR 1,425 million) and RUB 106,924 million (EUR 1,542 million), respectively.

25 Commitments and Contingencies (continued)

Capital Commitments

The total investment utilisation in accordance with investment programme of the Group for 2020 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 1,679,294 million.

Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 30 June 2020 these agreements are not expected to be onerous for the Group.

26 Events After Reporting Period

Borrowings

In July 2020 the Group obtained a long-term loan from PJSC CREDIT BANK OF MOSCOW in the amount of RUB 15,000 million at an interest rate of the current key rate of the Central Bank of the Russian Federation + 0.4 % due in 2025 under the agreement concluded in February 2020.

In July-August 2020 the subsidiary LLC Gazprom pererabotka Blagoveshchensk obtained long-term loans in the total amount of EUR 336 million at interest rates from EURIBOR + 1.00 % to EURIBOR + 3.95 % and RUB 19,500 million at an interest rate of the current key rate of the Central Bank of the Russian Federation + 2.15 % and due in 2034-2036. The loans were obtained under the terms of the long-term financing agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant. ING Bank N.V., Intesa Sanpaolo S.p.A. and PJSC Sberbank were appointed as agent banks.

In July 2020 the Group signed an agreement to obtain a long-term loan from JSC SMP Bank in the amount of RUB 10,000 million at an interest rate set when the loan is granted in the amount not exceeding the current key rate of the Central Bank of the Russian Federation + 1 % due in 2025.

Significant Events

In July 2020 the deal for the sale of 34 % of JSC Conexus Baltic Grid shares belonged to the Group was completed.

PJSC Gazprom
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ФБК

PJSC GAZPROM

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2019

Moscow | 2020

Contents

ФБК

Independent Auditor's Report

To the Shareholders of PJSC Gazprom

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition

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

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

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

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

Impairment of property, plant and equipment

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

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

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

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

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

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

ФБК

and completeness. Based on the results of the procedures performed, we considered the estimates and approaches applied by the management, including the disclosures made, to be consistent and acceptable.

Information about litigations is disclosed in Note 38 "Operating risks" to the consolidated financial statements.

Other Information

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

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

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

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

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

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

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

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

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

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

ФБК

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

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

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

ФБК

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
27 April 2020

Audited entity

Name:

Public Joint Stock Company Gazprom
(PJSC Gazprom).

Address of the legal entity within its location:

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

State registration:

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

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

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

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

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

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

Notes		31 December 2019	31 December 2018
	Assets		
	Current assets		
8	Cash and cash equivalents	696,057	849,419
9	Short-term financial assets	57,571	26,859
10	Accounts receivable and prepayments	1,040,340	1,222,735
11	Inventories	946,361	909,677
	VAT recoverable	142,545	150,425
12	Other current assets	945,279	1,053,115
		3,828,153	**4,212,230**
	Non-current assets		
13	Property, plant and equipment	14,856,448	13,809,434
14	Right-of-use assets	214,244	-
15	Goodwill	130,028	108,097
16	Investments in associates and joint ventures	1,182,862	1,097,446
17	Long-term accounts receivable and prepayments	846,735	636,305
18	Long-term financial assets	434,282	416,666
12	Other non-current assets	389,596	530,262
		18,054,195	**16,598,210**
	Total assets	**21,882,348**	**20,810,440**
	Liabilities and equity		
	Current liabilities		
19	Accounts payable, provisions and other liabilities	1,422,116	1,522,101
	Current profit tax payable	39,709	34,708
20	Taxes other than on profit and fees payable	291,449	347,825
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	774,202	569,061
		2,527,476	**2,473,695**
	Non-current liabilities		
22	Long-term borrowings, promissory notes	3,089,702	3,294,761
25	Provisions	606,783	406,322
23	Deferred tax liabilities	768,448	748,751
	Long-term lease liabilities	205,493	-
	Other non-current liabilities	68,759	110,758
		4,739,185	**4,560,592**
	Total liabilities	**7,266,661**	**7,034,287**
	Equity		
26	Share capital	325,194	325,194
26	Treasury shares	(331)	(235,919)
26	Retained earnings and other reserves	13,779,970	13,210,734
		14,104,833	**13,300,009**
34	Non-controlling interest	510,854	476,144
	Total equity	**14,615,687**	**13,776,153**
	Total liabilities and equity	**21,882,348**	**20,810,440**

A.B. Miller
Chairman of the Management Committee
27 April 2020

M.N. Rosseev
Chief Accountant
27 April 2020

The accompanying notes on pages 12 to 84 are an integral part of these consolidated financial statements.

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

Notes		Year ended 31 December 2019	2018
27	Sales	7,659,623	8,224,177
	Net (loss) gain from trading activity	(24,957)	18,015
28	Operating expenses	(6,387,071)	(6,181,191)
28	Impairment loss on financial assets	(127,738)	(130,971)
	Operating profit	**1,119,857**	**1,930,030**
29	Finance income	654,916	503,091
29	Finance expense	(354,835)	(813,042)
16	Share of profit of associates and joint ventures	207,127	232,483
	Profit before profit tax	**1,627,065**	**1,852,562**
	Current profit tax expense	(327,618)	(278,233)
	Deferred profit tax expense	(29,930)	(45,333)
23	Profit tax	(357,548)	(323,566)
	Profit for the year	**1,269,517**	**1,528,996**
	Other comprehensive income (loss):		
	Items that will not be reclassified to profit or loss:		
	Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	22,631	148,963
25	Remeasurement of provision for post-employment benefits	(186,066)	19,854
	Total other comprehensive (loss) income that will not be reclassified to profit or loss	**(163,435)**	**168,817**
	Items that may be reclassified subsequently to profit or loss:		
16	Share of other comprehensive (loss) income of associates and joint ventures	(4,276)	13,923
	Translation differences	(182,165)	222,221
	Gain from hedging operations, net of tax	13,321	10,082
	Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss	**(173,120)**	**246,226**
	Total other comprehensive (loss) income for the year, net of tax	**(336,555)**	**415,043**
	Comprehensive income for the year	**932,962**	**1,944,039**
	Profit for the year attributable to:		
	Owners of PJSC Gazprom	1,202,887	1,456,270
34	Non-controlling interest	66,630	72,726
		1,269,517	**1,528,996**
	Comprehensive income for the year attributable to:		
	Owners of PJSC Gazprom	877,328	1,858,486
	Non-controlling interest	55,634	85,553
		932,962	**1,944,039**
31	**Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)**	**53.47**	**65.89**

A.B. Miller
Chairman of the Management Committee
27 April 2020

M.N. Rosseev
Chief Accountant
27 April 2020

The accompanying notes on pages 12 to 84 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2019
(in millions of Russian Rubles)

Notes		Year ended 31 December 2019	2018
	Cash flows from operating activities		
32	**Net cash from operating activities**	**1,709,384**	**1,617,384**
	Cash flows from investing activities		
	Capital expenditures	(1,775,923)	(1,639,474)
29	Interest capitalised and paid	(122,848)	(134,886)
	Net change in loans issued	(172,088)	22,099
	Acquisition of subsidiaries, net of cash acquired	(6,808)	(2,252)
	Investments in associates and joint ventures	(72,587)	(48,267)
	Interest received	83,167	85,744
	Change in long-term financial assets measured at fair value through other comprehensive income	10,370	12,255
	Proceeds from associates and joint ventures	181,404	128,622
	Proceeds from the sale of subsidiaries	1,217	1,054
	Placement of long-term bank deposits	(3,354)	(5,726)
	Repayment of long-term bank deposits	1,331	43,131
	Other	(61,990)	(80,018)
	Net cash used in investing activities	**(1,938,109)**	**(1,617,718)**
	Cash flows from financing activities		
39	Proceeds from long-term borrowings	1,043,467	1,239,745
39	Repayment of long-term borrowings (including current portion of long-term borrowings)	(813,294)	(1,138,451)
39	Proceeds from short-term borrowings	117,418	57,717
39	Repayment of short-term borrowings	(49,728)	(53,492)
	Repayment of lease liabilities	(42,603)	-
39	Dividends paid	(379,595)	(188,313)
29, 39	Interest paid	(48,180)	(38,288)
	Acquisition of non-controlling interests in subsidiaries	(124)	(289)
	Proceeds from sale of treasury shares	323,514	-
	Proceeds from sale of non-controlling interests in subsidiaries	-	22,358
	Other	1,500	2,943
	Net cash from (used in) financing activities	**152,375**	**(96,070)**
	Effect of foreign exchange rate changes on cash and cash equivalents	(77,012)	76,816
	Decrease in cash and cash equivalents	**(153,362)**	**(19,588)**
8	Cash and cash equivalents at the beginning of the reporting year	849,419	869,007
8	**Cash and cash equivalents at the end of the reporting year**	**696,057**	**849,419**

A.B. Miller
Chairman of the Management Committee
27 April 2020

M.N. Rosseev
Chief Accountant
27 April 2020

The accompanying notes on pages 12 to 84 are an integral part of these consolidated financial statements.

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

Notes		Number of shares outstanding (billions)	Equity attributable to the owners of PJSC Gazprom: Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Balance as of 31 December 2017	**22.1**	**325,194**	**(235,919)**	**11,539,811**	**11,629,086**	**386,395**	**12,015,481**
	Effect of changes in accounting policies	-	-	-	(13,086)	(13,086)	(140)	(13,226)
	Balance as of 1 January 2018 (restated)	**22.1**	**325,194**	**(235,919)**	**11,526,725**	**11,616,000**	**386,255**	**12,002,255**
34	Profit for the year	-	-	-	1,456,270	1,456,270	72,726	1,528,996
	Other comprehensive income (loss):							
34	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	149,580	149,580	(617)	148,963
25, 34	Remeasurement of provision for post-employment benefits	-	-	-	19,732	19,732	122	19,854
16	Share of other comprehensive income of associates and joint ventures	-	-	-	13,923	13,923	-	13,923
34	Translation differences	-	-	-	209,531	209,531	12,690	222,221
34	Gain from hedging operations, net of tax	-	-	-	9,450	9,450	632	10,082
	Comprehensive income for the year	-	-	-	**1,858,486**	**1,858,486**	**85,553**	**1,944,039**
34	Change in non-controlling interest in subsidiaries	-	-	-	3,260	3,260	19,471	22,731
26	Return of social assets to the balance of governmental authorities	-	-	-	(50)	(50)	-	(50)
34	Dividends declared	-	-	-	(177,687)	(177,687)	(15,135)	(192,822)
	Balance as of 31 December 2018	**22.1**	**325,194**	**(235,919)**	**13,210,734**	**13,300,009**	**476,144**	**13,776,153**
5	Effect of changes in accounting policies	-	-	-	(29,316)	(29,316)	(870)	(30,186)
	Balance as of 1 January 2019 (restated)	**22.1**	**325,194**	**(235,919)**	**13,181,418**	**13,270,693**	**475,274**	**13,745,967**
34	Profit for the year	-	-	-	1,202,887	1,202,887	66,630	1,269,517
	Other comprehensive income (loss):							
	Gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	22,631	22,631	-	22,631
25, 34	Remeasurement of provision for post-employment benefits	-	-	-	(185,788)	(185,788)	(278)	(186,066)
16	Share of other comprehensive loss of associates and joint ventures	-	-	-	(4,276)	(4,276)	-	(4,276)
34	Translation differences	-	-	-	(171,433)	(171,433)	(10,732)	(182,165)
34	Gain from hedging operations, net of tax	-	-	-	13,307	13,307	14	13,321
	Comprehensive income for the year	-	-	-	**877,328**	**877,328**	**55,634**	**932,962**
34	Change in non-controlling interest in subsidiaries	-	-	-	423	423	(4,081)	(3,658)
26	Return of social assets to the balance of governmental authorities	-	-	-	(13)	(13)	-	(13)
26	Treasury shares transactions	1.5	-	235,588	87,901	323,489	-	323,489
34	Dividends declared	-	-	-	(367,087)	(367,087)	(15,973)	(383,060)
	Balance as of 31 December 2019	**23.6**	**325,194**	**(331)**	**13,779,970**	**14,104,833**	**510,854**	**14,615,687**

A.B. Miller
Chairman of the Management Committee
27 April 2020

M.N. Rosseev
Chief Accountant
27 April 2020

The accompanying notes on pages 12 to 84 are an integral part of these consolidated financial statements.

1 General Information

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

The Group is involved in the following activities:

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

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

The average number of employees during 2019 and 2018 was 462 thousand persons.

2 Economic Environment in the Russian Federation

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

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

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

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

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

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

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

3 Basis of Presentation

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

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

4 Scope of Consolidation

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

In December 2019 the Group acquired 100 % of ordinary shares of JSC REP Holding (abbreviated name – JSC REPH) for RUB 10,000 million with payment in cash. 25 % of ordinary shares of JSC REPH were acquired from JSC Gazprombank – Asset Management, a subsidiary of Gazprombank (Joint-stock Company), for RUB 2,500 million (see Note 35).

5 Summary of Significant Accounting Policies

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

5.1 Consolidation of Subsidiaries, Associates and Joint Arrangements

Subsidiaries

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

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

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

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

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

Goodwill and Non-Controlling Interest

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

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

5 Summary of Significant Accounting Policies (continued)

Joint Arrangements

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

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

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

Associates

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

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

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

5.2 Financial Instruments

5.2.1 Classification and Measurement of Financial Assets

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

Financial Assets Measured Subsequently at Amortised Cost

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

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

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

5 Summary of Significant Accounting Policies (continued)

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

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

Cash and Cash Equivalents and Restricted Cash

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

Accounts Receivable

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets

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

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

5 Summary of Significant Accounting Policies (continued)

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

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

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

5.2.2 Classification and Measurement of Financial Liabilities

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

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

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

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

Borrowings

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

Financial Guarantee Contracts

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

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

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

5.2.3 Derivative Financial Instruments

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

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

5 Summary of Significant Accounting Policies (continued)

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

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

5.2.4 Hedge Accounting

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

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

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

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

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

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

5.3 Fair Value

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

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

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

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

5.4 Value Added Tax

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

5 Summary of Significant Accounting Policies (continued)

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

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

5.5 Mineral Extraction Tax

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

In the Russian Federation, the MET rate formula for natural fuel and gas condensate has been used since1 July 2014 instead of the fixed MET rate.

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

1) the base rate of RUB 35 per thousand cubic meters of natural fuel gas;

2) the base value of a unit of fuel equivalent calculated based on various macroeconomic indicators, including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon fields;

4) the indicator representing the transportation costs of natural fuel gas.

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

1) the base rate of RUB 42 per ton for extracted gas condensate;

2) the base value of a unit of fuel equivalent calculated taking into account various macroeconomic indicators, including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon deposits;

4) the adjustment coefficient.

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

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

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

MET is included in operating expenses.

5.6 Customs Duties

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

Pertaining to the sales of oil and oil products to countries outside the Customs union according to Federal Law No.239-FZ dated 3 December 2012, starting from 1 April 2013 under Resolution of the Government of the Russian Federation No.276 dated 29 March 2013 the export customs duty calculation methodology for

5 Summary of Significant Accounting Policies (continued)

crude oil and oil products was established based on which the Ministry of Economic Development of the Russian Federation determines export customs duty rates for the following calendar month.

Sales are recognised net of the amount of customs duties.

5.7 Excise Tax

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

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

5.8 Inventories

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

5.9 Property, Plant and Equipment

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

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

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

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

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

(in millions of Russian Rubles)

5 Summary of Significant Accounting Policies (continued)

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

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

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

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

5.10 Impairment of Non-Current Non-Financial Assets

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

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

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

5.11 Deferred Tax

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

5 Summary of Significant Accounting Policies (continued)

5.12 Foreign Currency Transactions

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

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

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

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

5.13 Provisions

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

5.14 Equity

Treasury Shares

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

Dividends

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

5.15 Revenue Recognition

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

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

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

5 Summary of Significant Accounting Policies (continued)

Net Gain (Loss) From Trading Activity

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

5.16 Interest

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

5.17 Research and Development

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

5.18 Employee Benefits

Pension and Other Post-Employment Benefits

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

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

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

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

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

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

Social Expenses

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

(in millions of Russian Rubles)

5 Summary of Significant Accounting Policies (continued)

5.19 Recent Accounting Pronouncements

Application of IFRS 16 Leases

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

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

The Group applied the following practical expedients:

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

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

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

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

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

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

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

(in millions of Russian Rubles)

5 Summary of Significant Accounting Policies (continued)

Notes		31 December 2018	Effect of IFRS 16 Leases application	1 January 2019
	Assets			
	Accounts receivable and prepayments	1,222,735	17,046	1,239,781
13, 14	Property, plant and equipment	13,809,434	(41,082)	13,768,352
14	Right-of-use assets	-	221,367	221,367
	Other non-current assets	530,262	(15)	530,247
	Total assets	**20,810,440**	**197,316**	**21,007,756**
	Liabilities and equity			
	Accounts payable, provisions and other liabilities	1,522,101	32,339	1,554,440
23	Deferred tax liabilities	748,751	(6,988)	741,763
	Long-term lease liabilities	-	225,986	225,986
	Other long-term liabilities	110,758	(23,835)	86,923
	Total liabilities	**7,034,287**	**227,502**	**7,261,789**
	Equity			
	Retained earnings and other reserves	13,210,734	(29,316)	13,181,418
		13,300,009	**(29,316)**	**13,270,693**
	Non-controlling interest	476,144	(870)	475,274
	Total equity	**13,776,153**	**(30,186)**	**13,745,967**
	Total liabilities and equity	**20,810,440**	**197,316**	**21,007,756**

Accounting policy applied from 1 January 2019

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

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

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

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

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

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

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

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;

5 Summary of Significant Accounting Policies (continued)

- any initial direct costs;
- an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset.

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

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

Application of Interpretations and Amendments to Standards

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

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

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

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

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

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

5 Summary of Significant Accounting Policies (continued)

- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020). Amendments are related to the reform of basic interest rates and clarify the requirements for hedge accounting.
- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual periods beginning on or after 1 January 2022). Amendments clarify the criteria for classifying obligations as short-term or long-term.

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

6 Critical Judgements and Estimates in Applying Accounting Policies

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

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

6.1 Consolidation of Subsidiaries

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

6.2 Tax Legislation

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

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

6.3 Assumptions to Determine Amount of Allowances

Loss Allowance for Expected Credit Losses of Accounts Receivable

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

Impairment of Property, Plant and Equipment and Goodwill

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

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

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of goodwill impairment test, management considers gas production, transportation and distribution activities as part of single gas cash-generating unit and assesses associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

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

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

Accounting for Impairment

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

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

6.4 Decommissioning and Site Restoration Costs

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

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

6.5 Useful Lives of Property, Plant and Equipment

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

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

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

6.6 Fair Value Estimation of Financial Instruments

Determination of the fair value of contracts for the purchase (sale) of energy carriers, commodity futures and swaps is based on market data received on measurement date (Level 1 in accordance with the fair value hierarchy). Customary valuation models are used to value financial instruments which are not traded in active market. The fair value is calculated based on inputs that are observable either directly or indirectly (Level 2 in accordance with the fair value hierarchy).

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

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

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

6.7 Fair Value Estimation for Acquisitions

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

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

6.8 Accounting for Pension Plan Assets and Liabilities

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

6.9 Joint Arrangements

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

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

When measuring the present value of lease payments, the Group applies professional judgement to determine the incremental borrowing rate if the discount rate is not implicit in the lease. When determining the incremental borrowing rate, the Group management analyses borrowings over a similar term in a similar period. If there are no borrowings with similar characteristics the discount rate is determined on the basis of the risk-free rate, adjusted for the credit risk of the Group determined on the basis of its quoted bonds.

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

7 Segment Information

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

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

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

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

Other activities have been included within "All other segments".

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

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

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

	Production of gas	Transpor-tation of gas	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2019									
Sales of segments	973,657	1,188,798	4,076,204	59,073	1,585,846	2,132,761	518,373	324,204	10,858,916
Inter-segment sales	950,146	973,463	298,985	54,425	833,056	21,580	-	-	3,131,655
External sales	23,511	215,335	3,777,219	4,648	752,790	2,111,181	518,373	324,204	7,727,261
Financial result of segments	**4,984**	**109,410**	**359,145**	**5,818**	**403,601**	**15,992**	**40,830**	**(9,544)**	**930,236**
Depreciation	172,233	476,182	18,308	29,637	156,064	48,838	61,297	52,545	1,015,104
Share of profit of associates and joint ventures	5,347	25,716	3,502	-	145,662	4,630	81	22,189	207,127
Year ended 31 December 2018									
Sales of segments	1,017,044	1,173,837	4,568,746	58,675	1,528,932	2,187,170	522,095	363,993	11,420,492
Inter-segment sales	990,737	948,164	291,382	54,211	793,979	7,398	-	-	3,085,871
External sales	26,307	225,673	4,277,364	4,464	734,953	2,179,772	522,095	363,993	8,334,621
Financial result of segments	**3,106**	**49,423**	**807,214**	**5,533**	**390,663**	**180,863**	**53,010**	**37,111**	**1,526,923**
Depreciation	180,753	495,814	16,760	28,873	131,352	39,542	62,642	42,934	998,670
Share of profit of associates and joint ventures	9,226	24,975	707	-	151,422	4,046	65	42,042	232,483

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

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

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

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

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

	Year ended 31 December 2019	2018
External sales of reportable segments	7,403,057	7,970,628
External sales of other segments	324,204	363,993
Total external sales of segments	**7,727,261**	**8,334,621**
Differences in external sales[1]	(67,638)	(110,444)
Total sales in the consolidated statement of comprehensive income	**7,659,623**	**8,224,177**

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

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

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

[1] Capital expenditures for the year ended 31 December 2019.
[2] Capital expenditures for the year ended 31 December 2018.

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

Notes		31 December 2019	31 December 2018
	Assets of reportable segments	18,291,137	17,749,505
	Assets of other segments	1,612,910	1,428,467
	Total assets of segments	**19,904,047**	**19,177,972**
	Difference in property, plant and equipment, net[1]	(1,216,329)	(1,602,553)
13	Borrowing costs capitalised	919,491	808,251
8	Cash and cash equivalents	696,057	849,419
9	Short-term financial assets	57,571	26,859
	VAT recoverable	142,545	150,425
12	Other current assets	945,279	1,053,115
14	Right-of-use assets	73,857	-
15	Goodwill	130,028	108,097
18	Long-term financial assets	434,282	416,666
12	Other non-current assets	389,596	530,262
	Inter-segment assets	(917,888)	(956,216)
	Other	323,812	248,143
	Total assets in the consolidated balance sheet	**21,882,348**	**20,810,440**

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

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

(in millions of Russian Rubles)

7 Segment Information (continued)

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

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

Notes		31 December 2019	31 December 2018
	Liabilities of reportable segments	2,599,657	2,411,243
	Liabilities of other segments	224,718	325,644
	Total liabilities of segments	**2,824,375**	**2,736,887**
	Short-term lease liabilities	20,567	-
	Current profit tax payable	39,709	34,708
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	774,202	569,061
22	Long-term borrowings, promissory notes	3,089,702	3,294,761
25	Long-term provisions (except for provision for decommissioning and site restoration)	326,888	239,523
23	Deferred tax liabilities	768,448	748,751
	Long-term lease liabilities	50,686	-
	Other non-current liabilities	68,759	110,758
	Dividends	3,667	7,586
	Inter-segment liabilities	(917,888)	(956,216)
	Other	217,546	248,468
	Total liabilities in the consolidated balance sheet	**7,266,661**	**7,034,287**

8 Cash and Cash Equivalents

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

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

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

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

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

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

(in millions of Russian Rubles)

9 Short-Term Financial Assets

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

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

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

10 Accounts Receivable and Prepayments

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

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

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

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

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

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

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

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

(in millions of Russian Rubles)

10 Accounts Receivable and Prepayments (continued)

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

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

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

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

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

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

[1] The accrual and release of allowance for expected credit losses of trade and other accounts receivable have been included in the line "(Impairment loss) reversal of impairment loss on financial assets" in the consolidated statement of comprehensive income.
[2] If there is no probability of cash receipt for the credit-impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that allowance.

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

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

(in millions of Russian Rubles)

11 Inventories

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

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

12 Other Current and Non-Current Assets

Other current assets are provided in the table below.

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

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

Notes		31 December 2019	31 December 2018
	Financial assets		
40	Derivative financial instruments	19,770	37,393
	Long-term deposits	3,277	1,432
		23,047	**38,825**
	Non-financial assets		
	Intangible assets	64,380	52,753
	VAT recoverable related to assets under construction	41,348	41,905
25	Net pension plan assets	26,547	140,878
	Other	234,274	255,901
		366,549	**491,437**
	Total other non-current assets	**389,596**	**530,262**

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

(in millions of Russian Rubles)

13 Property, Plant and Equipment

Notes		Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
	As of 31 December 2017								
	Cost	3,855,207	2,031,839	5,016,429	3,834,813	618,135	96,791	3,574,247	19,027,461
	Accumulated depreciation	(1,510,136)	(713,095)	(2,286,278)	(1,293,573)	(255,034)	(43,336)	-	(6,101,452)
	Impairment allowance	(445)	(78,112)	(72,488)	(34,265)	(6,368)	-	(189,252)	(380,930)
	Net book value as of 31 December 2017	**2,344,626**	**1,240,632**	**2,657,663**	**2,506,975**	**356,733**	**53,455**	**3,384,995**	**12,545,079**
	Cost								
	Additions	123	5,992	14,947	3,879	2,200	-	1,924,151	1,951,292
	Transfers	147,077	153,073	478,514	304,787	3,268	3,207	(1,089,926)	-
	Disposals	(11,264)	(60,297)	(107,237)	(95,433)	(4,668)	(11,731)	(41,132)	(331,762)
	Translation differences	11,230	69,499	46,604	31,608	18,137	212	109,191	286,481
	Accumulated depreciation and impairment allowance								
	Depreciation	(86,640)	(88,444)	(319,657)	(134,655)	(11,570)	(2,457)	-	(643,423)
	Disposals	7,929	10,017	68,056	23,956	-	547	3,499	114,004
	Translation differences	(7,328)	(25,771)	(22,548)	(14,461)	(10,213)	(52)	(10,456)	(90,829)
	Change in impairment allowance	(72)	(16,621)	(11,179)	2,304	(723)	-	4,883	(21,408)
	allowance accrual	(72)	(16,621)	(11,179)	-	(723)	-	(18,710)	(47,305)
	allowance release	-	-	-	2,304	-	-	23,593	25,897
	As of 31 December 2018								
	Cost	4,002,373	2,200,106	5,449,258	4,079,654	637,072	88,479	4,476,531	20,933,473
	Accumulated depreciation	(1,596,247)	(808,942)	(2,561,530)	(1,418,724)	(276,016)	(45,298)	-	(6,706,757)
	Impairment allowance	(445)	(103,084)	(82,565)	(31,970)	(7,892)	-	(191,326)	(417,282)
	Net book value as of 31 December 2018	**2,405,681**	**1,288,080**	**2,805,163**	**2,628,960**	**353,164**	**43,181**	**4,285,205**	**13,809,434**
	Cost								
14	Reclassification to right-of-use assets	-	-	(106,451)	(6,426)	-	-	-	(112,877)
	Additions	12	81,559	32,488	36,892	3,679	-	1,995,835	2,150,465
	Transfers	530,393	194,462	412,902	531,869	10,028	4,552	(1,684,206)	-
	Disposals	(4,395)	(17,925)	(66,624)	(36,169)	(5,920)	(2,664)	(133,816)	(267,513)
	Translation differences	(6,604)	(48,496)	(40,128)	(27,066)	(10,896)	(321)	(129,569)	(263,080)
	Accumulated depreciation and impairment allowance								
14	Reclassification to right-of-use assets	-	-	69,467	2,328	-	-	-	71,795
	Depreciation	(88,825)	(91,384)	(341,568)	(149,764)	(12,126)	(2,457)	-	(686,124)
	Disposals	3,982	7,790	53,830	17,406	129	843	21,507	105,487
	Translation differences	4,532	20,419	20,491	11,749	7,574	67	2,355	67,187
	Change in impairment allowance	-	(5,317)	(12,892)	(7,072)	-	-	6,955	(18,326)
	allowance accrual	-	(6,469)	(12,892)	(7,072)	-	-	(38,876)	(65,309)
	allowance release	-	1,152	-	-	-	-	45,831	46,983
	As of 31 December 2019								
	Cost	4,521,779	2,409,706	5,681,445	4,578,754	633,963	90,046	4,524,775	22,440,468
	Accumulated depreciation	(1,676,558)	(877,779)	(2,762,736)	(1,537,014)	(281,732)	(46,845)	-	(7,182,664)
	Impairment allowance	(445)	(102,739)	(92,031)	(39,033)	(6,599)	-	(160,509)	(401,356)
	Net book value as of 31 December 2019	**2,844,776**	**1,429,188**	**2,826,678**	**3,002,707**	**345,632**	**43,201**	**4,364,266**	**14,856,448**

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

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

For the impairment test the Group's assets are grouped into cash-generating units ("CGU") and their recoverable amount has been determined on the basis of the values in their use. The values in use of each

13 Property, Plant and Equipment (continued)

CGU have been calculated by the Group as the present values of forecasted future cash flows discounted using the rates derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations related assets.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(in millions of Russian Rubles)

13 Property, Plant and Equipment (continued)

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

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

[1] Including impairment allowance in the amount of RUB 512 million.
[2] Including impairment allowance in the amount of RUB 215 million.

14 Right-of-Use Assets

Notes		Operating assets	Social assets	Total
	Year ended 31 December 2019			
	Net book value as of 31 December 2018	-	-	-
	Initial recognition	148,877	31,408	180,285
5, 13	Reclassification from property, plant and equipment	41,082	-	41,082
	Net book value as of 1 January 2019	**189,959**	**31,408**	**221,367**
	Reclassification	25,992	(25,992)	-
	Depreciation	(37,726)	(1,424)	(39,150)
28	Impairment allowance accrual	(6,007)	-	(6,007)
	Additions as a result of new leases	40,995	3,622	44,617
	Effect of modification and changes of estimates in lease contracts	(150)	(108)	(258)
	Translation differences	(6,325)	-	(6,325)
	Net book value as of 31 December 2019	**206,738**	**7,506**	**214,244**
	As of 31 December 2019			
	Cost	250,471	8,930	259,401
	Accumulated depreciation and impairment allowance	(43,733)	(1,424)	(45,157)
	Net book value as of 31 December 2019	**206,738**	**7,506**	**214,244**

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

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

15 Goodwill

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

Notes		Year ended 31 December	
		2019	**2018**
	Goodwill at the beginning of the year	**108,097**	**105,469**
35	Additions	22,999	-
	Translation differences	(879)	2,629
	Impairment	(187)	-
	Disposals	(2)	(1)
	Goodwill at the end of the year	**130,028**	**108,097**

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December	
	2019	**2018**
Gas production, transportation and distribution	44,105	44,115
Production of crude oil and gas condensate	34,598	35,469
Electric and heat energy generation and sales	28,326	28,513
Production and maintenance of turbocompressor and power equipment	22,999	-
Total goodwill	**130,028**	**108,097**

(in millions of Russian Rubles)

15 Goodwil (continued)

Management has assessed the existence of indications of goodwill impairment. The procedure of calculating of the recoverable amount of a group of cash-generating units is described in Note 13.

As a result of this assessment the Group recognised impairment loss on goodwill in the amount of RUB 187 million and RUB nil million for the years ended 31 December 2019 and 31 December 2018, respectively.

16 Investments in Associates and Joint Ventures

			Carrying value as of 31 December		Share of profit (loss) of associates and joint ventures for the year ended 31 December	
Notes			**2019**	**2018**	**2019**	**2018**
36, 39	Gazprombank (Joint-stock Company) and its subsidiaries	Associate	211,171	166,218	11,585	13,126
36, 39	Sakhalin Energy Investment Company Ltd.	Associate	176,333	196,679	67,220	64,071
36	PJSC NGK Slavneft and its subsidiaries	Joint venture	159,420	152,495	8,912	11,882
36	JSC Arcticgas[1]	Joint venture	136,262	146,246	39,849	40,451
36, 39	Nord Stream AG	Joint venture	83,107	100,138	17,840	17,547
36	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries[2]	Joint venture	52,159	55,867	7,519	6,694
36	JSC Messoyakhaneftegas	Joint venture	45,350	36,837	25,814	28,172
36	JSC Gazstroyprom	Associate	43,129	-	1,911	-
36	JSC Achimgaz	Joint venture	34,888	37,310	14,079	13,399
25, 36	JSC NPF GAZFOND[3]	Associate	32,729	28,861	3,868	28,861
36	JSC EUROPOL GAZ	Associate	30,117	33,894	357	734
	Wintershall AG	Associate	15,590	18,026	(175)	(4)
36	KazRosGas LLP	Joint venture	12,949	11,758	2,580	464
36	CJSC Northgas	Joint venture	10,526	7,986	3,090	3,700
36	Wintershall Noordzee B.V.	Joint venture	5,309	8,125	(2,013)	383
36	JSC Latvijas Gaze and its subsidiaries	Associate	3,481	4,027	499	635
	Other (net of allowance for investments impairment in the amount of RUB 22,037 million and RUB 26,092 million as of 31 December 2019 and 31 December 2018, respectively)		130,342	92,979	4,192	2,368
			1,182,862	**1,097,446**	**207,127**	**232,483**

[1] In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised by merging with JSC Arcticgas (a former subsidiary of LLC SeverEnergy).
[2] In December 2019 WIGA Transport Beteiligungs-GmbH & Co. KG was reclassified from an associate into a joint venture due to amendments made to the company's Articles of Association, accordingly the investment into WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries as of 31 December 2019 became accounted for as the investment into a joint venture.
[3] In December 2018 the Group as one of the founders of NPF GAZFOND became the owner of 31 % of ordinary registered shares of JSC NPF GAZFOND established as a result of the reorganisation of NPF GAZFOND from a non-profit organisation to a joint-stock company. The Group's share in JSC NPF GAZFOND voting shares became 42 %. As a result of that transaction a lump-sum income in the amount of RUB 28,861 million was recognised.

