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PJSC GAZPROM

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2021

Moscow | 2022

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Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company 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 2021, 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 2021, 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, assessment of the risk of material misstatement due to fraud or error 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.

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 29 “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, aggravated by the impact of the spread of coronavirus and fluctuating prices for energy resources, as well as 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.

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. We also conducted a sensitivity analysis to determine whether the models used for testing were sensitive to changes in the significant assumptions.

Based on the results of the audit procedures performed, we considered that the information and 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.

Classification, measurement and disclosure of information about perpetual notes

Classification, measurement and disclosure of information about perpetual notes require detailed analysis of issuance terms and conditions of these instruments and application of management’s professional judgment and estimates to justify their accounting methods. Therefore, we consider that this area was one of most significance in our audit.

Our procedures included review of the issuance terms and conditions of the perpetual notes, which allowed the Group, acting in its sole discretion, to refuse to redeem the notes and, at any time and on any number of occasions, to decide to postpone interest payments or decide to refuse to pay interest, as well as checking them for compliance with the criteria for the recognition as an equity instrument within equity in accordance with the provisions of IFRS 32 Financial Instruments: Presentation. We paid special attention to the analysis of conditions which gave rise to an interest payment liability and checked that these conditions were under the Group's control. We analysed key aspects of the Group's methodology in respect of accounting methods adopted for transactions associated with the perpetual notes for compliance with the requirements of international standards. In particular, we evaluated accounting methods selected to recognise costs associated with the issuance of the perpetual notes, accrue interest and recognise translation differences and tax effects on these transactions. We also analysed whether the disclosures in the Group's consolidated financial statements were sufficient to achieve transparency of disclosed information.

Based on the results of our audit procedures, we found the position of the Group's management on the classification, measurement and disclosure of information about the perpetual notes to be appropriate.

Information about methods used to account for the perpetual notes is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about the issuance terms and conditions of the perpetual notes and transactions associated with them is disclosed in Note 28 "Perpetual Notes" 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 2021 and the Issuer's Report of PJSC Gazprom for the 12 months of 2021 but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2021 and the Issuer's Report of PJSC Gazprom for the 12 months of 2021 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 2021 and the Issuer's Report of PJSC Gazprom for the 12 months of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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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.

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

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

President of FBK, LLC

S.M. Shapiguzov
(by virtue of the Charter,
registration number 21606043397)

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

K.S. Shirikova, FCCA
(registration number 21606042126)

Date of Independent Auditor's Report
26 April 2022

Audited entity

Name:

Public Joint Stock Company Gazprom (PJSC Gazprom).

Address of the legal entity within its location:

2/3 Lakhtinsky Avenue, Bldg. 1, St. Petersburg, 197229, Russian Federation.

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.

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

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 2021
(in millions of Russian Rubles)

Notes		31 December 2021	31 December 2020
	Assets		
	Current assets		
8	Cash and cash equivalents	2,013,923	1,034,919
9	Short-term financial assets	26,237	29,892
10	Accounts receivable and prepayments	2,009,951	1,302,129
11	Inventories	1,009,323	971,789
	VAT recoverable	105,425	134,555
12	Other current assets	1,049,424	301,005
		6,214,283	**3,774,289**
	Non-current assets		
13	Property, plant and equipment	16,673,568	16,103,095
14	Right-of-use assets	226,290	195,313
15	Goodwill	120,768	119,854
16	Investments in associates and joint ventures	1,422,308	1,327,241
17	Long-term accounts receivable and prepayments	1,228,979	988,857
18	Long-term financial assets	599,747	421,869
12	Other non-current assets	561,287	421,667
		20,832,947	**19,577,896**
	Total assets	**27,047,230**	**23,352,185**
	Liabilities and equity		
	Current liabilities		
19	Accounts payable, provisions and other liabilities	2,799,800	1,622,288
	Current profit tax payable	112,705	14,402
20	Taxes other than on profit and fees payable	413,394	296,740
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	697,046	693,534
		4,022,945	**2,626,964**
	Non-current liabilities		
22	Long-term borrowings, promissory notes	4,186,656	4,214,080
25	Provisions	577,863	688,333
23	Deferred tax liabilities	875,099	667,724
40	Long-term lease liabilities	230,630	211,488
26	Other non-current liabilities	287,458	138,864
		6,157,706	**5,920,489**
	Total liabilities	**10,180,651**	**8,547,453**
	Equity		
27	Share capital	325,194	325,194
27	Treasury shares	(331)	(331)
28	Perpetual notes	313,190	195,616
27	Retained earnings and other reserves	15,613,466	13,717,464
		16,251,519	**14,237,943**
36	Non-controlling interest	615,060	566,789
	Total equity	**16,866,579**	**14,804,732**
	Total liabilities and equity	**27,047,230**	**23,352,185**