Changes in the carrying amount of investment in associates and joint ventures are as follows:

	Year ended 31 December	
	2019	**2018**
Investments in associates and joint ventures at the beginning of the year	**1,097,446**	**867,445**
Share of profit of associates and joint ventures	207,127	232,483
Distributions from associates and joint ventures	(180,936)	(124,662)
Share of other comprehensive (loss) income of associates and joint ventures	(4,276)	13,923
Translation differences	(52,096)	68,454
Other acquisitions and disposals	115,597	39,803
Investments in associates and joint ventures at the end of the year	**1,182,862**	**1,097,446**

The estimated fair values of the Group's investments in associates and joint ventures which are based on published price quotations are as follows:

	31 December	
	2019	**2018**
JSC Latvijas Gaze	9,281	11,046

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

Significant associates and joint ventures

	Country of primary operations	Country of incorporation	Nature of operations	Ownership interest as of 31 December 2019	2018
JSC Arcticgas	Russia	Russia	Production of oil and petroleum gas	50	50
JSC Achimgaz	Russia	Russia	Exploration and production of gas and gas condensate	50	50
WIGA Transport Beteiligungs-GmbH & Co. KG	Germany	Germany	Gas transportation	50	50
Wintershall AG	Libya	Germany	Production of oil and gas sales	49	49
Gaz Project Development Central Asia AG	Uzbekistan	Switzerland	Gas production	50	50
Gazprombank (Joint-stock Company)[1]	Russia	Russia	Banking	48	48
JSC Gazstroyprom	Russia	Russia	Customer's and contractor's functions under construction contracts	49	-
JSC NPF GAZFOND[1]	Russia	Russia	Non-state pension provision	42	42
JSC EUROPOL GAZ	Poland	Poland	Transportation and gas sales	48	48
KazRosGas LLP	Kazakhstan	Kazakhstan	Gas processing and sales of gas and refined products	50	50
JSC Latvijas Gaze	Latvia	Latvia	Sale and distribution of gas	34	34
JSC Messoyakhaneftegas	Russia	Russia	Production of oil and petroleum gas	50	50
JSV Moldovagaz	Moldova	Moldova	Transportation and gas sales	50	50
Nord Stream AG[2]	Russia, Germany	Switzerland	Gas transportation	51	51
CJSC Northgas	Russia	Russia	Production and sales of gas and gas condensate	50	50
Panrusgas Co.	Hungary	Hungary	Gas sales	40	40
Prometheus Gas S.A.	Greece	Greece	Gas sales, construction	50	50
Sakhalin Energy Investment Company Ltd.	Russia	Bermuda Islands	Production of oil, LNG	50	50
PJSC NGK Slavneft	Russia	Russia	Production, processing and sales of oil	50	50

[1] Share in voting shares.
[2] Investment in the company is accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

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

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

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

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries[1]	Sakhalin Energy Investment Company Ltd.
As of 31 December 2019 and for the year ended 31 December 2019			
Cash and cash equivalents	2,771	739,024	27,748
Other current assets (excluding cash and cash equivalents)	97,774	5,066,684	107,141
Other non-current assets	502,000	682,101	799,744
Total assets	**602,545**	**6,487,809**	**934,633**
Current financial liabilities (excluding trade payables)	22,919	4,872,924	63,414
Other current liabilities (including trade payables)	65,474	113,674	128,715
Non-current financial liabilities	123,882	844,960	118,176
Other non-current liabilities	66,392	28,468	271,661
Total liabilities	**278,667**	**5,860,026**	**581,966**

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries[1]	Sakhalin Energy Investment Company Ltd.
Net assets (including non-controlling interest)	323,878	627,783	352,667
Ownership interest	50 %	48 %	50 %
Carrying value of investment	**159,420**	**211,171**	**176,333**
Revenue	316,084	270,566	386,709
Depreciation	(45,162)	(52,881)	(113,439)
Interest income	543	409,459	4,024
Interest expense	(6,755)	(266,705)	(12,915)
Profit tax expense	(8,644)	(15,429)	(73,600)
Profit for the year	**18,653**	**45,359**	**134,439**
Other comprehensive income for the year	**(520)**	**(5,614)**	**(136)**
Comprehensive income for the year	**18,133**	**39,745**	**134,303**
Dividends received from associates and joint ventures	**(3)**	**(3,089)**	**(65,466)**
As of 31 December 2018 and for the year ended 31 December 2018			
Cash and cash equivalents	3,448	1,049,343	32,675
Other current assets (excluding cash and cash equivalents)	89,057	4,648,318	156,895
Other non-current assets	459,041	740,041	913,361
Total assets	**551,546**	**6,437,702**	**1,102,931**
Current financial liabilities (excluding trade payables)	1,991	4,913,146	103,463
Other current liabilities (including trade payables)	60,520	127,054	142,865
Non-current financial liabilities	126,151	861,842	155,143
Other non-current liabilities	58,301	13,301	308,104
Total liabilities	**246,963**	**5,915,343**	**709,575**
Net assets (including non-controlling interest)	**304,583**	**522,359**	**393,356**
Ownership interest	50 %	48 %	50 %
Carrying value of investment	**152,495**	**166,218**	**196,679**
Revenue	314,332	287,415	392,816
Depreciation	(45,022)	(44,972)	(119,098)
Interest income	368	373,482	3,685
Interest expense	(5,276)	(234,801)	(13,590)
Profit tax expense	(7,682)	(13,521)	(81,586)
Profit for the year	**24,926**	**41,086**	**128,142**
Other comprehensive income for the year	**137**	**3,496**	**986**
Comprehensive income for the year	**25,063**	**44,582**	**129,128**
Dividends received from associates and joint ventures	**-**	**(3,086)**	**(74,433)**

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

	Assets	Liabilities	Revenues	Profit (loss)
As of 31 December 2019 and for the year ended 31 December 2019				
JSC Gazstroyprom	463,598	375,581	105,988	3,774
JSC NPF GAZFOND	454,054	375,224	-	24,168
JSC Arcticgas	419,362	171,170	196,395	79,696
Nord Stream AG	392,013	229,056	77,823	34,981
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	284,526	173,024	76,215	15,498
JSC Messoyakhaneftegas	221,692	131,417	141,449	51,632
JSC Achimgaz	103,132	33,354	68,882	28,158
JSC EUROPOL GAZ	64,028	1,287	15,164	782
Wintershall AG	58,940	36,092	8,898	(358)
Wintershall Noordzee B.V.	46,049	37,318	7,933	(4,025)
CJSC Northgas	45,993	24,006	21,136	6,179
KazRosGas LLP	33,382	7,483	51,611	5,159
JSC Latvijas Gaze and its subsidiaries	19,880	5,584	22,893	1,469

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

	Assets	Liabilities	Revenues	Profit (loss)
As of 31 December 2018 and for the year ended 31 December 2018				
Nord Stream AG	489,723	293,372	79,469	34,405
JSC Arcticgas	439,148	168,497	195,581	81,823
JSC NPF GAZFOND	427,516	358,003	-	14,616
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	321,523	188,493	76,008	13,780
JSC Messoyakhaneftegas	202,430	129,175	125,521	56,344
JSC Achimgaz	93,125	18,504	41,217	26,798
Wintershall AG	78,622	53,527	11,561	(8)
JSC EUROPOL GAZ	72,453	1,843	15,752	1,490
Wintershall Noordzee B.V.	54,408	39,943	14,643	765
CJSC Northgas	46,496	29,589	23,337	7,399
KazRosGas LLP	27,622	4,106	44,347	1,825
JSC Latvijas Gaze and its subsidiaries	25,210	8,067	26,095	1,865

17 Long-Term Accounts Receivable and Prepayments

	31 December 2019	31 December 2018
Financial assets		
Long-term accounts receivable	323,411	151,131
Long-term sublease receivables	15,008	-
	338,419	**151,131**
Non-financial assets		
Long-term prepayments	22,525	20,991
Advances for assets under construction	485,791	464,183
	508,316	**485,174**
Total long-term accounts receivable and prepayments	**846,735**	**636,305**

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 11,628 million and RUB 12,031 million as of 31 December 2019 and 31 December 2018, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,305 million and RUB 7,868 million as of 31 December 2019 and 31 December 2018, respectively.

As of 31 December 2019 and 31 December 2018 long-term accounts receivable and prepayments with carrying value RUB 360,944 million and RUB 172,122 million have an estimated fair value RUB 360,944 million and RUB 149,766 million, respectively.

	31 December 2019	31 December 2018
Long-term accounts receivable neither past due nor credit-impaired	355,704	172,101
Long-term accounts receivable past due and for which allowance for expected credit losses was accrued	12,552	12,040
Allowance for expected credit losses of long-term accounts receivable	(11,628)	(12,031)
Long-term accounts receivable past due but not credit-impaired	4,316	12
Total long-term accounts receivable and prepayments	**360,944**	**172,122**

(in millions of Russian Rubles)

17 Long-Term Accounts Receivable and Prepayments (continued)

	31 December 2019	31 December 2018
Loans receivable	214,179	59,983
Long-term trade accounts receivable	39,554	40,525
Other long-term accounts receivable[1]	101,971	71,593
Total long-term accounts receivable neither past due not credit-impaired	**355,704**	**172,101**

[1] Other long-term accounts receivable includes prepayments in the amount of RUB 22,525 million and RUB 20,991 million as of 31 December 2019 and 31 December 2018, respectively.

Management experience indicates that long-term loans to other entities granted mainly for capital construction purposes are of strong credit quality.

Movement of the Group's allowance for expected credit losses of long-term accounts receivable is presented in the table below.

	Year ended 31 December 2019	Year ended 31 December 2018
Allowance for expected credit losses of accounts receivable at the beginning of the year	**12,031**	**8,810**
Effect of changes in accounting policies	-	569
Accrual of allowance for expected credit losses of accounts receivable[1]	2,762	3,405
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(1,990)	(819)
Foreign exchange rate differences	(1,175)	66
Allowance for expected credit losses of accounts receivable at the end of the year	**11,628**	**12,031**

[1] The accrual and release of allowance for expected credit losses of long-term accounts receivable have been included in the line "Impairment loss on financial assets" in the consolidated statement of comprehensive income.

18 Long-Term Financial Assets

	31 December 2019	31 December 2018
Financial assets measured at fair value with changes recognised through profit or loss:	**2,447**	**2,131**
Equity securities	2,447	2,131
Financial assets measured at fair value with changes recognised through other comprehensive income:	**431,835**	**414,535**
Equity securities[1]	431,551	414,273
Promissory notes	284	262
Total long-term financial assets	**434,282**	**416,666**

[1] As of 31 December 2019 and 31 December 2018 equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 380,811 million and RUB 360,336 million, respectively.

Long-term financial assets are shown net of allowance for expected credit losses of RUB 34 million and RUB 35 million as of 31 December 2019 and 31 December 2018, respectively.

Long-term financial assets measured at fair value with changes recognised through other comprehensive income include promissory notes on Group companies' balances which are assessed by management as of high credit quality.

Movement in long-term financial assets is presented in the table below.

	Year ended 31 December 2019	Year ended 31 December 2018
Long-term financial assets at the beginning of the year	**416,666**	**268,432**
Increase in fair value of long-term financial assets	23,131	148,963
Acquisition of long-term financial assets	551	1,387
Disposal of long-term financial assets	(2,874)	(2,113)
Reclassification to short-term financial assets	(3,010)	-
Translation differences	(183)	-
Release (accrual) of allowance for expected credit losses of long-term financial assets	1	(3)
Long-term financial assets at the end of the year	**434,282**	**416,666**

(in millions of Russian Rubles)

18 Long-Term Financial Assets (continued)

As of the reporting date the maximum exposure to credit risk for this category of assets equals to the fair value of the promissory notes classified as financial assets measured at fair value with changes recognised through other comprehensive income. The fair value of financial assets measured at fair value with changes recognised through other comprehensive income mainly has been determined using the quoted market prices (see Note 40).

19 Accounts Payable and Provisions

Notes		31 December 2019	31 December 2018
	Financial liabilities		
	Trade accounts payable	498,181	473,027
	Accounts payable for acquisition of property, plant and equipment	331,364	319,660
40	Derivative financial instruments	99,998	99,490
	Lease liabilities	42,020	-
	Other accounts payable[1]	304,682	463,672
		1,276,245	1,355,849
	Non-financial liabilities		
	Advances received	143,934	164,167
	Accruals and deferred income	1,937	2,085
		145,871	166,252
	Total accounts payable and provisions	**1,422,116**	**1,522,101**

[1] As of 31 December 2019 and 31 December 2018 other accounts payable include RUB 93,542 million and RUB 33,228 million of accruals for probable price adjustments related to natural gas deliveries made from 2014 to 2019, respectively.

Fair values of these liabilities approximate the carrying values.

20 Taxes Other than on Profit and Fees Payable

	31 December 2019	31 December 2018
VAT	116,007	151,936
MET	86,712	114,078
Property tax	34,755	37,301
Excise tax	26,126	21,227
Other taxes	27,849	23,283
Total taxes and fees payable	**291,449**	**347,825**

21 Short-Term Borrowings, Promissory Notes and Current Portion of Long-Term Borrowings

	31 December 2019	31 December 2018
Short-term borrowings and promissory notes:		
Borrowings and promissory notes denominated in Russian Rubles	89,119	66,839
Foreign currency denominated borrowings	64,706	8,052
	153,825	74,891
Current portion of long-term borrowings (see Note 22)	620,377	494,170
Total short-term borrowings, promissory notes and current portion of long-term borrowings	**774,202**	**569,061**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2019	31 December 2018
Fixed rate short-term borrowings denominated in Russian Rubles	7.08 %	7.95 %
Fixed rate foreign currency denominated short-term borrowings	-	7.83 %
Variable rate short-term borrowings denominated in Russian Rubles	6.76 %	9.75 %
Variable rate foreign currency denominated short-term borrowings	1.42 %	3.48 %

Fair values of these liabilities approximate the carrying values.

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes

	Currency	Final maturity	31 December 2019	31 December 2018
Long-term borrowings, promissory notes:				
Intesa Sanpaolo Bank Luxembourg S.A.[1]	Euro	2021	153,452	-
Gazprombank (Joint-stock Company)	Russian Ruble	2027	101,018	-
Loan participation notes issued in September 2012[2]	US Dollar	2022	93,999	105,485
Loan participation notes issued in November 2013[2]	US Dollar	2023	93,370	104,779
Intesa Sanpaolo Bank Luxembourg S.A.[1]	Euro	2023	82,865	94,883
Loan participation notes issued in March 2007[3]	US Dollar	2022	82,136	92,174
Loan participation notes issued in August 2007[3]	US Dollar	2037	79,497	89,212
Loan participation notes issued in February 2019[3]	US Dollar	2026	78,246	-
J.P. Morgan Europe Limited[1]	Euro	2023	76,029	87,087
Loan participation notes issued in April 2004[3]	US Dollar	2034	75,407	84,622
Loan participation notes issued in March 2013[3]	Euro	2020	71,183	81,578
Loan participation notes issued in November 2018[3]	Euro	2024	70,686	79,045
Loan participation notes issued in November 2016[3]	Euro	2023	69,210	79,268
Loan participation notes issued in April 2017[3, 4]	British Pound Sterling	2024	68,120	78,028
Loan participation notes issued in July 2012[3]	US Dollar	2022	63,285	71,018
Bank of China Limited, London branch	Euro	2021	59,461	113,580
J.P. Morgan Europe Limited[1]	Euro	2022	59,150	78,987
Loan participation notes issued in February 2013[3]	US Dollar	2028	56,826	63,770
Loan participation notes issued in February 2014[3]	Euro	2021	53,590	61,412
Loan participation notes issued in March 2018[3]	Euro	2026	52,569	60,239
Loan participation notes issued in November 2017[3]	Euro	2024	51,719	59,243
Loan participation notes issued in February 2013[3]	US Dollar	2020	50,293	56,438
UniCredit S.p.A.	Euro	2025	48,379	55,427
Loan participation notes issued in March 2018[3]	Swiss Franc	2023	47,964	53,161
Loan participation notes issued in March 2017[3]	US Dollar	2027	46,647	52,340
UniCredit S.p.A.	Euro	2022	44,586	55,329
Loan participation notes issued in September 2013[3, 4]	British Pound Sterling	2020	41,937	48,058
Credit Agricole CIB	Euro	2023	41,455	47,467
Loan participation notes issued in November 2011[3]	US Dollar	2021	38,122	42,780
Loan issued in December 2018[5]	Japanese yen	2028	36,373	40,411
Loan participation notes issued in March 2013[3]	Euro	2025	35,853	41,089
Credit Agricole CIB	Euro	2022	34,706	55,722
Natixis[1]	Euro	2024	34,582	-
MUFG Bank Ltd.	Euro	2023	34,425	-
PJSC Sberbank	Euro	2023	33,687	29,861
Wintershall Nederland Transport and Trading B.V.[6]	Euro	2034	32,378	-
Uniper Gas Transportation and Finance B.V.[6]	Euro	2034	32,378	-
OMV Gas Marketing Trading & Finance B.V.[6]	Euro	2034	32,378	-
Shell Exploration and Production (LXXI) B.V.[6]	Euro	2034	32,378	-
Engie Energy Management Holding Switzerland AG[6]	Euro	2034	32,378	-
Loan participation notes issued in November 2016[3, 4]	Swiss Franc	2021	32,281	36,943
Loan participation notes issued in July 2017[3,4]	Swiss Franc	2022	31,637	36,207
PJSC Sberbank	Russian Ruble	2022	30,084	-
Citibank Europe plc[1]	Euro	2023	29,288	33,537
ING Bank, a branch of ING-DiBa AG	Euro	2023	27,606	31,611
China Construction Bank Corporation, Beijing branch[1]	US Dollar	2020	27,205	61,151

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 December 2019	31 December 2018
Wintershall Nederland Transport and Trading B.V.[6]	Euro	2035	26,775	26,978
Uniper Gas Transportation and Finance B.V.[6]	Euro	2035	26,775	26,978
OMV Gas Marketing Trading & Finance B.V.[6]	Euro	2035	26,773	26,975
Shell Exploration and Production (LXXI) B.V.[6]	Euro	2035	26,773	26,975
Engie Energy Management Holding Switzerland AG[6]	Euro	2035	26,773	26,975
Russian bonds issued in March 2018[2]	Russian Ruble	2024	25,542	25,538
Russian bonds issued in October 2017[2]	Russian Ruble	2022	25,382	25,376
Russian bonds issued in November 2019[2]	Russian Ruble	2024	25,166	-
UniCredit S.p.A.[1]	Euro	2021	24,257	6,339
Gazprombank (Joint-stock Company)	Russian Ruble	2022	22,700	-
JSC ALFA-BANK	US Dollar	2021	22,607	27,803
Russian bonds issued in December 2019[2]	Russian Ruble	2029	20,012	-
Gazprombank (Joint-stock Company)	Russian Ruble	2022	19,450	-
J.P. Morgan Europe Limited[1]	Euro	2020	18,308	42,007
PJSC Sberbank	Euro	2022	16,952	19,149
VTB Bank (Europe) SE	Euro	2027	15,613	20,276
Russian bonds issued in July 2019[7]	Russian Ruble	2024	15,535	-
Russian bonds issued in July 2018[8]	Russian Ruble	2048	15,513	15,509
Russian bonds issued in July 2018[8]	Russian Ruble	2048	15,513	15,509
Russian bonds issued in February 2017[7]	Russian Ruble	2027	15,508	15,505
Russian bonds issued in February 2017[7]	Russian Ruble	2027	15,508	15,505
Russian bonds issued in August 2017[2]	Russian Ruble	2024	15,487	15,482
Russian bonds issued in April 2017[2]	Russian Ruble	2022	15,289	15,282
Russian bonds issued in June 2019[7]	Russian Ruble	2022	15,089	-
Russian bonds issued in November 2013[8]	Russian Ruble	2043	15,081	15,074
Russian bonds issued in November 2013[8]	Russian Ruble	2043	15,081	15,074
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,000
JSC BANK “ROSSIYA”	Russian Ruble	2022	15,000	15,281
Gazprombank (Joint-stock Company)	Russian Ruble	2024	15,000	15,000
PJSC CREDIT BANK OF MOSCOW	Russian Ruble	2024	14,925	-
PJSC VTB Bank	Euro	2022	13,858	-
Deutsche Bank Luxembourg S.A.	Euro	2022	11,772	15,943
UniCredit Bank Austria AG	Euro	2021	11,116	21,254
Russian bonds issued in July 2018[8]	Russian Ruble	2033	10,342	10,340
Russian bonds issued in August 2016[2]	Russian Ruble	2046	10,324	10,322
Russian bonds issued in February 2011[2]	Russian Ruble	2021	10,321	10,319
Russian bonds issued in February 2018[7]	Russian Ruble	2028	10,247	10,245
Russian bonds issued in February 2018[7]	Russian Ruble	2028	10,247	10,245
JSC ALFA-BANK	Russian Ruble	2023	10,073	10,007
PJSC Promsvyazbank	Russian Ruble	2023	10,039	-
Russian bonds issued in December 2017[2]	Russian Ruble	2024	10,025	10,023
BNP Paribas S.A.[1]	Euro	2022	8,499	12,986
Russian bonds issued in June 2016[2]	Russian Ruble	2046	1,185	10,067
Loan participation notes issued in April 2009[3]	US Dollar	2019	-	159,040
Loan participation notes issued in October 2013[3]	Swiss Franc	2019	-	35,474
Wintershall Nederland Transport and Trading B.V.[6]	Euro	2019	-	26,245
Uniper Gas Transportation and Finance B.V.[6]	Euro	2019	-	26,245
Shell Exploration and Production (LXXI) B.V.[6]	Euro	2019	-	26,245
OMV Gas Marketing Trading & Finance B.V.[6]	Euro	2019	-	26,245
Engie Energy Management Holding Switzerland AG[6]	Euro	2019	-	26,243
Gazprombank (Joint-stock Company)	US Dollar	2019	-	25,009
Gazprombank (Joint-stock Company)	US Dollar	2019	-	22,925
PJSC Sberbank	Euro	2019	-	19,143

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

	Currency	Final maturity	31 December 2019	31 December 2018
Mizuho Bank Ltd.[1]	US Dollar	2019	-	17,339
Other long-term borrowings, promissory notes	Various	Various	497,826	515,495
Total long-term borrowings, promissory notes			**3,710,079**	**3,788,931**
Less current portion of long-term borrowings			(620,377)	(494,170)
			3,089,702	**3,294,761**

[1] Loans received from consortiums of banks, named lender is the bank-agent.
[2] Issuer of these bonds is PJSC Gazprom Neft.
[3] Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.
[4] According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of currency exchange rates set in the agreements).
[5] Issuer of these bonds is GazAsia Capital S.A.
[6] Borrowings were obtained for financing of the Nord Stream 2 project
[7] Issuer of these bonds is Gazprom capital LLC.
[8] Issuer of these bonds is PJSC Gazprom.

	31 December 2019	31 December 2018
Long-term borrowings and promissory notes		
denominated in Russian Rubles (including current portion of RUB 44,396 million and RUB 46,611 million as of 31 December 2019 and 31 December 2018, respectively)	845,269	694,548
denominated in foreign currency (including current portion of RUB 575,981 million and RUB 447,559 million as of 31 December 2019 and 31 December 2018, respectively)	2,864,810	3,094,383
	3,710,079	**3,788,931**

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

Due for repayment of long-term borrowings, promissory notes	31 December 2019	31 December 2018
between one and two years	448,815	607,775
between two and five years	1,637,203	1,654,576
after five years	1,003,684	1,032,410
	3,089,702	**3,294,761**

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,238,028 million and RUB 2,709,599 million and fair value of RUB 2,509,321 million and RUB 2,831,050 million as of 31 December 2019 and 31 December 2018, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,472,051 million and RUB 1,079,332 million and fair value is RUB 1,649,878 million and RUB 1,082,539 million as of 31 December 2019 and 31 December 2018, respectively.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2019	31 December 2018
Fixed rate long-term borrowings denominated in Russian Rubles	7.71 %	8.08 %
Fixed rate foreign currency denominated long-term borrowings	5.08 %	5.38 %
Variable rate long-term borrowings denominated in Russian Rubles	6.61 %	7.20 %
Variable rate foreign currency denominated long-term borrowings	2.66 %	2.46 %

As of 31 December 2019 and 31 December 2018 according to the agreements signed within the framework of financing the Nord Stream-2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

As of 31 December 2019 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur Gas Processing Plant, 99.9 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. No borrowings were made as of 31 December 2019.

(in millions of Russian Rubles)

22 Long-Term Borrowings, Promissory Notes (continued)

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

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

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

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

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

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

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

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Notes 31).

23 Profit Tax

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

		For the year ended 31 December	
Notes		**2019**	**2018**
	Profit before profit tax	1,627,065	1,852,562
	Theoretical tax charge calculated at applicable tax rates	(325,413)	(370,512)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses, including:		
	Tax losses for which no deferred tax asset was recognised	(7,246)	(14,261)
25	Provision for post-employment benefits	(6,448)	15,787
13	Provision for impairment of assets under construction	(2,792)	1,911
	Non-operating expenses	(20,222)	(31,839)
	Social expenses	(6,219)	(7,375)
	Other non-deductible expenses	(47,067)	(8,719)
15	Non-taxable share of profit of associates and joint ventures	41,425	46,497
	Other non-taxable income	16,434	44,945
	Profit tax expense	**(357,548)**	**(323,566)**

Differences between the recognition criteria of assets and liabilities reflected in IFRS financial statements and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

(in millions of Russian Rubles)

23 Profit Tax (continued)

	31 December 2017	Temporary differences of recognition and reversals: in profit or loss	Temporary differences of recognition and reversals: in other comprehensive income	31 December 2018	Effect of changes in accounting policies	1 January 2019	Temporary differences of recognition and reversals: in profit or loss	Temporary differences of recognition and reversals: in other comprehensive income	31 December 2019
Property, plant and equipment	(831,235)	(44,172)	-	(875,407)	2,619	(872,788)	(86,821)	6,052	(953,557)
Right-of-use assets	-	-	-	-	(31,023)	(31,023)	(2,301)	-	(33,324)
Financial assets	(4,574)	10,331	(4,044)	1,713	-	1,713	(1,187)	1,596	2,122
Account receivables	47,071	33,639	-	80,710	-	80,710	16,422	-	97,132
Inventories	(8,907)	14,152	-	5,245	-	5,245	(10,404)	-	(5,159)
Tax losses carry forward	13,341	3,505	-	16,846	-	16,846	8,605	-	25,451
Retroactive gas price adjustments	22,460	(15,801)	-	6,659	-	6,659	12,763	-	19,422
Lease liabilities	-	-	-	-	35,392	35,392	4,340	-	39,732
Accounts payable	53,859	(53,859)	-	-	-	-	-	-	-
Other deductible temporary differences	8,572	6,872	39	15,483	-	15,483	21,665	2,585	39,733
Total net deferred tax liabilities	**(699,413)**	**(45,333)**	**(4,005)**	**(748,751)**	**6,988**	**(741,763)**	**(36,918)**	**10,233**	**(768,448)**

Taxable temporary differences recognised for the years ended 31 December 2019 and 31 December 2018 include the effect of depreciation premium on certain items of property, plant and equipment. The positive tax effect on these differences for the year ended 31 December 2019 amounted to RUB 1,664 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit for the year ended 31 December 2019. The negative tax effect on these differences for the year ended 31 December 2018 was RUB 6,942 million and it was offset by the increase in the current profit tax by the corresponding this amount which did not have influence on profit for the year ended 31 December 2018.

Effective 1 January 2012, 55 major Russian subsidiaries of PJSC Gazprom formed a consolidated group of taxpayers ("CGT") with PJSC Gazprom acting as the responsible tax payer. Starting from 1 January 2013 the membership was expanded to 65 participants. Starting from 1 January 2014, the list of participants was 69. Starting from 1 January 2015 the number of participants was reduced to 65. Starting from 1 January 2016, the list of participants has been expanded to 67. In 2017, the number of participants did not change compared to 2016. Starting from 1 January 2018 the number of participants was reduced to 65. In 2019 the number of participants has not changed. In accordance with the Russian tax legislation, tax deductible losses can be offset against taxable profits among the companies within the CGT to the extent that profit or loss is recognised for tax purposes in the reporting year and, thus, is included into the tax base of the CGT. Tax assets recognised on losses prior to the formation of the CGT are written off.

24 Derivative Financial Instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting year. Fair values of derivatives are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

(in millions of Russian Rubles)

24 Derivative Financial Instruments (continued)

Fair value	**31 December 2019**	**2018**
Assets		
Commodity contracts	116,464	141,767
Foreign currency derivatives and currency and interest rate swaps	8,855	3,494
Other derivatives	4,405	-
	129,724	**145,261**
Liabilities		
Commodity contracts	108,509	134,800
Foreign currency derivatives and currency and interest rate swaps	2,901	3,052
Other derivatives	7,214	16,133
	118,624	**153,985**

Derivative financial instruments are mainly denominated in US dollars, Euros and British Pounds Sterling.

25 Provisions

	31 December 2019	**2018**
Provision for post-employment benefits	291,684	226,585
Provision for decommissioning and site restoration costs	279,895	166,799
Other	35,204	12,938
Total provisions	**606,783**	**406,322**

Provision for decommissioning and site restoration costs changed mainly due to a decrease in discount rate from 8.93 % to 6.59 % as of 31 December 2018 and 31 December 2019, respectively, and revised liquidation dates.

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

The amount of benefits provided depends on the time of service rendered by employees (length of service), salary in the last years preceding retirement, a predetermined fixed amount or a combination of these factors.

The principal actuarial assumptions used:

	31 December 2019	**2018**
Discount rate (nominal)	6.5 %	8.8 %
Future salary and pension increase (nominal)	4.0 %	5.0 %
Average expected retirement age, years	women 58, men 62	
Employee turnover ratio	age-related probability of resignation curve, 3.8 % on average	

The weighted average term of obligations to maturity is 11.5 years.

The assumptions related to the remaining life expectancy of employees at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2019 and 2018

Net liabilities or assets related to post-employment benefits recognised in the consolidated balance sheet are presented below.

	31 December 2019		**31 December 2018**	
	Pension plan provided through JSC NPF GAZFOND	**Other post-employment benefits**	**Pension plan provided through JSC NPF GAZFOND**	**Other post-employment benefits**
Present value of obligations	(404,997)	(291,684)	(332,493)	(226,585)
Fair value of plan assets	431,544	-	473,371	-
Total net assets (liabilities)	**26,547**	**(291,684)**	**140,878**	**(226,585)**

The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 26,547 million and RUB 140,878 million as of 31 December 2019 and 31 December 2018, respectively, are included within other non-current assets in the consolidated balance sheet (see Note 12).

(in millions of Russian Rubles)

25 Provisions (continued)

Changes in the present value of the defined benefit plan obligations and in the fair value of pension plan assets for the years ended 31 December 2019 and 31 December 2018 are presented below.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2018	**332,493**	**(473,371)**	**(140,878)**	**226,585**
Current service cost	10,109	-	10,109	12,861
Past service cost	(1,138)	-	(1,138)	3,164
Interest expense (income)	29,247	(41,834)	(12,587)	19,832
Total expenses included in the line "Staff costs" within operating expenses (see Note 28)	**38,218**	**(41,834)**	**(3,616)**	**35,857**
Remeasurement of provision for post-employment benefits:				
Actuarial losses – changes in financial assumptions	37,872	-	37,872	35,101
Actuarial losses – changes in demographic assumptions	2	-	2	53
Actuarial losses – experience adjustments	14,074	-	14,074	11,926
Expense on plan assets excluding amounts included in interest expense	-	87,696	87,696	-
Translation differences	-	-	-	(658)
Total included in other comprehensive income	**51,948**	**87,696**	**139,644**	**46,422**
Benefits paid	(17,662)	17,662	-	(17,180)
Employer's contributions	-	(21,697)	(21,697)	-
As of 31 December 2019	**404,997**	**(431,544)**	**(26,547)**	**291,684**
As of 31 December 2017	**422,641**	**(449,814)**	**(27,173)**	**258,132**
Current service cost	14,148	-	14,148	12,019
Past service cost	(94,678)	-	(94,678)	(27,499)
Interest expense (income)	32,115	(34,391)	(2,276)	19,349
Total expenses included in the line "Staff costs" within operating expenses (see Note 28)	**(48,415)**	**(34,391)**	**(82,806)**	**3,869**
Remeasurement of provision for post-employment benefits:				
Actuarial gains – changes in financial assumptions	(33,408)	-	(33,408)	(27,657)
Actuarial (gains) losses – changes in demographic assumptions	(91)	-	(91)	34
Actuarial losses – experience adjustments	7,372	-	7,372	17,030
Expense on plan assets excluding amounts included in interest expense	-	16,243	16,243	-
Translation differences	-	-	-	623
Total included in other comprehensive income	**(26,127)**	**16,243**	**(9,884)**	**(9,970)**
Benefits paid	(15,606)	15,606	-	(25,446)
Employer's contributions	-	(21,015)	(21,015)	-
As of 31 December 2018	**332,493**	**(473,371)**	**(140,878)**	**226,585**

(in millions of Russian Rubles)

25 Provisions (continued)

The major categories of plan assets allocation broken down by fair value and percentage of total plan assets are presented below.

	31 December 2019		31 December 2018	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
Quoted plan assets, including:	**306,468**	**71.0 %**	**223,912**	**47.3 %**
Bonds	208,449	48.3 %	136,582	28.9 %
Mutual funds	69,583	16.1 %	63,931	13.5 %
Shares	28,436	6.6 %	23,399	4.9 %
Unquoted plan assets, including:	**125,076**	**29.0 %**	**249,459**	**52.7 %**
Equities	85,563	19.8 %	177,325	37.5 %
Mutual funds	18,718	4.3 %	18,600	3.9 %
Deposits	9,579	2.2 %	9,708	2.0 %
Other assets	11,216	2.7 %	43,826	9.3 %
Total plan assets	**431,544**	**100 %**	**473,371**	**100 %**

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 568 million and RUB nil million as of 31 December 2019 and 31 December 2018, respectively.

Unquoted equities within the pension plan assets are represented by shares of Gazprombank (Joint-stock Company), which are measured at fair value (Level 2 in accordance with the fair value hierarchy) using market approach valuation techniques based on available market data.

For the years ended 31 December 2019 and 31 December 2018 actual return on pension plan assets was loss of RUB 45,862 million and gain of RUB 18,148 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit pension plan obligations to changes in the principal actuarial assumptions as of 31 December 2019 is presented in the table below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rate lower by 20 %	28,689	4.2 %
Mortality rate higher by 20 %	(23,940)	(3.5 %)
Discount rate lower by 1 pp	67,628	10.0 %
Discount rate higher by 1 pp	(56,724)	(8.4 %)
Pension and other benefits growth rate lower by 1 pp	(58,487)	(8.6 %)
Pension and other benefits growth rate higher by 1 pp	68,686	10.1 %
Staff turnover lower by 1 pp for all ages	35,385	5.2 %
Staff turnover higher by 1 pp for all ages	(30,295)	(4.5 %)
Retirement age lower by 1 year	22,833	3.4 %
Retirement age higher by 1 year	(22,985)	(3.4 %)

The Group expects to contribute RUB 42,500 million to the defined benefit pension plan in 2020.

Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for benefits that depend on salary level and are exposed to inflation risk.

In addition to the inflation risk, the pension plans of the Group are exposed to mortality risks and longevity risks.

26 Equity

Share Capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2019 and 31 December 2018 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2019 PJSC Gazprom declared and paid dividends in the nominal amount of 16.61 Russian Rubles per share based on the results for the year ended 31 December 2018. In 2018 PJSC Gazprom declared and paid dividends in the nominal amount of 8.04 Russian Rubles per share based on the results for the year ended 31 December 2017.

26 Equity (continued)

Treasury Shares

As of 31 December 2019 and 31 December 2018 subsidiaries of PJSC Gazprom held 29 million and 1,573 million PJSC Gazprom's ordinary shares, respectively, including American depositary receipts in the amount of nil million and 639 million PJSC Gazprom's ordinary shares as of 31 December 2019 and 31 December 2018, respectively, which were accounted for as treasury shares.

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

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

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

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

Retained Earnings and Other Reserves

Retained earnings and other reserves include the effect of the consolidated financial statements restatement to the Russian Ruble purchasing power equivalent as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 672,165 million and RUB 843,598 million as of 31 December 2019 and 31 December 2018, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may be continued in the future. Social assets with a net book value of RUB 50 million and RUB 13 million were transferred to governmental authorities in 2018 and 2019, respectively. Cost of assets transferred was recorded as a reduction of retained earnings and other reserves.

(in millions of Russian Rubles)

27 Sales

	Year ended 31 December 2019	Year ended 31 December 2018
Gas sales gross of excise tax and customs duties:		
Russian Federation	970,913	954,493
Former Soviet Union (excluding Russian Federation)	393,526	389,217
Europe and other countries	3,163,881	3,770,291
	4,528,320	5,114,001
Customs duties	(653,035)	(804,987)
Excise tax	(57,898)	(54,681)
Retroactive gas price adjustments[1]	(16,657)	49,338
Total gas sales	3,800,730	4,303,671
Sales of refined products:		
Russian Federation	1,355,139	1,394,137
Former Soviet Union (excluding Russian Federation)	126,311	144,658
Europe and other countries	629,731	640,977
Total sales of refined products	2,111,181	2,179,772
Sales of crude oil and gas condensate:		
Russian Federation	62,173	64,645
Former Soviet Union (excluding Russian Federation)	41,865	38,748
Europe and other countries	648,752	631,560
Total sales of crude oil and gas condensate	752,790	734,953
Electric and heat energy sales:		
Russian Federation	495,581	501,362
Former Soviet Union (excluding Russian Federation)	3,345	5,090
Europe and other countries	19,447	15,643
Total electric and heat energy sales	518,373	522,095
Gas transportation sales:		
Russian Federation	210,265	220,488
Former Soviet Union (excluding Russian Federation)	2,690	2,758
Europe and other countries	2,380	2,427
Total gas transportation sales	215,335	225,673
Other sales:		
Russian Federation	215,659	210,149
Former Soviet Union (excluding Russian Federation)	7,490	8,064
Europe and other countries	38,065	39,800
Total other sales	261,214	258,013
Total sales	**7,659,623**	**8,224,177**

[1] The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments for the years ended 31 December 2019 and 31 December 2018 were recorded as the decrease of sales by RUB 16,657 million and the increase of sales by RUB 49,338 million, respectively.
The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 90,673 million and RUB 92,253 million for the years ended 31 December 2019 and 31 December 2018, respectively.

(in millions of Russian Rubles)

28 Operating Expenses

	Year ended 31 December	
	2019	**2018**
Taxes other than on profit	1,409,248	1,498,278
Purchased gas and oil	1,403,572	1,468,885
Staff costs	749,708	600,812
Depreciation	715,229	647,993
Transit of gas, oil and refined products	665,552	650,829
Materials	274,821	264,190
Cost of goods for resale, including refined products	253,121	249,911
Repairs and maintenance	149,939	137,821
Electricity and heating	120,154	114,465
Foreign exchange differences on operating items	78,287	(28,029)
Social expenses	45,114	42,789
Insurance	32,135	32,628
Impairment loss on non-financial assets	29,382	21,743
Transportation expenses	27,541	24,544
Processing services	20,718	18,961
Research and development	19,226	13,591
Lease	16,585	37,177
Derivatives (gain) loss	(15,225)	1,849
Other	515,032	427,990
	6,510,139	**6,226,427**
Change in balances of finished goods, work in progress and other effects	(123,068)	(45,236)
Total operating expenses	**6,387,071**	**6,181,191**

Taxes other than on profit consist of:

	Year ended 31 December	
	2019	**2018**
MET	1,115,003	1,163,882
Property tax	148,634	162,928
Excise tax	113,528	157,113
Other	32,083	14,355
Total taxes other than on profit	**1,409,248**	**1,498,278**

Gas purchase expenses included within purchased gas and oil amounted to RUB 914,293 million and RUB 976,849 million for the years ended 31 December 2019 and 31 December 2018, respectively.

Staff costs include RUB 32,241 million of expenses and RUB 78,937 million of income for provision for post-employment benefits for the years ended 31 December 2019 and 31 December 2018, respectively (see Note 25).

The impairment loss on assets is presented below.

Notes		Year ended 31 December	
		2019	**2018**
10, 17	Impairment loss on trade accounts receivable	116,946	125,828
	Impairment loss on other accounts receivable and loans receivable	10,792	5,143
	Total impairment loss on financial assets	**127,738**	**130,971**
13, 14	Impairment loss on property, plant and equipment and assets under construction[1]	24,731	21,408
	Impairment loss on advances paid and prepayments	4,789	482
	(Reversal of impairment loss) impairment loss on investments in associates and joint ventures	(292)	306
	Impairment loss (reversal of impairment loss) on other assets	154	(453)
	Total impairment loss on non-financial assets	**29,382**	**21,743**

[1] Including impairment loss on right-of-use assets.

(in millions of Russian Rubles)

29 Finance Income and Expense

	Year ended 31 December	
	2019	**2018**
Foreign exchange gain	563,990	430,439
Interest income	90,926	72,652
Total finance income	**654,916**	**503,091**
Foreign exchange loss	278,409	762,664
Interest expense	76,426	50,378
Total finance expense	**354,835**	**813,042**

Total interest paid amounted to RUB 171,028 million and RUB 173,174 million for the years ended 31 December 2019 and 31 December 2018, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 16,847 million for the year ended 31 December 2019.

Foreign exchange gain and loss for the years ended 31 December 2019 and 31 December 2018 were recognised as a result of change in the Euro and US Dollar exchange rates against to the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in a foreign currency.

30 Reconciliation of Profit, Disclosed in Consolidated Statement of Financial Results, Prepared in Accordance with Russian Statutory Accounting (RSA) to Profit Disclosed in IFRS Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2019	**2018**
RSA profit for the year per consolidated statutory accounts	**656,522**	**1,056,004**
Effect of IFRS adjustments:		
Differences in depreciation of property, plant and equipment and intangible assets	372,777	409,273
Borrowing costs capitalised	146,978	155,107
Reversal of goodwill amortisation	62,930	62,896
Classification of gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(22,631)	(148,963)
Impairment loss on assets and changes in provisions, including provision for post-employment benefits	30,283	45,701
Differences in property, plant and equipment disposal	14,531	(1,316)
Difference in share of profit of associates and joint ventures	(31,935)	(20,945)
Write-off of research and development expenses capitalised for RSA purposes	(5,045)	(3,727)
Other	45,107	(25,034)
IFRS profit for the year	**1,269,517**	**1,528,996**

31 Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

Basic earnings per share attributable to the owners of PJSC Gazprom have been calculated by dividing the profit for the year attributable to the owners of PJSC Gazprom by the annual weighted average number of ordinary shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 26).

There were 22.5 billion and 22.1 billion of weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, for the years ended 31 December 2019 and 31 December 2018, respectively.

The Group has no dilutive financial instruments.

(in millions of Russian Rubles)

32 Net Cash from Operating Activities

Notes		Year ended 31 December 2019	2018
	Profit before profit tax	**1,627,065**	**1,852,562**
	Adjustments to profit before profit tax		
28	Depreciation	715,229	647,993
29	Net finance (income) expense	(300,081)	309,951
16	Share of profit of associates and joint ventures	(207,127)	(232,483)
	Impairment loss on assets and change in provision for post-employment benefits	189,361	73,777
28	Derivatives (gain) loss	(15,225)	1,849
	Other	76,662	17,674
	Total effect of adjustments	458,819	818,761
	Cash flows from operating activities before working capital changes	2,085,884	2,671,323
	Increase in non-current assets	(20,119)	(11,307)
	Increase in non-current liabilities	13,185	2,371
		2,078,950	2,662,387
	Changes in working capital:		
	Decrease (increase) decrease in accounts receivable and prepayments	96,617	(244,707)
	Increase in inventories	(84,359)	(137,799)
	Decrease (increase) in other current assets	131,098	(526,057)
	(Decrease) increase in accounts payable, excluding interest, dividends and capital construction	(93,352)	94,669
	Settlements on taxes and fees payable (other than profit tax)	(65,354)	69,864
	(Increase) decrease in financial assets	(29,294)	3,759
	Total effect of working capital changes	(44,644)	(740,271)
	Profit tax paid	(324,922)	(304,732)
	Net cash from operating activities	**1,709,384**	**1,617,384**

The following taxes and other similar payments were paid in cash during 2019 and 2018:

	Year ended 31 December 2019	2018
MET	1,142,366	1,146,040
Customs duties	790,087	931,762
Profit tax	324,922	304,732
Excise tax	212,282	270,651
VAT	186,481	167,800
Property tax	152,853	158,905
Insurance contributions	142,193	137,057
Personal income tax	76,072	74,021
Additional income tax for hydrocarbon producers	10,394	-
Other taxes	39,500	50,015
Total taxes paid	**3,077,150**	**3,240,983**

33 Subsidiaries

Significant Subsidiaries

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2019	2018
LLC Aviapredpriyatie Gazprom avia	Russia	100	100
WIBG GmbH	Germany	100	100
WIEH GmbH	Germany	100	100
WINGAS GmbH	Germany	100	100
OJSC Vostokgazprom	Russia	100	100
LLC Gazprom activy SPG	Russia	100	-
CJSC Gazprom Armenia	Armenia	100	100
JSC Gazprom gazoraspredelenie	Russia	100	100
LLC Gazprom geologorazvedka	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Gerosgaz Holdings B.V.	Netherlands	100	100
LLC Gazprom dobycha Astrakhan	Russia	100	100
LLC Gazprom dobycha Krasnodar	Russia	100	100
LLC Gazprom dobycha Nadym	Russia	100	100

(in millions of Russian Rubles)

33 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2019	2018
LLC Gazprom dobycha Noyabrsk	Russia	100	100
LLC Gazprom dobycha Orenburg	Russia	100	100
LLC Gazprom dobycha Urengoy	Russia	100	100
LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk	Russia	100	100
LLC Gazprom dobycha Yamburg	Russia	100	100
LLC Gazprom invest	Russia	100	100
LLC Gazprom invest RGK	Russia	100	100
LLC Gazprom investgazifikatsiia	Russia	100	100
LLC Gazprom capital	Russia	100	100
LLC Gazprom komplektatciya	Russia	100	100
JSC Gazprom Space Systems	Russia	80	80
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
Gazprom Marketing and Trading Retail Ltd.	United Kingdom	100	100
LLC Gazprom mezhregiongaz	Russia	100	100
LLC Gazprom mezhregiongaz Moskva	Russia	100	100
JSC Gazprom mezhregiongaz Nizhny Novgorod	Russia	51	51
LLC Gazprom mezhregiongaz Sankt-Peterburg	Russia	100	100
LLC Gazprom neftekhim Salavat	Russia	100	100
PJSC Gazprom Neft	Russia	96	96
Gazprom Neft Badra B.V.[2]	Netherlands	100	100
Gazprom Neft Trading GmbH[2]	Austria	100	100
LLC Gazprom neft shelf[2]	Russia	100	100
LLC Gazprom Novourengoysky gazohimicheskii kompleks	Russia	100	100
LLC Gazprom pererabotka	Russia	100	100
LLC Gazprom pererabotka Blagoveshchensk	Russia	100	100
LLC Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holdings B.V.	Netherlands	100	100
LLC Gazprom sotsinvest	Russia	100	100
JSC Gazprom teploenergo	Russia	100	100
OJSC Gazprom transgaz Belarus	Belorussia	100	100
LLC Gazprom transgaz Volgograd	Russia	100	100
LLC Gazprom transgaz Ekaterinburg	Russia	100	100
LLC Gazprom transgaz Kazan	Russia	100	100
LLC Gazprom transgaz Krasnodar	Russia	100	100
LLC Gazprom transgaz Moskva	Russia	100	100
LLC Gazprom transgaz Nizhny Novgorod	Russia	100	100
LLC Gazprom transgaz Samara	Russia	100	100
LLC Gazrpom transgaz Sankt-Peterburg	Russia	100	100
LLC Gazprom transgaz Saratov	Russia	100	100
LLC Gazprom transgaz Stavropol	Russia	100	100
LLC Gazprom transgaz Surgut	Russia	100	100
LLC Gazprom transgaz Tomsk	Russia	100	100
LLC Gazprom transgaz Ufa	Russia	100	100
LLC Gazprom transgaz Ukhta	Russia	100	100
LLC Gazprom transgaz Tchaikovsky	Russia	100	100
LLC Gazprom transgaz Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
LLC Gazprom flot	Russia	100	100
Gazprom Holding Cooperatie U.A.	Netherlands	100	100
LLC Gazprom tsentrremont	Russia	100	100
GAZPROM Schweiz AG	Switzerland	100	100
LLC Gazprom export	Russia	100	100
JSC Gazprom energosbyt	Russia	82	58
LLC Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
LLC Gazpromneft Marine Bunker[2]	Russia	100	100
JSC Gazpromneft-Aero[2]	Russia	100	100
LLC Gazpromneft-Aero Sheremetyevo[2]	Russia	100	100
LLC Gazpromneft-Bitumen Materials[2]	Russia	100	100

(in millions of Russian Rubles)

33 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2019	2018
LLC Gazpromneft-Vostok[2]	Russia	51	51
LLC Gazpromneft Corporate Sales[2]	Russia	100	100
JSC Gazpromneft - MNPZ[2]	Russia	100	100
JSC Gazpromneft-Noyabrskneftegaz[2]	Russia	100	100
JSC Gazpromneft - ONPZ[2]	Russia	100	100
LLC Gazpromneft-Orenburg[2]	Russia	100	100
LLC Gazprom Neft Development[2]	Russia	100	100
LLC Gazpromneft Regional Sales[2]	Russia	100	100
LLC Gazpromneft-Lubricants[2]	Russia	100	100
LLC Gazpromneft-Khantos[2]	Russia	100	100
LLC Gazpromneft-Centr[2]	Russia	100	100
LLC Gazpromneft-Yamal[2]	Russia	100	100
LLC Gazpromtrans	Russia	100	100
OJSC Gazpromtrubinvest	Russia	100	100
Gazfin Cyprus Limited	Cyprus	100	100
LLC GPN-Invest[2]	Russia	100	100
LLC GPN-Finans[2]	Russia	100	100
PJSC Mosenergo[3]	Russia	54	54
PJSC MIPC[3]	Russia	99	99
Naftna Industrija Srbije a.d.[2]	Serbia	56	56
Nord Stream 2 AG	Switzerland	100	100
PJSC WGC-2[3]	Russia	79	80
South Stream Transport B.V.	Netherlands	100	100
OJSC Severneftegazprom[3]	Russia	50	50
LLC Sibmetakhim	Russia	100	100
PJSC TGC-1	Russia	52	52
JSC Teploset Sankt-Peterburga	Russia	72	75
JSC Tomskgazprom	Russia	100	100
LLC Faktoring-Finance	Russia	100	100
PJSC Centerenergoholding	Russia	100	100

[1] Cumulative share of the Group in share capital of investees.
[2] Subsidiaries of PJSC Gazprom Neft.
[3] Share in voting shares.

34 Non-Controlling Interest

Notes		Year ended 31 December 2019	2018
	Non-controlling interest at the end of the previous year	**476,144**	**386,395**
5	Effect of changes in accounting policies	(870)	(140)
	Non-controlling interest at the beginning of the year (restated)	**475,274**	**386,255**
	Non-controlling interest share of profit of subsidiaries[1]	66,630	72,726
	Change in ownership interest in PJSC WGC-2	1,715	79
	Change in ownership interest in JSC Teploset Sankt-Peterburga[2]	1,206	-
35	Acquisition of interest in JSC REPH	(5,102)	-
	Change in ownership interest in JSC Gazprom energosbyt	(1,112)	-
	Change in ownership interest in LLC Ural special valve plant[3]	(718)	661
	Change in ownership interest in PJSC Mosenergo	(229)	-
	Change in ownership interest in PJSC MIPC	(41)	145
	Change in ownership interest in LLC Gazpromneft-Vostok[4]	-	21,279
	Change in ownership interest in JSC Gazprom gazoraspredelenie Sever	-	(2,910)
	Change in the non-controlling interest as a result of other acquisitions and disposals	200	217
	Gain from hedging operations, net of tax	14	632
	Remeasurement of provision for post-employment benefits	(278)	122
	Dividends	(15,973)	(15,135)
	Translation differences	(10,732)	12,690
	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	(617)
	Non-controlling interest at the end of the year	**510,854**	**476,144**

[1] Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 8,167 million and RUB 7,470 million for the years ended 31 December 2019 and 31 December 2018, respectively.
[2] Subsidiary of PJSC TGC-1.
[3] Subsidiary of LLC Gazprom neftekhim Salavat.
[4] Subsidiary of PJSC Gazprom Neft.

(in millions of Russian Rubles)

34 Non-Controlling Interest (continued)

The following table provides information about all subsidiaries that have non-controlling interests that are significant to the Group:

	Country of primary operation	Ownership interest held by non-controlling interest[1]	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends accrued to non-controlling interest during the year
As of 31 December 2019 and for the year ended 31 December 2019					
Gazprom Neft Group[2]	Russia	4 %	49,711	254,700	8,320
Naftna Industrija Srbije a.d. Group	Serbia	46 %	4,712	84,041	1,852
Mosenergo Group	Russia	46 %	2,981	109,377	3,853
TGC-1 Group	Russia	48 %	5,365	73,640	1,198
WGC-2 Group	Russia	21 %	2,062	35,278	771
As of 31 December 2018 and for the year ended 31 December 2018					
Gazprom Neft Group[2]	Russia	4 %	47,280	224,980	7,114
Naftna Industrija Srbije a.d. Group	Serbia	46 %	7,296	92,673	2,016
Mosenergo Group	Russia	46 %	16,568	110,507	3,044
TGC-1 Group	Russia	48 %	2,163	68,355	910
WGC-2 Group	Russia	20 %	2,201	32,329	341

[1] Effective share held by non-controlling interest in share capital of investments.
[2] Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

The summarised financial information of these subsidiaries before inter-company eliminations is presented in the table below:

	Gazprom Neft Group[1]	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of 31 December 2019 and for the year ended 31 December 2019					
Current assets	734,356	57,323	91,065	28,443	42,450
Non-current assets	3,315,542	241,009	177,152	170,266	205,500
Current liabilities	509,396	38,463	16,743	28,312	37,065
Non-current liabilities	1,143,867	59,218	38,669	27,190	60,753
Sales	2,416,322	166,202	190,843	97,415	135,228
Profit for the year	416,481	9,460	7,939	12,136	9,835
Comprehensive income for the year	386,505	9,556	7,877	11,961	9,564
Net cash from (used in):					
operating activities	585,288	34,963	30,645	23,830	31,951
investing activities	(312,095)	(28,594)	(47,463)	(23,370)	(36,126)
financing activities	(306,208)	(6,500)	12,287	(6,128)	(2,201)

(in millions of Russian Rubles)

34 Non-Controlling Interest (continued)

	Gazprom Neft Group[1]	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of 31 December 2018 and for the year ended 31 December 2018					
Current assets	652,207	66,310	83,237	25,970	34,821
Non-current assets	3,080,495	262,190	187,880	152,490	224,191
Current liabilities	562,466	37,010	17,438	19,904	27,185
Non-current liabilities	1,015,841	69,569	15,681	26,325	69,208
Sales	2,393,980	176,148	199,647	92,659	143,416
Profit for the year	394,779	15,166	21,038	85	19,979
Comprehensive income for the year	447,292	15,191	19,720	269	20,110
Net cash from (used in):					
operating activities	505,017	20,844	36,220	19,554	30,940
investing activities	(352,953)	(20,777)	(14,106)	(11,327)	(12,262)
financing activities	(3,470)	(7,372)	(26,558)	(8,651)	(17,364)

[1] Including data of Naftna Industrija Srbije a.d. Group.

The rights of the holders of non-controlling interests of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiaries.

35 Acquisition of a subsidiary

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

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

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

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

As a result of the transaction, goodwill was recognised in the provisional amount of RUB 22,999 million (see Note 15). The Group's share in the voting shares of the JSC REPH amounted to 72 %.

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

(in millions of Russian Rubles)

35 Acquisition of a subsidiary (continued)

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

	Provisional fair value
Current assets	
Cash and cash equivalents	3,260
Accounts receivable and prepayments	7,710
VAT recoverable	94
Inventories	13,519
	24,583
Non-current assets	
Property, plant and equipment	6,784
Long-term accounts receivable and prepayments	252
Deferred tax assets	2,399
Other non-current liabilities	1,368
	10,803
Total assets	**35,386**
Current liabilities	
Accounts payable, provisions and other liabilities	11,013
	11,013
Non-current liabilities	
Long-term borrowings, promissory notes	42,139
Deferred tax liabilities	335
	42,474
Total liabilities	**53,487**
Non-controlling interest before the acquisition	**67**
Net assets on the acquisition date	**(18,034)**
Compensation payment	**10,000**
Non-controlling interest	**5,035**
Goodwiil	**22,999**

If the acquisition had occurred on 1 January 2019, the Group's sales for the year ended 31 December 2019 would have increased by RUB 10,523 million, and the Group's profit before profit tax for the year ended 31 December 2019 would have decreased by RUB 2,795 million.

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

36 Related Parties

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

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

Government (Russian Federation)

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

As of 31 December 2019 the Government directly owns 38.373 % of PJSC Gazprom's issued shares. JSC Rosneftegaz and JSC Rosgazifikatsiya controlled by the Government own 11.859 % of PJSC Gazprom's issued shares.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group's financial position, performance and cash flows.

(in millions of Russian Rubles)

36 Related Parties (continued)

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Parties Under the Government Control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 December 2019 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the FAS.

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

As of 31 December 2019 and 31 December 2018 and for the years ended 31 December 2019 and 31 December 2018 the Group's significant transactions and balances with the Government and parties under the Government control are presented below:

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with the Government				
Current profit tax	9,021	31,567	-	308,447
Insurance contributions	1,856	11,708	-	149,904
VAT	297,217	105,070	-	-
Customs duties	26,595	-	-	-
MET	11	86,565	-	1,114,130
Other taxes	19,855	66,948	-	196,717
Transactions and balances with entities under the Government control				
Gas sales	-	-	153,859	-
Electric and heat energy sales	-	-	178,323	-
Gas transportation sales	-	-	43,890	-
Other sales	-	-	5,510	-
Transit of oil and refined products expenses	-	-	-	136,222
Interest expense	-	-	-	15,969
Cash and cash equivalents	61,072	-	-	-
Short-term deposits	4,815	-	-	-
Long-term deposits	1,867	-	-	-
Accounts receivable	47,390	-	-	-
Short-term financial assets	27,792	-	-	-
Long-term financial assets	6,002	-	-	-
Accounts payable	-	27,033	-	-
Borrowings	-	195,297	-	-
Short-term lease liabilities	-	7,671	-	-
Long-term lease liabilities	-	84,428	-	-

(in millions of Russian Rubles)

36 Related Parties (continued)

	As of 31 December 2018		Year ended 31 December 2018	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	5,011	26,296	-	264,017
Insurance contributions	1,526	9,449	-	141,271
VAT	304,159	140,085	-	-
Customs duties	11,187	-	-	-
MET	118	113,823	-	1,162,967
Other taxes	4,938	59,078	-	237,566
Transactions and balances with entities under the Government control				
Gas sales	-	-	144,411	-
Electric and heat energy sales	-	-	174,512	-
Gas transportation sales	-	-	45,291	-
Other sales	-	-	9,271	-
Transit of oil and refined products expenses	-	-	-	128,723
Interest expense	-	-	-	10,431
Cash and cash equivalents	119,139	-	-	-
Short-term deposits	35,848	-	-	-
Long-term deposits	9	-	-	-
Accounts receivable	45,104	-	-	-
Short-term financial assets	20,315	-	-	-
Long-term financial assets	4,742	-	-	-
Accounts payable	-	18,671	-	-
Borrowings	-	206,681	-	-

The recognised right-of-use assets amounted to RUB 5,154 million for the year ended 31 December 2019.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2019 and 31 December 2018. See Note 13 for the net book values as of 31 December 2019 and 31 December 2018 of social assets vested to the Group at privatisation.

Transactions with JSC FSC

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

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

	As of 31 December 2019		Year ended 31 December 2019	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	164,247	-
Electricity and heating expenses	-	-	-	24,033
Accounts receivable	5,893	-	-	-
Accounts payable	-	1,978	-	-

	As of 31 December 2018		Year ended 31 December 2018	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	157,705	-
Electricity and heating expenses	-	-	-	27,032
Accounts receivable	6,920	-	-	-
Accounts payable	-	1,975	-	-

Compensation for Key Management Personnel

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities, amounted to approximately RUB 3,180 million and RUB 4,312 million for the years ended 31 December 2019 and 31 December 2018, respectively.

(in millions of Russian Rubles)

36 Related Parties (continued)

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

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

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

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND, and lump-sum payments from the Group's entities provided upon retirement (see Note 25).

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

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

Associates and Joint Ventures

For the years ended 31 December 2019 and 31 December 2018 and also as of 31 December 2019 and 31 December 2018 the Group's significant transactions and balances with associates and joint ventures are presented below.

	Year ended 31 December	
	2019	**2018**
	Income	
Gas sales		
Panrusgas Co.	44,099	62,906
JSV Moldovagaz	29,937	29,421
CJSC Gazprom YRGM Trading[1]	18,110	16,709
KazRosGas LLP	17,441	7,762
JSC Gazprom YRGM Development[1]	12,936	11,935
JSC Latvijas Gaze	8,972	16,095
Prometheus Gas S.A.	8,554	10,439
JSC EUROPOL GAZ	2,494	2,715
VEMEX s.r.o. and its subsidiaries	561	2,978
Bosphorus Gaz Corporation A.S.	-	8,784
Gas transportation sales		
CJSC Gazprom YRGM Trading[1]	25,336	25,430
JSC Gazprom YRGM Development[1]	18,097	18,164
KazRosGas LLP	2,689	2,758
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	38,479	45,541
JSC SOVEX	6,553	6,761
LLC NPP Neftekhimia	4,538	4,915
LLC Poliom	4,050	4,796
Sakhalin Energy Investment Company Ltd.	3,648	3,078
Field operator services sales and other services sales		
JSC Messoyakhaneftegas	3,467	3,632
PJSC NGK Slavneft and its subsidiaries	2,725	2,612
Sakhalin Energy Investment Company Ltd.	1,521	1,390
Gas refining services sales		
KazRosGas LLP	10,993	10,075
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	44,929	37,153
JSC Messoyakhaneftegas	-	551

(in millions of Russian Rubles)

36 Related Parties (continued)

	Year ended 31 December	
	2019	**2018**
Other operating income (rental income)		
Sakhalin Energy Investment Company Ltd.	775	3,301
	Expenses	
Purchased gas		
CJSC Gazprom YRGM Trading[1]	56,230	62,725
JSC Gazprom YRGM Development[1]	40,189	44,832
KazRosGas LLP	37,384	30,025
JSC Arcticgas	31,771	30,438
Sakhalin Energy Investment Company Ltd.	15,249	18,741
CJSC Northgas	6,246	6,256
Transit of gas		
Nord Stream AG	77,433	79,568
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	34,493	37,258
JSC EUROPOL GAZ	12,933	13,959
JSV Moldovagaz	1,849	3,301
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	159,302	156,363
JSC Messoyakhaneftegas	70,620	62,747
JSC Arcticgas	6,728	27
Sakhalin Energy Investment Company Ltd.	6,620	10,400
KazRosGas LLP	2,933	795
Gas and gas condensate production		
JSC Achimgaz	47,352	40,018
Processing services		
PJSC NGK Slavneft and its subsidiaries	15,524	14,594
Transit of crude oil and oil refinery products		
JSC Messoyakhaneftegas	6,861	5,432
PJSC NGK Slavneft and its subsidiaries	4,753	3,811
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,890	11,129

[1] CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

Under the agreement of subordinated debt the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 90,000 million and RUB 25,542 million for the years ended 31 December 2019 and 31 December 2018, respectively.

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

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

(in millions of Russian Rubles)

36 Related Parties (continued)

	As of 31 December 2019		As of 31 December 2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Short-term accounts receivable and prepayments				
Gazprombank (Joint-stock Company)	13,961	-	14,739	-
JSC Gazstroyprom	8,521	-	46,746	-
KazRosGas LLP	6,233	-	2,186	-
PJSC NGK Slavneft and its subsidiaries	5,580	-	4,929	-
Wintershall Noordzee B.V.	4,209	-	-	-
Panrusgas Co.	3,566	-	5,990	-
Sakhalin Energy Investment Company Ltd.	3,125	-	1,450	-
CJSC Gazprom YRGM Trading	2,489	-	2,488	-
JSC Gazprom YRGM Development	1,778	-	1,777	-
LLC National Petroleum Consortium	1,324	-	-	-
JSC Messoyakhaneftegas	1,022	-	1,080	-
Prometheus Gas S.A.	478	-	1,468	-
Cash and cash equivalents				
Gazprombank (Joint-stock Company) and its subsidiaries	350,674	-	436,061	-
OJSC Belgazprombank	15,621	-	14,446	-
Short-term financial assets				
Gazprombank (Joint-stock Company)	23,814	-	30	-
Other current assets				
Gazprombank (Joint-stock Company) and its subsidiaries	612,352	-	705,968	-
OJSC Belgazprombank	2,444	-	11,610	-
Other non-current assets				
Gazprombank (Joint-stock Company)	1,238	-	-	-
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	220,604	-	-	-
TurkAkim Gaz Tasima A.S.	21,558	-	-	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its Subsidiaries	13,863	-	15,869	-
Sakhalin Energy Investment Company Ltd.	13,455	-	-	-
JSC Sibgazpolymer	5,375	-	353	-
JSC Evroteck-Yugra	3,168	-	2,636	-
OJSC Belgazprombank	2,479	-	2,479	-
CJSC Khanty-Mansiysk petroleum alliance	1,201	-	1,060	-
Wintershall Noordzee B.V.	-	-	3,842	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	103,617	-	52,601
JSC Messoyakhaneftegas	-	41,882	-	35,371
JSC Gazstroyprom	-	26,794	-	-
CJSC Gazprom YRGM Trading	-	7,353	-	9,057
Nord Stream AG	-	6,200	-	7,100
JSC Gazprom YRGM Development	-	5,256	-	6,469
JSC Achimgaz	-	4,668	-	5,054
KazRosGas LLP	-	4,087	-	2,362
JSC Arcticgas	-	2,023	-	403
JSC EUROPOL GAZ	-	1,528	-	2,258
Sakhalin Energy Investment Company Ltd.	-	1,037	-	4,746
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,020	-	2,345
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint-stock Company) and its subsidiaries	-	81,406	-	55,475
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	181,700	-	37,905

36 Related Parties (continued)

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 December 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 412,258 million and RUB 431,660 million as of 31 December 2019 and 31 December 2018, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 December 2019 and 31 December 2018 net of allowance for expected credit losses in the amount of RUB 6,511 million and RUB 7,307 million as of 31 December 2019 and 31 December 2018, respectively.

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

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

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

Information on investments in associates and joint ventures is disclosed in Note 16.

Information on the acquisition of JSC REPH from Gazprombank (Joint-stock Company) is disclosed in Note 35.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 25.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 39.

37 Commitments and Contingencies

Capital Commitments

The total investment utilisation in accordance with investment programme of the Group for 2020 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 1,609,995 million.

Supply Commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 30 years with various entities operating in Europe and other countries. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2019 and 31 December 2018 no loss is expected to result from these long-term commitments.

Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 31 December 2019 these agreements are not expected to be onerous for the Group.

Other

The Group has transportation agreements with certain of certain associates and joint ventures (see Note 36).

38 Operating Risks

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2019 is appropriate and all of the Group’s tax, currency and customs positions will be sustainable.

38 Operating Risks (continued)

Legal Proceedings

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

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

On 21 July 2014 both cases were consolidated.

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

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

1) to pay PJSC Gazprom the overdue debt for the gas supplied amounting to USD 2,019 million, and interest for the period from 22 December 2017 to the date of such payment at the rate of 0.03 % for each day of delay;

2) starting from 2018 to buy and pay for 5 billion cubic metres of gas annually or in case of the failure to buy this quantity to pay for 80 % of this volume.

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

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

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

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

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

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

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

38 Operating Risks (continued)

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

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

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

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

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

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

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

38 Operating Risks (continued)

On 22 January 2016 the Antimonopoly Committee of Ukraine rendered a decision to impose a fine on PJSC Gazprom in the amount of 85,966 million Ukrainian hryvnia (at the exchange rate as of 31 December 2019 – RUB 224,547 million) for violation of economic competition. The motions filed by PJSC Gazprom to annul this decision were rejected by Ukrainian judicial authorities.

On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office an Order of the Department of the State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover an amount of 189,125 million Ukrainian hryvnia (at the exchange rate as of 31 December 2019 – RUB 494,004 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 31 December 2019 – RUB 44,909 million), and on the seizure of the bank accounts of the Kiev-based representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztranzit, the shares of JSC Gaztranzit, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development owned by PJSC Gazprom.

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

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

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

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

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the EU for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in the EU member countries from Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and LLC Gazprom export allegedly violated Article 102 of the Treaty on the Functioning of the EU. In this complaint PGNiG S.A. states that PJSC Gazprom and LLC Gazprom export violate the antitrust law of the EU through:

1) applying unfair pricing policy with respect to PGNiG S.A.;

2) preventing cross-border gas sale;

3) tying commercial issues with infrastructure.

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

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on initiation of investigation over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that

38 Operating Risks (continued)

in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % of the annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation. On 15 January 2020 PJSC Gazprom received a request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to provide information and documents in the course of the pursued investigation. On 31 January 2020 PJSC Gazprom replied to that request. On 4 March 2020 PJSC Gazprom received a new request from Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to provide information and documents in the course of the pursued investigation. A reply to that request (asking Poland's antimonopoly authority to provide additional justification of the request for information and documents) was sent on 23 March 2020.

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

1) making "predatory" investments when implementing the Nord Stream 2 project;

2) blocking the virtual reverse flow of gas to Ukraine;

3) abusing PJSC Gazprom's dominance in pipeline gas export;

4) "margin decrease" when making gas supplies to the Federal Republic of Germany.

Based on the complaint, the European Commission registered case No. AT.40643. This does not necessarily entail formal investigation and does not constitute an accusation of PJSC Gazprom in violating the antitrust law of the EU.

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various regulations of environmental protection issued by various governmental authorities regarding handling, storage and disposal of certain products. Management believes that there are no such current legal proceedings or other claims outstanding, which could have a material adverse effect on the financial performance or the financial position of the Group.

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

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

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

Sanctions

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

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

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

38 Operating Risks (continued)

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

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

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

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

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

U.S. sanctions apply to any entity, in the capital of which the companies from the sanctions list directly or indirectly, individually or in the aggregate, own 50 or more percent equity interest.

The National Defense Authorization Act, which was enacted on 20 December 2019, (the “Act of 20 December 2019”) envisages sanctions against persons that provide vessels for the construction of the Nord Stream 2 and the TurkStream gas pipelines.

The Act of 20 December 2019 envisages that not later than 60 days after the date of the enactment of this Act, and every 90 days thereafter, the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) shall submit reports that identify:

1) vessels that engage in pipe-laying at depths of 100 feet or more below sea level for the construction of the Nord Stream 2 and the TurkStream export pipelines (or any project that is a successor to either such project); and

2) foreign persons (both individuals and legal entities) that the U.S. Secretary of State (in consultation with the U.S. Secretary of the Treasury) believes to have knowingly sold, leased, or provided those vessels for the construction of such a project; or intentionally facilitated deceptive or structured transactions to provide those vessels for the construction of such a project.

Persons indicated in the report submitted by the U.S. Secretary of State under paragraph 2 above and their corporate officers or principal shareholders with a controlling interest shall be excluded from the U.S. and the U.S. Secretary of State shall deny a U.S. visa to such persons and revoke all visas earlier issued to them. Their assets in the U.S. would be frozen (including in case of their transfer to third parties) and U.S. persons would be prohibited from entering into transactions with such persons.

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

38 Operating Risks (continued)

operations that would otherwise subject the person to the imposition of sanctions under the Act of 20 December 2019.

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

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

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

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

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

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

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

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

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

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

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production.

(in millions of Russian Rubles)

38 Operating Risks (continued)

The Group is currently assessing an influence of adopted economic measures on its financial position and financial performance.

39 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme considers the low level of predictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with adopted local acts of PJSC Gazprom and its subsidiaries.

Market Risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies.

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2019					
	Financial assets					
	Current					
8	Cash and cash equivalents	485,874	88,839	108,610	12,734	696,057
12	Short-term deposits	497,171	31,409	139,402	5,163	673,145
9	Short-term financial assets (excluding equity securities)	30,407	111	23,814	-	54,332
10	Trade and other accounts receivable	213,817	332,249	337,326	81,103	964,495
	Non-current					
12	Long-term deposits	-	3,095	93	89	3,277
17	Long-term accounts receivable	298,572	3,579	35,170	1,098	338,419
18	Long-term financial assets (excluding equity securities)	284	-	-	-	284
	Total financial assets	**1,526,125**	**459,282**	**644,415**	**100,187**	**2,730,009**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	816,992	199,701	93,092	66,462	1,176,247
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	133,515	92,404	504,822	43,461	774,202
	Non-current					
22	Long-term borrowings, promissory notes	800,873	737,418	1,336,403	215,008	3,089,702
14	Long-term lease obligations	73,381	108,337	19,863	3,912	205,493
	Total financial liabilities	**1,824,761**	**1,137,860**	**1,954,180**	**328,843**	**5,245,644**

(in millions of Russian Rubles)

39 Financial Risk Factors (continued)

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2018					
	Financial assets					
	Current					
8	Cash and cash equivalents	335,175	204,757	289,942	19,545	849,419
12	Short-term deposits	554,724	212,156	24,170	5,090	796,140
9	Short-term financial assets (excluding equity securities)	25,900	-	-	-	25,900
10	Trade and other accounts receivable	310,128	355,355	344,286	132,725	1,142,494
	Non-current					
12	Long-term deposits	-	-	-	1,432	1,432
17	Long-term accounts receivable	110,528	1,765	37,809	1,029	151,131
18	Long-term financial assets (excluding equity securities)	262	-	-	-	262
	Total financial assets	**1,336,717**	**774,033**	**696,207**	**159,821**	**2,966,778**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	651,391	341,204	173,789	89,975	1,256,359
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	113,450	277,983	139,450	38,178	569,061
	Non-current					
22	Long-term borrowings, promissory notes	647,937	826,125	1,529,969	290,730	3,294,761
	Total financial liabilities	**1,412,778**	**1,445,312**	**1,843,208**	**418,883**	**5,120,181**

Information on derivative financial instruments is presented in Note 24.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities comparable in selected foreign currencies.

As of 31 December 2019, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 135,716 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2018, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 134,256 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2019, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 261,953 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2018, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 229,400 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

Notes	Long-term borrowings and promissory notes	31 December 2019	31 December 2018
22	At fixed rate	2,238,028	2,709,599
22	At variable rate	1,472,051	1,079,332
		3,710,079	**3,788,931**

39 Financial Risk Factors (continued)

The Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

In 2018-2019 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2019, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 12,757 million for 2019, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2018, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 9,520 million for 2018, mainly as a result of higher interest expense on variable interest rate long-term borrowings. The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk - possible change in prices for natural gas, crude oil and their refined products, and its impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net profit and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and their refined products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to refined products prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2019, if the average gas export prices had decreased by 20 % with all other variables held constant, profit before profit tax would have been lower by RUB 565,963 million for 2019. As of 31 December 2018, if the average gas export prices had decreased by 10 % with all other variables held constant, profit before profit tax would have been lower by RUB 334,918 million for 2018.

Gas prices in the Russian Federation are regulated by the FAS and are as such less subject to significant fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impact on operational and investment decisions. However, in the current economic environment management estimates may significantly differ from actual impact of change in commodity prices on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the value of equity securities included in financial assets held by the Group and classified in the consolidated balance sheet either as financial assets measured at fair value with changes recognised through profit or loss or other comprehensive income (see Notes 9 and 18).

As of 31 December 2019 and 31 December 2018, if London Stock Exchange equity index, which primarily affects the major part of Group's equity securities, had decreased by 20 % with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 87,447 million and RUB 83,473 million lower, respectively.

The Group is also exposed to movements in prices of securities held by JSC NPF GAZFOND and used for fair value estimation of the Group's pension plan assets (see Note 25).

Credit Risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

(in millions of Russian Rubles)

39 Financial Risk Factors (continued)

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of allowance for expected credit losses (see Note 10, 17). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the allowance for expected credit losses already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

Notes		31 December	
		2019	2018
8	Cash and cash equivalents	696,057	849,419
12	Deposits	676,422	797,572
9, 18	Debt securities	54,616	26,162
10, 17	Trade and other accounts receivable	1,302,914	1,293,625
	Financial guarantee contracts	219,092	320,668
	Loan commitments	106,500	-
	Total maximum exposure to credit risk	**3,055,601**	**3,287,446**

Financial Guarantee Contracts

	31 December	
	2019	2018
Guarantees issued for:		
Nord Stream AG	106,924	136,086
Sakhalin Energy Investment Company Ltd.	37,022	66,317
LLC Stroygazconsulting	-	87,094
Other	75,146	31,171
Total financial guarantee contracts	**219,092**	**320,668**

In 2019 and 2018 counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD 598 million and USD 955 million as of 31 December 2019 and 31 December 2018, respectively, as well as amounts denominated in Euros of EUR 2,292 million and EUR 1,879 million as of 31 December 2019 and 31 December 2018, respectively.