A.B. Miller
Chairman of the Management Committee
26 April 2022

M.N. Rossiev
Chief Accountant
26 April 2022

The accompanying notes on pages 12 to 83 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021
(in millions of Russian Rubles)

Notes		Year ended 31 December 2021	2020
29	Sales	10,241,353	6,321,559
	Net gain (loss) from trading activity	(92,397)	31,349
30	Operating expenses	(7,681,410)	(5,665,762)
30	Impairment loss on financial assets	(56,285)	(72,295)
	Operating profit	**2,411,261**	**614,851**
31	Finance income	615,167	747,400
31	Finance expenses	(499,110)	(1,365,518)
16	Share of profit of associates and joint ventures	242,196	136,736
	Profit before profit tax	**2,769,514**	**133,469**
	Current profit tax expenses	(452,817)	(75,606)
	Deferred profit tax (expenses) income	(157,611)	104,544
23	Profit tax	(610,428)	28,938
	Profit for the year	**2,159,086**	**162,407**
	Other comprehensive income (loss):		
	Items that will not be reclassified subsequently to profit or loss:		
	Gain (loss) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	121,551	(13,571)
25	Remeasurement of provision for post-employment benefits	68,426	(53,951)
	Total other comprehensive income (loss) that will not be reclassified subsequently to profit or loss	**189,977**	**(67,522)**
	Items that may be reclassified subsequently to profit or loss:		
16	Share of other comprehensive loss of associates and joint ventures	2,989	(30,308)
	Translation differences	(58,645)	318,734
	(Loss) gain from hedging operations, net of tax	(42,304)	(20,582)
	Total other comprehensive (loss) income that may be reclassified subsequently to profit or loss	**(97,960)**	**267,844**
	Total other comprehensive income for the year, net of tax	**92,017**	**200,322**
	Comprehensive income for the year	**2,251,103**	**362,729**
	Profit for the year attributable to:		
	Owners of PJSC Gazprom	2,093,071	135,341
36	Non-controlling interest	66,015	27,066
		2,159,086	**162,407**
	Comprehensive income for the year attributable to:		
	Owners of PJSC Gazprom	2,193,020	309,401
	Non-controlling interest	58,083	53,328
		2,251,103	**362,729**
33	**Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)**	**88.07**	**5.66**

A.B. Miller
Chairman of the Management Committee
26 April 2022

M.N. Rosseev
Chief Accountant
26 April 2022

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PJSC Gazprom
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2021
(in millions of Russian Rubles)

Notes		Year ended 31 December 2021	2020
	Cash flows from operating activities		
34	**Net cash from operating activities**	**3,015,390**	**1,918,891**
	Cash flows from investing activities		
	Capital expenditures	(1,933,766)	(1,522,565)
31, 40	Interest capitalised and paid	(151,615)	(133,076)
	Net change in loans issued	4,247	17,761
	Acquisition of subsidiaries, net of cash acquired	(4,958)	-
	Investments in associates and joint ventures	(89,663)	(43,802)
	Interest received	70,364	61,723
	Change in long-term financial assets measured at fair value through other comprehensive income	42,527	13,509
	Proceeds from associates and joint ventures	259,604	101,672
	Proceeds from sale of associates and joint ventures	1,654	7,585
	Proceeds from sale of subsidiaries	5,487	12,983
	Placement of long-term bank deposits	(29,966)	(86,865)
	Repayment of long-term bank deposits	10,211	91,607
	Other	(14,563)	(66,134)
	Net cash used in investing activities	**(1,830,437)**	**(1,545,602)**
	Cash flows from financing activities		
40	Proceeds from long-term borrowings	843,807	1,065,524
40	Repayment of long-term borrowings (including current portion of long-term borrowings)	(742,607)	(811,775)
40	Proceeds from short-term borrowings	109,089	74,191
40	Repayment of short-term borrowings	(103,304)	(134,213)
40	Repayment of lease liabilities	(47,934)	(40,470)
40	Dividends paid	(313,396)	(372,524)
31, 40	Interest paid	(44,071)	(39,801)
	Acquisition of non-controlling interests in subsidiaries	(124)	(224)
28	Proceeds from issuance of perpetual notes	120,000	197,468
28	Interest paid on perpetual notes	(6,985)	-
28	Payments related to issuance of perpetual notes	(922)	(2,637)
	Proceeds from sale of non-controlling interests in subsidiaries	13,087	116
	Other	(5,571)	(42,076)
	Net cash used in financing activities	**(178,931)**	**(106,421)**
	Effect of foreign exchange rate changes on cash and cash equivalents	(27,018)	71,994
	Increase in cash and cash equivalents	**979,004**	**338,862**
8	Cash and cash equivalents at the beginning of the reporting year	1,034,919	696,057
8	**Cash and cash equivalents at the end of the reporting year**	**2,013,923**	**1,034,919**

A.B. Miller
Chairman of the Management Committee
26 April 2022

M.N. Rosseev
Chief Accountant
26 April 2022

The accompanying notes on pages 12 to 83 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2021
(in millions of Russian Rubles)

Notes		Equity attributable to the owners of PJSC Gazprom						
		Share capital	Treasury shares	Perpetual notes	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Balance as of 31 December 2019	**325,194**	**(331)**	**-**	**13,779,970**	**14,104,833**	**510,854**	**14,615,687**
36	**Profit for the year**	**-**	**-**	**-**	**135,341**	**135,341**	**27,066**	**162,407**
	Other comprehensive income (loss) – total,	**-**	**-**	**-**	**174,060**	**174,060**	**26,262**	**200,322**
	including: Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(13,571)	(13,571)	-	(13,571)
25, 36	Remeasurement of provision for post-employment benefits	-	-	-	(53,955)	(53,955)	4	(53,951)
16	Share of other comprehensive loss of associates and joint ventures	-	-	-	(30,308)	(30,308)	-	(30,308)
36	Translation differences	-	-	-	292,494	292,494	26,240	318,734
36	(Loss) gain from hedging operations, net of tax	-	-	-	(20,600)	(20,600)	18	(20,582)
	Comprehensive income for the year	**-**	**-**	**-**	**309,401**	**309,401**	**53,328**	**362,729**
36	Change in non-controlling interest in subsidiaries	-	-	-	(10,346)	(10,346)	19,356	9,010
36	Dividends declared	-	-	-	(360,614)	(360,614)	(16,749)	(377,363)
28	Perpetual notes transactions	-	-	195,616	(947)	194,669	-	194,669
	Balance as of 31 December 2020	**325,194**	**(331)**	**195,616**	**13,717,464**	**14,237,943**	**566,789**	**14,804,732**
36	**Profit for the year**	**-**	**-**	**-**	**2,093,071**	**2,093,071**	**66,015**	**2,159,086**
	Other comprehensive income (loss) – total,	**-**	**-**	**-**	**99,949**	**99,949**	**(7,932)**	**92,017**
	including: Profit arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	121,551	121,551	-	121,551
25, 36	Remeasurement of provision for post-employment benefits	-	-	-	68,226	68,226	200	68,426
16	Share of other comprehensive income of associates and joint ventures	-	-	-	2,989	2,989	-	2,989
36	Translation differences	-	-	-	(50,503)	(50,503)	(8,142)	(58,645)
36	(Loss) gain from hedging operations, net of tax	-	-	-	(42,314)	(42,314)	10	(42,304)
	Comprehensive income for the year	**-**	**-**	**-**	**2,193,020**	**2,193,020**	**58,083**	**2,251,103**
36	Change in non-controlling interest in subsidiaries	-	-	-	6,258	6,258	16,879	23,137
	Return of social assets to the balance of governmental authorities	-	-	-	(13)	(13)	-	(13)
36	Dividends declared	-	-	-	(296,740)	(296,740)	(26,691)	(323,431)
28	Perpetual notes transactions	-	-	117,574	(6,523)	111,051	-	111,051
	Balance as of 31 December 2021	**325,194**	**(331)**	**313,190**	**15,613,466**	**16,251,519**	**615,060**	**16,866,579**

A.B. Miller
Chairman of the Management Committee
26 April 2022

M.N. Rosseev
Chief Accountant
26 April 2022

The accompanying notes on pages 12 to 83 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, 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 average number of employees during 2021 and 2020 was 468 thousand persons and 467 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 subject to varying interpretations and causes additional challenges for 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 in 2020 and continued in 2021, 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 ongoing 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") exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 December 2021 – 74.2926;
- as of 31 December 2020 – 73.8757 (as of 31 December 2019 – 61.9057).

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

- as of 31 December 2021 – 84.0695;
- as of 31 December 2020 – 90.6824 (as of 31 December 2019 – 69.3406).

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 (see Note 41). 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 2021 and 2020.

5 Summary of Significant Accounting Policies

The significant 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

5 Summary of Significant Accounting Policies (continued)

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.

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

Joint Arrangements

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

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

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

Associates

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

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

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

5.2 Financial Instruments

5.2.1 Classification and Measurement of Financial Assets

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

Financial Assets Measured Subsequently at Amortised Cost

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

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.

5 Summary of Significant Accounting Policies (continued)

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

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

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

Cash and Cash Equivalents and Restricted Cash

Cash comprises cash on hand and bank balances. Cash equivalents comprise short-term financial assets which are readily convertible to cash and have an original maturity of three months or less. Restricted cash includes cash and cash equivalents which are not to be used for any purposes 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 and derivative financial instruments recognised as hedging instruments.