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

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

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

(in millions of Russian Rubles)

39 Financial Risk Factors (continued)

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Financial liabilities due within 12 months (except lease liabilities) equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2019					
Short-term and long-term loans and borrowings and promissory notes	617,006	327,852	601,060	1,953,475	1,568,521
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,027,732	106,495	-	-	-
Lease liabilities	31,595	27,769	47,227	105,400	145,207
Financial guarantee contracts	2,916	33,660	47,962	4,821	129,733
Loan commitments	-	-	-	-	106,500
As of 31 December 2018					
Short-term and long-term loans and borrowings and promissory notes	438,460	298,864	754,351	1,986,949	1,543,052
Accounts payable (excluding derivative financial instruments)	999,534	256,825	-	-	-
Financial guarantee contracts	7,687	832	10,365	69,402	232,382
Loan commitments	-	-	-	-	-

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long-term borrowing facilities into short-term.

Reconciliation of liabilities arising from financing activities

	Borrowings	Dividends	Lease liabilities	Other liabilities	Total
As of 31 December 2018	**3,863,822**	**7,586**	**-**	**17,550**	**3,888,958**
Effect of changes in accounting policies	-	-	260,156	-	260,156
As of 1 January 2019 (changed)	**3,863,822**	**7,586**	**260,156**	**17,550**	**4,149,114**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,160,885	-	-	-	1,160,885
Additions as a result of new leases and modifications to existing leases	-	-	41,048	-	41,048
Repayment of borrowings	(861,126)	-	(42,603)	(1,896)	(905,625)
Interest paid (in financing activities)	(30,822)	-	(16,847)	(511)	(48,180)
Dividends paid	-	(379,595)	-	-	(379,595)
Finance expense	36,993	-	16,847	511	54,351
Dividends declared	-	383,060	-	-	383,060
Change in fair value of hedging operations	-	-	-	(10,603)	(10,603)
Translation differences	(388,335)	-	(18,524)	-	(406,859)
Acquisition of subsidiary	42,139	-	-	-	42,139
Other movements	40,348	(7,384)	7,436	(215)	40,185
As of 31 December 2019	**3,863,904**	**3,667**	**247,513**	**4,836**	**4,119,920**

(in millions of Russian Rubles)

39 Financial Risk Factors (continued)

	Borrowings	Dividends	Other liabilities	Total
As of 31 December 2017	**3,266,518**	**5,099**	**31,065**	**3,302,682**
Cash flows, including:				
Proceeds from borrowings (net of costs directly related to the receipt)	1,297,462	-	-	1,297,462
Repayment of borrowings	(1,178,655)	-	(13,288)	(1,191,943)
Interest paid (in financing activities)	(36,384)	-	(1,904)	(38,288)
Dividends paid	-	(188,313)	-	(188,313)
Finance expense	28,902	-	1,904	30,806
Dividends declared	-	192,822	-	192,822
Change in fair value of hedging operations	-	-	310	310
Translation differences	458,206	-	434	458,640
Other movements	27,773	(2,022)	(971)	24,780
As of 31 December 2018	**3,863,822**	**7,586**	**17,550**	**3,888,958**

Capital Risk Management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain and to adjust the capital structure, the Group may revise its investment programme, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40 %.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents.

Adjusted EBITDA is calculated as the sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments.

The net debt to adjusted EBITDA ratio as of 31 December 2019 and 31 December 2018 is presented in the table below.

	31 December	
	2019	**2018**
Total debt	3,863,904	3,863,822
Less: cash and cash equivalents	(696,057)	(849,419)
Net debt	3,167,847	3,014,403
Adjusted EBITDA	1,859,679	2,599,284
Net debt / Adjusted EBITDA	**1.70**	**1.16**

PJSC Gazprom has an investment grade credit rating of BBB- (stable outlook) by Standard & Poor's and BBB (stable outlook) by Fitch Ratings as of 31 December 2019.

40 Fair Value of Financial Instruments

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

a) Financial instruments included in Level 1

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

(in millions of Russian Rubles)

40 Fair Value of Financial Instruments (continued)

b) Financial instruments included in Level 2

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

c) Financial instruments included in Level 3

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

The fair value of long-term accounts receivable is classified as Level 3 (see Note 17), long-term borrowings – Level 2 (see Note 22).

As of 31 December 2019 and 31 December 2018 the Group had the following assets and liabilities that are measured at fair value:

		31 December 2019			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	8,337	101,447	170	109,954
9	Bonds	30,405	-	-	30,405
9	Equity securities	229	-	-	229
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
9	Equity securities	-	3,010	-	3,010
9	Promissory notes	-	2	-	2
	Total short-term financial assets measured at fair value	**38,971**	**104,459**	**170**	**143,600**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	2,693	17,077	-	19,770
18	Equity securities	-	-	2,447	2,447
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
18	Equity securities	386,824	40,578	4,149	431,551
18	Promissory notes	-	284	-	284
	Total long-term financial assets measured at fair value	**389,517**	**57,939**	**6,596**	**454,052**
	Total financial assets measured at fair value	**428,488**	**162,398**	**6,766**	**597,652**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	9,481	90,000	517	99,998
24	Long-term derivative financial instruments	5,622	13,004	-	18,626
	Total financial liabilities measured at fair value	**15,103**	**103,004**	**517**	**118,624**

(in millions of Russian Rubles)

40 Fair Value of Financial Instruments (continued)

		31 December 2018			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	7,238	100,041	589	107,868
9	Bonds	25,868	-	-	25,868
9	Equity securities	207	-	752	959
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
9	Promissory notes	-	32	-	32
	Total short-term financial assets measured at fair value	**33,313**	**100,073**	**1,341**	**134,727**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	9,395	27,998	-	37,393
18	Equity securities	-	-	2,131	2,131
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
18	Equity securities	365,090	43,594	5,589	414,273
18	Promissory notes	-	262	-	262
	Total long-term financial assets measured at fair value	**374,485**	**71,854**	**7,720**	**454,059**
	Total financial assets measured at fair value	**407,798**	**171,927**	**9,061**	**588,786**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	11,776	83,493	4,221	99,490
24	Long-term derivative financial instruments	11,622	42,344	529	54,495
	Total financial liabilities measured at fair value	**23,398**	**125,837**	**4,750**	**153,985**

The derivative financial instruments include natural gas purchase and sale contracts and are categorised in Levels 1, 2 and 3 of the classification of derivative financial instruments. The contracts in Level 1 are valued using active market prices of identical assets and liabilities. Due to absence of quoted prices or other observable, market-corroborated data the contracts in Level 2 are valued using models internally developed by the Group. These models include inputs such as: quoted forward prices, time value of money, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. If necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, statistical and long-term pricing relationships. These instruments are categorised in Level 3.

Foreign currency hedge contracts are categorised in Level 2. For fair value estimation the Group uses valuation prepared by independent financial institutes. Valuation results are regularly analysed by the Group's management. For the reporting period all foreign currency hedge contracts were effective.

During the reporting period, contracts for supply of natural gas with flexible purchase volumes in the amount of RUB 1,674 million, previously assigned to Level 3 of the fair value hierarchy, were transferred to Level 2.

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

41 Offsetting Financial Assets and Financial Liabilities

In connection with its derivative activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

(in millions of Russian Rubles)

41 Offsetting Financial Assets and Financial Liabilities (continued)

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2019				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,670,276	367,362	1,302,914	34,082
Derivative financial instruments	658,576	528,852	129,724	71,143
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,543,609	367,362	1,176,247	34,082
Derivative financial instruments	647,476	528,852	118,624	71,143
As of 31 December 2018				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,789,206	495,570	1,293,636	65,643
Derivative financial instruments	709,935	564,674	145,261	1,156
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,751,929	495,570	1,256,359	65,643
Derivative financial instruments	718,659	564,674	153,985	1,156

42 Events After Reporting Period

Borrowings

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

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

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

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

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

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

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

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

42 Events After Reporting Period (continued)

Significant events

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

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

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

The Group has classified these events as non-adjusting events after the reporting period. The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Group's financial position and results of operations in future reporting periods.

The Group’s management is assessing these events, including for the purposes of providing information to users of the financial statements.

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PJSC GAZPROM

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2018

Moscow | 2019

Contents

ФБК

Independent Auditor's Report

To the Shareholders and the Board of Directors of PJSC Gazprom

Opinion

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2018, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Rules of Independence of the Auditors and Audit Organisations and The Code of Professional Ethics of the Auditors, which are in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (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 revenue streams were formed in different geographical segments with significantly different terms of revenue recognition including price determination and change, transfer of risks and rewards.

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

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

Information about the approaches to revenue recognition is disclosed in Note 5 "Summary of significant accounting policies" to the consolidated financial statements, information about sales, including information by geographic segments, is disclosed in Note 26 "Sales" to the consolidated financial statements.

Impairment of property, plant and equipment

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

We assessed significant assumptions underlying the impairment test procedures in respect of various cash-generating units. The significant assumptions, in particular, included determining discount rates, forecasting prices for energy resources and exchange rates, as well as estimating volumes of production and sales. This analysis revealed that the significant assumptions applied by the Group's management in calculating the recoverable amount of the assets as at the end of the reporting period were within the acceptable range and corresponded to the current economic environment.

We also paid special attention to the assessment of the assets under construction. We conducted a detailed analysis of the objects where no active works had been done for long time. The management of the Group decided to recognise impairment allowance in respect of such assets. In our opinion, this decision corresponds to the current expectations related to possible future economic benefits from these assets.

Information about the non-current assets and the conducted impairment test is disclosed in Note 13 "Property, plant and equipment" to the consolidated financial statements.

Allowance for expected credit losses in respect of accounts receivable

One of high-risk audit areas is the evaluation of sufficiency of the allowance for expected credit losses in respect of accounts receivable. Due to the need to exercise professional judgment and make estimates to calculate the allowance for expected credit losses and the material amount of accounts receivable, we consider this area to be one of the most significant audit areas.

Our audit procedures included the assessment of the methodology used to calculate expected credit losses that had been developed by the Group in accordance with IFRS 9 Financial Instruments to estimate the allowance for expected credit losses. We assessed the assumptions and professional judgments applied by the Group's management to estimate the allowance on a collective and individual basis. We paid special attention to critical assessment of the information used by the Group to assess the risk of default based on inputs and the information about current conditions and forecasts of future economic conditions.

Based on the results of the audit procedures performed, we considered the main assumptions applied by the management to estimate the expected credit losses to be acceptable and well in line with the current expectations about expected credit losses.

Information about the allowance for expected credit losses in respect of accounts receivable is disclosed in Note 10 "Accounts receivable and prepayments" and Note 16 "Long-term accounts receivable and prepayments" to the consolidated financial statements.

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

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

Gazprom Group is a party to a number of significant litigations, including litigations with NJSC Naftogaz of Ukraine. Procedures we performed included analysis of the decisions made in respect of legal proceedings with NJSC Naftogaz of Ukraine, discussions of these and other significant matters with the Group's staff responsible for providing judicial and legal support to the Group in its activities, evaluation and testing of terms underlying the recognition of liabilities, as well as the evaluation of disclosures for sufficiency and completeness. Based on the results of the procedures performed, we considered the estimates and approaches applied by the management, including the disclosures made, to be consistent and acceptable.

Information about liabilities accrued in respect of litigations is disclosed in Note 18 "Accounts payable and estimated liabilities" to the consolidated financial statements, information about contingent liabilities in respect of litigations is disclosed in Note 36 "Operating risks" to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2018 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2019, but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2018 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2019 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 express any form of assurance conclusion thereon.

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

When we read the Annual report of PJSC Gazprom for 2018 and the Quarterly issuer's report of PJSC Gazprom for the second quarter of 2019, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

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

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

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

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

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's management;

d) conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

ФБК

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

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

Date of the Independent Auditor's Report:
24 April 2019

Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

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

Official registration:

State Registration Certificate No. 022.726, issued by Moscow Registration Chamber on 25 February 1993. The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under principal state registration number 1027700070518.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

State Registration Certificate No. 484.583 issued by Moscow Registration Chamber on 15 November 1993. The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under principal state registration number 1027700058286.

Membership in self-regulatory organization of auditors:

Member of Self-regulatory organization of auditors Association "Sodruzhestvo". Principal number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC GAZPROM
CONSOLIDATED BALANCE SHEET
AS OF 31 DECEMBER 2018
(in millions of Russian Rubles)

Notes		31 December 2018	31 December 2017
	Assets		
	Current assets		
8	Cash and cash equivalents	849,419	869,007
9	Short-term financial assets	26,859	31,057
10	Accounts receivable and prepayments	1,222,735	1,122,724
11	Inventories	909,677	772,314
	VAT recoverable	150,425	119,881
12	Other current assets	1,053,115	554,283
		4,212,230	**3,469,266**
	Non-current assets		
13	Property, plant and equipment	13,809,434	12,545,079
14	Goodwill	108,097	105,469
15	Investments in associates and joint ventures	1,097,446	867,445
16	Long-term accounts receivable and prepayments	636,305	669,286
17	Long-term financial assets	416,666	268,432
12	Other non-current assets	530,262	313,793
		16,598,210	**14,769,504**
	Total assets	**20,810,440**	**18,238,770**
	Liabilities and equity		
	Current liabilities		
18	Accounts payable and provisions	1,522,101	1,378,182
	Current profit tax payable	34,708	59,922
19	Taxes other than on profit and fees payable	347,825	276,607
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	569,061	874,805
		2,473,695	**2,589,516**
	Non-current liabilities		
21	Long-term borrowings, promissory notes	3,294,761	2,391,713
24	Provisions	406,322	469,453
22	Deferred tax liabilities	748,751	699,413
	Other non-current liabilities	110,758	73,194
		4,560,592	**3,633,773**
	Total liabilities	**7,034,287**	**6,223,289**
	Equity		
25	Share capital	325,194	325,194
25	Treasury shares	(235,919)	(235,919)
25	Retained earnings and other reserves	13,210,734	11,539,811
		13,300,009	**11,629,086**
33	Non-controlling interest	476,144	386,395
	Total equity	**13,776,153**	**12,015,481**
	Total liabilities and equity	**20,810,440**	**18,238,770**

A.B. Miller
Chairman of the Management Committee
24 April 2019

E.A. Vasilieva
Chief Accountant
24 April 2019

The accompanying notes on pages 13 to 78 are an integral part of these consolidated financial statements.

PJSC GAZPROM
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018
(in millions of Russian Rubles)

Notes		Year ended 31 December 2018	Year ended 31 December 2017
26	Sales	8,224,177	6,546,143
	Net gain (loss) from trading activity	18,015	(16,352)
27	Operating expenses	(6,181,191)	(5,697,056)
27	(Impairment loss) reversal of impairment loss on financial assets	(130,971)	38,670
	Operating profit	**1,930,030**	**871,405**
28	Finance income	503,091	426,705
28	Finance expense	(813,042)	(407,044)
15	Share of profit of associates and joint ventures	232,483	126,940
	Profit before profit tax	**1,852,562**	**1,018,006**
	Current profit tax expense	(278,233)	(241,817)
	Deferred profit tax expense	(45,333)	(9,310)
22	Profit tax	(323,566)	(251,127)
	Profit for the year	**1,528,996**	**766,879**
	Other comprehensive income (loss):		
	Items that will not be reclassified to profit or loss:		
17	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	148,963	(30,404)
24	Remeasurement of provision for post-employment benefits	19,854	(5,064)
	Total other comprehensive income (loss) that will not be reclassified to profit or loss	**168,817**	**(35,468)**
	Items that may be reclassified subsequently to profit or loss:		
15	Share of other comprehensive income of associates and joint ventures	13,923	2,967
	Translation differences	222,221	23,290
	Gain from hedging operations, net of tax	10,082	13,601
	Total other comprehensive income that may be reclassified subsequently to profit or loss	**246,226**	**39,858**
	Total other comprehensive income for the year, net of tax	**415,043**	**4,390**
	Comprehensive income for the year	**1,944,039**	**771,269**
	Profit for the year attributable to:		
	Owners of PJSC Gazprom	1,456,270	714,302
33	Non-controlling interest	72,726	52,577
		1,528,996	**766,879**
	Comprehensive income for the year attributable to:		
	Owners of PJSC Gazprom	1,858,486	710,840
	Non-controlling interest	85,553	60,429
		1,944,039	**771,269**
30	**Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)**	**65.89**	**32.32**

A.B. Miller
Chairman of the Management Committee
24 April 2019

E.A. Vasilieva
Chief Accountant
24 April 2019

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PJSC GAZPROM
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018
(in millions of Russian Rubles)

Notes		Year ended 31 December 2018	2017
	Cash flows from operating activities		
31	**Net cash from operating activities**	**1,617,384**	**1,187,022**
	Cash flows from investing activities		
	Capital expenditures	(1,639,474)	(1,405,780)
28	Interest capitalised and paid	(134,886)	(127,159)
	Net change in loans issued	22,099	18,788
	Acquisition of subsidiaries, net of cash acquired	(2,252)	(16)
	Investments in associates and joint ventures	(48,267)	(97,238)
	Interest received	85,744	75,547
	Change in long-term financial assets measured at fair value through other comprehensive income	12,255	(13,673)
	Proceeds from associates and joint ventures	128,622	87,197
	Proceeds from the sale of associates	-	559
	Proceeds from the sale of subsidiaries	1,054	-
	Placement of long-term bank deposits	(5,726)	(2,586)
	Repayment of long-term bank deposits	43,131	100,000
	Other	(80,018)	(3,770)
	Net cash used in investing activities	**(1,617,718)**	**(1,368,131)**
	Cash flows from financing activities		
37	Proceeds from long-term borrowings	1,239,745	933,987
37	Repayment of long-term borrowings (including current portion of long-term borrowings)	(1,138,451)	(592,056)
37	Proceeds from short-term borrowings	57,717	74,576
37	Repayment of short-term borrowings	(53,492)	(40,035)
37	Dividends paid	(188,313)	(191,875)
28, 37	Interest paid	(38,288)	(34,296)
	Acquisition of non-controlling interests in subsidiaries	(289)	(885)
	Proceeds from the sale of non-controlling interests in subsidiaries	22,358	-
	Other	2,943	528
	Net cash (used in) from financing activities	**(96,070)**	**149,944**
	Effect of foreign exchange rate changes on cash and cash equivalents	76,816	3,444
	Decrease in cash and cash equivalents	**(19,588)**	**(27,721)**
8	Cash and cash equivalents at the beginning of the reporting year	869,007	896,728
8	**Cash and cash equivalents at the end of the reporting year**	**849,419**	**869,007**

A.B. Miller
Chairman of the Management Committee
24 April 2019

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Chief Accountant
24 April 2019

The accompanying notes on pages 13 to 78 are an integral part of these consolidated financial statements.

PJSC GAZPROM
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018
(in millions of Russian Rubles)

Notes		Number of shares outstanding (billions)	Equity attributable to the owners of PJSC Gazprom: Share capital	Treasury shares	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Balance as of 31 December 2016	**22.1**	**325,194**	**(235,919)**	**11,005,256**	**11,094,531**	**347,308**	**11,441,839**
33	Profit for the year	-	-	-	714,302	714,302	52,577	766,879
	Other comprehensive income (loss):							
33	Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(30,397)	(30,397)	(7)	(30,404)
24, 33	Remeasurement of provision for post-employment benefits	-	-	-	(4,982)	(4,982)	(82)	(5,064)
	Share of other comprehensive income of associates and joint ventures	-	-	-	2,967	2,967	-	2,967
33	Translation differences	-	-	-	16,145	16,145	7,145	23,290
33	Gain from hedging operations, net of tax	-	-	-	12,805	12,805	796	13,601
	Comprehensive income for the year ended 31 December 2017	-	-	-	**710,840**	**710,840**	**60,429**	**771,269**
33	Change in non-controlling interest in subsidiaries	-	-	-	1,413	1,413	(2,963)	(1,550)
25	Return of social assets to the balance of governmental authorities	-	-	-	(18)	(18)	-	(18)
33	Dividends declared	-	-	-	(177,680)	(177,680)	(18,379)	(196,059)
	Balance as of 31 December 2017	**22.1**	**325,194**	**(235,919)**	**11,539,811**	**11,629,086**	**386,395**	**12,015,481**
5	Effect of changes in accounting policies	-	-	-	(13,086)	(13,086)	(140)	(13,226)
	Balance as of 1 January 2018 (restated)	**22.1**	**325,194**	**(235,919)**	**11,526,725**	**11,616,000**	**386,255**	**12,002,255**
33	Profit for the year	-	-	-	1,456,270	1,456,270	72,726	1,528,996
	Other comprehensive income (loss):							
33	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	149,580	149,580	(617)	148,963
24, 33	Remeasurement of provision for post-employment benefits	-	-	-	19,732	19,732	122	19,854
	Share of other comprehensive income of associates and joint ventures	-	-	-	13,923	13,923	-	13,923
33	Translation differences	-	-	-	209,531	209,531	12,690	222,221
33	Gain from hedging operations, net of tax	-	-	-	9,450	9,450	632	10,082
	Comprehensive income for the year ended 31 December 2018	-	-	-	**1,858,486**	**1,858,486**	**85,553**	**1,944,039**
33	Change in non-controlling interest in subsidiaries	-	-	-	3,260	3,260	19,471	22,731
25	Return of social assets to the balance of governmental authorities	-	-	-	(50)	(50)	-	(50)
33	Dividends declared	-	-	-	(177,687)	(177,687)	(15,135)	(192,822)
	Balance as of 31 December 2018	**22.1**	**325,194**	**(235,919)**	**13,210,734**	**13,300,009**	**476,144**	**13,776,153**

A.B. Miller
Chairman of the Management Committee
24 April 2019

E.A. Vasilieva
Chief Accountant
24 April 2019

The accompanying notes on pages 13 to 78 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Group is involved in the following activities:

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

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

The average number of employees during 2018 and 2017 was 462 thousand persons and 463 thousand persons, respectively.

2 ECONOMIC ENVIRONMENT IN THE RUSSIAN FEDERATION

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

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

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

- as of 31 December 2018 – 69.4706;
- as of 31 December 2017 – 57.6002 (as of 31 December 2016 – 60.6569).

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

- as of 31 December 2018 – 79.4605;
- as of 31 December 2017 – 68.8668 (as of 31 December 2016 – 63.8111).

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

3 BASIS OF PRESENTATION

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

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial assets and liabilities presented at the fair value (Note 38). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented in these consolidated financial statements, unless otherwise stated.

4 SCOPE OF CONSOLIDATION

As described in Note 5, the consolidated financial statements include consolidated subsidiaries, associates, joint ventures and operations of the Group. There were no significant changes in the Group's structure in 2018 and 2017.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

5.1 Consolidation of subsidiaries, associates and joint arrangements

Subsidiaries

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

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

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

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

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

Goodwill and non-controlling interest

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint arrangements

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

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

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

Associates

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

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

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

5.2 Financial instruments

5.2.1 Classification and measurement of financial assets

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

Financial assets measured subsequently at amortised cost

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Cash and cash equivalents and restricted cash

Cash comprises cash on hand and bank balances. Cash equivalents comprise short-term financial assets which are readily convertible to cash and have an original maturity of three months or less. Restricted cash includes cash and cash equivalents which are restricted to withdrawal under financing and other agreements or under banking regulations. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Accounts receivable

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

Financial assets measured subsequently at fair value with changes recognised through other comprehensive income

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

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

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

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

Financial assets measured subsequently at fair value with changes recognised through profit or loss

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

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

Impairment of financial assets

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5.2.2 Classification and measurement of financial liabilities

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

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

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

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

Borrowings

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

Financial guarantee contracts

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

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

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

5.2.3 Derivative financial instruments

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

5.2.4 Hedge accounting

The Group applies hedge accounting policy for those derivatives that are designated as a hedging instrument according to IFRS 9 Financial Instruments. The Group applies the cash flow hedge to manage variability in cash flows that results from fluctuations in foreign exchange rates attributable to highly probable forecast transactions.

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

The effective portion of fair value changes of hedging instrument is recognised in other comprehensive income. Any remaining gains or losses on the hedging instrument that are hedge ineffectiveness are immediately recognised in profit or loss.

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

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

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

5.3 Fair value

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

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

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

The fair value of publicly quoted financial instruments in the consolidated financial statements is measured based on market value at the last trading price on the reporting date.

5.4 Value added tax

In the Russian Federation the value added tax ("VAT") at a standard rate of 18 % is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. From January 1, 2019, the VAT rate increased to 20 %. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment received. Input VAT could be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deductible VAT related to purchases (input VAT) and also VAT prepayments are recognised in the consolidated balance sheet within other current assets, while VAT related to sales (output VAT) is disclosed separately as a current liability. VAT presented within other non-current assets relates to assets under construction, which is expected to be recovered more than 12 months after the balance sheet date.

5.5 Mineral extraction tax

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

The amendments to the Russian Tax Code concerning the MET formula for gas condensate and natural fuel gas came into force as of 1 July 2014, having replaced fixed MET rates.

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

1) the base rate of RUB 35 per thousand cubic meters of natural fuel gas;

2) the base value of a unit of fuel equivalent calculated, based on various macroeconomic indicators, including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon fields;

4) the indicator representing the transportation costs of natural fuel gas.

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

1) the base rate of RUB 42 per ton for extracted gas condensate;

2) the base value of a unit of fuel equivalent, calculated taking into account various macroeconomic indicators including oil and gas prices;

3) the coefficient representing the degree of difficulty of extracting natural fuel gas and (or) gas condensate from raw hydrocarbon deposits;

4) the adjustment coefficient.

A zero MET rate is applied to natural fuel gas and gas condensate extracted in a number of regions of the Russian Federation subject to the stipulations established by the applicable norms and regulations.

In the Russian Federation MET applied to extracted oil is calculated on a monthly basis by way of multiplying an amount of extracted mineral by a fixed tax rate (RUB 919 per ton from 2017) adjusted for a coefficient that takes into account dynamics of global oil prices, as well as the indicator which reflect specific aspects of oil extraction. A zero rate is also applied to oil extracted in a number of regions of the Russian Federation subject to the stipulations established by the applicable norms and regulations.

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

MET is included in operating expenses.

5.6 Customs duties

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues are recognised net of the amount of customs duties.

5.7 Excise tax

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

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

5.8 Inventories

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

5.9 Property, plant and equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method. Under the successful efforts method, costs of development and successful exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed upon determination that the well does not justify commercial development. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

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

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

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

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

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

(in millions of Russian Rubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5.10 Impairment of non-current non-financial assets

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

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there is any indication that impairment exists at the balance sheet date. Goodwill acquired through business combinations is allocated to cash-generating units (or groups of cash-generating units) to which goodwill relates. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit, including goodwill, is compared with the recoverable amount of the respective cash-generating unit.

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

5.11 Deferred tax

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

5.12 Foreign currency transactions

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

5.13 Provisions

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

5.14 Equity

Treasury shares

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

Dividends

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

5.15 Revenue recognition

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

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

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net gain (loss) from trading activity

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

5.16 Interest

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

5.17 Research and development

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

5.18 Employee benefits

Pension and other post-employment benefits

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

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

Actuarial gains and losses on assets and liabilities arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise (see Note 24).

Past service costs are recognised immediately in profit or loss when they occur in the period of a pension plan amendment.

Plan assets are measured at fair value and are subject to certain limitations (see Note 24). Fair value of pension plan assets is based on market quotes. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected cash flows using a discount rate that reflects both the risk associated with the pension plan assets and maturity or expected disposal date of these assets.

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

Social expenses

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

(in millions of Russian Rubles)

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

5.19 Recent accounting pronouncements

Application of New Standards

- **IFRS 9 Financial Instruments (issued in November 2009 and effective for annual periods beginning on or after 1 January 2018)**

Application of IFRS 9 Financial Instruments from 1 January 2018 did not have a significant effect on the consolidated financial statements of the Group. The Group applied IFRS 9 Financial Instruments retrospectively and used an option not to restate prior periods in respect of new requirements. The effect of applying IFRS 9 Financial Instruments was recognised in the opening balance of retained earnings and other reserves and non-controlling interest in the consolidated statement of changes in equity of the Group as of 1 January 2018.

	1 January 2018
Impairment loss on financial assets measured at amortised cost, net of tax	(2,696)
Revaluation of financial assets measured at fair value with changes recognised through profit or loss	1,015
Decrease in the cost of investment in associate Gazprombank (Joint-stock Company)	(11,545)
Total decrease in equity	**(13,226)**

- **IFRS 15 Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after 1 January 2018)**

Except for the requirement for more detailed disclosure of revenue by geographic segments (see Note 26), application from 1 January 2018 of IFRS 15 Revenue from Contracts with Customers did not have a significant effect on the consolidated financial statements of the Group. Therefore, comparative data and opening balance of retained earnings and other reserves and non-controlling interest as of 1 January 2018 have not been restated.

Application of Interpretations and Amendments to Standards

A number of interpretations and amendments to current standards became effective after 1 January 2018:

- IFRIC 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016) provides requirements for recognising a non-monetary asset or a non-monetary obligation arising as a result of committing or receiving prepayment until the recognition of the related asset, income or expense.
- The amendments to IFRS 2 Share-based Payment (issued in June 2016). These amendments clarify accounting for a modification to the terms and conditions of a share-based payment and for withholding tax obligations on share-based payment transactions.
- The amendments to IAS 40 Investment Property (issued in December 2016). These amendments clarify the criteria for the transfer of objects in the category or from the category of investment property.

The Group has reviewed these interpretations and amendments to standards while preparing the consolidated financial statements. The interpretations and amendments to standards have no significant impact on the Group's consolidated financial statements.

Standards, Interpretations and Amendments to existing Standards that are not yet effective and have not been early adopted by the Group

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2019. In particular, the Group has not early adopted following standards, interpretations and amendments to standards:

- IFRS 16 Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The standard replaces IAS 17 Leases and establishes a general accounting model for all types of lease agreements in the statement of financial position which is consistent to applicable principles of the financial lease accounting. Lessees are required to recognise assets and liabilities under lease agreements except cases specifically mentioned. Insignificant changes in the applicable accounting required IAS 17 Leases are implemented for lessors. The Group will apply the retrospective approach, which means that the cumulative effect of initially applying IFRS 16 Leases will be

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

recognised at the date of initial application, i.e. 1 January 2019, without restatement of the comparative information. According to preliminary estimates of the Group's management, the recognition of financial lease liabilities will be approximately RUB 232 billion and the non-current assets in the form of right-of-use assets will be approximately RUB 217 billion as at 1 January 2019. This amount may be adjusted if the judgments and estimates made by the Group's management are updated.

- IFRIC 23 Uncertainty over Income Tax Treatments (issued in June 2017 and effective for annual periods beginning on or after 1 January 2019) provides requirements in respect of recognising and measuring of a tax liability or a tax asset when there is uncertainty over income tax treatments.
- The amendments to IAS 28 Investments in Associates and Joint Ventures (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify that long-term interests in an associate or joint venture that form a part of the net investments in the associate or joint venture should be accounted in accordance with IFRS 9 Financial Instruments.
- The amendments to IFRS 9 Financial Instruments (issued in October 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments enable to measure at amortised cost some prepayable financial assets with negative compensation.
- The amendments to IAS 23 Borrowing Costs (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify which borrowing costs are eligible for capitalisation in particular circumstances.
- The amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify how obtaining control (or joint control) of a business that is a joint operation should be accounted if the entity already holds an interest in that business.
- The amendments to IAS 12 Income Taxes (issued in December 2017 and effective for annual periods beginning on or after 1 January 2019). These amendments clarify income tax consequences of payments on instruments classified as equity.
- The amendments to IAS 19 Employee Benefits (issued in February 2018 and effective for annual periods beginning on or after 1 January 2019). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs.
- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The Group is currently assessing the impact of these changes on its financial position and results of operations.

6 CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

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

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

6.1 Consolidation of subsidiaries

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

6 CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)

6.2 Tax legislation

Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations (see Note 36).

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

6.3 Assumptions to determine amount of allowances

Loss allowance for expected credit losses of accounts receivable

An allowance for expected credit losses of accounts receivable is based on the Group's management's assessment of expected credit losses for the accounts receivable lifetime. Credit losses are the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. If there is deterioration in any major customer's creditworthiness or actual defaults are higher or lower than the estimates, the actual results could differ from these estimates. The accruals (and reversals) of allowance for expected credit losses of accounts receivable may be material (see Notes 10, 16).

Impairment of property, plant and equipment and goodwill

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

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of the goodwill impairment test, management considers gas production, transportation and distribution activities as part of single gas cash-generating unit and assesses associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

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

Change in impairment allowance of property, plant and equipment and goodwill is disclosed in Notes 13, 14 and 27.

Accounting for impairment

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

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

6.4 Decommissioning and site restoration costs

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

Changes in the measurement of an existing decommissioning and site restoration provision that result from changes in the estimated timing or amount of cash outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRSs prescribe the recording of provisions for these costs.

6 CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)

Estimating the amounts and timing of those obligations that should be recorded requires significant judgement. This judgement is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provisions for decommissioning and site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful lives of Property, plant and equipment

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

Were the estimated useful lives to decrease by 10 % or increase by 10 % from Group's management estimates, the impact on depreciation for the year ended 31 December 2018 would be an increase by RUB 71,491 million or a decrease by RUB 58,493 million (2017: increase by RUB 66,851 million or a decrease by RUB 54,696 million).

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

6.6 Fair value estimation for financial instruments

The fair value of energy trading contracts, commodity futures and swaps is based on market data received on measurement date (Level 1 in accordance with the fair value hierarchy). Customary valuation models are used to value financial instruments which are not traded in active markets. The fair value is calculated based on inputs that are observable either directly or indirectly (Level 2 in accordance with the fair value hierarchy).

Contracts not based on observable market data belong to Level 3 in accordance with the fair value hierarchy. Management's best estimates based on models internally developed by the Group are used for the valuation of these instruments. Where the valuation technique employed incorporates significant input data for which market information is not available, such as long-term price assumptions, contracts have been categorised as Level 3 in accordance with the fair value hierarchy (see Note 38).

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

6.7 Fair value estimation for acquisitions

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

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

6.8 Accounting for pension plan assets and liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions (see Note 24). Actual results may differ from the estimates, and the Group's estimates can be revised in the future based on changes in economic and financial conditions. In addition, certain pension plan assets related to JSC NPF GAZFOND are recorded using the fair value estimation techniques. Management makes judgements with respect to the selection of valuation models applied, the amount and timing of cash flows and other assumptions including discount rate. The recognition of pension plan assets is limited to the estimated present value of future benefits which are available to the Group in relation to this plan. These future benefits are determined using actuarial techniques and assumptions. The impact of the limitation of the net pension plan asset in accordance with IAS 19 Employee Benefits is disclosed in Note 24. The value of pension plan assets and the limitations are subject to revision in the future.

6 CRITICAL JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES (continued)

6.9 Joint arrangements

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

7 SEGMENT INFORMATION

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

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

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

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

Other activities have been included within "All other segments".

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

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

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

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

(in millions of Russian Rubles)

7 SEGMENT INFORMATION (continued)

	Production of gas	Transpor-tation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
Year ended 31 December 2018									
Sales of segments	**1,017,044**	**1,173,837**	**4,568,746**	**58,675**	**1,528,932**	**2,187,170**	**522,095**	**363,993**	**11,420,492**
Inter-segment sales	990,737	948,164	291,382	54,211	793,979	7,398	-	-	3,085,871
External sales	26,307	225,673	4,277,364	4,464	734,953	2,179,772	522,095	363,993	8,334,621
Financial result of segments	**3,106**	**49,423**	**807,214**	**5,533**	**390,663**	**180,863**	**53,010**	**37,111**	**1,526,923**
Depreciation	180,753	495,814	16,760	28,873	131,352	39,542	62,642	42,934	998,670
Share of profit of associates and joint ventures	9,226	24,975	707	-	151,422	4,046	65	42,042	232,483
Year ended 31 December 2017									
Sales of segments	**989,961**	**1,163,097**	**3,585,422**	**56,250**	**1,176,672**	**1,695,205**	**503,819**	**372,225**	**9,542,651**
Inter-segment sales	965,839	928,036	268,957	51,997	636,714	8,115	-	-	2,859,658
External sales	24,122	235,061	3,316,465	4,253	539,958	1,687,090	503,819	372,225	6,682,993
Financial result of segments	**43,920**	**55,068**	**(27,885)**	**5,565**	**265,308**	**76,073**	**49,925**	**51,268**	**519,242**
Depreciation	192,460	513,940	18,126	27,104	117,071	48,555	48,435	38,329	1,004,020
Share of profit of associates and joint ventures	6,525	20,120	1,907	180	85,911	2,905	116	9,276	126,940

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

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

Notes		Year ended 31 December 2018	2017
	Financial result of reportable segments	1,489,812	467,974
	Financial result of other segments	37,111	51,268
	Total financial result of segments	**1,526,923**	**519,242**
	Difference in depreciation[1]	350,677	390,860
	Expenses associated with provision for post-employment benefits	123,421	(8,967)
28	Net finance (expense) income	(309,951)	19,661
15	Share of profit of associates and joint ventures	232,483	126,940
27	Derivatives (loss) gain	(1,849)	18,344
	Other	(69,142)	(48,074)
	Total profit before profit tax in the consolidated statement of comprehensive income	**1,852,562**	**1,018,006**

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

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

	Year ended 31 December 2018	2017
External sales of reportable segments	7,970,628	6,310,768
External sales of other segments	363,993	372,225
Total external sales of segments	**8,334,621**	**6,682,993**
Differences in external sales[1]	(110,444)	(136,850)
Total sales in the consolidated statement of comprehensive income	**8,224,177**	**6,546,143**

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

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

(in millions of Russian Rubles)

7 SEGMENT INFORMATION (continued)

	Production of gas	Transpor-tation	Distribution of gas	Gas storage	Production of crude oil and gas condensate	Refining	Electric and heat energy generation and sales	All other segments	Total
As of 31 December 2018									
Assets of segments	2,743,944	7,023,399	1,719,640	393,700	2,898,071	2,059,715	911,036	1,428,467	19,177,972
Investments in associates and joint ventures	25,211	200,307	21,476	2	570,760	20,714	1,517	257,459	1,097,446
Capital expenditures[1]	308,007	640,063	39,078	19,391	257,932	309,417	72,907	149,089	1,795,884
As of 31 December 2017									
Assets of segments	2,677,231	6,721,549	1,669,202	347,929	2,516,019	1,715,485	868,933	1,131,509	17,647,857
Investments in associates and joint ventures	25,706	155,054	19,198	2	465,544	21,534	1,422	178,985	867,445
Capital expenditures[2]	216,450	498,550	51,675	37,694	330,424	225,240	58,110	86,457	1,504,600

[1] Capital expenditures for the year ended 31 December 2018.
[2] Capital expenditures for the year ended 31 December 2017.