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.

5 Summary of Significant Accounting Policies (continued)

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, sublease receivables and to contract assets resulted from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers.

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

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

For trade accounts receivable, sublease receivables 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 not recognised as hedging 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. A gain or a loss from a 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 occured.

5 Summary of Significant Accounting Policies (continued)

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

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

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

5.2.4 Hedge Accounting

For derivative financial instruments 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 is 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 have been recognised in equity remain 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 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 instruments 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 to 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

5 Summary of Significant Accounting Policies (continued)

payment or advance payment received for future supplies of goods (works, services). Input VAT is recovered when purchased goods (works, services) are accounted for and other necessary VAT recovery requirements provided by the tax legislation are met.

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

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

5.5 Mineral Extraction Tax

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

In the Russian Federation, the MET rate formula for natural fuel gas 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.

5 Summary of Significant Accounting Policies (continued)

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

Sales are recognised net of the amount of customs duties.

5.7 Excise Tax

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

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

5.8 Inventories

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

5.9 Property, Plant and Equipment

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

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

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.

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-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 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 recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised or to the extent that the assets can be set off 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 tax liabilities are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, except when it is possible to control the timing of the decrease in the temporary differences and when it is probable that the temporary differences will not decrease in the foreseeable future.

5 Summary of Significant Accounting Policies (continued)

Deferred tax assets are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, to the extent that it is probable that the temporary difference will be reduced in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

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 functional currency 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 into functional currency 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 quarter. 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, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the monetary value of the obligation. As obligations are determined, they are recognised immediately based on the present value of the expected future cash flows required to settle the obligations. Costs of dismantling the property, plant and equipment and site restoration 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.

Perpetual notes

Russian Ruble perpetual callable notes and foreign currency perpetual callable loan participation notes issued by the Group are reported as an equity instrument within equity provided that the notes have no stated maturity and the Group, acting in its sole discretion, may, at any time and on any number of occasions, decide to postpone interest payments or decide to refuse to pay interest. The par value of foreign currency perpetual notes is recognised in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition.

5 Summary of Significant Accounting Policies (continued)

The issuer may decide to postpone interest payments on the foreign currency perpetual callable loan participation notes. To reflect the best estimate of the rights of perpetual notes holders and a potential cash outflow, the Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings and other reserves item and increasing the perpetual notes item at the interest rate effective for the current interest period until an interest payment liability arises. Interest on foreign currency perpetual callable loan participation notes is accrued in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition. A liability to pay interest on foreign currency perpetual callable loan participation notes is recognised in the consolidated balance sheet at the official exchange rate as at the date when an interest payment obligation arises.

To reflect the best estimate of the rights of foreign currency perpetual callable loan participation notes holders and a potential cash outflow, the par value of foreign currency perpetual notes and interest recognised in equity are translated into Russian Rubles as at the reporting date and as at the date of their transfer to liabilities at the official exchange rate. Gain or loss from translating the par value of foreign currency perpetual notes and interest into Russian Rubles is reported within perpetual notes and retained earnings and other reserves in the consolidated statement of changes in equity.

The issuer may decide to refuse to pay interest on the Russian Ruble perpetual callable notes. The Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings and other reserves item as at the date when an interest payment obligation arises.

Costs associated with the issuance of perpetual notes and the tax effect of transactions related to perpetual notes and recognised in equity (except for the tax effect of transactions related to interest) are reported within retained earnings and other reserves in the consolidated statement of changes in equity. The tax effect of interest accrual is reported within profit or loss in the consolidated statement of comprehensive income, as defined by IAS 12 Income Taxes.

5.15 Revenue Recognition

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

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

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

Net Gain (Loss) From Trading Activity

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

5.16 Interest

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

5 Summary of Significant Accounting Policies (continued)

5.17 Research and Development

Research expenditures are recognised as operating 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 operating 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 pension and other post-employment 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. The costs of providing pension benefits are recognised using the projected unit credit method. The costs of providing pension benefits are accrued and recognised in operating expenses in the consolidated statement of comprehensive income within staff costs with the simultaneous recognition of a provision for post-employment benefits to allocate 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 maturity 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.

Interest income or expense on the net liability (asset) of the plan and liability for other post-employment benefits is recognized on a net basis as finance income or expense in profit or loss of the consolidated statement of comprehensive income.

Plan assets are measured at fair value and 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 the use of discounted expected cash flows calculated 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 pays contributions to the Pension Fund of the Russian Federation on behalf of its employees. Mandatory contributions to the state pension fund, which are recorded as a defined contribution plan, are recognised within staff costs in operating expenses in the consolidated statement of comprehensive income as incurred. The costs of providing other discretionary pension benefits (including constructive obligations) are accrued and recognised in profit or loss in the consolidated statement of comprehensive income to allocate regular expenses over the average remaining service lives of employees.

Social Expenses

The Group incurs expenses for the social needs of employees, in particular, related to the provision of medical services and maintenance of social infrastructure facilities. These amounts represent inherent costs associated with the employment of production personnel and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5.19 Lease Contracts

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.

5 Summary of Significant Accounting Policies (continued)

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 interest rate implicit in the lease, if that rate can be readily determined, and, if not - the Group's incremental borrowing rate being the rate that as of the commencement date the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

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

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

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months taking into account the probability of exercising the option to extend the lease (if available), 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 Amendments to Standards

The following amendments to current standards became effective beginning on or after 1 January 2021:

- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures and IFRS 16 Leases – Interest Rate Benchmark Reform – Phase 2 (issued in August 2020 and effective for annual reporting periods beginning on or after 1 January 2021). The amendments provide temporary reliefs, which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate. The amendments include the following:
    - a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest;
    - permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued;
    - provide temporary relief to entities from having to meet the separately identifiable requirement when a risk-free interest rate instrument is designated at the discretion of the entity as a risk component within the hedging relationship.

5 Summary of Significant Accounting Policies (continued)

- The amendments to IFRS 16 Leases (issued in March 2021 and effective for annual reporting periods beginning on or after 1 April 2021). The amendments extend the previously effective COVID-19 related rent concessions, which were issued in May 2020 and were effective for annual reporting periods beginning on or after 1 June 2020, and permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendments do not affect lessors.

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

Standard and Amendments to Existing Standards That Are Not yet Effective and Have Not Been Early Adopted by the Group

New standard and 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:

- IFRS 17 Insurance contracts (issued in May 2017 and amended in June 2020 and in December 2021, effective for annual reporting periods beginning on or after 1 January 2023) replaces IFRS 4 Insurance Contracts and establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures.
- 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). The 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 amendments to IAS 1 Presentation of Financial Statements (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how the concept of materiality could be applied in making decisions about the disclosure of accounting policies.
- The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how distinguish changes in accounting estimates from changes in accounting policies.
- The amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify that the recognition exemption does not apply to transactions in which equal deductible and taxable temporary differences arise on initial recognition.

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 owners.

6.2 Tax Legislation

Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations (see Note 39).

Profit tax liabilities are determined by management in accordance with the current tax legislation. Liabilities for penalties, fines 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 losses as a result of defaults by debtors 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, Right-of-Use Assets and Goodwill

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

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of goodwill impairment test, management considers gas production, 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 30.

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

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 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 79,268 million or a decrease for the year ended 31 December 2021 (2020: by RUB 76,183 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).

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 41).

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 Critical Judgements and Estimates in Applying Accounting Policies (continued)

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 selected models, the amount of cash flows and their distribution over time, as well as other indicators 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. and its subsidiaries, Erdgasspeicher Peissen GmbH, LLC Yuzhno-Priobskij 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, 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 operating needs and to the Electric and heat energy generation and sales segment;
- Gas storage – provision 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 to meet funding requirements of particular subsidiaries within a 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 financial statements are reviewed by the Governing bodies on a central basis and not allocated to the reportable segments. Finance income and expenses are not allocated to the reportable segments.

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 2021									
Sales of segments	**1,026,342**	**1,283,089**	**5,998,903**	**61,919**	**1,916,644**	**2,615,367**	**595,478**	**310,154**	**13,807,896**
Inter-segment sales	1,002,601	1,058,559	366,611	56,284	1,034,496	20,183	-	-	3,538,734
External sales	23,741	224,530	5,632,292	5,635	882,148	2,595,184	595,478	310,154	10,269,162
Financial result of segments	**(17,758)**	**153,752**	**1,641,309**	**5,180**	**566,408**	**88,220**	**(39,397)**	**186,070**	**2,583,784**
Depreciation	209,657	466,948	23,027	30,502	167,562	74,565	70,176	46,317	1,088,754
Share of profit of associates and joint ventures	13,461	36,069	3,479	-	171,870	8,179	105	9,033	242,196
Year ended 31 December 2020									
Sales of segments	**819,835**	**1,198,421**	**3,294,644**	**60,738**	**1,066,558**	**1,818,987**	**499,469**	**322,865**	**9,081,517**
Inter-segment sales	797,229	974,597	267,911	55,168	579,209	20,591	-	-	2,694,705
External sales	22,606	223,824	3,026,733	5,570	487,349	1,798,396	499,469	322,865	6,386,812
Financial result of segments	**32,125**	**153,237**	**(292,445)**	**7,610**	**281,356**	**(128,398)**	**54,831**	**(31,985)**	**76,331**
Depreciation	207,856	464,330	20,085	28,133	167,037	61,534	64,874	48,703	1,062,552
Share of profit of associates and joint ventures	3,274	32,510	1,188	-	71,609	2,588	84	25,483	136,736