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

Notes		31 December 2018	31 December 2017
	Assets of reportable segments	17,749,505	16,516,348
	Assets of other segments	1,428,467	1,131,509
	Total assets of segments	**19,177,972**	**17,647,857**
	Difference in property, plant and equipment, net[1]	(1,602,553)	(1,967,878)
13	Borrowing costs capitalised	808,251	714,392
8	Cash and cash equivalents	849,419	869,007
9	Short-term financial assets	26,859	31,057
	VAT recoverable	150,425	119,881
12	Other current assets	1,053,115	554,283
17	Long-term financial assets	416,666	268,432
14	Goodwill	108,097	105,469
12	Other non-current assets	530,262	313,793
	Inter-segment assets	(956 216)	(742,369)
	Other	248,143	324,846
	Total assets in the consolidated balance sheet	**20,810,440**	**18,238,770**

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

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

Liabilities of segments are provided in the table below.

	31 December 2018	31 December 2017
Distribution of gas	905,778	841,706
Refining	546,611	337,170
Production of gas	314,613	329,521
Transportation	305,569	306,235
Production of crude oil and gas condensate	216,553	217,805
Electric and heat energy generation and sales	96,869	82,315
Gas storage	25,250	24,416
All other segments	325,644	287,748
Total liabilities of segments	**2,736,887**	**2,426,916**

(in millions of Russian Rubles)

7 SEGMENT INFORMATION (continued)

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

Notes		31 December 2018	31 December 2017
	Liabilities of reportable segments	2,411,243	2,139,168
	Liabilities of other segments	325,644	287,748
	Total liabilities of segments	**2,736,887**	**2,426,916**
	Current profit tax payable	34,708	59,922
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	569,061	874,805
21	Long-term borrowings, promissory notes	3,294,761	2,391,713
24	Long-term provisions (except for provision for decommissioning and site restoration)	239,523	266,837
22	Deferred tax liabilities	748,751	699,413
	Other non-current liabilities	110,758	73,194
	Dividends	7,586	5,099
	Inter-segment liabilities	(956,216)	(742,369)
	Other	248,468	167,759
	Total liabilities in the consolidated balance sheet	**7,034,287**	**6,223,289**

8 CASH AND CASH EQUIVALENTS

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

	31 December 2018	31 December 2017
Cash on hand and bank balances payable on demand	531,432	508,585
Term deposits with original maturity of three months or less	317,987	360,422
Total cash and cash equivalents	**849,419**	**869,007**

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

	31 December 2018	31 December 2017
Cash on hand	823	1,015
External credit investment rating	189,112	113,522
External credit non-investment rating	482,717	579,989
No external credit rating	176,767	174,481
Total cash and cash equivalents	**849,419**	**869,007**

The sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB- as of 31 December 2018 and BB+ as of 31 December 2017 respectively, the outlook is changed from positive to stable.

9 SHORT-TERM FINANCIAL ASSETS

	31 December 2018	31 December 2017
Financial assets measured at fair value with changes recognised through profit or loss:	**26,827**	**30,964**
Bonds	25,868	30,758
Equity securities	959	206
Financial assets measured at fair value with changes recognised through other comprehensive income:	**32**	**93**
Promissory notes	32	93
Total short-term financial assets	**26,859**	**31,057**

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

(in millions of Russian Rubles)

9 SHORT-TERM FINANCIAL ASSETS (continued)

	31 December 2018	31 December 2017
Investment rating	12,724	18,217
Non-investment rating	5,254	7,340
No external credit rating	7,922	5,294
	25,900	**30,851**

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2018	31 December 2017
Financial assets		
Trade accounts receivable	912,109	758,150
Other accounts receivable	159,494	136,980
Loans receivable	70,891	149,302
	1,142,494	**1,044,432**
Non-financial assets		
Advances paid and prepayments	80,241	78,292
Total accounts receivable and prepayments	**1,222,735**	**1,122,724**

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

Trade accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 957,770 million and RUB 752,629 million as of 31 December 2018 and 31 December 2017, respectively.

Accounts receivable due from NJSC Naftogaz Ukraine in relation to gas sales are RUB nil million as of 31 December 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 147,241 million and RUB 80,231 million as of 31 December 2018 and 31 December 2017, respectively.

Loans receivable are presented net of allowance for expected credit losses in the amount of RUB 10,801 million and RUB 8,534 million as of 31 December 2018 and 31 December 2017, respectively.

Other accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 24,461 million and RUB 20,815 million as of 31 December 2018 and 31 December 2017, respectively.

Advances paid and prepayments are presented net of impairment allowance in the amount of RUB 12,314 million and RUB 12,542 million as of 31 December 2018 and 31 December 2017, respectively.

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

	31 December 2018	31 December 2017
Short-term trade accounts receivable neither past due nor credit-impaired	796,358	654,381
Short-term trade accounts receivable past due and for which allowance for expected credit losses was accrued	996,425	768,010
Amount of allowance for expected credit losses of trade accounts receivable	(957,770)	(752,629)
Short-term trade accounts receivable past due but not credit-impaired	77,096	88,388
Total short-term trade accounts receivable	**912,109**	**758,150**

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

	31 December 2018	31 December 2017
Europe and other countries gas, crude oil, gas condensate and refined products trade accounts receivable	458,990	376,543
Domestic gas, crude oil, gas condensate and refined products trade accounts receivable	191,250	158,288
Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products trade accounts receivable	7,422	9,346
Electricity and heat trade accounts receivable	76,434	54,671
Gas transportation services trade accounts receivable	4,906	4,087
Other trade accounts receivable	57,356	51,446
Total trade accounts receivable neither past due nor credit-impaired	**796,358**	**654,381**

(in millions of Russian Rubles)

10 ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

As of 31 December 2018 and 31 December 2017 credit-impaired accounts receivable mainly relate to gas sales to certain Russian regions and Former Soviet Union countries. In management's view the accounts receivable will be settled. The ageing analysis from the due date of these accounts receivable is as follows:

Ageing from the due date	Gross book value 31 December		Allowance for expected credit losses 31 December		Net book value 31 December	
	2018	2017	2018	2017	2018	2017
up to 6 months	105,661	66,292	(80,059)	(59,403)	25,602	6,889
from 6 to 12 months	84,552	64,832	(76,384)	(60,384)	8,168	4,448
from 1 to 3 years	214,674	193,191	(209,864)	(189,842)	4,810	3,349
more than 3 years	591,538	443,695	(591,463)	(443,000)	75	695
	996,425	**768,010**	**(957,770)**	**(752,629)**	**38,655**	**15,381**

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

	Trade receivables Year ended 31 December		Other receivables Year ended 31 December	
	2018	2017	2018	2017
Allowance for expected credit losses of accounts receivable at the beginning of the year	**752,629**	**831,164**	**20,815**	**16,950**
Effect of changes in accounting policies	1,990	-	55	-
Accrual of allowance for expected credit losses of accounts receivable[1]	143,365	106,714	18,880	13,307
Write-off of accounts receivable during the year[2]	(7,463)	(5,192)	(2,481)	(1,444)
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(17,537)	(150,683)	(12,960)	(7,983)
Reclassification to other lines	(6,287)	(5,649)	-	-
Foreign exchange rate differences	91,073	(23,725)	153	(15)
Allowance for expected credit losses of accounts receivable at the end of the year	**957,770**	**752,629**	**24,462**	**20,815**

[1] The accrual and release of allowance for expected credit losses of trade and other accounts receivable have been included in the line "(Impairment loss) reversal of impairment loss on financial assets" in the consolidated statement of comprehensive income.
[2] If there is no probability of cash receipt for the credit-impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that allowance.

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

Ageing from the due date	31 December 2018	31 December 2017
up to 6 months	63,078	63,172
from 6 to 12 months	6,790	9,771
from 1 to 3 years	4,382	7,968
more than 3 years	2,846	7,477
	77,096	**88,388**

11 INVENTORIES

	31 December 2018	31 December 2017
Gas in pipelines and storages	502,051	475,233
Materials and supplies (net of allowance for obsolescence of RUB 4,251 million and RUB 3,789 million as of 31 December 2018 and 31 December 2017, respectively)	166,994	157,348
Goods for resale (net of allowance for obsolescence of RUB 1,321 million and RUB 1,185 million as of 31 December 2018 and 31 December 2017, respectively)	113,537	31,280
Crude oil and refined products	127,095	108,453
Total inventories	**909,677**	**772,314**

(in millions of Russian Rubles)

12 OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets are provided in the table below.

Notes		31 December 2018	31 December 2017
	Short-term deposits	796,140	327,969
	Prepaid VAT	119,208	150,511
38	Derivative financial instruments	107,868	55,202
	Prepaid profit tax	6,117	6,271
	Other	23,782	14,330
	Total other current assets	**1,053,115**	**554,283**

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

Notes		31 December 2018	31 December 2017
24	Net pension plan assets	140,878	27,173
	Intangible assets	52,753	52,174
	VAT recoverable related to assets under construction	41,905	36,681
38	Derivative financial instruments	37,393	19,575
	Long-term deposits	1,432	1,559
	Other	255,901	176,631
	Total other non-current assets	**530,262**	**313,793**

13 PROPERTY, PLANT AND EQUIPMENT

Notes		Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
	As of 31 December 2016								
	Cost	3,751,874	1,739,940	4,600,603	3,625,398	611,652	95,229	2,577,846	17,002,542
	Accumulated depreciation	(1,423,186)	(640,698)	(1,989,356)	(1,161,461)	(244,259)	(40,835)	-	(5,499,795)
	Net book value as of 31 December 2016	**2,328,688**	**1,099,242**	**2,611,247**	**2,463,937**	**367,393**	**54,394**	**2,577,846**	**11,502,747**
	Depreciation	(86,950)	(72,397)	(296,922)	(132,112)	(10,775)	(2,501)	-	(601,657)
	Additions	16	58,892	67,759	11,452	8,725	743	1,540,299	1,687,886
	Translation differences	(1,250)	(5,115)	5,924	4,986	(3,705)	14	21,539	22,393
	Transfers	104,836	132,050	288,560	169,521	23	1,323	(696,313)	-
	Disposals	(714)	(3,038)	(24,162)	(10,809)	(6,313)	(518)	(43,428)	(88,982)
27	Change in impairment allowance	-	30,998	5,257	-	1,385	-	(14,948)	22,692
	Net book value as of 31 December 2017	**2,344,626**	**1,240,632**	**2,657,663**	**2,506,975**	**356,733**	**53,455**	**3,384,995**	**12,545,079**
	As of 31 December 2017								
	Cost	3,854,762	1,953,727	4,943,941	3,800,548	611,767	96,791	3,384,995	18,646,531
	Accumulated depreciation	(1,510,136)	(713,095)	(2,286,278)	(1,293,573)	(255,034)	(43,336)	-	(6,101,452)
	Net book value as of 31 December 2017	**2,344,626**	**1,240,632**	**2,657,663**	**2,506,975**	**356,733**	**53,455**	**3,384,995**	**12,545,079**
	Depreciation	(86,640)	(88,444)	(319,657)	(134,655)	(11,570)	(2,457)	-	(643,423)
	Additions	123	5,992	14,947	3,879	2,200	-	1,924,151	1,951,292
	Translation differences	3,902	43,728	24,056	17,147	7,924	160	98,735	195,652
	Transfers	147,077	153,073	478,514	304,787	3,268	3,207	(1,089,926)	-
	Disposals	(3,335)	(50,280)	(39,181)	(71,477)	(4,668)	(11,184)	(37,633)	(217,758)
27	Change in impairment allowance	(72)	(16,621)	(11,179)	2,304	(723)	-	4,883	(21,408)
	Net book value as of 31 December 2018	**2,405,681**	**1,288,080**	**2,805,163**	**2,628,960**	**353,164**	**43,181**	**4,285,205**	**13,809,434**
	As of 31 December 2018								
	Cost	4,001,928	2,097,022	5,366,693	4,047,684	629,180	88,479	4,285,205	20,516,191
	Accumulated depreciation	(1,596,247)	(808,942)	(2,561,530)	(1,418,724)	(276,016)	(45,298)	-	(6,706,757)
	Net book value as of 31 December 2018	**2,405,681**	**1,288,080**	**2,805,163**	**2,628,960**	**353,164**	**43,181**	**4,285,205**	**13,809,434**

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

(in millions of Russian Rubles)

13 PROPERTY, PLANT AND EQUIPMENT (continued)

Operating property, plant and equipment are presented net of impairment allowance of RUB 214,222 million and RUB 181,792 million as of 31 December 2018 and 31 December 2017, respectively.

As of 31 December 2018 and 31 December 2017 the Group conducted impairment tests of assets assessing where the carrying amount of cash-generating units is compared with the recoverable amount of the respective cash-generating unit for possible accrual or release of previously recognised impairment losses.

The Group allocates several cash-generating units in various business areas, including production of gas, production of crude oil and gas condensate, refining, electric and heat energy generation and sales. In the production of gas, the Group allocates cash-generating units for the assets included in the unified gas transportation system and for the assets of Eastern Siberia and the Far East.

The recoverable amount of cash-generating units has been determined on the basis of the values in use of such assets. The values in use of each cash-generating units have been calculated by the Group as the present values of forecasted future cash flows discounted using the rates derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations related to the cash-generating units.

The Group applied discount rates ranging from 5.38 % to 13.00 % and from 10.66 % to 12.42 % as of 31 December 2018 and 31 December 2017, respectively. Cash flows were forecasted based on actual operating results, business plans and long-term development program. The cash flow forecast covered periods commensurate with expected useful lives of the respective assets. The Group used estimated growth rates to extrapolate cash flows beyond the period, for which the Group usually prepares its budgets.

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

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

As of 31 December 2017 the Group recognised an impairment release in the amount of RUB 37,640 million mainly related to assets used in production of oil.

As of 31 December 2018 and 31 December 2017 the test did not reveal any impairment of the cash-generating units relating to production and refining of gas.

Assets under construction are presented net of allowance for impairment of RUB 191,326 million and RUB 189,252 million as of 31 December 2018 and 31 December 2017, respectively. Impairment allowance of assets under construction primarily relate to assets for which it is not yet probable that there will be future economic benefits.

Social assets (rest houses, housing, schools and medical facilities) included in the property, plant and equipment which were vested to the Group at privatisation have a net book value of RUB 69 million and RUB 148 million as of 31 December 2018 and 31 December 2017, respectively.

Included in additions above are capitalised borrowing costs of RUB 182,351 million and RUB 152,628 million for the years ended 31 December 2018 and 31 December 2017, respectively. Capitalisation rates of 6.21 % and 6.18 % were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2018 and 31 December 2017, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings was 5.76 % for the years ended 31 December 2018 and 31 December 2017, respectively.

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

	Year ended 31 December	
	2018	**2017**
Exploration and evaluation assets at the beginning of the year	**281,157**	**298,488**
Additions	57,248	49,008
Translation differences	7,556	(1,006)
Reclassification	(2,886)	(35,632)
Disposals	(23,397)[1]	(29,701)[2]
Exploration and evaluation assets at the end of the year	**319,678**	**281,157**

[1] Including impairment allowance in the amount of RUB 215 million.
[2] Including impairment allowance in the amount of RUB 6,041 million.

(in millions of Russian Rubles)

14 GOODWILL

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

	Year ended 31 December 2018	2017
Goodwill at the beginning of the year	**105,469**	**105,330**
Additions	-	187
Translation differences	2,629	(46)
Disposals	(1)	(2)
Goodwill at the end of the year	**108,097**	**105,469**

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December 2018	2017
Gas production, transportation and distribution	44,115	44,104
Production of crude oil and gas condensate	35,469	32,852
Electric and heat energy generation and sales	28,513	28,513
Total goodwill	**108,097**	**105,469**

As of 31 December 2018 and 31 December 2017 the Group did not identify any indicators for recognising an impairment loss in relation to goodwill.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

Notes			Carrying value as of 31 December 2018	2017	Share of profit (loss) of associates and joint ventures for the year ended 31 December 2018	2017
34, 37	Sakhalin Energy Investment Company Ltd.	Associate	196,679	169,242	64,071	43,846
34, 37	Gazprombank (Joint-stock Company) and its subsidiaries[1]	Associate	166,218	145,603	13,126	9,473
34	PJSC NGK Slavneft and its subsidiaries	Joint venture	152,495	140,548	11,882	7,122
34	JSC Arcticgas[2]	Joint venture	146,246	105,157	40,451	19,861
34, 37	Nord Stream AG	Joint venture	100,138	79,288	17,547	14,867
34	WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	Associate	55,867	45,436	6,694	5,552
34	JSC Achimgaz	Joint venture	37,310	33,509	13,399	8,768
34	JSC Messoyakhaneftegas	Joint venture	36,837	17,965	28,172	9,976
34	JSC EUROPOL GAZ	Associate	33,894	29,588	734	(506)
	JSC NPF GAZFOND[3]	Associate	28,861	-	28,861	-
	Wintershall AG	Associate	18,026	15,645	(4)	256
34	KazRosGas LLP	Joint venture	11,758	9,435	464	1,544
34	Wintershall Noordzee B.V.	Joint venture	8,125	6,532	383	207
34	CJSC Northgas	Joint venture	7,986	12,786	3,700	3,434
34	JSC Latvijas Gaze and its subsidiaries[4]	Associate	4,027	3,439	635	580
	Other (net of allowance for investments impairment of RUB 26,092 million and RUB 21,795 million as of 31 December 2018 and 31 December 2017, respectively)		92,979	53,272	2,368	1,960
			1,097,446	**867,445**	**232,483**	**126,940**

[1] On 28 June 2017 the Group acquired 16 % ordinary shares of Gazprombank (Joint-stock Company) buying the additional share issue for the amount of RUB 60,000 million. As a result of this transaction the effective ownership interest of the Group in Gazprombank (Joint-stock Company) increased from 37 % to 48 %.

[2] In January 2018 LLC Yamal razvitie and its subsidiary LLC SeverEnergy were reorganised in the form of the merger with JSC Arcticgas (a former subsidiary of LLC SeverEnergy). As of 31 December 2017 the investment in this line in the amount of RUB 105,157 million includes investments in LLC Yamal razvitie and its subsidiaries.

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

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

(in millions of Russian Rubles)

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Changes in the carrying amount of investment in associates and joint ventures are as follows:

	Year ended 31 December 2018	2017
Investments in associates and joint ventures at the beginning of the year	**867,445**	**730,149**
Share of profit of associates and joint ventures	232,483	126,940
Distributions from associates and joint ventures	(124,662)	(88,105)
Share of other comprehensive income of associates and joint ventures	13,923	2,967
Translation differences	68,454	4,831
Other acquisitions and disposals	39,803	90,663
Investments in associates and joint ventures at the end of the year	**1,097,446**	**867,445**

The estimated fair values of the Group's investments in associates and joint ventures which are based on published price quotations are as follows:

	31 December 2018	2017
JSC Latvijas Gaze	11,046	9,349

Significant associates and joint ventures

	Country of primary operations	Country of incorporation	Nature of operations	Ownership interest as of 31 December 2018	2017
JSC Arcticgas	Russia	Russia	Production of oil and petroleum gas	50	50
JSC Achimgaz	Russia	Russia	Exploration and production of gas and gas condensate	50	50
WIGA Transport Beteiligungs-GmbH & Co. KG	Germany	Germany	Gas transportation	50	50
Wintershall AG	Libya	Germany	Production of oil and gas sales	49	49
Gaz Project Development Central Asia AG	Uzbekistan	Switzerland	Gas production	50	50
Gazprombank (Joint-stock Company)[1]	Russia	Russia	Banking	48	48
JSC NPF GAZFOND[1]	Russia	Russia	Non-state pension provision	42	-
JSC EUROPOL GAZ	Poland	Poland	Transportation and gas sales	48	48
KazRosGas LLP	Kazakhstan	Kazakhstan	Gas processing and sales of gas and refined products	50	50
JSC Latvijas Gaze	Latvia	Latvia	Sale and distribution of gas	34	34
JSC Messoyakhaneftegas	Russia	Russia	Production of oil and petroleum gas	50	50
JSV Moldovagaz	Moldova	Moldova	Transportation and gas sales	50	50
Nord Stream AG[2]	Russia, Germany	Switzerland	Gas transportation	51	51
CJSC Northgas	Russia	Russia	Production and sales of gas and gas condensate	50	50
Panrusgas Co.	Hungary	Hungary	Gas sales	40	40
Prometheus Gas S.A.	Greece	Greece	Gas sales, construction	50	50
Sakhalin Energy Investment Company Ltd.	Russia	Bermuda Islands	Production of oil, LNG	50	50
PJSC NGK Slavneft	Russia	Russia	Production, processing and sales of oil	50	50
Bosphorus Gaz Corporation A.S.[2]	Turkey	Turkey	Gas sales	-	71

[1] Share in voting shares.

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

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

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

(in millions of Russian Rubles)

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

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

	PJSC NGK Slavneft and its subsidiaries	Gazprombank (Joint-stock Company) and its subsidiaries[1]	Sakhalin Energy Investment Company Ltd.
As of and for the year ended 31 December 2018			
Cash and cash equivalents	3,448	1,049,343	32,675
Other current assets (excluding cash and cash equivalents)	89,057	4,648,318	156,895
Other non-current assets	459,041	740,041	913,361
Total assets	**551,546**	**6,437,702**	**1,102,931**
Current financial liabilities (excluding trade payables)	1,991	4,913,146	103,463
Other current liabilities (including trade payables)	60,520	127,054	142,865
Non-current financial liabilities	126,151	861,842	155,143
Other non-current liabilities	58,301	13,301	308,104
Total liabilities	**246,963**	**5,915,343**	**709,575**
Net assets (including non-controlling interest)	**304,583**	**522,359**	**393,356**
Ownership interest	50 %	48 %	50 %
Carrying value of investment	**152,495**	**166,218**	**196,679**
Revenue	314,332	287,415	392,816
Depreciation	(45,022)	(44,972)	(119,098)
Interest income	368	373,482	3,685
Interest expense	(5,276)	(234,801)	(13,590)
Profit tax expense	(7,682)	(13,521)	(81,586)
Profit for the year	**24,926**	**41,086**	**128,142**
Other comprehensive income for the year	**137**	**3,496**	**986**
Comprehensive income for the year	**25,063**	**44,582**	**129,128**
Dividends received from associates and joint ventures	**-**	**(3,086)**	**(74,433)**
As of and for the year ended 31 December 2017			
Cash and cash equivalents	4,153	649,428	38,868
Other current assets (excluding cash and cash equivalents)	54,479	1,295,049	76,715
Other non-current assets	430,466	3,495,187	828,551
Total assets	**489,098**	**5,439,664**	**944,134**
Current financial liabilities (excluding trade payables)	10,359	4,050,693	61,963
Other current liabilities (including trade payables)	53,924	132,921	93,983
Non-current financial liabilities	88,198	748,068	166,083
Other non-current liabilities	58,323	25,561	283,620
Total liabilities	**210,804**	**4,957,243**	**605,649**
Net assets (including non-controlling interest)	**278,294**	**482,421**	**338,485**
Ownership interest	50 %	48 %	50 %
Carrying value of investment	**140,548**	**145,603**	**169,242**
Revenue	241,253	244,194	314,932
Depreciation	(44,453)	(42,011)	(114,681)
Interest income	988	365,335	1,682
Interest expense	(4,578)	(233,818)	(11,330)
Profit tax expense	(4,429)	(9,343)	(46,210)
Profit for the year	**15,179**	**35,493**	**87,692**
Other comprehensive income for the year	**59**	**1,757**	**1,382**
Comprehensive income for the year	**15,238**	**37,250**	**89,074**
Dividends received from associates and joint ventures	**-**	**(3,398)**	**(51,221)**

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

(in millions of Russian Rubles)

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

	Assets	Liabilities	Revenues	Profit (loss)
As of and for the year ended 31 December 2018				
Nord Stream AG	489,723	293,372	79,469	34,405
JSC Arcticgas	439,148	168,497	195,581	81,823
JSC NPF GAZFOND	427,516	358,003	-	14,616
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	321,523	188,493	76,008	13,780
JSC Messoyakhaneftegas	202,430	129,175	125,521	56,344
JSC Achimgaz	93,125	18,504	41,217	26,798
Wintershall AG	78,622	53,527	11,561	(8)
JSC EUROPOL GAZ	72,453	1,843	15,752	1,490
Wintershall Noordzee B.V.	54,408	39,943	14,643	765
CJSC Northgas	46,496	29,589	23,337	7,399
KazRosGas LLP	27,622	4,106	44,347	1,825
JSC Latvijas Gaze and its subsidiaries	25,210	8,067	26,095	1,865
As of and for the year ended 31 December 2017				
Nord Stream AG	437,421	281,955	71,008	29,150
JSC Arcticgas	401,450	212,622	147,204	42,365
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	252,107	155,126	46,519	11,789
JSC Messoyakhaneftegas	171,124	135,612	61,030	19,952
JSC Achimgaz	78,206	11,188	31,027	17,536
Wintershall AG	67,904	44,818	10,066	522
JSC EUROPOL GAZ	64,993	3,353	13,865	(1,051)
CJSC Northgas	58,730	32,221	23,079	6,868
Wintershall Noordzee B.V.	50,550	38,271	9,858	414
KazRosGas LLP	30,824	11,953	43,548	3,087
JSC Latvijas Gaze and its subsidiaries	19,638	6,338	21,050	1,706

16 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS

	31 December 2018	31 December 2017
Financial assets		
Long-term accounts receivable	151,131	158,333
	151,131	**158,333**
Non-financial assets		
Long-term prepayments	20,991	25,561
Advances for assets under construction	464,183	485,392
	485,174	**510,953**
Total long-term accounts receivable and prepayments	**636,305**	**669,286**

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 12,031 million and RUB 8,810 million as of 31 December 2018 and 31 December 2017, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 7,868 million and RUB 7,508 million as of 31 December 2018 and 31 December 2017, respectively.

As of 31 December 2018 and 31 December 2017 long-term accounts receivable and prepayments with carrying value RUB 172,122 million and RUB 183,894 million have an estimated fair value RUB 149,766 million and RUB 181,218 million, respectively.

	31 December 2018	31 December 2017
Long-term accounts receivable neither past due nor credit-impaired	172,101	180,520
Long-term accounts receivable past due and for which allowance for expected credit losses was accrued	12,040	8,819
Allowance for expected credit losses of long-term accounts receivable	(12,031)	(8,810)
Long-term accounts receivable past due but not credit-impaired	12	3,365
Total long-term accounts receivable and prepayments	**172,122**	**183,894**

(in millions of Russian Rubles)

16 LONG-TERM ACCOUNTS RECEIVABLE AND PREPAYMENTS (continued)

	31 December	
	2018	2017
Loans receivable	59,983	81,892
Long-term trade accounts receivable	40,525	11,243
Other long-term accounts receivable[1]	71,593	87,385
Total long-term accounts receivable neither past due not credit-impaired	**172,101**	**180,520**

[1] Other long-term accounts receivable includes prepayments in the amount of RUB 20,991 million and RUB 25,561 million as of 31 December 2018 and 31 December 2017, respectively.

Management experience indicates that long-term loans to other entities granted mainly for capital construction purposes are of strong credit quality.

Movement of the Group's allowance for expected credit losses of long-term accounts receivable is presented in the table below.

	Year ended 31 December	
	2018	2017
Allowance for expected credit losses of accounts receivable at the beginning of the year	**8,810**	**5,837**
Effect of changes in accounting policies	569	-
Accrual of allowance for expected credit losses of accounts receivable[1]	3,405	3,010
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(819)	(33)
Foreign exchange rate differences	66	(4)
Allowance for expected credit losses of accounts receivable at the end of the year	**12,031**	**8,810**

[1] The accrual and release of allowance for expected credit losses of long-term accounts receivable have been included in the line "(Impairment loss) reversal of impairment loss on financial assets" in the consolidated statement of comprehensive income.

17 LONG-TERM FINANCIAL ASSETS

	31 December	
	2018	2017
Financial assets measured at fair value with changes recognised through profit or loss:	**2,131**	**797**
Equity securities	2,131	797
Financial assets measured at fair value with changes recognised through other comprehensive income:	**414,535**	**267,635**
Equity securities[1]	414,273	267,386
Promissory notes	262	249
Total long-term financial assets	**416,666**	**268,432**

[1] As of 31 December 2018 and 31 December 2017 equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 360,336 million and RUB 210,010 million, respectively.

Long-term financial assets are shown net of allowance for expected credit losses of RUB 35 million and RUB 32 million as of 31 December 2018 and 31 December 2017, respectively.

Long-term financial assets measured at fair value with changes recognised through other comprehensive income include promissory notes on Group companies' balances which are assessed by management as of high credit quality.

Movement in long-term financial assets is presented in the table below.

	Year ended 31 December	
	2018	2017
Long-term financial assets at the beginning of the year	**268,432**	**294,345**
Increase (decrease) in fair value of long-term financial assets	148,963	(30,404)
Acquisition of long-term financial assets	1,387	5,691
Disposal of long-term financial assets	(2,113)	(2,096)
(Accrual) release of allowance for expected credit losses of long-term financial assets	(3)	896
Long-term financial assets at the end of the year	**416,666**	**268,432**

As of the reporting date the maximum exposure to credit risk for this category of assets equals to the fair value of the promissory notes classified as financial assets measured at fair value with changes recognised through other comprehensive income. Fair value of financial assets measured at fair value with changes recognised through other comprehensive income mainly has been determined using the quoted market prices (see Note 38).

(in millions of Russian Rubles)

18 ACCOUNTS PAYABLE AND PROVISIONS

Notes		31 December 2018	31 December 2017
	Financial liabilities		
	Accounts payable for acquisition of property, plant and equipment	319,660	354,857
	Trade accounts payable	473,027	353,179
38	Derivative financial instruments	99,490	64,342
	Other accounts payable[1]	463,672	455,585
		1,355,849	1,227,963
	Non-financial liabilities		
	Advances received	164,167	148,324
	Accruals and deferred income	2,085	1,895
		166,252	150,219
	Total accounts payable and provisions	**1,522,101**	**1,378,182**

[1] As of 31 December 2018 and 31 December 2017 other accounts payable include RUB 33,228 million and RUB 111,607 million of accruals for probable price adjustments related to natural gas deliveries made from 2013 to 2018, respectively.

Fair values of these liabilities approximate the carrying values.

19 TAXES OTHER THAN ON PROFIT AND FEES PAYABLE

	31 December 2018	31 December 2017
VAT	151,936	103,698
MET	114,078	96,320
Property tax	37,301	35,240
Excise tax	21,227	21,432
Other taxes	23,283	19,917
Total taxes and fees payable	**347,825**	**276,607**

20 SHORT-TERM BORROWINGS, PROMISSORY NOTES AND CURRENT PORTION OF LONG-TERM BORROWINGS

	31 December 2018	31 December 2017
Short-term borrowings and promissory notes:		
Borrowings and promissory notes denominated in Russian Rubles	66,839	74,374
Foreign currency denominated borrowings	8,052	11,807
	74,891	86,181
Current portion of long-term borrowings (see Note 21)	494,170	788,624
Total short-term borrowings, promissory notes and current portion of long-term borrowings	**569,061**	**874,805**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2018	31 December 2017
Fixed rate short-term borrowings denominated in Russian Rubles	7.95 %	8.82 %
Fixed rate foreign currency denominated short-term borrowings	7.83 %	7.47 %
Variable rate short-term borrowings denominated in Russian Rubles	9.75 %	9.72 %
Variable rate foreign currency denominated short-term borrowings	3.48 %	3.05 %

Fair values of these liabilities approximate the carrying values.

(in millions of Russian Rubles)

21 LONG-TERM BORROWINGS, PROMISSORY NOTES

	Currency	Final maturity	31 December 2018	31 December 2017
Long-term borrowings, promissory notes payable to:				
Loan participation notes issued in April 2009[1]	US Dollar	2019	159,040	131,865
Bank of China Limited, London branch	Euro	2021	113,580	137,186
Loan participation notes issued in September 2012[2]	US Dollar	2022	105,485	87,461
Loan participation notes issued in November 2013[2]	US Dollar	2023	104,779	86,875
Intesa Sanpaolo Bank Luxembourg S.A.	Euro	2023	94,883	-
Loan participation notes issued in March 2007[1]	US Dollar	2022	92,174	76,424
Loan participation notes issued in August 2007[1]	US Dollar	2037	89,212	73,968
J.P. Morgan Europe Limited[3]	Euro	2023	87,087	-
Loan participation notes issued in April 2004[1]	US Dollar	2034	84,622	70,163
Loan participation notes issued in March 2013[1]	Euro	2020	81,578	70,702
Loan participation notes issued in November 2016[1]	Euro	2023	79,268	68,530
Loan participation notes issued in November 2018[1]	Euro	2024	79,045	-
J.P. Morgan Europe Limited[3]	Euro	2022	78,987	68,256
Loan participation notes issued in April 2017[1, 4]	British Pound Sterling	2024	78,028	67,474
Loan participation notes issued in July 2012[1]	US Dollar	2022	71,018	58,883
Loan participation notes issued in February 2013[1]	US Dollar	2028	63,770	52,874
Loan participation notes issued in February 2014[1]	Euro	2021	61,412	53,224
China Construction Bank Corporation, Beijing branch[3]	US Dollar	2020	61,151	75,699
Loan participation notes issued in March 2018[1]	Euro	2026	60,239	-
Loan participation notes issued in November 2017[1]	Euro	2024	59,243	51,194
Loan participation notes issued in February 2013[1]	US Dollar	2020	56,438	46,795
Credit Agricole CIB	Euro	2022	55,722	48,138
UniCredit S.p.A.	Euro	2025	55,427	-
UniCredit S.p.A.	Euro	2022	55,329	27,135
Loan participation notes issued in March 2018[1]	Swiss Franc	2023	53,161	-
Loan participation notes issued in March 2017[1]	US Dollar	2027	52,340	43,261
Loan participation notes issued in September 2013[1, 4]	British Pound Sterling	2020	48,058	41,651
Credit Agricole CIB	Euro	2023	47,467	-
Loan participation notes issued in November 2011[1]	US Dollar	2021	42,780	35,470
J.P. Morgan Europe Limited[3]	Euro	2020	42,007	54,522
Loan participation notes issued in March 2013[1]	Euro	2025	41,089	35,611
Loan issued in December 2018[5]	Japanese yen	2028	40,411	-
Loan participation notes issued in November 2016[1, 4]	Swiss Franc	2021	36,943	31,923
Loan participation notes issued in July 2017[1,4]	Swiss Franc	2022	36,207	31,272
Loan participation notes issued in October 2013[1]	Swiss Franc	2019	35,474	29,641
Citibank Europ plc[3]	Euro	2023	33,537	-
ING Bank, a branch of ING-DiBa AG	Euro	2023	31,611	-
PJSC Sberbank	Euro	2023	29,861	-
AO «ALFA-BANK»	US Dollar	2021	27,803	23,052
Wintershall Nederland Transport and Trading B.V.[6]	Euro	2035	26,978	20,555
Uniper Gas Transportation and Finance B.V.[6]	Euro	2035	26,978	20,555
OMV Gas Marketing Trading & Finance B.V.[6]	Euro	2035	26,975	20,554
Shell Exploration and Production (LXXI) B.V.[6]	Euro	2035	26,975	20,554
Engie Energy Management Holding Switzerland AG[6]	Euro	2035	26,975	20,554
Wintershall Nederland Transport and Trading B.V.[6]	Euro	2019	26,245	3,119
OMV Gas Marketing Trading & Finance B.V.[6]	Euro	2019	26,245	3,119
Shell Exploration and Production (LXXI) B.V.[6]	Euro	2019	26,245	3,119
Uniper Gas Transportation and Finance B.V.[6]	Euro	2019	26,245	3,119
Engie Energy Management Holding Switzerland AG[6]	Euro	2019	26,243	3,119
Russian bonds issued in March 2018[2]	Russian Ruble	2024	25,538	-
Russian bonds issued in October 2017[2]	Russian Ruble	2022	25,376	25,371
Gazprombank (Joint-stock Company)	US Dollar	2019	25,009	20,736

(in millions of Russian Rubles)

21 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

	Currency	Final maturity	31 December 2018	31 December 2017
Gazprombank (Joint-stock Company)	US Dollar	2019	22,925	19,008
UniCredit Bank Austria AG	Euro	2021	21,254	23,908
VTB Bank (Europe) SE	Euro	2027	20,276	19,640
PJSC Sberbank	Euro	2022	19,149	15,736
PJSC Sberbank	Euro	2020	19,143	16,591
Mizuho Bank Ltd.[3]	US Dollar	2019	17,339	53,130
Deutsche Bank Luxembourg S.A.	Euro	2022	15,943	13,818
Russian bonds issued in July 2018[7]	Russian Ruble	2048	15,509	-
Russian bonds issued in July 2018[7]	Russian Ruble	2048	15,509	-
Russian bonds issued in February 2017[8]	Russian Ruble	2027	15,505	15,501
Russian bonds issued in February 2017[8]	Russian Ruble	2027	15,505	15,501
Russian bonds issued in August 2017[2]	Russian Ruble	2024	15,482	15,476
Russian bonds issued in April 2017[2]	Russian Ruble	2022	15,282	15,276
BANK ROSSIYA	Russian Ruble	2022	15,281	15,012
Russian bonds issued in November 2013[7]	Russian Ruble	2043	15,074	15,059
Russian bonds issued in November 2013[7]	Russian Ruble	2043	15,074	15,059
Gazprombank (Joint-stock Company)	Russian Ruble	2025	15,000	15,001
Gazprombank (Joint-stock Company)	Russian Ruble	2021	15,000	-
BNP Paribas S.A.[3]	Euro	2022	12,986	14,069
Russian bonds issued in July 2018[7]	Russian Ruble	2033	10,340	-
Russian bonds issued in August 2016[2]	Russian Ruble	2046	10,322	10,319
Russian bonds issued in February 2011[2]	Russian Ruble	2021	10,319	10,371
Russian bonds issued in February 2018[8]	Russian Ruble	2028	10,245	-
Russian bonds issued in February 2018[8]	Russian Ruble	2028	10,245	-
Russian bonds issued in June 2016[2]	Russian Ruble	2046	10,067	10,064
Russian bonds issued in December 2017[2]	Russian Ruble	2024	10,023	10,021
AO «ALFA-BANK»	Russian Ruble	2023	10,007	-
Gazprombank (Joint-stock Company)	US Dollar	2019	585	17,856
Russian bonds issued in April 2009[2]	Russian Ruble	2019	118	10,184
Loan participation notes issued in October 2007[1]	Euro	2018	-	87,456
Loan participation notes issued in October 2015[1]	Euro	2018	-	69,539
Loan participation notes issued in April 2008[1]	US Dollar	2018	-	64,507
Loan participation notes issued in July 2013[1]	Euro	2018	-	62,985
Loan participation notes issued in April 2013[2]	Euro	2018	-	52,684
PJSC Sberbank	US Dollar	2018	-	43,776
Loan participation notes issued in March 2016[1]	Swiss Franc	2018	-	29,438
Bank of America Securities Limited	US Dollar	2018	-	17,453
Russian bonds issued in March 2016[2]	Russian Ruble	2018	-	15,427
UniCredit Bank Austria AG	US Dollar	2018	-	11,526
Commerzbank International S.A.	US Dollar	2018	-	11,522
Russian bonds issued in March 2016[2]	Russian Ruble	2018	-	10,303
Gazprombank (Joint-stock Company)	Russian Ruble	2018	-	10,000
Gazprombank (Joint-stock Company)	Russian Ruble	2018	-	10,000
Other long-term borrowings, promissory notes	Various	Various	521,131	473,398
Total long-term borrowings, promissory notes			**3,788,931**	**3,180,337**
Less: current portion of long-term borrowings			(494,170)	(788,624)
			3,294,761	**2,391,713**

[1] Issuer of these bonds is Gaz Capital S.A. Bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes.
[2] Issuer of these bonds is PJSC Gazprom Neft.
[3] Loans received from consortiums of banks, named lender is the bank-agent.
[4] According to the signed agreements between the bond issuer Gas Capital S.A. and the banks, settlements for the bonds are made in Euro (up to achieve of a coefficient based on the ratio of currency exchange rates set in the agreements).
[5] Issuer of these bonds is GazAsia Capital S.A.
[6] Borrowings were obtained for financing of the Nord Stream-2 project.
[7] Issuer of these bonds is PJSC Gazprom.
[8] Issuer of these bonds is Gazprom capital LLC.