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

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

Notes		Year ended 31 December 2021	2020
	Financial result of reportable segments	2,397,714	108,316
	Financial result of other segments	186,070	(31,985)
	Total financial result of segments	**2,583,784**	**76,331**
	Difference in depreciation[1]	260,727	264,116
	Income (expenses) for post-employment benefits	20,557	(8,743)
31	Net finance income (expenses)	116,057	(618,118)
16	Share of profit of associates and joint ventures	242,196	136,736
30	Gain (loss) on derivative financial instruments	53,905	(16,735)
	Other	(507,712)	299,882
	Total profit before profit tax in the consolidated statement of comprehensive income	**2,769,514**	**133,469**

[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 statement of comprehensive income is provided below.

	Year ended 31 December 2021	2020
External sales of reportable segments	9,959,008	6,063,947
External sales of other segments	310,154	322,865
Total external sales of segments	**10,269,162**	**6,386,812**
Differences in external sales[1]	(27,809)	(65,253)
Total sales in the consolidated statement of comprehensive income	**10,241,353**	**6,321,559**

[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 contractors 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.

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	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
As of 31 December 2021									
Assets of segments	3,435,941	8,335,842	2,772,261	386,196	3,516,673	2,893,077	934,051	1,932,873	24,206,914
Investments in associates and joint ventures	23,414	228,422	36,365	2	659,460	24,317	1,371	448,957	1,422,308
Capital expenditures[1]	490,984	486,659	50,767	12,533	325,282	368,336	93,844	109,206	1,937,611
As of 31 December 2020									
Assets of segments	2,992,642	7,233,415	1,848,312	355,297	3,267,110	2,823,335	892,261	1,960,300	21,372,672
Investments in associates and joint ventures	15,628	230,553	42,274	2	602,659	32,008	1,328	402,789	1,327,241
Capital expenditures[2]	352,986	251,591	17,873	26,391	309,793	396,637	82,229	56,685	1,494,185

[1] Capital expenditures for the year ended 31 December 2021.
[2] Capital expenditures for the year ended 31 December 2020.

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

Notes		31 December 2021	31 December 2020
	Assets of reportable segments	22,274,041	19,412,372
	Assets of other segments	1,932,873	1,960,300
	Total assets of segments	**24,206,914**	**21,372,672**
	Difference in property, plant and equipment, net[1]	(1,981,587)	(996,982)
13	Borrowing costs capitalised	1,122,337	1,021,764
8	Cash and cash equivalents	2,013,923	1,034,919
9	Short-term financial assets	26,237	29,892
	VAT recoverable	105,425	134,555
12	Other current assets	1,049,424	301,005
14	Right-of-use assets	82,027	63,311
15	Goodwill	120,768	119,854
18	Long-term financial assets	599,747	421,869
12	Other non-current assets	561,287	421,667
	Inter-segment assets	(1,022,928)	(948,190)
	Other	163,656	375,849
	Total assets in the consolidated balance sheet	**27,047,230**	**23,352,185**

[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.

7 Segment Information (continued)

	31 December	
	2021	**2020**
Distribution of gas	1,415,868	791,817
Refining	848,081	754,088
Production of crude oil and gas condensate	406,075	441,058
Production of gas	335,943	334,499
Transportation of gas	311,021	256,853
Electric and heat energy generation and sales	115,551	124,102
Gas storage	31,868	34,093
All other segments	383,217	353,228
Total liabilities of segments	**3,847,624**	**3,089,738**

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

		31 December	
Notes		**2021**	**2020**
	Liabilities of reportable segments	3,464,407	2,736,510
	Liabilities of other segments	383,217	353,228
	Total liabilities of segments	**3,847,624**	**3,089,738**
	Short-term lease liabilities	26,150	17,567
	Current profit tax payable	112,705	14,402
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	697,046	693,534
22	Long-term borrowings, promissory notes	4,186,656	4,214,080
25	Long-term provisions (except for provision for decommissioning and site restoration)	328,557	348,140
23	Deferred tax liabilities	875,099	667,724
	Long-term lease liabilities	63,293	48,647
	Other non-current liabilities	287,458	138,864
	Dividends	12,492	5,625
	Inter-segment liabilities	(1,022,928)	(948,190)
	Other	766,499	257,322
	Total liabilities in the consolidated balance sheet	**10,180,651**	**8,547,453**

8 Cash and Cash Equivalents

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

	31 December	
	2021	**2020**
Cash on hand and bank balances payable on demand	1,642,711	735,334
Term deposits with original maturity of three months or less and other cash equivalents	371,212	299,585
Total cash and cash equivalents	**2,013,923**	**1,034,919**

The fair value of cash and cash equivalents approximates their carrying value.