(in millions of Russian Rubles)

21 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

	31 December 2018	31 December 2017
Long-term borrowings and promissory notes		
denominated in Russian Rubles (including current portion of RUB 46,611 million and RUB 142,484 million as of 31 December 2018 and 31 December 2017, respectively)	694,548	558,509
denominated in foreign currency (including current portion of RUB 447,559 million and RUB 646,140 million as of 31 December 2018 and 31 December 2017, respectively)	3,094,383	2,621,828
	3,788,931	**3,180,337**

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

Due for repayment of long-term borrowings, promissory notes	31 December 2018	31 December 2017
between one and two years	607,775	481,070
between two and five years	1,654,576	1,087,239
after five years	1,032,410	823,404
	3,294,761	**2,391,713**

Long-term liabilities include fixed rate borrowings with a carrying value of RUB 2,709,599 million and RUB 2,355,672 million and fair value of RUB 2,831,050 million and RUB 2,605,734 million as of 31 December 2018 and 31 December 2017, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,079,332 million and RUB 824,665 million and fair value is RUB 1,082,539 million and RUB 837,266 million as of 31 December 2018 and 31 December 2017, respectively.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2018	31 December 2017
Fixed rate long-term borrowings denominated in Russian Rubles	8.08 %	8.81 %
Fixed rate foreign currency denominated long-term borrowings	5.38 %	5.59 %
Variable rate long-term borrowings denominated in Russian Rubles	7.20 %	6.51 %
Variable rate foreign currency denominated long-term borrowings	2.46 %	3.28 %

As of 31 December 2018 and 31 December 2017 according to the agreements signed within the framework of financing the Nord Stream-2 project with Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V., 100 % of shares of Nord Stream 2 AG held by PJSC Gazprom were pledged until a full settlement of the secured obligations.

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

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

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

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

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

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

Under the terms of the Russian bonds with the nominal value of RUB 10,000 million issued by PJSC Gazprom Neft in June 2016 due in 2046 bondholders can execute the right of early redemption in June 2019 at par, including interest accrued.

(in millions of Russian Rubles)

21 LONG-TERM BORROWINGS, PROMISSORY NOTES (continued)

The Group has no subordinated debt and no debt that may be converted into an equity interest of the Group (see Notes 30).

22 PROFIT TAX

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

Notes		For the year ended 31 December 2018	2017
	Profit before profit tax	1,852,562	1,018,006
	Theoretical tax charge calculated at applicable tax rates	(370,512)	(203,601)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses, including:		
	Tax losses for which no deferred tax asset was recognised	(14,261)	(12,253)
24, 27	Provision for post-employment benefits	15,787	(9,704)
13	Provision for impairment of assets under construction	1,911	(2,990)
	Non-operating expenses	(31,839)	(19,774)
	Social expenses	(7,375)	(6,338)
	Other non-deductible expenses	(8,719)	(25,779)
15	Non-taxable share of profit of associates and joint ventures	46,497	25,388
	Other non-taxable income	44,945	3,924
	Profit tax expense	**(323,566)**	**(251,127)**

Differences between the recognition criteria of assets and liabilities reflected in IFRS financial statements and for the purposes of Russian statutory taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is recorded at the applicable statutory rates with the prevailing rate of 20 % in the Russian Federation.

	31 December 2016	Temporary differences of recognition and reversals in profit or loss	Temporary differences of recognition and reversals in other comprehensive income	31 December 2017	Temporary differences of recognition and reversals in profit or loss	Temporary differences of recognition and reversals in other comprehensive income	31 December 2018
Property, plant and equipment	(750,373)	(80,862)	-	(831,235)	(44,172)	-	(875,407)
Financial assets	1,936	(7,661)	1,151	(4,574)	10,331	(4,044)	1,713
Account receivables	39,165	7,906	-	47,071	33,639	-	80,710
Inventories	(11,619)	2,712	-	(8,907)	14,152	-	5,245
Tax losses carry forward	5,659	7,682	-	13,341	3,505	-	16,846
Retroactive gas price adjustments	22,757	(297)	-	22,460	(15,801)	-	6,659
Accounts payable	-	53,859	-	53,859	(53,859)	-	-
Other deductible temporary differences	3,972	7,351	(2,751)	8,572	6,872	39	15,483
Total net deferred tax liabilities	**(688,503)**	**(9,310)**	**(1,600)**	**(699,413)**	**(45,333)**	**(4,005)**	**(748,751)**

Taxable temporary differences recognised for the years ended 31 December 2018 and 31 December 2017 include the effect of depreciation premium on certain items of property, plant and equipment. The negative tax effect on these differences for the year ended 31 December 2018 was RUB 6,942 million and it was offset by the increase in the current profit tax by the corresponding this amount which did not have influence on profit for the year ended 31 December 2018. The positive tax effect on these differences for the year ended 31 December 2017 amounted to RUB 44,723 million and it was offset by the decrease in the current profit tax by the corresponding amount which did not have influence on profit for the year ended 31 December 2017.

Effective 1 January 2012, 55 major Russian subsidiaries of PJSC Gazprom formed a consolidated group of taxpayers ("CGT") with PJSC Gazprom acting as the responsible tax payer. Starting from 1 January 2013 the membership was expanded to 65 participants. Starting from 1 January 2014, the list of participants was 69. Starting from 1 January 2015 the number of participants was reduced to 65. Starting from 1 January 2016, the list of participants has been expanded to 67. In 2017, the number of participants did not change compared to 2016. Starting from 1 January 2018 the number of participants was reduced to 65. In accordance with the Russian tax legislation, tax deductible losses can be offset against taxable profits among the companies

(in millions of Russian Rubles)

22 PROFIT TAX (continued)

within the CGT to the extent that profit or loss is recognised for tax purposes in the reporting year and, thus, is included into the tax base of the CGT. Tax assets recognised on losses prior to the formation of the CGT are written off.

23 DERIVATIVE FINANCIAL INSTRUMENTS

The Group has outstanding commodity contracts measured at fair value. The fair value of derivatives is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group's position and fair value of derivatives outstanding as of the end of the reporting year. Fair values of derivatives are reflected at their gross value included in other assets and other liabilities in the consolidated balance sheet.

Fair value	**31 December**	
	2018	**2017**
Assets		
Commodity contracts	141,767	73,273
Foreign currency derivatives and currency and interest rate swaps	3,494	1,504
	145,261	**74,777**
Liabilities		
Commodity contracts	134,800	58,181
Foreign currency derivatives and currency and interest rate swaps	3,052	20,680
Other derivatives	16,133	13,188
	153,985	**92,049**

Derivative financial instruments are mainly denominated in US dollars, Euros and British Pounds Sterling.

24 PROVISIONS

	31 December	
	2018	**2017**
Provision for post-employment benefits	226,585	258,132
Provision for decommissioning and site restoration costs	166,799	202,616
Other	12,938	8,705
Total provisions	**406,322**	**469,453**

Provision for decommissioning and site restoration costs changed mainly due to revised liquidation dates and an increase in discount rate from 8.47 % to 8.93 % as of 31 December 2017 and 31 December 2018, respectively.

The Group operates post-employment and other employee benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Defined benefit plan covers the majority of employees of the Group. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and post-employment benefits from the Group provided upon retirement.

The amount of benefits depends on the period of the employees' service (years of service), salary level at retirement, predetermined fixed amount or the combination of these factors.

Principal actuarial assumptions used:

	31 December	
	2018	**2017**
Discount rate (nominal)	8.8 %	7.6 %
Future salary and pension increases (nominal)	5.0 %	5.0 %
Average expected retirement age, years	women 58, men 62	women 55, men 58
Turnover ratio	age-related probability of resignation curve, 3.8 % on average	

Weighted-average duration of obligations is 11.6 years.

The assumptions related to life expectancy at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2018. The assumptions related to life expectancy at expected retirement age were 19.3 years for 58 year old men and 28.5 years for 55 year old women in 2017.

(in millions of Russian Rubles)

24 PROVISIONS (continued)

Net liabilities or assets related to post-employment benefits recognised in the consolidated balance sheet are presented below.

	31 December 2018		31 December 2017	
	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits	Pension plan provided through JSC NPF GAZFOND	Other post-employment benefits
Present value of obligations	(332,493)	(226,585)	(422,641)	(258,132)
Fair value of plan assets	473,371	-	449,814	-
Total net assets (liabilities)	**140,878**	**(226,585)**	**27,173**	**(258,132)**

The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 140,878 million and RUB 27,173 million as of 31 December 2018 and 31 December 2017, respectively, are included within other non-current assets in the consolidated balance sheet (see Note 12).

Changes in the present value of the defined benefit plan obligations and fair value of pension plan assets for the years ended 31 December 2018 and 31 December 2017 are presented below.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2017	**422,641**	**(449,814)**	**(27,173)**	**258,132**
Current service cost	14,148	-	14,148	12,019
Past service cost	(94,678)	-	(94,678)	(27,499)
Interest expense (income)	32,115	(34,391)	(2,276)	19,349
Total expenses included in staff costs within operating expenses (see Note 27)	**(48,415)**	**(34,391)**	**(82,806)**	**3,869**
Remeasurement of provision for post-employment benefits:				
Actuarial gains arising from changes in financial assumptions	(33,408)	-	(33,408)	(27,657)
Actuarial (gains) losses arising from changes in demographic assumptions	(91)	-	(91)	34
Actuarial losses – experience adjustments	7,372	-	7,372	17,030
Expense on plan assets excluding amounts included in interest expense	-	16,243	16,243	-
Translation differences	-	-	-	623
Total included in other comprehensive income	**(26,127)**	**16,243**	**(9,884)**	**(9,970)**
Benefits paid	(15,606)	15,606	-	(25,446)
Employer's contributions	-	(21,015)	(21,015)	-
As of 31 December 2018	**332,493**	**(473,371)**	**(140,878)**	**226,585**
As of 31 December 2016	**372,845**	**(393,344)**	**(20,499)**	**236,852**
Current service cost	14,966	-	14,966	12,703
Past service cost	1,878	-	1,878	1,134
Interest expense (income)	31,678	(33,641)	(1,963)	19,804
Total expenses included in staff costs within operating expenses (see Note 27)	**48,522**	**(33,641)**	**14,881**	**33,641**
Remeasurement of provision for post-employment benefits:				
Actuarial gains arising from changes in financial assumptions	(4,384)	-	(4,384)	(2,996)
Actuarial (gains) losses arising from changes in demographic assumptions	(339)	-	(339)	72
Actuarial losses – experience adjustments	19,996	-	19,996	10,467
Return on plan assets excluding amounts included in interest expense	-	(17,972)	(17,972)	-
Translation differences	-	-	-	220
Total included in other comprehensive loss	**15,273**	**(17,972)**	**(2,699)**	**7,763**
Benefits paid	(13,999)	13,999	-	(20,124)
Employer's contributions	-	(18,856)	(18,856)	-
As of 31 December 2017	**422,641**	**(449,814)**	**(27,173)**	**258,132**

(in millions of Russian Rubles)

24 PROVISIONS (continued)

The major categories of plan assets allocation broken down by fair value and percentage of total plan assets are presented below.

	31 December 2018		31 December 2017	
	Fair value	Percent in plan assets	Fair value	Percent in plan assets
Quoted plan assets, including:	**223,912**	**47.3 %**	**231,468**	**51.5 %**
Mutual funds	63,931	13.5 %	60,610	13.5 %
Bonds	136,582	28.9 %	108,236	24.1 %
Shares	23,399	4.9 %	62,622	13.9 %
Unquoted plan assets, including:	**249,459**	**52.7 %**	**218,346**	**48.5 %**
Shares	177,325	37.5 %	177,016	39.3 %
Deposits	18,600	3.9 %	18,843	4.2 %
Mutual funds	9,708	2.0 %	18,400	4.1 %
Other assets	43,826	9.3 %	4,087	0.9 %
Total plan assets	**473,371**	**100 %**	**449,814**	**100 %**

The amount of ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB nil million and RUB 32,490 million as of 31 December 2018 and 31 December 2017, respectively.

Unquoted equities within pension plan assets are mostly represented by shares of Gazprombank (Joint-stock Company), which are measured at fair value (Level 2 in accordance with the fair value hierarchy) using market approach valuation techniques based on available market data.

For the years ended 31 December 2018 and 31 December 2017 actual return on pension plan assets was a gain of RUB 18,148 million and RUB 51,613 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit plan obligations to changes in the principal actuarial assumptions as of 31 December 2018 is presented below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rates lower by 20 %	21,068	3.8 %
Mortality rates higher by 20 %	(17,769)	(3.2 %)
Discount rate lower by 1 pp	49,306	9.0 %
Discount rate higher by 1 pp	(41,833)	(7.6 %)
Benefit growth lower by 1 pp	(43,910)	(8.0 %)
Benefit growth higher by 1 pp	51,065	9.3 %
Staff turnover lower by 1 pp for all ages	24,793	4.5 %
Staff turnover higher by 1 pp for all ages	(21,329)	(3.9 %)
Retirement ages lower by 1 year	19,952	3.6 %
Retirement ages higher by 1 year	(19,754)	(3.6 %)

The Group expects to contribute RUB 45,100 million to the defined benefit plans in 2019.

Pension plan parameters and related risks

As a rule, the above benefits are indexed in line with inflation rate or salary growth for benefits that depend on salary level and are exposed to inflation risk.

In addition to the inflation risk, the pension plans of the Group are exposed to mortality risks and longevity risks.

25 EQUITY

Share capital

Share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2018 and 31 December 2017 and consists of 23.7 billion ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2018 PJSC Gazprom declared and paid dividends in the nominal amount of 8.04 Russian Rubles per share based on the results for the year ended 31 December 2017. In 2017 PJSC Gazprom declared and paid dividends in the nominal amount of 8.04 Russian Rubles per share based on the results for the year ended 31 December 2016.

25 EQUITY (continued)

Treasury shares

As of 31 December 2018 and 31 December 2017 subsidiaries of PJSC Gazprom held 1,573 million ordinary shares of PJSC Gazprom including American depositary receipts in the amount of 639 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

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

The shares including American depositary receipts held by PJSC Gazprom's subsidiaries represent 6.6 % of the total number of PJSC Gazprom's shares as of 31 December 2018 and 31 December 2017.

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

Retained earnings and other reserves

Included in retained earnings and other reserves are the effects of the cumulative restatement of the consolidated financial statements to the equivalent purchasing power of the Russian Ruble as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 843,598 million and RUB 634,067 million as of 31 December 2018 and 31 December 2017, respectively.

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may continue in the future. Social assets with a net book value of RUB 18 million and RUB 50 million have been transferred to governmental authorities in 2017 and 2018, respectively. Cost of assets transferred has been recorded as a reduction of retained earnings and other reserves.

The current year net profit calculated in accordance with Russian statutory accounting and presented in the statutory financial statements of PJSC Gazprom is available for distribution in accordance with the legislation of the Russian Federation. For the year ended 31 December 2018 the statutory net profit of PJSC Gazprom was RUB 933,137 million. However, the legislation and other statutory laws and regulations dealing with profit distribution are open to different legal interpretations and accordingly management of PJSC Gazprom believes at present it would not be appropriate to disclose any amounts that are available for the distributable profits and reserves in these consolidated financial statements.

(in millions of Russian Rubles)

26 SALES

	Year ended 31 December 2018	2017
Gas sales gross of excise tax and customs duties:		
Russian Federation	954,493	875,685
Former Soviet Union (excluding Russian Federation)	389,217	323,037
Europe and other countries	3,770,291	2,823,939
	5,114,001	4,022,661
Customs duties	(804,987)	(581,109)
Excise tax	(54,681)	(51,873)
Retroactive gas price adjustments[1]	49,338	(49,092)
Total gas sales	4,303,671	3,340,587
Sales of refined products:		
Russian Federation	1,394,137	1,115,125
Former Soviet Union (excluding Russian Federation)	144,658	117,635
Europe and other countries	640,977	454,330
Total sales of refined products	2,179,772	1,687,090
Sales of crude oil and gas condensate:		
Russian Federation	64,645	71,434
Former Soviet Union (excluding Russian Federation)	38,748	29,770
Europe and other countries	631,560	438,754
Total sales of crude oil and gas condensate	734,953	539,958
Electric and heat energy sales:		
Russian Federation	501,362	487,283
Former Soviet Union (excluding Russian Federation)	5,090	2,937
Europe and other countries	15,643	13,599
Total electric and heat energy sales	522,095	503,819
Gas transportation sales:		
Russian Federation	220,488	229,395
Former Soviet Union (excluding Russian Federation)	2,758	2,433
Europe and other countries	2,427	3,233
Total gas transportation sales	225,673	235,061
Other sales:		
Russian Federation	210,149	199,506
Former Soviet Union (excluding Russian Federation)	8,064	6,212
Europe and other countries	39,800	33,910
Total other sales	258,013	239,628
Total sales	**8,224,177**	**6,546,143**

[1] The effect of retroactive gas price adjustments relate to gas deliveries in previous years for which a price adjustment has been agreed or is in the process of negotiation. The effect of gas price adjustments, including corresponding impact on profit tax, is recorded in the consolidated financial statements when they become probable and a reliable estimate of the amounts can be made.
The effects of retroactive gas price adjustments for the years ended 31 December 2018 and 31 December 2017 were recorded as the increase of sales by RUB 49,338 million and the decrease of sales by RUB 49,092 million, respectively.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to reverse of related accruals following agreements reached prior to the issuance of the respective consolidated financial statements.
The effects decreasing sales were due to increase in related accruals following agreements reached prior to the issuance of the respective consolidated financial statements. The effect arising from retroactive gas price adjustments for the year ended 31 December 2017 included amount of adjustment related to the gas supply contract with NJSC Naftogaz Ukraine reflected in accordance with the court decision (see Note 36).

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 92,253 million and RUB 67,454 million for the years ended 31 December 2018 and 31 December 2017, respectively.

(in millions of Russian Rubles)

27 OPERATING EXPENSES

	Year ended 31 December	
	2018	2017
Taxes other than on profit	1,498,278	1,246,059
Purchased gas and oil	1,468,885	1,236,201
Transit of gas, oil and refined products	650,829	593,327
Depreciation	647,993	613,160
Staff costs	600,812	682,060
Materials	264,190	261,642
Cost of goods for resale, including refined products	249,911	207,689
Repairs and maintenance	137,821	154,785
Electricity and heating expenses	114,465	109,485
Social expenses	42,789	34,461
Rental expenses	37,177	37,723
Insurance expenses	32,628	30,491
Transportation services	24,544	27,253
Impairment loss (reversal of impairment loss) on non-financial assets	21,743	(16,252)
Processing services	18,961	16,261
Research and development expenses	13,591	16,175
Derivatives loss (gain)	1,849	(18,344)
Foreign exchange rate differences on operating items	(28,029)	(14,487)
Other	427,990	610,005
	6,226,427	**5,827,694**
Change in balances of finished goods, work in progress and other effects	(45,236)	(130,638)
Total operating expenses	**6,181,191**	**5,697,056**

Taxes other than on profit consist of:

	Year ended 31 December	
	2018	2017
MET	1,163,882	915,228
Property tax	162,928	154,639
Excise tax	157,113	162,140
Other taxes	14,355	14,052
Total taxes other than on profit	**1,498,278**	**1,246,059**

Gas purchase expenses included within purchased gas and oil amounted to RUB 976,849 million and RUB 873,866 million for the years ended 31 December 2018 and 31 December 2017, respectively.

Staff costs include RUB 78,937 million of income and RUB 48,522 million of expenses for provision for post-employment benefits for the years ended 31 December 2018 and 31 December 2017, respectively (see Note 24).

The impairment loss (reversal of impairment loss) on assets is presented below.

Notes		Year ended 31 December	
		2018	2017
10, 16	Impairment loss (reversal of impairment loss) on trade accounts receivable	125,828	(43,969)
	Impairment loss on other accounts receivable and loans receivable	5,143	5,299
	Total impairment loss (reversal of impairment loss) on financial assets	**130,971**	**(38,670)**
13	Impairment loss (reversal of impairment loss) on property, plant and equipment and assets under construction	21,408	(22,692)
	Impairment loss on advances paid and prepayments	482	621
	Impairment loss on investments in associates and joint ventures	306	3,562
	(Reversal of impairment loss) impairment loss on other assets	(453)	2,257
	Total impairment loss (reversal of impairment loss) on non-financial assets	**21,743**	**(16,252)**

(in millions of Russian Rubles)

28 FINANCE INCOME AND EXPENSE

	Year ended 31 December	
	2018	2017
Foreign exchange gain	430,439	342,984
Interest income	72,652	83,721
Total finance income	**503,091**	**426,705**
Foreign exchange loss	762,664	353,712
Interest expense	50,378	53,332
Total finance expense	**813,042**	**407,044**

Total interest paid amounted to RUB 173,174 million and RUB 161,455 million for the years ended 31 December 2018 and 31 December 2017, respectively.

Foreign exchange gain and loss for the years ended 31 December 2018 and 31 December 2017 were recognised as a result of change in the Euro and US Dollar exchange rates against to the Russian Ruble. Gain and loss primarily relate to revaluation of borrowings denominated in a foreign currency.

29 RECONCILIATION OF PROFIT, DISCLOSED IN CONSOLIDATED STATEMENT OF FINANCIAL RESULTS, PREPARED IN ACCORDANCE WITH RUSSIAN STATUTORY ACCOUNTING (RSA) TO PROFIT DISCLOSED IN IFRS CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2018	2017
RSA profit for the year per consolidated statutory accounts	**1,056,004**	**82,118**
Effect of IFRS adjustments:		
Differences in depreciation of property, plant and equipment and intangible assets	409,273	451,406
Borrowing costs capitalised	155,107	135,556
Reversal of goodwill amortisation	62,896	63,083
Classification of (gain) loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(148,963)	30,404
Impairment loss on assets and changes in provisions, including provision for post-employment benefits	45,701	15,049
Differences in property, plant and equipment disposal	(1,316)	7,272
Difference in share of profit of associates and joint ventures	(20,945)	(3,451)
Write-off of research and development expenses capitalised for RSA purposes	(3,727)	(2,480)
Other	(25,034)	(12,078)
IFRS profit for the year	**1,528,996**	**766,879**

30 BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO THE OWNERS OF PJSC GAZPROM

Earnings per share attributable to the owners of PJSC Gazprom have been calculated by dividing the profit for the year attributable to the owners of PJSC Gazprom by the weighted average number of ordinary shares outstanding, excluding the weighted average number of ordinary shares purchased by the Group and held as treasury shares (see Note 25).

There were 22.1 billion of weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares, for the years ended 31 December 2018 and 31 December 2017.

There are no dilutive financial instruments outstanding in the Group.

(in millions of Russian Rubles)

31 NET CASH FROM OPERATING ACTIVITIES

Notes		Year ended 31 December 2018	2017
	Profit before profit tax	**1,852,562**	**1,018,006**
	Adjustments to profit before profit tax		
27	Depreciation	647,993	613,160
28	Net finance expense (income)	309,951	(19,661)
15	Share of profit of associates and joint ventures	(232,483)	(126,940)
27	Impairment loss (reversal of impairment loss) on assets and change in provision for post-employment benefits	73,777	(6,400)
27	Derivatives loss (gain)	1,849	(18,344)
	Other	17,674	(1,682)
	Total effect of adjustments	818,761	440,133
	Cash flows from operating activities before working capital changes	2,671,323	1,458,139
	Increase in non-current assets	(11,307)	(6,973)
	Increase in non-current liabilities	2,371	4,056
		2,662,387	1,455,222
	Changes in working capital:		
	(Increase) decrease in accounts receivable and prepayments	(244,707)	33,989
	Increase in inventories	(137,799)	(51,996)
	Increase in other current assets	(526,057)	(207,558)
	Increase in accounts payable, excluding interest, dividends and capital construction	94,669	161,325
	Settlements on taxes and fees payable (other than profit tax)	69,864	43,190
	Decrease (increase) in financial assets	3,759	(19,601)
	Total effect of working capital changes	(740,271)	(40,651)
	Profit tax paid	(304,732)	(227,549)
	Net cash from operating activities	**1,617,384**	**1,187,022**

The following taxes and other similar payments were paid in cash during 2017 and 2018:

	Year ended 31 December 2018	2017
MET	1,146,040	883,895
Customs duties	931,762	664,191
Profit tax	304,732	227,549
Excise tax	270,651	256,205
VAT	167,800	127,580
Property tax	158,905	149,236
Insurance contributions	137,057	126,307
Personal income tax	74,021	67,879
Other taxes	50,015	31,611
Total taxes paid	**3,240,983**	**2,534,453**

32 SUBSIDIARIES

Significant subsidiaries

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2018	2017
LLC Aviapredpriyatie Gazprom avia	Russia	100	100
WIBG GmbH	Germany	100	100
WIEE Hungary Kft.	Hungary	100	100
WIEH GmbH	Germany	100	100
WINGAS GmbH	Germany	100	100
OJSC Vostokgazprom	Russia	100	100
CJSC Gazprom Armenia	Armenia	100	100
JSC Gazprom gazoraspredelenie	Russia	100	100
LLC Gazprom geologorazvedka	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
Gazprom Gerosgaz Holdings B.V.	Netherlands	100	100
LLC Gazprom dobycha Astrakhan	Russia	100	100
LLC Gazprom dobycha Krasnodar	Russia	100	100

(in millions of Russian Rubles)

32 SUBSIDIARIES (continued)

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2018	2017
LLC Gazprom dobycha Nadym	Russia	100	100
LLC Gazprom dobycha Noyabrsk	Russia	100	100
LLC Gazprom dobycha Orenburg	Russia	100	100
LLC Gazprom dobycha Urengoy	Russia	100	100
LLC Gazprom dobycha shelf Yuzhno-Sakhalinsk	Russia	100	100
LLC Gazprom dobycha Yamburg	Russia	100	100
LLC Gazprom invest	Russia	100	100
LLC Gazprom invest RGK	Russia	100	100
LLC Gazprom investgazifikatsiia	Russia	100	100
LLC Gazprom komplektatciya	Russia	100	100
JSC Gazprom Space Systems	Russia	80	80
Gazprom Marketing and Trading Ltd.	United Kingdom	100	100
Gazprom Marketing and Trading Retail Ltd.	United Kingdom	100	100
LLC Gazprom mezhregiongaz	Russia	100	100
LLC Gazprom mezhregiongaz Moskva	Russia	100	100
JSC Gazprom mezhregiongaz Nizhny Novgorod	Russia	51	51
LLC Gazprom mezhregiongaz Sankt-Peterburg	Russia	100	100
LLC Gazprom neftekhim Salavat	Russia	100	100
PJSC Gazprom Neft	Russia	96	96
Gazprom Neft Badra B.V.[2]	Netherlands	100	100
LLC Gazprom neft shelf[2]	Russia	100	100
LLC Gazprom pererabotka	Russia	100	100
LLC Gazprom pererabotka Blagoveshchensk	Russia	100	100
LLC Gazprom PKhG	Russia	100	100
Gazprom Sakhalin Holdings B.V.	Netherlands	100	100
OJSC Gazprom transgaz Belarus	Belorussia	100	100
LLC Gazprom transgaz Volgograd	Russia	100	100
LLC Gazprom transgaz Ekaterinburg	Russia	100	100
LLC Gazprom transgaz Kazan	Russia	100	100
LLC Gazprom transgaz Krasnodar	Russia	100	100
LLC Gazprom transgaz Moskva	Russia	100	100
LLC Gazprom transgaz Nizhny Novgorod	Russia	100	100
LLC Gazprom transgaz Samara	Russia	100	100
LLC Gazrpom transgaz Sankt-Peterburg	Russia	100	100
LLC Gazprom transgaz Saratov	Russia	100	100
LLC Gazprom transgaz Stavropol	Russia	100	100
LLC Gazprom transgaz Surgut	Russia	100	100
LLC Gazprom transgaz Tomsk	Russia	100	100
LLC Gazprom transgaz Ufa	Russia	100	100
LLC Gazprom transgaz Ukhta	Russia	100	100
LLC Gazprom transgaz Tchaikovsky	Russia	100	100
LLC Gazprom transgaz Yugorsk	Russia	100	100
Gazprom Finance B.V.	Netherlands	100	100
Gazprom Holding Cooperatie U.A.	Netherlands	100	100
LLC Gazprom tsentrremont	Russia	100	100
GAZPROM Schweiz AG	Switzerland	100	100
LLC Gazprom export	Russia	100	100
JSC Gazprom energosbyt	Russia	58	58
LLC Gazprom energoholding	Russia	100	100
Gazprom EP International B.V.	Netherlands	100	100
LLC Gazpromneft Marine Bunker[2]	Russia	100	100
JSC Gazpromneft-Aero[2]	Russia	100	100
LLC Gazpromneft-Vostok[2]	Russia	51	100
LLC Gazpromneft Corporate Sales[2]	Russia	100	100
JSC Gazpromneft - MNPZ[2]	Russia	100	100
JSC Gazpromneft-Noyabrskneftegaz[2]	Russia	100	100
JSC Gazpromneft - ONPZ[2]	Russia	100	100
LLC Gazpromneft-Orenburg[2]	Russia	100	100
LLC Gazpromneft Regional Sales[2]	Russia	100	100

(in millions of Russian Rubles)

32 SUBSIDIARIES (continued)

Subsidiary	Country of primary operation	Ownership interest as of 31 December[1] 2018	2017
LLC Gazpromneft-Khantos[2]	Russia	100	100
LLC Gazpromneft-Centr[2]	Russia	100	100
LLC Gazpromneft-Yamal[2]	Russia	100	100
LLC Gazpromtrans	Russia	100	100
OJSC Gazpromtrubinvest	Russia	100	100
Gazfin Cyprus Limited	Cyprus	100	100
LLC GPN-Invest[2]	Russia	100	100
LLC GPN-Finans[2]	Russia	100	100
PJSC Mosenergo[3]	Russia	54	54
PJSC MIPC[3]	Russia	99	100
Naftna Industrija Srbije a.d.[2]	Serbia	56	56
LLC Novourengoysky gazohimicheskii kompleks	Russia	100	100
Nord Stream 2 AG	Switzerland	100	100
PJSC WGC-2[3]	Russia	80	80
Rosingaz Limited	Cyprus	100	100
South Stream Transport B.V.	Netherlands	100	100
OJSC Severneftegazprom[3]	Russia	50	50
LLC Sibmetakhim	Russia	100	100
PJSC TGC-1	Russia	52	52
JSC Teploset Sankt-Peterburga	Russia	75	75
OJSC Tomskgazprom	Russia	100	100
LLC Faktoring-Finance	Russia	100	100
PJSC Centerenergoholding	Russia	100	100

[1] Cumulative share of the Group in share capital of investees.
[2] Subsidiaries of PJSC Gazprom Neft.
[3] Share in voting shares.

33 NON-CONTROLLING INTEREST

	Year ended 31 December 2018	2017
Non-controlling interest at the end of the previous year	**386,395**	**347,308**
Effect of changes in accounting policies	(140)	-
Non-controlling interest at the beginning of the year (restated)	**386,255**	**347,308**
Non-controlling interest share of profit of subsidiaries[1]	72,726	52,577
Change in ownership interest in LLC Gazpromneft-Vostok[2]	21,279	-
Change in ownership interest in JSC Gazprom gazoraspredelenie Sever	(2,910)	(117)
Change in ownership interest in LLC Ural special valve plant[3]	661	-
Change in ownership interest in PJSC MIPC	145	(777)
Change in ownership interest in PJSC WGC-2	79	91
Change in ownership interest in JSC Gazprom StroyTEK Salavat[3]	-	(2,127)
Change in the non-controlling interest as a result of other acquisitions and disposals	217	(33)
Gain from hedging operations, net of tax	632	796
Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(617)	(7)
Remeasurement of provision for post-employment benefits	122	(82)
Dividends	(15,135)	(18,379)
Translation differences	12,690	7,145
Non-controlling interest at the end of the year	**476,144**	**386,395**

[1] Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 7,470 million and RUB 3,299 million for the years ended 31 December 2018 and 31 December 2017, respectively.
[2] Subsidiary of PJSC Gazprom Neft.
[3] Subsidiary of LLC Gazprom neftekhim Salavat.

(in millions of Russian Rubles)

33 NON-CONTROLLING INTEREST (continued)

The following table provides information about each subsidiary that has non-controlling interest that is significant to the Group:

	Country of primary operation	Ownership interest held by non-controlling interest[1]	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends accrued to non-controlling interest during the year
As of and for the year ended 31 December 2018					
Gazprom Neft Group[2]	Russia	4 %	47,280	224,980	7,114
Naftna Industrija Srbije a.d. Group	Serbia	46 %	7,296	92,673	2,016
Mosenergo Group	Russia	46 %	16,568	110,507	3,044
TGC-1 Group	Russia	48 %	2,163	68,355	910
WGC-2 Group	Russia	20 %	2,201	32,329	341
As of and for the year ended 31 December 2017					
Gazprom Neft Group[2]	Russia	4 %	32,093	149,974	5,061
Naftna Industrija Srbije a.d. Group	Serbia	46 %	6,808	75,560	1,014
Mosenergo Group	Russia	46 %	10,857	97,594	1,556
TGC-1 Group	Russia	48 %	5,009	67,012	642
WGC-2 Group	Russia	20 %	915	30,364	171

[1] Effective share held by non-controlling interest in share capital of investments.
[2] Including non-controlling interest in Naftna Industrija Srbije a.d. Group.

The summarised financial information of these subsidiaries before inter-company eliminations is presented in the table below:

	Gazprom Neft Group	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of and for the year ended 31 December 2018					
Current assets	652,207	66,310	83,237	25,970	34,821
Non-current assets	3,080,495	262,190	187,880	152,490	224,191
Current liabilities	562,466	37,010	17,438	19,904	27,185
Non-current liabilities	1,015,841	69,569	15,681	26,325	69,208
Sales	2,393,980	176,148	199,647	92,659	143,416
Profit for the year	394,779	15,166	21,038	85	19,979
Comprehensive income for the year	447,292	15,191	19,720	269	20,110
Net cash from (used in):					
operating activities	505,017	20,844	36,220	19,554	30,940
investing activities	(352,953)	(20,777)	(14,106)	(11,327)	(12,262)
financing activities	(3,470)	(7,372)	(26,558)	(8,651)	(17,364)

	Gazprom Neft Group	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of and for the year ended 31 December 2017					
Current assets	422,567	61,658	87,075	26,943	29,510
Non-current assets	2,732,329	218,321	189,909	159,749	216,978
Current liabilities	479,606	36,160	29,657	18,968	21,504
Non-current liabilities	851,041	61,812	21,726	33,874	80,831
Sales	1,857,929	127,927	196,216	87,568	141,504
Profit for the year	294,784	13,997	23,470	10,047	4,776

(in millions of Russian Rubles)

33 NON-CONTROLLING INTEREST (continued)

	Gazprom Neft Group	Naftna Industrija Srbije a.d. Group	Mosenergo Group	TGC-1 Group	WGC-2 Group
As of and for the year ended 31 December 2017					
Comprehensive income for the year	326,072	14,340	23,463	9,926	4,630
Net cash from (used in):					
operating activities	401,778	29,130	42,067	17,209	24,741
investing activities	(328,608)	(19,533)	(6,580)	(9,968)	(9,788)
financing activities	(15,477)	(7,553)	(24,921)	(3,752)	(14,323)

The rights of the non-controlling shareholders of the presented subgroups are determined by the respective laws of country of incorporation and the charter documents of the subsidiaries.

34 RELATED PARTIES

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

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

Government (Russian Federation)

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

As of 31 December 2018 38.373 % of PJSC Gazprom’s issued shares are directly owned by the Government. 11.859 % of PJSC Gazprom’s issued shares are owned by JSC Rosneftegaz and JSC Rosgazifikatsiya controlled by the Government.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group’s financial position, results of operations and cash flows.

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Parties under the Government control

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 December 2018 prices of natural gas sales and gas transportation, electricity tariffs in the Russian Federation are regulated by the FAS.

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

(in millions of Russian Rubles)

34 RELATED PARTIES (continued)

As of 31 December 2018 and 31 December 2017 and for the years ended 31 December 2018 and 31 December 2017 the Group had the following significant transactions and balances with the Government and parties under the Government control:

	As of 31 December 2018		Year ended 31 December 2018	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with the Government				
Current profit tax	5,011	26,296	-	264,017
Insurance contributions	1,526	9,449	-	141,271
VAT recoverable / payable	304,159	140,085	-	-
Customs duties	11,187	-	-	-
Other taxes	5,056	172,901	-	1,400,533
Transactions and balances with entities under the Government control				
Gas sales	-	-	144,411	-
Electricity and heating sales	-	-	174,512	-
Gas transportation sales	-	-	45,291	-
Other services sales	-	-	9,271	-
Accounts receivable	45,104	-	-	-
Oil and refined products transportation expenses	-	-	-	128,723
Accounts payable	-	18,671	-	-
Borrowings	-	206,681	-	-
Interest expense	-	-	-	10,431
Short-term financial assets	20,315	-	-	-
Long-term financial assets	4,742	-	-	-

	As of 31 December 2017		Year ended 31 December 2017	
	Assets	**Liabilities**	**Income**	**Expenses**
Transactions and balances with the Government				
Current profit tax	4,088	53,112	-	228,221
Insurance contributions	1,359	7,689	-	129,947
VAT recoverable / payable	300,567	90,632	-	-
Customs duties	16,249	-	-	-
Other taxes	4,029	153,784	-	1,172,472
Transactions and balances with entities under the Government control				
Gas sales	-	-	113,062	-
Electricity and heating sales	-	-	166,292	-
Gas transportation sales	-	-	49,846	-
Other services sales	-	-	7,865	-
Accounts receivable	43,701	-	-	-
Oil and refined products transportation expenses	-	-	-	121,118
Accounts payable	-	17,201	-	-
Borrowings	-	226,565	-	-
Interest expense	-	-	-	19,171
Short-term financial assets	27,472	-	-	-
Long-term financial assets	5,711	-	-	-

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2018 and 31 December 2017. See Note 13 for net book values as of 31 December 2018 and 31 December 2017 of social assets vested to the Group at privatisation.

(in millions of Russian Rubles)

34 RELATED PARTIES (continued)

Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. Current financial system of JSC FSC does not provide the ultimate counterparty with automated information about transactions and outstanding balances with the participants of the wholesale electricity and capacity market.

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

	As of 31 December 2018		Year ended 31 December 2018	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electricity and heating sales	-	-	157,705	-
Purchased electricity and heating	-	-	-	27,032
Accounts receivable	6,920	-	-	-
Accounts payable	-	1,975	-	-

	As of 31 December 2017		Year ended 31 December 2017	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electricity and heating sales	-	-	153,914	-
Purchased electricity and heating	-	-	-	26,621
Accounts receivable	6,030	-	-	-
Accounts payable	-	1,856	-	-

Compensation for key management personnel

Key management personnel (the members of the Board of Directors and Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's companies, amounted to approximately RUB 4,312 million and RUB 4,537 million for the years ended 31 December 2018 and 31 December 2017, respectively.

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

The compensation of the members of the Board of Directors is approved by the Annual General Meeting of Shareholders of the Group's entities. Compensation of key management personnel (other than compensation of the members of the Board of Directors) is determined by the terms of the employment contracts. Key management personnel also receive certain short-term benefits related to healthcare.

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

Key management personnel are also entitled to post-employment benefits. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and post-employment benefits from the Group's entities provided upon retirement (see Note 24).

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

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

(in millions of Russian Rubles)

34 RELATED PARTIES (continued)

Associates and joint ventures

For the years ended 31 December 2018 and 31 December 2017 and also as of 31 December 2018 and 31 December 2017 significant transactions performed by the Group with associates and joint ventures and balances with associates and joint ventures are presented below.

	Year ended 31 December	
	2018	2017
	Income	
Gas sales		
Panrusgas Co.	62,906	46,715
JSV Moldovagaz	29,421	18,063
CJSC Gazprom YRGM Trading[1]	16,709	17,264
JSC Latvijas Gaze	16,095	14,608
JSC Gazprom YRGM Development[1]	11,935	12,332
Prometheus Gas S.A.	10,439	7,454
Bosphorus Gaz Corporation A.S.	8,784	15,128
KazRosGas LLP	7,762	11,118
VEMEX s.r.o. and its subsidiaries	2,978	8,654
JSC EUROPOL GAZ	2,715	2,347
Gas transportation sales		
CJSC Gazprom YRGM Trading[1]	25,430	25,391
JSC Gazprom YRGM Development[1]	18,164	18,137
KazRosGas LLP	2,758	2,432
Gas condensate, crude oil and refined products sales		
PJSC NGK Slavneft and its subsidiaries	45,541	39,597
JSC SOVEX	6,761	5,377
LLC NPP Neftekhimia	4,915	2,732
LLC Poliom	4,796	2,931
Sakhalin Energy Investment Company Ltd.	3,078	2,118
Field operator services sales and other services sales		
JSC Messoyakhaneftegas	3,632	4,389
PJSC NGK Slavneft and its subsidiaries	2,612	4,486
Gas processing services sales		
KazRosGas LLP	10,075	8,137
Interest income		
Gazprombank (Joint-stock Company) and its subsidiaries	37,153	39,507
JSC Messoyakhaneftegas	551	6,352
Other operating income (rental income)		
Sakhalin Energy Investment Company Ltd.	3,301	3 834
	Expenses	
Purchased gas		
CJSC Gazprom YRGM Trading[1]	62,725	54,752
JSC Gazprom YRGM Development[1]	44,832	39,154
JSC Arcticgas	30,438	43,980
KazRosGas LLP	30,025	30,264
Sakhalin Energy Investment Company Ltd.	18,741	17,525
CJSC Northgas	6,256	2,732

(in millions of Russian Rubles)

34 RELATED PARTIES (continued)

	Year ended 31 December	
	2018	2017
	Expenses	
Purchased transit of gas		
Nord Stream AG	79,568	71,047
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	37,258	30,699
JSC EUROPOL GAZ	13,959	12,572
JSV Moldovagaz	3,301	3,499
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	156,363	114,674
JSC Messoyakhaneftegas	62,747	29,699
Sakhalin Energy Investment Company Ltd.	10,400	18,380
Purchased services of gas and gas condensate production		
JSC Achimgaz	40,018	31,027
Purchased processing services		
PJSC NGK Slavneft and its subsidiaries	14,594	13,719
Purchased transit of crude oil and oil products		
PJSC NGK Slavneft and its subsidiaries	3,811	6,252
JSC Messoyakhaneftegas	5,432	3,863
Interest expense		
Gazprombank (Joint-stock Company) and its subsidiaries	11,129	11,736

[1] CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development are not associates and joint ventures.

Under the agreement of subordinated loan the Group provided cash to Gazprombank (Joint-stock Company) in the amount of RUB 25,542 million and RUB 9,458 million for the years ended 31 December 2018 and 31 December 2017, respectively.

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

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

	As of 31 December 2018		As of 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
JSC Gazstroyprom[1]	46,746	-	-	-
Gazprombank (Joint-stock Company)	14,739	-	17,380	-
Panrusgas Co.	5,990	-	4,023	-
PJSC NGK Slavneft and its subsidiaries	4,929	-	5,304	-
CJSC Gazprom YRGM Trading	2,488	-	2,327	-
KazRosGas LLP	2,186	-	5,457	-
JSC Gazprom YRGM Development	1,777	-	1,662	-
Prometheus Gas S.A.	1,468	-	9	-
Sakhalin Energy Investment Company Ltd.	1,450	-	1,045	-
JSC Messoyakhaneftegas	1,080	-	796	-
JSC Arcticgas	116	-	3,459	-
Bosphorus Gaz Corporation A.S.	-	-	2,603	-
Cash				
Gazprombank (Joint-stock Company) and its subsidiaries	436,061	-	388,436	-
OJSC Belgazprombank	14,446	-	19,320	-
Other current assets				
Gazprombank (Joint-stock Company) and its subsidiaries	705,968	-	290,322	-
OJSC Belgazprombank	11,610	-	7,436	-

[1] Accounts receivable relate to a transaction for the sale of promissory notes, the income and expenses of which are presented in other operating expenses in the consolidated statement of comprehensive income on a net basis.

(in millions of Russian Rubles)

34 RELATED PARTIES (continued)

	As of 31 December 2018		As of 31 December 2017	
	Assets	Liabilities	Assets	Liabilities
Long-term accounts receivable and prepayments				
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	15,869	-	13,768	-
Wintershall Noordzee B.V.	3,842	-	5,595	-
JSC Evroteck-Yugra	2,636	-	1,514	-
OJSC Belgazprombank	2,479	-	4,957	-
JSC Messoyakhaneftegas	-	-	24,414	-
JSC Arcticgas	-	-	4,483	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	52,601	-	31,164
JSC Messoyakhaneftegas	-	35,371	-	6,928
CJSC Gazprom YRGM Trading	-	9,057	-	7,927
Nord Stream AG	-	7,100	-	6,172
JSC Gazprom YRGM Development	-	6,469	-	5,662
JSC Achimgaz	-	5,054	-	3,195
Sakhalin Energy Investment Company Ltd.	-	4,746	-	5,710
KazRosGas LLP	-	2,362	-	2,079
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	2,345	-	1,957
JSC EUROPOL GAZ	-	2,258	-	2,078
JSC Arcticgas	-	403	-	2,963
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint-stock Company) and its subsidiaries	-	55,475	-	80,807
Long-term borrowings				
Gazprombank (Joint-stock Company)	-	37,905	-	87,511

Accounts receivable due from JSV Moldovagaz were RUB nil million as of 31 December 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 431,660 million and RUB 339,481 million as of 31 December 2018 and 31 December 2017, respectively.

Accounts receivable for gas due from Overgas Inc. AD were RUB nil million as of 31 December 2018 and 31 December 2017 net of allowance for expected credit losses in the amount of RUB 7,307 million and RUB 6,058 million as of 31 December 2018 and 31 December 2017, respectively.

As of 31 December 2018 the Group sold the investment in the associate Bosphorus Gaz Corporation A.S. As of 31 December 2017 accounts receivable due from Bosphorus Gaz Corporation A.S. were RUB 2,603 million, net of allowance for expected credit losses in the amount of RUB 5,935 million.

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

Information on investments in associates and joint ventures is disclosed in Note 15.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 24.

Financial guarantees issued by the Group for associates and joint ventures are disclosed in Note 37.

35 COMMITMENTS AND CONTINGENCIES

Capital commitments

The total investment utilisation in accordance with investment programme of the Group for 2019 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 2,094,195 million.

Operating lease commitments

As of 31 December 2018 and 31 December 2017 the Group does not have significant liabilities related to operating leases.

Supply commitments

The Group has entered into long-term supply contracts for periods ranging from 5 to 20 years with various companies operating in Europe. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2018 no loss is expected to result from these long-term commitments.

Other

The Group has transportation agreements with certain of its associates and joint ventures (see Note 34).

36 OPERATING RISKS

Operating environment

The operations and earnings of the Group continue, from time to time and in varying degrees, to be affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in the Russian Federation. Due to the capital-intensive nature of the industry, the Group is also subject to physical risks of various kinds. It is impossible to predict the nature and frequency of these developments and events associated with these risks as well as their effect on future operations and earnings of the Group.

The future economic prospects of the Russian Federation is largely dependent upon the world economic situation, effectiveness of economic, financial and monetary measures undertaken by the Government of the Russian Federation, together with tax, legal, regulatory, and political developments.

Taxation

The Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2018 is appropriate and all of the Group's tax, currency and customs positions will be sustainable.

Legal proceedings

On 16 June 2014 PJSC Gazprom submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against NJSC Naftogaz of Ukraine to recover unpaid debt for gas supplied under Contract No. KP dated 19 January 2009 regarding the sale and purchase of natural gas in 2009-2019 ("Contract No. KP"), and related interest charged. On 12 June 2015 PJSC Gazprom submitted to arbitration a defence to the claim from NJSC Naftogaz of Ukraine and a counter-claim, in which it specified its claims totalling USD 29,200 million. On 9 October 2015 NJSC Naftogaz of Ukraine filed a defence to the claim from PJSC Gazprom. On 14 March 2016 PJSC Gazprom filed a reply to the defence of NJSC Naftogaz of Ukraine. The corrected amount of claim of PJSC Gazprom against NJSC Naftogaz of Ukraine exceeded USD 37,000 million. This amount includes the outstanding payment for the gas supplied in May-June 2014, and take-or-pay obligations for 2012-2016, and penalty interest for late payment for the gas supplied.

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

On 21 July 2014 both cases were consolidated. Oral hearings in the case were held, the parties provided post-hearing statements on 11 November 2016.

36 OPERATING RISKS (continued)

On 31 May 2017 the arbitrators rendered an interim (separate) award on certain key legal issues. On 7 November 2017 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated interim (separate) award and to annul it partially. The final decision on the case was rendered on 22 December 2017. The arbitrators recognised that the basic provisions of Contract No. KP were valid and satisfied the majority of the claims filed by PJSC Gazprom seeking payment for the gas supplied, which initiated the proceedings, and obliged NJSC Naftogaz of Ukraine:

1) to pay PJSC Gazprom the overdue debt for the gas supplied amounting to USD 2,019 million, and interest for the period from 22 December 2017 to the date of such payment at the rate of 0.03 % for each day of delay;

2) starting from 2018 to buy and pay for 5 billion cubic meters of gas annually or in case of the failure to buy this quantity to pay for 80 % of this volume.

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

On 21 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final decision of 22 December 2017 and to annul it partially. In accordance with the preliminary schedule compiled by the Swedish court following the procedural hearings, court sittings in the case on challenging the separate arbitration award on the supply are scheduled for October 2019. Court sittings in the case on challenging the final arbitration award on the supply are scheduled for February 2020.

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

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

2) to acknowledge that certain provisions of Contract No. TKGU, which will be subsequently updated, are invalid and / or inoperative and should be supplemented with or substituted by provisions which will be updated in line with the energy and anti-monopoly legislation of Ukraine and the European Union ("the EU");

3) to oblige PJSC Gazprom to pay a compensation of USD 3,200 million and related interest to NJSC Naftogaz of Ukraine for the failure to provide gas for transit;

4) to acknowledge that the transit tariff stipulated in Contract No. TKGU should be revised in such a way as will be provided in further written statements of NJSC Naftogaz of Ukraine in line with key principles of the Swedish contractual law.

On 28 November 2014 PJSC Gazprom filed its response to the request for arbitration. On 11 December 2014 the arbitration panel was formed. On 28 January 2015 the arbitration court made a decision not to combine the case with the above ones. On 30 April 2015 NJSC Naftogaz of Ukraine filed a claim, significantly increasing the amount of the claims, according to various estimates, up to USD 11,000-16,000 million. Oral hearings in the case were held, the parties provided post-hearing statements on 11 November 2016. On 2 February 2018 NJSC Naftogaz of Ukraine submitted the corrected amount of claim to the arbitration court, including a claim to recover damages for the failure to provide gas for transit and underpayment of the transit tariff for the second half of 2016 and 2017. Total amount of the claim filed by NJSC Naftogaz of Ukraine (without interest) was USD 14,865 million. On 16 February 2018 PJSC Gazprom submitted to the arbitration court a defence to this claim and a claim to refund the overpaid transit tariff for the period from April 2014 to December 2017 due to the change in the gas price under Contract No. KP for the purchase and sale of natural gas in 2009 - 2019 totaling USD 44 million without interest. The final award in the case was issued on 28 February 2018. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to change the gas transit tariff, recognised almost all provisions of Contract No. TKGU as valid and refused application of the anti-monopoly legislation of Ukraine and the EU to the Contract. The arbitration court rejected the request of NJSC Naftogaz of Ukraine to transfer its rights and obligations under Contract No. TKGU to PJSC Ukrtransgaz or to another gas transportation system operator. The arbitration court satisfied the request of NJSC Naftogaz of Ukraine in the amount of USD 4,673 million for having provided less gas for transit to European consumers than stipulated in the Contract. With consideration for the amount awarded to PJSC Gazprom under the supply contract, the arbitration court set off counter-claims, as a result of which PJSC Gazprom is obliged to pay USD 2,560 million

36 OPERATING RISKS (continued)

to NJSC Naftogaz of Ukraine. The amount of liabilities under the award is presented in the line "Accounts payable and provisions" in the consolidated balance sheet. On 29 March 2018 PJSC Gazprom filed with the Court of Appeal of Svea (Sweden) a petition to challenge stated final award of 28 February 2018 and to annul it partially. On 13 June 2018 the court rendered the decision to suspend execution of the arbitration award and on 28 June 2018 the court confirmed its decision to suspend execution of the arbitration award in relation to recovery from PJSC Gazprom of the amount of USD 2,560 million awarded by the arbitrators. On 13 September 2018 upon a motion from NJSC Naftogaz of Ukraine the court annulled its decision to suspend execution of the arbitration award. Hearings in the case on challenging the arbitration award in the transit case have not been scheduled yet.

On 29 May 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking actions to enforce the arbitration award in Switzerland. In particular, an injunction was issued seizing PJSC Gazprom's receivables from Nord Stream AG and Nord Stream 2 AG. Payments from these companies to PJSC Gazprom should be directed to the bailiff. PJSC Gazprom has not received any official notifications on this issue. On 2 August 2018 PJSC Gazprom filed a reasoned objection to the injunction to the Swiss court. On 16 January 2019 the Swiss court rendered a decision to fully annul the injunction seizing PJSC Gazprom's assets issued on 29 May 2018. Based on this court decision the shares of Nord Stream AG and Nord Stream 2 AG in Switzerland and PJSC Gazprom's receivables from these companies are no longer seized. On 5 June 2018 PJSC Gazprom became aware of the fact that NJSC Naftogaz of Ukraine was taking similar actions in the Netherlands. In particular on 30 May 2018 the shares in Blue Stream Pipeline Company B.V., the operator of the Blue Stream pipeline, owned by PJSC Gazprom and the receivables payable to PJSC Gazprom (with such receivables remaining at the disposal of the Dutch Group's companies) were seized pursuant to the decision of the District Court of Amsterdam.

On 17 September 2018 NJSC Naftogaz of Ukraine filed a motion in the Netherlands to recognise and enforce the arbitration award in the transit case.

On 22 June 2018 PJSC Gazprom received an order of the High Court of Justice (the United Kingdom) dated 18 June 2018 for the seizure of PJSC Gazprom's assets in the United Kingdom as requested by NJSC Naftogaz of Ukraine as part of its efforts to enforce the above mentioned arbitration award and the decision of the court of first instance dated 8 June 2018 on the enforcement of this decision. On 13 September 2018 the High Court of England and Wales cancelled its order dated 18 June 2018 to seize PJSC Gazprom's assets in England and Wales. The condition for the cancellation was the obligation undertaken by PJSC Gazprom not to alienate shares of Nord Stream AG before the end of the hearings in the English court in the case on recognition and execution of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018. The hearings in the case were held on 12-13 February 2019. On 15 March 2019 the English court suspended the proceedings in the case on recognition and execution in England and Wales of the decision of the Stockholm arbitration court in the transit case dated 28 February 2018 until the end of the proceedings in the Court of Appeal of Svea (Sweden).

On 15 February 2018 NJSC Naftogaz of Ukraine sent to Luxembourg branches of the major banks and Gaz Capital S.A. a notification on the seizure of any liabilities and assets of PJSC Gazprom in Luxembourg. On 15 April 2019 PJSC Gazprom filed with the court of Luxembourg a petition to challenge the seizure and intervene in order to defend its rights.

On 5 March 2018 PJSC Gazprom notified NJSC Naftogaz of Ukraine about the need to restore the balance of interests between the parties under gas supply and transit contracts disrupted by earlier awards of the Stockholm arbitration court and suggested negotiating this issue. Negotiations were unsuccessful, therefore, on 20 April 2018 PJSC Gazprom filed to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration seeking amendment or termination of contracts with NJSC Naftogaz of Ukraine for gas supply and gas transit through Ukraine in order to restore the balance between contractual obligations and eliminate disproportions in terms of parties' contractual liabilities. On 22 May 2018 NJSC Naftogaz of Ukraine filed in response to this a request for arbitration and counter-claims in respect of the gas supply and transit contracts. On 6 September 2018 the Stockholm Chamber of Commerce, Sweden, rendered a decision upon PJSC Gazprom's petition to consolidate these proceedings with the proceedings related to the request of NJSC Naftogaz of Ukraine to change the gas transit tariff. On 28 December 2018 the arbitration panel was formed. The hearings in the case are scheduled for April-May 2021.

36 OPERATING RISKS (continued)

On 10 July 2018 NJSC Naftogaz of Ukraine filed to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a request for arbitration for changing of the tariff for gas transit through Ukraine starting from 18 March 2018 and for enforced recovery from PJSC Gazprom of USD 11,580 million for the period from 18 March 2018 until the expiration date of the effective gas transit contract (until 31 December 2019). PJSC Gazprom filed a response to this request for arbitration on 14 August 2018. On 6 September 2018 upon a motion from PJSC Gazprom the Stockholm Chamber of Commerce, Sweden, decided to consolidate this proceeding and those initiated to consider PJSC Gazprom's request to amend or terminate contracts with NJSC Naftogaz of Ukraine for gas supply and gas transit through Ukraine in order to restore the balance between contractual obligations and eliminate disproportions in terms of the parties' contractual liabilities. On 28 December 2018 the arbitration panel was formed. The hearings in the case are scheduled for April-May 2021.

On 3 October 2012 the Ministry of Energy of the Republic of Lithuania submitted a request for arbitration to the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, against PJSC Gazprom. The Ministry of Energy of the Republic of Lithuania declared that PJSC Gazprom violated the shareholders' agreement with AB Lietuvos dujos, by unfair pricing of gas supplied to the Republic of Lithuania and claimed for LTL 5,000 million compensation (at the exchange rate as of 31 December 2018 – RUB 115,067 million). PJSC Gazprom did not agree to the claims and on 9 November 2012 filed with the Arbitration Institute of the Stockholm Chamber of Commerce, Sweden, a response to the request for arbitration. The hearing on the merits took place from 1 to 9 July 2015. On 30 September 2015 the parties submitted additional written opinions based on the analysis of the hearing materials including witness and expert statements. On 22 June 2016 the arbitration court issued a final award which rejects all claims raised by the Ministry of Energy of the Republic of Lithuania, including the claims on unfair pricing of the gas which PJSC Gazprom supplied to Lithuania in 2006-2015. On 22 September 2016 it became known that the Ministry of Energy of the Republic of Lithuania had filed a motion with the Court of Appeal of Stockholm, Sweden, to annul the Final arbitration award of 22 June 2016. On 4 April 2017 PJSC Gazprom was officially served with this motion. On 9 June 2017 PJSC Gazprom filed a defence to the claim with the Court of Appeal of Stockholm, Sweden. The Ministry of Energy of the Republic of Lithuania submitted its detailed written opinions on the case on 10 October 2017. PJSC Gazprom is keeping on analysing received documents and is preparing its legal position. The hearings in the case are scheduled for May 2019.

In December 2015 South Stream Transport B.V., a subsidiary of the Group, was served with an official notification by the Secretariat of the International Court of Arbitration of the International Chamber of Commerce stating that Saipem S.p.A. had submitted a request for arbitration against South Stream Transport B.V. in view of unilateral termination by South Stream Transport B.V. of the agreement dated 14 March 2014 for the construction of the "South Stream" pipeline. The amount of current claims of Saipem S.p.A. to South Stream Transport B.V. is about EUR 615 million (at the exchange rate as of 31 December 2018 – RUB 48,868 million). On 18 April 2019 Saipem S.p.A. and South Stream Transport B.V. agreed to terminate the legal proceedings initiated in December 2015 by signing a settlement agreement.

On 22 January 2016 the Antimonopoly Committee of Ukraine rendered a decision to impose a fine on PJSC Gazprom in the amount of 85,966 million Ukrainian hryvnia (at the exchange rate as of 31 December 2018 – RUB 215,522 million) for violation of economic competition. On 12 April 2016 PJSC Gazprom filed a claim with the Kiev Economic Court to challenge the decision of the Antimonopoly Committee of Ukraine. In April 2017 the Antimonopoly Committee of Ukraine filed a request with the Department of State Executive Service of the Ministry of Justice of Ukraine for enforced recovery from PJSC Gazprom of an amount of 171,932 million Ukrainian hryvnia (about USD 6 billion). On 12 May 2017 PJSC Gazprom was served via its Kiev-based Representative office Order of the Department of the State Executive Service of the Ministry of Justice of Ukraine on institution of enforcement proceedings to recover an amount of 189,125 million Ukrainian hryvnia (at the exchange rate as of 31 December 2018 – RUB 474,148 million), including an execution fee of 17,193 million Ukrainian hryvnia (at the exchange rate as of 31 December 2018 – RUB 43,104 million), and on the seizure of the bank accounts of the Kiev-based Representative office of PJSC Gazprom, dividends due to PJSC Gazprom for the participation in JSC Gaztranzit, the shares of JSC Gaztranzit owned by PJSC Gazprom, the shares of PJSC YUZHNIIGIPROGAZ Institute, equity interests in LLC Gazprom sbyt Ukraine, and LLC International Consortium for the Ukrainian Gas Transmission System Management and Development. PJSC Gazprom is currently challenging the actions under the enforcement proceedings in the Ukrainian courts. PJSC Gazprom is also considering other legal remedies to restore its violated rights.

36 OPERATING RISKS (continued)

The shares of PJSC YUZHNIIGIPROGAZ Institute with a nominal value of 651,500 Ukrainian hryvnia (at the exchange rate as of 31 December 2018 – RUB 2 million) (estimated value – 6,241,386 Ukrainian hryvnia, at the exchange rate as of 31 December 2018 – RUB 16 million) were sold on 22 August 2018 in a forced sale auction.

The shares of JSC Gaztranzit with a nominal value of 33.3 million Ukrainian hryvnia (at the exchange rate as of 31 December 2018 – RUB 83 million) (estimated value – 44.22 million Ukrainian hryvnia, at the exchange rate as of 31 December 2018 – RUB 111 million) were sold on 29 January 2019 in a forced sale auction.

On 26 October 2018 pursuant to the Arbitration Rules of the United Nations Commission on International Trade Law (UNCITRAL) PJSC Gazprom commenced an arbitration against Ukraine to protect its investments in Ukraine due to the fact that Ukraine represented by the Antimonopoly Committee of Ukraine had imposed an unjustified and unfair fine on PJSC Gazprom, which means that it violated PJSC Gazprom's rights guaranteed by the Agreement between the Government of the Russian Federation and the Cabinet of Ministers of Ukraine on the Encouragement and Mutual Protection of Investments dated 27 November 1998. The procedural schedule has not currently been compiled.

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the EU for cancellation of the decision of the European Commission on the pro-competition commitments which completed the antitrust investigation against alleged breach of the EU antitrust law by PJSC Gazprom and its subsidiary LLC Gazprom export within the activity in EU member countries from the Central and Eastern Europe. The pro-competition commitments came into effect on 28 May 2018 when PJSC Gazprom was officially served with the adopted decision. The decision on the pro-competition commitments was published by the European Commission on 17 July 2018.

On 14 March 2017 the European Commission received a complaint from PGNiG S.A., Poland, stating that PJSC Gazprom and LLC Gazprom export allegedly violated Article 102 of the Treaty on the Functioning of the EU. In this complaint PGNiG S.A. states that PJSC Gazprom and LLC Gazprom export violate the antitrust law of the EU through:

1) applying unfair pricing policy with respect to PGNiG S.A.;

2) preventing cross-border gas sale;

3) tying commercial issues with infrastructure.

Based on this complaint, the European Commission registered case No. AT.40497. The commencement of the case does not necessarily entail formal investigation and constitute an accusation of PJSC Gazprom and LLC Gazprom export in violating the antitrust law of the EU. These claims relate to issues covered by the European Commission investigation of PJSC Gazprom and LLC Gazprom export's operation in the countries of Central and Eastern Europe, which formal phase was initiated in 2012 and finalised in 2018. It is currently impossible to assess a potential negative impact of this ongoing investigation on Gazprom Group's operation in Europe and on the financial position of Gazprom Group as a whole.

On 4 May 2018 PJSC Gazprom received a notice from Poland's antimonopoly authority on initiation of proceedings over alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project (on the basis of "the establishment of a joint venture without obtaining the prior consent of the President of the Polish Office of Competition and Consumer Protection"). The notice states that in accordance with the Polish legislation the President of the Polish Office of Competition and Consumer Protection has the right to impose certain sanctions on companies that, in his opinion, exercise concentration without obtaining the consent of the Polish Office of Competition and Consumer Protection (in particular, to impose a fine of up to 10 % annual turnover of the company). On 15 June 2018 PJSC Gazprom filed its objections to the position declared by Poland's antimonopoly authority and a motion to terminate the antitrust investigation.

The Group is also a party to certain other legal proceedings arising in the ordinary course of business and subject to various regulations of environmental protection issued by various governmental authorities regarding handling, storage and disposal of certain products. Management believes that there are no such current legal proceedings or other claims outstanding, which could have a material adverse effect on the results of operations or the financial position of the Group.

36 OPERATING RISKS (continued)

Sanctions

Since 2014 the EU, the United States ("U.S.") and some other countries introduced a series of sanctions against the Russian Federation and some Russian legal entities. Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and their subsidiaries and other companies, including Gazprombank (Joint-stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian Federation economy.

The U.S. sanctions prohibit any U.S. person and legal entities incorporated in U.S. (including their foreign branches) and any person or entity in the U.S. or related with the territory of U.S. from:

1) transacting in, providing financing for, or otherwise dealing with new debt of longer than 90 days maturity (from 28 November 2017 – 60 days maturity) or newly issued share capital, property or rights to property in respect of a number of energy companies, including PJSC Gazprom Neft;

2) transacting in, providing financing for, or otherwise dealing with new debt of longer than 30 days maturity (from 28 November 2017 – 14 days maturity) or newly issued share capital, property or rights to property in respect of a number of Russian companies of the banking sector, including Gazprombank (Joint-stock Company) (PJSC Gazprom is not on the list of restricted entities in this respect);

3) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction is extended for projects that meet three criteria at the same time:

- projects start after 29 January 2018;
- projects relate to oil production around the world;
- Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

On 2 August 2017 the U.S. President signed the Countering America's Adversaries Through Sanctions Act (the "Act of 2 August 2017"), which expanded the U.S. sanctions regime against the Russian Federation. The Act of 2 August 2017, inter alia, gives the U.S. President the right to impose certain sanctions in interaction (coordination) with the U.S. allies against any person who after the adoption of the Act of 2 August 2017 consciously made investments or sold goods, supplied technologies or provided services to the Russian Federation (for the amount exceeding USD 1 million, or during the year – totally exceeding USD 5 million) in the construction and maintenance of Russian energy export pipelines. The implementation of these sanctions can create risks for the development of new prospective gas transportation projects of PJSC Gazprom.

The Act of 2 August 2017 creates the risk of extraterritorial application of certain U.S. sanctions and may adversely affect the participation of foreigners in certain new projects of PJSC Gazprom. At the same time, the provisions of the Act of 2 August 2017 should be applied along with the explanations of the U.S. Department of the Treasury and the U.S. Department of State.

U.S. sanctions apply to any entity, in the capital of which the companies from the sanctions list directly or indirectly, individually or in the aggregate, own 50 or more percent equity interest.

PJSC Gazprom is not expressly stated among the entities against whom the EU sanctions are imposed. However, PJSC Gazprom Neft and Gazprombank (Joint-stock Company), as well as their subsidiaries in which they own more than 50 percent equity interest are subject to certain financial restrictions imposed by the EU.

The sanctions imposed by the EU prohibit all citizens of EU member countries, as well as all legal entities, companies and bodies incorporated or established under the laws of an EU member country (both within the EU and abroad), as well as all legal entities, companies and bodies in connection with any economic activities carried out in whole or in part within the EU:

36 OPERATING RISKS (continued)

1) provision of drilling, wells testing, logging and completion services, supply of specialised floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in Russia, as well as the direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;

2) purchasing, selling and providing of investment services for or assistance in the issuance of, or other dealings with transferable securities and money market instruments with a maturity of more than 90 days issued from 1 August 2014 to 12 September 2014 or more than 30 days, issued after 12 September 2014 by certain Russian companies in banking sector, including Gazprombank (Joint-stock Company), but excluding PJSC Gazprom;

3) purchasing, selling and providing of investment services for or assisting in the issuance of, or other dealings with transferable securities and money market instruments issued by some Russian energy companies, including PJSC Gazprom Neft but excluding PJSC Gazprom, after 12 September 2014 with a maturity of more than 30 days;

4) after 12 September 2014 providing directly or indirectly or being part of any arrangement to make new borrowings with a maturity exceeding 30 days to some Russian companies (including PJSC Gazprom Neft and Gazprombank (Joint-stock Company) but excluding PJSC Gazprom), except for borrowings that have a specific and documented objective to provide financing for non-prohibited imports or exports of goods and non-financial services between the EU and the Russian Federation or for borrowings that have a specific and documented objective to provide emergency funding to meet solvency and liquidity criteria for bodies established in the EU, whose proprietary rights are owned for more than 50 percent by any entity referred to above.

These EU sanctions also apply to any entity if 50 percent or more in its capital is owned, directly or indirectly, by entities that are subject to sanctions.

Canada and some other countries also imposed sanctions on some Russian individuals and legal entities, including PJSC Gazprom, PJSC Gazprom Neft and other oil and gas companies of the Russian Federation. Sanctions imposed by Canada prohibit any person in Canada and any Canadian citizen outside Canada to transact in, provide financing for, or otherwise deal in new debt of longer than 90 days' maturity for a number of Russian energy companies, including PJSC Gazprom and PJSC Gazprom Neft. Furthermore, there is an ongoing restriction on the export, sale and delivery by persons in Canada and Canadian citizens outside Canada of certain goods to the Russian Federation or any person in the Russian Federation, if such goods are used for deep-water oil exploration (at a depth of more than 500 metres), for oil exploration or production in the Arctic, as well as shale oil exploration or production.

The Group is currently assessing an influence of adopted economic measures on its financial position and results of operations.

37 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management focuses on the unpredictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with Group policies.

Market risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The carrying amounts of the Group's financial instruments are denominated in the following currencies.