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

	31 December	
	2021	**2020**
Cash on hand	688	568
External credit investment rating	1,660,084	957,677
External credit non-investment rating	187,739	62,469
No external credit rating	165,412	14,205
Total cash and cash equivalents	**2,013,923**	**1,034,919**

The sovereign credit rating of the Russian Federation published by Standard & Poor's is BBB- with a stable outlook as of 31 December 2021 and 31 December 2020.

9 Short-Term Financial Assets

	31 December	
	2021	**2020**
Financial assets measured at fair value with changes recognised through profit or loss:	**25,011**	**29,758**
Bonds	23,706	29,517
Equity securities	1,305	241
Financial assets measured at fair value with changes recognised through other comprehensive income:	**1,092**	**1**
Bonds	1,092	-
Promissory notes	-	1
Financial assets measured at amortised cost:	**134**	**133**
Promissory notes	134	133
Total short-term financial assets	**26,237**	**29,892**

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	
	2021	**2020**
Investment rating	24,639	24,904
Non-investment rating	159	2,099
No external credit rating	134	2,648
	24,932	**29,651**

10 Accounts Receivable and Prepayments

	31 December	
	2021	**2020**
Financial assets		
Trade accounts receivable	1,609,728	871,814
Other accounts receivable	109,970	192,159
Loans receivable	98,925	158,543
	1,818,623	**1,222,516**
Non-financial assets		
Advances paid and prepayments	191,328	79,613
Total accounts receivable and prepayments	**2,009,951**	**1,302,129**

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 1,024,873 million and RUB 975,910 million as of 31 December 2021 and 31 December 2020, respectively.

Loans receivable are presented net of allowance for expected credit losses in the amount of RUB 15,748 million and RUB 21,068 million as of 31 December 2021 and 31 December 2020, respectively.

Other accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 35,010 million and RUB 35,727 million as of 31 December 2021 and 31 December 2020, respectively.

Advances paid and prepayments are presented net of impairment allowance in the amount of RUB 6,749 million and RUB 6,029 million as of 31 December 2021 and 31 December 2020, respectively.

Other accounts receivable include rights of claim arising from promissory notes of Gazprombank (Joint Stock Company) in the amount of RUB 4,889 million and RUB 31,639 million as of 31 December 2021 and 31 December 2020, respectively. These rights of claim and promissory notes were pledged to secure the repayment of loan funds provided to JSC Gazstroyprom.

10 Accounts Receivable and Prepayments (continued)

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

	Trade accounts receivable		Other accounts receivable and loans receivable	
	31 December		31 December	
	2021	2020	2021	2020
Short-term accounts receivable neither past due nor credit-impaired	1,486,883	785,828	144,342	286,471
Short-term accounts receivable past due or credit-impaired	1,147,718	1,061,896	115,311	121,026
Amount of allowance for expected credit losses of accounts receivable	(1,024,873)	(975,910)	(50,758)	(56,795)
Total short-term accounts receivable	**1,609,728**	**871,814**	**208,895**	**350,702**

Management's experience indicates customer payment histories in respect of trade accounts receivable neither past due nor credit-impaired vary by geography. Analysis of credit quality of trade and other receivable, loans receivable is provided below.

	31 December	
	2021	2020
Europe and other countries gas, crude oil, gas condensate and refined products trade accounts receivable	1,077,892	439,055
Domestic gas, crude oil, gas condensate and refined products trade accounts receivable	211,273	168,200
Former Soviet Union countries (excluding the Russian Federation) gas, crude oil, gas condensate and refined products trade accounts receivable	15,202	35,956
Electricity and heat trade accounts receivable	76,033	49,244
Gas transportation services trade accounts receivable	4,750	4,273
Other trade accounts receivable	101,733	89,100
Other accounts receivable	45,417	127,928
Loans receivable	98,925	158,543
Total accounts receivable neither past due nor credit-impaired	**1,631,225**	**1,072,299**

As of 31 December 2021 and 31 December 2020 credit-impaired receivables mainly relate to trade receivables for gas sold in certain Russian regions and former Soviet Union countries. In management's view the accounts receivable will be settled. The ageing analysis of overdue or credit-impaired receivables is presented below:

Ageing from the due date	Gross book value 31 December		Allowance for expected credit losses 31 December		Net book value 31 December	
	2021	2020	2021	2020	2021	2020
up to 6 months	256,607	177,990	(99,368)	(69,694)	157,239	108,296
from 6 to 12 months	54,936	67,969	(35,791)	(49,165)	19,145	18,804
from 1 to 3 years	168,072	206,065	(159,573)	(194,414)	8,499	11,651
more than 3 years	783,414	730,898	(780,899)	(719,432)	2,515	11,466
	1,263,029	**1,182,922**	**(1,075,631)**	**(1,032,705)**	**187,398**	**150,217**

Change in the Group's allowance for expected credit losses of trade and other accounts receivable is provided in the table below.