(in millions of Russian Rubles)

37 FINANCIAL RISK FACTORS (continued)

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2018					
	Financial assets					
	Current					
8	Cash and cash equivalents	335,175	204,757	289,942	19,545	849,419
12	Short-term deposits	554,724	212,156	24,170	5,090	796,140
9	Short-term financial assets (excluding equity securities)	25,900	-	-	-	25,900
10	Trade and other accounts receivable	310,128	355,355	344,286	132,725	1,142,494
	Non-current					
12	Long-term deposits	-	-	-	1,432	1,432
16	Long-term accounts receivable	110,528	1,765	37,809	1,029	151,131
17	Long-term financial assets (excluding equity securities)	262	-	-	-	262
	Total financial assets	**1,336,717**	**774,033**	**696,207**	**159,821**	**2,966,778**
	Financial liabilities					
	Current					
18	Accounts payable (excluding derivative financial instruments)	651,391	341,204	173,789	89,975	1,256,359
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	113,450	277,983	139,450	38,178	569,061
	Non-current					
21	Long-term borrowings, promissory notes	647,937	826,125	1,529,969	290,730	3,294,761
	Total financial liabilities	**1,412,778**	**1,445,312**	**1,843,208**	**418,883**	**5,120,181**

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2017					
	Financial assets					
	Current					
8	Cash and cash equivalents	478,401	201,232	162,436	26,938	869,007
12	Short-term deposits	233,520	83,761	506	10,182	327,969
9	Short-term financial assets (excluding equity securities)	30,851	-	-	-	30,851
10	Trade and other accounts receivable	533,110	132,995	244,398	133,929	1,044,432
	Non-current					
12	Long-term deposits	-	311	-	1,248	1,559
16	Long-term accounts receivable	121,411	2,026	33,254	1,642	158,333
17	Long-term financial assets (excluding equity securities)	249	-	-	-	249
	Total financial assets	**1,397,542**	**420,325**	**440,594**	**173,939**	**2,432,400**
	Financial liabilities					
	Current					
18	Accounts payable (excluding derivative financial instruments)	595,188	363,597	157,961	46,875	1,163,621
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	216,858	259,646	366,685	31,616	874,805
	Non-current					
21	Long-term borrowings, promissory notes	416,025	933,435	841,633	200,620	2,391,713
	Total financial liabilities	**1,228,071**	**1,556,678**	**1,366,279**	**279,111**	**4,430,139**

(in millions of Russian Rubles)

37 FINANCIAL RISK FACTORS (continued)

Information on derivative financial instruments is presented in Note 23.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities comparable in selected foreign currencies.

As of 31 December 2018, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 134,256 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2017, if the Russian Ruble had weakened by 20 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 227,271 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2018, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 229,400 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2017, if the Russian Ruble had weakened by 20 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 185,137 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and at variable interest rates:

Notes	Long-term borrowings and promissory notes	31 December 2018	31 December 2017
21	At fixed rate	2,709,599	2,355,672
21	At variable rate	1,079,332	824,665
		3,788,931	**3,180,337**

The Group does not have a formal policy of determining level of acceptable risk associated with fixed or variable interest rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

In 2017-2018 the Group's borrowings at variable rates were mainly denominated in US dollar and Euro.

As of 31 December 2018, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 9,520 million for 2018, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2017, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 7,537 million for 2017, mainly as a result of higher interest expense on variable interest rate long-term borrowings. The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

37 FINANCIAL RISK FACTORS (continued)

(c) Commodity price risk

Commodity price risk - possible change in prices for natural gas, crude oil and their refined products, and its impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net profit and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and their refined products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to refined products prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2018, if the average gas export prices had decreased by 10 % with all other variables held constant, profit before profit tax would have been lower by RUB 334,918 million for 2018. As of 31 December 2017, if the average gas export prices had decreased by 10 % with all other variables held constant, profit before profit tax would have been lower by RUB 246,490 million for 2017.

Gas prices in the Russian Federation are regulated by the FAS and are as such less subject to significant fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impact on operational and investment decisions. However, in the current economic environment management estimates may significantly differ from actual impact of change in commodity prices on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the equity securities prices included in financial assets held by the Group and classified in the consolidated balance sheet either as financial assets measured at fair value with changes recognised through profit or loss or other comprehensive income (see Notes 9 and 17).

As of 31 December 2018 and 31 December 2017, if London Stock Exchange equity index, which primarily affects the major part of Group's equity securities, had decreased by 20 % with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 83,473 million and RUB 53,678 million lower, respectively.

The Group is also exposed to movements in prices of securities held by JSC NPF GAZFOND and used for fair value estimation of the Group's pension plan assets (see Note 24).

Credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of allowance for expected credit losses (see Note 10, 16). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

(in millions of Russian Rubles)

37 FINANCIAL RISK FACTORS (continued)

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the allowance for expected credit losses already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

Notes		31 December 2018	31 December 2017
8	Cash and cash equivalents	849,419	869,007
12	Deposits	797,572	329,528
9, 17	Debt securities	26,162	30,851
10, 16	Trade and other accounts receivable	1,293,625	1,202,765
	Financial guarantee contracts	320,668	303,842
	Total maximum exposure to credit risk	**3,287,446**	**2,735,993**

Financial guarantee contracts

	31 December 2018	31 December 2017
Guarantees issued for:		
Nord Stream AG	136,086	128,913
LLC Stroygazconsulting	87,094	70,013
Sakhalin Energy Investment Company Ltd.	66,317	78,563
Other	31,171	26,353
Total financial guarantees	**320,668**	**303,842**

In 2017 and 2018 counterparties fulfilled their contractual obligations.

Included in financial guarantee contracts amounts are denominated in US Dollars of USD 955 million and USD 1,391 million as of 31 December 2018 and 31 December 2017, respectively, as well as amounts denominated in Euros of EUR 1,879 million and EUR 1,905 million as of 31 December 2018 and 31 December 2017, respectively.

In June 2008 the Group pledged the shares of Sakhalin Energy Investment Company Ltd. to the bank-agent Mizuho Bank Ltd. under the loan obligations of Sakhalin Energy Investment Company Ltd. As of 31 December 2018 and 31 December 2017 the amount of Sakhalin Energy Investment Company Ltd. obligations up to the amount of the Group's share (50 %) amounted to RUB 66,317 million (USD 955 million) and RUB 78,563 million (USD 1,364 million), respectively.

In March 2010 the Group pledged the shares of Nord Stream AG to the bank-agent Societe Generale under the obligations of Nord Stream AG under the project financing agreement. As of 31 December 2018 and 31 December 2017 the amount of Nord Stream AG obligations up to the amount of the Group's share (51 %) amounted to RUB 136,086 million (EUR 1,713 million) and RUB 128,913 million (EUR 1,872 million), respectively.

Since December 2017 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations. As of 31 December 2018 and 31 December 2017 the guarantees amounted to RUB 87,094 million and RUB 70,013 million, respectively.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Management aims is to maintain flexibility in financing sources by having committed facilities available.

(in millions of Russian Rubles)

37 FINANCIAL RISK FACTORS (continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2018					
Short-term and long-term loans and borrowings and promissory notes	351,077	217,984	607,775	1,654,576	1,032,410
Accounts payable (excluding derivative financial instruments)	999,534	256,825	-	-	-
Financial guarantee contracts	7,687	832	10,365	69,402	232,382
As of 31 December 2017					
Short-term and long-term loans and borrowings and promissory notes	404,002	470,803	481,070	1,087,239	823,404
Accounts payable (excluding derivative financial instruments)	1,118,632	44,989	-	-	-
Financial guarantee contracts	10,765	5,916	912	81,786	204,463

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long-term borrowing facilities into short-term.

Reconciliation of liabilities arising from financing activities

	Borrowings	Dividends	Other liabilities	Total
As of 31 December 2017	**3,266,518**	**5,099**	**31,065**	**3,302,682**
Cash flows, including:				
Proceeds from borrowings (net of costs directly related to the receipt)	1,297,462	-	-	1,297,462
Repayment of borrowings	(1,178,655)	-	(13,288)	(1,191,943)
Interest paid (in financing activities)	(36,384)	-	(1,904)	(38,288)
Dividends paid	-	(188,313)	-	(188,313)
Finance expense	28,902	-	1,904	30,806
Dividends declared	-	192,822	-	192,822
Change in fair value of hedging operations	-	-	310	310
Translation differences	458,206	-	434	458,640
Other movements	27,773	(2,022)	(971)	24,780
As of 31 December 2018	**3,863,822**	**7,586**	**17,550**	**3,888,958**

(in millions of Russian Rubles)

37 FINANCIAL RISK FACTORS (continued)

	Borrowings	Dividends	Other liabilities	Total
As of 31 December 2016	**2,829,623**	**3,029**	**43,051**	**2,875,703**
Cash flows, including:				
Proceeds from borrowings (net of costs directly related to the receipt)	1,008,563	-	-	1,008,563
Repayment of borrowings	(622,058)	-	(10,033)	(632,091)
Interest paid (in financing activities)	(33,757)	-	(539)	(34,296)
Dividends paid	-	(191,875)	-	(191,875)
Finance expense	37,063	-	539	37,602
Dividends declared	-	196,059	-	196,059
Change in fair value of hedging operations	-	-	(956)	(956)
Translation differences	25,103	-	-	25,103
Other movements	21,981	(2,114)	(997)	18,870
As of 31 December 2017	**3,266,518**	**5,099**	**31,065**	**3,302,682**

Capital risk management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain and to adjust the capital structure, the Group may revise its investment program, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40 %.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents.

Adjusted EBITDA is calculated as operating profit less depreciation and less impairment loss on assets (excluding accounts receivable, advances paid and prepayments).

The net debt to adjusted EBITDA ratio as of 31 December 2018 and 31 December 2017 is presented in the table below.

	31 December 2018	31 December 2017
Total debt	3,863,822	3,266,518
Less: cash and cash equivalents	(849,419)	(869,007)
Net debt	3,014,403	2,397,511
Adjusted EBITDA	2,599,284	1,467,692
Net debt / Adjusted EBITDA	**1.16**	**1.63**

PJSC Gazprom has an investment grade credit rating of BBB- (stable outlook) by Standard & Poor's and BBB- (positive outlook) by Fitch Ratings as of 31 December 2018.

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments included in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the date nearest to the reporting date.

(in millions of Russian Rubles)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

b) Financial instruments included in Level 2

The fair value of financial instruments that are not traded in active markets is determined according to various valuation techniques, primarily based on the market or income approach, particularly the discounted cash flows valuation method. These valuation techniques maximise the use of observable inputs where they are available and rely as little as possible on the Group's specific assumptions. If all significant inputs required to fair value a financial instrument are based on observable data, such an instrument is included in Level 2.

c) Financial instruments included in Level 3

If one or more of the significant inputs used to measure the fair value of an instrument are not based on observable data, such an instrument is included in Level 3.

The fair value of long-term accounts receivable is classified as Level 3 (see Note 16), long-term borrowings – Level 2 (see Note 21).

As of 31 December 2018 and 31 December 2017 the Group had the following assets and liabilities that are measured at fair value:

		31 December 2018			
Notes		Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	7,238	100,041	589	107,868
9	Bonds	25,868	-	-	25,868
9	Equity securities	207	-	752	959
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
9	Promissory notes	-	32	-	32
	Total short-term financial assets measured at fair value	**33,313**	**100,073**	**1,341**	**134,727**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	9,395	27,998	-	37,393
17	Equity securities	-	-	2,131	2,131
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
17	Equity securities	365,090	43,594	5,589	414,273
17	Promissory notes	-	262	-	262
	Total long-term financial assets measured at fair value	**374,485**	**71,854**	**7,720**	**454,059**
	Total financial assets	**407,798**	**171,927**	**9,061**	**588,786**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
18, 23	Short-term derivative financial instruments	11,776	83,493	4,221	99,490
23	Long-term derivative financial instruments	11,622	42,344	529	54,495
	Total financial liabilities measured at fair value	**23,398**	**125,837**	**4,750**	**153,985**

(in millions of Russian Rubles)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Notes		31 December 2017			
		Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	7,182	46,109	1,911	55,202
9	Bonds	30,758	-	-	30,758
9	Equity securities	206	-	-	206
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
9	Promissory notes	-	93	-	93
	Total short-term financial assets measured at fair value	**38,146**	**46,202**	**1,911**	**86,259**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12	Derivative financial instruments	4,764	14,745	66	19,575
17	Equity securities	-	-	797	797
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
17	Equity securities	215,733	43,594	8,059	267,386
17	Promissory notes	-	249	-	249
	Total long-term financial assets measured at fair value	**220,497**	**58,588**	**8,922**	**288,007**
	Total financial assets	**258,643**	**104,790**	**10,833**	**374,266**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
18, 23	Short-term derivative financial instruments	6,912	55,137	2,293	64,342
23	Long-term derivative financial instruments	346	27,180	181	27,707
	Total financial liabilities measured at fair value	**7,258**	**82,317**	**2,474**	**92,049**

The derivative financial instruments include natural gas purchase and sale contracts and are categorised in Levels 1, 2 and 3 of the classification of derivative financial instruments. The contracts in Level 1 are valued using active market prices of identical assets and liabilities. Due to absence of quoted prices or other observable, market-corroborated data the contracts in Level 2 are valued using models internally developed by the Group. These models include inputs such as: quoted forward prices, time value of money, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. If necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, statistical and long-term pricing relationships. These instruments are categorised in Level 3.

Foreign currency hedge contracts are categorised in Level 2. For fair value estimation the Group uses valuation prepared by independent financial institutes. Valuation results are regularly analysed by the Group's management. For the reporting period all foreign currency hedge contracts were effective.

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period.

Financial assets measured at fair value with changes recognised through profit or loss include derivative financial instruments, equity and debt securities intended to generate short-term profit through trading.

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

In connection with its derivative activities, the Group generally enters into master netting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

The following financial assets and liabilities are subject to offsetting, enforceable master netting agreements and similar agreements:

(in millions of Russian Rubles)

39 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2018				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,789,206	495,570	1,293,636	65,643
Derivative financial instruments	709,935	564,674	145,261	1,156
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,751,929	495,570	1,256,359	65,643
Derivative financial instruments	718,659	564,674	153,985	1,156
As of 31 December 2017				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,535,132	332,367	1,202,765	64,696
Derivative financial instruments	364,018	289,241	74,777	1,010
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,495,988	332,367	1,163,621	64,696
Derivative financial instruments	381,290	289,241	92,049	1,010

40 EVENTS AFTER REPORTING PERIOD

Borrowings

In February 2019 the Group issued Loan Participation Notes in the amount of USD 1,250 million at an interest rate of 5.15 % due in 2026 under USD 40,000 million Programme for the Issuance of Loan Participation Notes.

In February 2019 the Group obtained a long-term loan from PJSC Bank Otkritie Financial Corporation in the amount of EUR 400 million at an interest rate of 2.5 % due in 2024.

In February-April 2019 the Group obtained long-term loans from a consortium of banks in the total amount of EUR 421 million at an interest rate of EURIBOR + 1.6 % due in 2021 under the agreement concluded in December 2018. Intesa Sanpaolo Bank Luxembourg S.A. was appointed as a bank agent.

In March 2019 the Group obtained a long-term loan from a consortium of banks in the total amount of EUR 500 million at an interest rate of EURIBOR + 1.65 % due in 2024. Bank Natixis was appointed as a bank agent.

In March 2019 the subsidiary Nord Stream 2 AG obtained long-term loans from Wintershall Nederland Transport and Trading B.V., OMV Gas Marketing Trading & Finance B.V., Shell Exploration and Production (LXXI) B.V., Engie Energy Management Holding Switzerland AG, Uniper Gas Transportation and Finance B.V. in the amount of EUR 220 million within the terms of the long-term financing agreement signed between the parties in April 2017.

Financial guarantee contracts

In January 2019 the Group terminated guarantees provided to Gazprombank (Joint-stock Company) for LLC Stroygazconsulting under its loan obligations (see Note 37).

In January 2019 the Group provided guarantees to Gazprombank (Joint-stock Company) for LLC MK-1 under its loan obligations until 2028. The liability limit according to the guarantees is RUB 117,191 million.

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APPENDIX A

CERTAIN EXPLORATION AND PRODUCTION INFORMATION OF THE GROUP

Exploration activities

The following table sets forth the key figures of our geological exploration activities in Russia (excluding UGSFs wells drilling) for the periods indicated, excluding our joint operations:

	For the year ended December 31,		
	2019	**2018**	**2017**
Exploration drilling, thousand meters	201.7	157.6	85.9
Completed exploration wells, units	41	25	36
including successful wells	39	20	31
Seismic exploration 2D, thousand line km	15.0	5.7	—
Seismic exploration 3D, thousand km2	7.9	9.5	18.7

The following table sets forth the key figures of our joint operations' geological exploration activities in Russia (in the portion of 100%) for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
Exploration drilling, thousand meters	74.7	28.7	12.8
Completed exploration wells, units	18	8	4
including successful wells	14	5	4
Seismic exploration 2D, thousand km2	—	—	—
Seismic exploration 3D, thousand km2	0.9	0.5	0.2

The following table sets forth the key figures of our geological exploration activities outside Russia (excluding UGSFs wells drilling) with regard to the projects where we act as operator or exercise control for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
Exploration drilling, thousand meters	18.6	21.9	18.4
Completed exploration wells, units	7	10	8
including successful wells	7	9	5
Seismic exploration 2D, thousand line km	—	—	—
Seismic exploration 3D, thousand km2	0.7	1.1	1.2

Development activities

The following table sets forth the key figures of our geological development drilling in Russia (excluding UGSFs wells drilling) for the periods indicated, excluding our joint operations:

	For the year ended December 31,		
	2019	**2018**	**2017**
Constructed production wells, units			
Natural gas	176	114	116
Crude oil	623	545	660
Total	**799**	659	**776**
Penetration in production drilling, thousand m			
Natural gas	400.8	304.4	240.8
Crude oil	2,811.7	2,202.6	2,559.5
Total	**3,212.5**	**2 507,0**	**2,800.3**

The following table sets forth the key figures of our joint operations' geological development drilling in Russia (in the portion of 100%) for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
Constructed production wells, units			
Crude oil	206	208	236
Penetration in production drilling, thousand m			

Crude oil	744	749	784

The following table sets forth the key figures of our geological development drilling outside Russia (excluding UGSFs wells drilling) with regard to the projects where we act as operator or exercise control for the periods indicated:

	For the year ended December 31,		
	2019	**2018**	**2017**
Constructed production wells, units			
Natural gas	2	4	—
Crude oil	38	46	51
Total	**40**	**50**	**51**
Penetration in production drilling, thousand m			
Natural gas	2.8	5.0	2.1
Crude oil	68.1	61.5	67.5
Total	**70.9**	**66.5**	**69.6**

Production assets

The following table sets forth the key figures of our production assets in Russia for the periods indicated, excluding our joint operations:

	As of December 31,		
	2019	**2018**	**2017**
Fields in commercial production, units	**144**	**138**	**136**
Gas production wells, units	**8,061**	**7,976**	**7,945**
including those in operation	7,438	7,418	7,438
Oil production wells, units	**8,393**	**9,106**	**7,944**
including those in operation	7,752	8,489	7,358

The following table sets forth the key figures of our joint operations' production assets (in the portion of 100%) for the periods indicated:

	As of December 31,		
	2019	**2018**	**2017**
Fields in commercial production, units	**39**	**38**	**41**
Gas production wells, units	**4**	**4**	**7**
including those in operation	4	4	1
Oil production wells, units	**3,819**	**3,866**	**3,810**
including those in operation	3,516	3,534	3,472

The following table sets forth the key figures of our production assets outside Russia with regard to the projects where we act as operator or exercise control, for the periods indicated:

	As of December 31,		
	2019	**2018**	**2017**
Fields in commercial production, units	**48**	**47**	**48**
Gas production wells, units	**249**	**243**	**163**
including those in operation	129	126	81
Oil production wells, units	**908**	**887**	**946**
including those in operation	757	734	737

APPENDIX B

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This is a digital representation of a DeGolyer and MacNaughton report.

This file is intended to be a manifestation of certain data in the subject report and as such are subject to the same conditions thereof. The information and data contained in this file may be subject to misinterpretation; therefore, the signed and bound copy of this report should be considered the only authoritative source of such information.

DeGolyer and MacNaughton
F-716
TEXAS REGISTERED ENGINEERING FIRM

DeGolyer and MacNaughton
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Suite 800 East
Dallas, Texas 75244

September 30, 2020

PJSC Gazprom
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Russian Federation

Ladies and Gentlemen:

Pursuant to your request, we have prepared estimates, as of December 31, 2019, of the extent and value of the proved and probable gas, oil, condensate, gas liquids, sulfur, and helium reserves in which PJSC Gazprom (Gazprom) has represented it holds or controls an interest through its subsidiaries and associations. These estimates are presented in our reports entitled "Report as of December 31, 2019 on Reserves and Revenue with interests attributable to PJSC Gazprom in Certain Fields in the Russian Federation PRMS Case Executive Summary" (the Gazprom Report) and "Report as of December 31, 2019 on Reserves and Revenue of Certain Fields with interests attributable to PJSC Gazprom Neft PRMS Case" (the Gazprom Neft Report). Gazprom and PJSC Gazprom Neft (Gazprom Neft) are referred to collectively herein as the "Gazprom Group." The fields evaluated are located in the West Siberian Basin, the Eastern Siberian Basin, the South Barents Basin, the Timan-Pechora Basin, the North Sakhalin Basin, and the Volga-Ural Province of the Russian Federation.

Gazprom has represented that it holds a 49-percent interest in and controls the management of the producing company CJSC Purgaz, which holds 100 percent of the license of the Gubkinskoye field. Gazprom also has represented that it holds a 40-percent interest in and controls the management of the producing company OJSC Severneftegazprom, which holds 100 percent of the license of the Yuzhno Russkoye field. As a result, 100 percent of the reserves of the Gubkinskoye and Yuzhno Russkoye fields, including those portions not held by Gazprom, are reported herein as Gazprom net reserves. A detailed discussion of the Gazprom net reserves and associated values attributable to Gazprom is included in the Gazprom Report.

Gazprom has represented that it holds a 95.68-percent interest in and controls the management of Gazprom Neft. Gazprom Neft holds interests in certain fields either directly or through various subsidiary enterprises. All fields are held at 100 percent by the respective subsidiary enterprise. Gazprom Neft's ownership in all the subsidiary enterprises ranges between 51 and 100 percent, and Gazprom Neft controls the management of these subsidiaries. A detailed discussion of the reserves and associated values attributable to Gazprom Neft is included in the Gazprom Neft Report. The estimated Gazprom Neft reserves and associated values attributable to Gazprom Group are reported herein at 100 percent. The estimated Gazprom Neft reserves and values attributable to Gazprom Group through its relationship with Gazprom Neft are presented separately in the tables included herein.

This letter was prepared in September 2020; therefore, certain events that may have occurred before the preparation of this letter but after the "as-of" date of December 31, 2019, of the Gazprom Report and the Gazprom Neft Report, which might have affected the estimates presented herein, were not taken into account.

The estimated total proved, probable, and proved-plus-probable Gazprom net reserves, as of December 31, 2019, of the fields evaluated in the Gazprom Report, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3), or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt), are summarized by subsidiary in the following tables. Estimates of sulfur reserves, expressed in thousands of United States tons (10^3U.S.t) and thousands of metric tons (10^3mt), are shown in Attachment I. Estimates of helium reserves, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3), are also shown in Attachment I.

Subsidiary	English Units Gazprom Net Separator Gas Quantities Total Proved (10^6ft^3)	Probable (10^6ft^3)	Proved plus Probable (10^6ft^3)
LLC Gazprom dobycha Urengoi	69,637,906	15,232,468	84,870,374
LLC Gazprom dobycha Yamburg	82,499,852	18,639,649	101,139,501
LLC Gazprom dobycha Nadym	197,685,122	37,426,119	235,111,241
LLC Gazprom dobycha Noyabrsk	7,037,412	2,729,516	9,766,928
OJSC Severneftegazprom	14,023,261	3,903,485	17,926,746
LLC Gazprom dobycha Orenburg	4,550,106	4,632,362	9,182,468
LLC Gazprom dobycha Astrakhan	12,489,222	2,046,769	14,535,991
LLC Gazprom dobycha Kuznetsk	17,316	838,907	856,223
PJSC Gazprom	219,592,457	139,348,284	358,940,741
CJSC Purgaz	2,937,532	451,196	3,388,728
OJSC Tomskgazprom	887,644	1,259,537	2,147,181
Total	**611,357,545**	**226,508,188**	**837,865,733**

Subsidiary	Metric Units Gazprom Net Separator Gas Quantities Total Proved (10^6m^3)	Probable (10^6m^3)	Proved plus Probable (10^6m^3)
LLC Gazprom dobycha Urengoi	1,971,925	431,333	2,403,258
LLC Gazprom dobycha Yamburg	2,336,134	527,815	2,863,949
LLC Gazprom dobycha Nadym	5,597,824	1,059,788	6,657,612
LLC Gazprom dobycha Noyabrsk	199,277	77,291	276,568
OJSC Severneftegazprom	397,094	110,534	507,628
LLC Gazprom dobycha Orenburg	128,845	131,173	260,018
LLC Gazprom dobycha Astrakhan	353,655	57,958	411,613
LLC Gazprom dobycha Kuznetsk	490	23,755	24,245
PJSC Gazprom	6,218,159	3,945,898	10,164,057
CJSC Purgaz	83,182	12,776	95,958
OJSC Tomskgazprom	25,135	35,666	60,801
Total	**17,311,720**	**6,413,987**	**23,725,707**

Notes:
1. Probable reserves have not been risk adjusted to make them comparable to proved reserves.
2. Reserves estimates for CJSC Purgaz include those reserves attributable to the 51-percent interest in CJSC Purgaz not attributable to Gazprom.
3. Reserves estimates for OJSC Severneftegazprom include those reserves attributable to the 60-percent interest in OJSC Severneftegazprom not attributable to Gazprom.
4. Separator gas quantities estimated herein are not classified as reserves in accordance with the reserves definitions utilized in the Gazprom Report, but are reported at the request of Gazprom.

Subsidiary	English Units Gazprom Net Oil Reserves Total Proved (10^3bbl)	Probable (10^3bbl)	Proved plus Probable (10^3bbl)
LLC Gazprom dobycha Urengoi	0	0	0
LLC Gazprom dobycha Yamburg	797	12,085	12,882
LLC Gazprom dobycha Nadym	0	0	0
LLC Gazprom dobycha Noyabrsk	0	0	0
OJSC Severneftegazprom	0	0	0
LLC Gazprom dobycha Orenburg	4,213	227,696	231,909
LLC Gazprom dobycha Astrakhan	0	0	0
LLC Gazprom dobycha Kuznetsk	0	0	0
PJSC Gazprom	109,834	99,349	209,183
CJSC Purgaz	0	0	0
OJSC Tomskgazprom	48,869	97,789	146,658
Total	**163,713**	**436,919**	**600,632**

Subsidiary	Metric Units Gazprom Net Oil Reserves Total Proved (10^3mt)	Probable (10^3mt)	Proved plus Probable (10^3mt)
LLC Gazprom dobycha Urengoi	0	0	0
LLC Gazprom dobycha Yamburg	112	1,703	1,815
LLC Gazprom dobycha Nadym	0	0	0
LLC Gazprom dobycha Noyabrsk	0	0	0
OJSC Severneftegazprom	0	0	0
LLC Gazprom dobycha Orenburg	563	30,409	30,972
LLC Gazprom dobycha Astrakhan	0	0	0
LLC Gazprom dobycha Kuznetsk	0	0	0
PJSC Gazprom	15,626	14,482	30,108
CJSC Purgaz	0	0	0
OJSC Tomskgazprom	5,724	11,501	17,225
Total	**22,025**	**58,095**	**80,120**

Note: Probable reserves have not been risk adjusted to make them comparable to proved reserves.

Subsidiary	English Units Gazprom Net Gas Liquids Reserves Total Proved (10^3bbl)	Probable (10^3bbl)	Proved plus Probable (10^3bbl)
LLC Gazprom dobycha Urengoi	2,337,945	286,866	2,624,811
LLC Gazprom dobycha Yamburg	566,617	198,681	765,298
LLC Gazprom dobycha Nadym	368,636	320,778	689,414
LLC Gazprom dobycha Noyabrsk	0	0	0
OJSC Severneftegazprom	0	0	0
LLC Gazprom dobycha Orenburg	106,020	98,575	204,595
LLC Gazprom dobycha Astrakhan	1,351,475	225,491	1,576,966
LLC Gazprom dobycha Kuznetsk	0	0	0
PJSC Gazprom	1,160,723	1,555,107	2,715,830
CJSC Purgaz	0	0	0
OJSC Tomskgazprom	20,892	22,657	43,549
Total	**5,912,308**	**2,708,155**	**8,620,463**

Subsidiary	Metric Units Gazprom Net Gas Liquids Reserves Total Proved (10^3mt)	Probable (10^3mt)	Proved plus Probable (10^3mt)
LLC Gazprom dobycha Urengoi	283,026	35,256	318,282
LLC Gazprom dobycha Yamburg	68,989	24,030	93,019
LLC Gazprom dobycha Nadym	45,027	39,074	84,101
LLC Gazprom dobycha Noyabrsk	0	0	0
OJSC Severneftegazprom	0	0	0
LLC Gazprom dobycha Orenburg	12,811	11,910	24,721
LLC Gazprom dobycha Astrakhan	165,878	27,676	193,554
LLC Gazprom dobycha Kuznetsk	0	0	0
PJSC Gazprom	139,891	188,354	328,245
CJSC Purgaz	0	0	0
OJSC Tomskgazprom	3,451	3,369	6,820
Total	**719,073**	**329,669**	**1,048,742**

Note: Probable reserves have not been risk adjusted to make them comparable to proved reserves.

The estimated total proved, probable, and proved-plus-probable Gazprom Neft net reserves, as of December 31, 2019, of the fields evaluated in the Gazprom Neft Report, expressed in millions of cubic feet (10^6ft^3) and millions of cubic meters (10^6m^3), or thousands of barrels (10^3bbl) and thousands of metric tons (10^3mt), are summarized as follows:

	English Units		
	Gazprom Neft Net Reserves		
	Total Proved	**Probable**	**Proved plus Probable**
Sales Gas, 10^6ft^3	13,260,916	8,767,795	22,028,711
Oil and Condensate, 10^3bbl	4,526,793	3,992,619	8,519,412

	Metric Units		
	Gazprom Neft Net Reserves		
	Total Proved	**Probable**	**Proved plus Probable**
Sales Gas, 10^6m^3	375,494	248,264	623,758
Oil and Condensate, 10^3mt	612,773	538,258	1,151,031

Notes:
1. Probable reserves have not been risk adjusted to make them comparable to proved reserves.
2. Reserves estimates for Gazprom Neft include those reserves attributable to the 4.32-percent interest in Gazprom Neft not attributable to Gazprom.

The estimated Gazprom future net revenue and Gazprom present worth to be derived from the production and sale of the total proved and proved-plus-probable reserves, as of December 31, 2019, of the fields evaluated under the economic assumptions described in the Gazprom Report are summarized below, expressed in thousands of United States dollars (10^3U.S.$). Values were estimated in United States dollars using the exchange rate of 64.7419 Russian rubles (₽) per U.S.$1.00. The values shown include the value of sulfur and helium reserves estimated for LLC Gazprom dobycha Orenburg, LLC Gazprom dobycha Astrakhan, and PJSC Gazprom in the Orenburg, Astrakhan, and Chayandinskoye fields, respectively, as shown in Attachment I.

Subsidiary	Gazprom Future Net Revenue Total Proved (10³U.S.$)	Gazprom Future Net Revenue Proved plus Probable (10³U.S.$)	Gazprom Present Worth at 10 Percent Total Proved (10³U.S.$)	Gazprom Present Worth at 10 Percent Proved plus Probable (10³U.S.$)
LLC Gazprom dobycha Urengoi	59,129,498	67,504,881	19,479,288	20,734,040
LLC Gazprom dobycha Yamburg	48,104,054	57,319,723	23,995,734	24,191,397
LLC Gazprom dobycha Nadym	87,472,140	102,924,729	26,039,004	26,557,522
LLC Gazprom dobycha Noyabrsk	3,712,148	5,080,505	1,942,040	2,176,972
OJSC Severneftegazprom	7,752,933	9,316,449	3,168,472	3,402,681
LLC Gazprom dobycha Orenburg	1,018,382	3,993,811	579,004	705,815
LLC Gazprom dobycha Astrakhan	13,156,008	15,669,215	2,381,412	2,418,582
LLC Gazprom dobycha Kuznetsk	14,977	215,324	(22,676)	(103,923)
PJSC Gazprom	226,409,393	369,706,805	7,227,013	14,939,899
CJSC Purgaz	1,715,016	2,029,010	886,805	927,604
OJSC Tomskgazprom	641,242	1,541,912	523,300	912,028
Total	**449,125,791**	**635,302,364**	**86,199,396**	**96,862,617**

Notes:
1. Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.
2. Future net revenue and present worth include the value of sulfur and helium reserves from the Astrakhan, Chayandinskoye, and Orenburg fields, as shown in Attachment I.
3. The values shown for CJSC Purgaz include revenues attributable to the 51-percent interest in CJSC Purgaz not attributable to Gazprom.
4. The values shown for OJSC Severneftegazprom include revenues attributable to the 60-percent interest in OJSC Severneftegazprom not attributable to Gazprom.
5. In the preparation of these estimates, future income taxes have been taken into account at the field level.

The estimated Gazprom Neft future net revenue and Gazprom Neft present worth to be derived from the production and sale of the total proved and proved-plus-probable reserves , as of December 31, 2019, of the fields evaluated under the economic assumptions described in the Gazprom Neft Report are summarized below, expressed in thousands of United States dollars (10³U.S.$). Values were estimated in United States dollars using an exchange rate of ₽60.000 per U.S.$1.00.

Gazprom Neft Future Net Revenue Total Proved (10³U.S.$)	Gazprom Neft Future Net Revenue Proved plus Probable (10³U.S.$)	Gazprom Neft Present Worth at 10 Percent Total Proved (10³U.S.$)	Gazprom Neft Present Worth at 10 Percent Proved plus Probable (10³U.S.$)
66,213,165	111,873,668	31,384,236	42,240,426

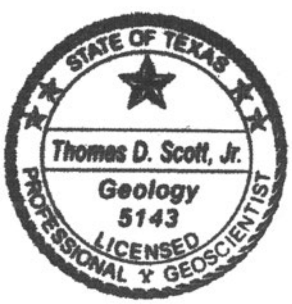
Notes:
1. Values for probable reserves have not been risk adjusted to make them comparable to values for proved reserves.
2. The values shown for Gazprom Neft include revenues attributable to the 4.32-percent interest in Gazprom Neft not attributable to Gazprom.
3. In the preparation of these estimates, future income taxes have been taken into account at the field level.

The estimates of Gazprom Group reserves, future net revenue, and present worth of future net revenue summarized are subject to the definitions, assumptions, qualifications, explanations, and conclusions expressed in the Gazprom Report and the Gazprom Neft Report. These summaries should be considered in view of the two reports and are susceptible to being misunderstood apart from these reports.

Very truly yours,

DeGOLYER and MacNAUGHTON
Texas Registered Engineering Firm F-716

Attachment



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ATTACHMENT I
ESTIMATES
of
SULFUR and HELIUM RESERVES and REVENUE
attributable to
PJSC GAZPROM
as of
DECEMBER 31, 2019

	Gazprom Net Sulfur Reserves		Gazprom Net Helium Reserves	
	English Units (10^3U.S.t)	Metric Units (10^3mt)	English Units (10^6ft^3)	Metric Units (10^6m^3)
Total Proved	241,162	218,778	44,111	1,249
Probable	42,695	38,733	71,151	2,015
Proved plus Probable	**283,857**	**257,511**	**115,262**	**3,264**

	Gazprom Sulfur and Helium Revenue	
	Future Net Revenue (10^3U.S.$)	Present Worth at 10 Percent (10^3U.S.$)
LLC Gazprom dobycha Astrakhan		
Total Proved	5,756,399	1,225,461
Probable	943,586	9,664
Proved plus Probable	**6,699,985**	**1,235,125**
LLC Gazprom dobycha Orenburg		
Total Proved	436,023	215,156
Probable	276,885	47,491
Proved plus Probable	**712,908**	**262,647**
PJSC Gazprom		
Total Proved	971,906	234,902
Probable	1,609,821	227,468
Proved plus Probable	**2,581,727**	**462,370**
Grand Totals		
Total Proved	**7,164,328**	**1,675,519**
Probable	**2,830,292**	**284,623**
Proved plus Probable	**9,994,620**	**1,960,142**

Notes:
1. Sulfur reserves are expressed as thousands of United States tons (10^3U.S.t) and thousands of metric tons (10^3mt).
2. All sulfur reserves are located in the Astrakhan and Orenburg fields.
3. Helium reserves are expressed as millions of cubic feet (10^6ft^3) and in millions of cubic meters (10^6m^3).
4. All helium reserves are located in the Chayandinskoye, Kovyktinskoye, and Orenburg fields.
5. Probable reserves and values for probable reserves have not been risk adjusted to make them comparable to proved reserves and values for proved reserves.
6. Reference our report entitled “Report as of December 31, 2019 on Reserves and Revenue with interests attributable to PJSC Gazprom in Certain Fields in the Russian Federation PRMS Case Executive Summary.”

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