	Trade receivables Year ended 31 December		Other receivables and loans receivable Year ended 31 December	
	2021	2020	2021	2020
Allowance for expected credit losses of accounts receivable at the beginning of the year	**975,910**	**841,298**	**56,795**	**42,842**
Changing the perimeter of the group	-	-	(1,705)	-
Accrual of allowance for expected credit losses of accounts receivable[1]	125,819	84,518	10,126	16,678
Write-off of accounts receivable during the year[2]	(3,824)	(3,654)	(3,033)	(1,453)
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(75,552)	(28,104)	(10,996)	(2,761)
Reclassification to other lines	(236)	(1,038)	(105)	403
Foreign exchange rate differences	2,756	82,890	(324)	1,086
Allowance for expected credit losses of accounts receivable at the end of the year	**1,024,873**	**975,910**	**50,758**	**56,795**

[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 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.

11 Inventories

	31 December 2021	31 December 2020
Gas in pipelines and storages	491,829	524,419
Materials and supplies (net of amount of write-down to net realizable value in size of RUB 6,528 million and RUB 6,213 million as of 31 December 2021 and 31 December 2020, respectively)	202,094	199,279
Goods for resale (net of amount of write-down to net realizable value in size of RUB 2,775 million and RUB 6,484 million as of 31 December 2021 and 31 December 2020, respectively)	151,933	148,573
Crude oil and refined products	163,467	99,518
Total inventories	**1,009,323**	**971,789**

12 Other Current and Non-Current Assets

Other current assets are provided in the table below.

Notes		31 December 2021	31 December 2020
	Financial assets		
41	Derivative financial instruments	537,949	107,162
	Short-term deposits	200,758	15,101
		738,707	**122,263**
	Non-financial assets		
	Prepaid VAT	174,491	118,797
	Prepaid profit tax	11,177	19,212
	Other	125,049	40,733
		310,717	**178,742**
	Total other current assets	**1,049,424**	**301,005**

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

Notes		31 December 2021	31 December 2020
	Financial assets		
41	Derivative financial instruments	140,635	19,286
	Long-term deposits	18,903	1,562
		159,538	**20,848**
	Non-financial assets		
	Intangible assets	92,505	80,040
25	Net pension plan assets	40,802	-
	VAT recoverable related to assets under construction	15,907	22,575
	Other	252,535	298,204
		401,749	**400,819**
	Total other non-current assets	**561,287**	**421,667**

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

13 Property, Plant and Equipment

Notes		Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
	As of 31 December 2019								
	Cost	4,521,779	2,184,578	5,764,745	4,720,582	633,963	90,046	4,524,775	22,440,468
	Accumulated depreciation	(1,676,558)	(681,163)	(2,836,266)	(1,660,100)	(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**	**1,400,676**	**2,836,448**	**3,021,449**	**345,632**	**43,201**	**4,364,266**	**14,856,448**
	Cost								
	Additions	1,990	30,159	42,095	14,339	12,129	246	1,700,617	1,801,575
	Transfers	611,543	248,185	432,312	322,125	8,512	3,882	(1,626,559)	-
	Disposals	(832)	(20,456)	(77,091)	(11,878)	(3,167)	(406)	(130,632)	(244,462)
	Translation differences	117,813	90,717	67,054	44,701	17,061	676	202,520	540,542
	Accumulated depreciation and impairment allowance								
	Depreciation	(109,591)	(105,680)	(363,583)	(170,203)	(10,042)	(2,728)	-	(761,827)
	Disposals	788	9,182	24,569	3,914	45	204	25,009	63,711
	Translation differences	(4,407)	(38,662)	(29,569)	(18,404)	(11,483)	(216)	(4,760)	(107,501)
	Change in impairment allowance	-	(18,517)	(3,142)	(3,809)	(321)	-	(19,602)	(45,391)
	allowance accrual	-	(18,517)	(4,817)	(3,809)	(321)	-	(20,057)	(47,521)
	allowance release	-	-	1,675	-	-	-	455	2,130
	As of 31 December 2020								
	Cost	5,252,293	2,533,183	6,235,303	5,089,889	668,498	94,444	4,664,513	24,538,123
	Accumulated depreciation	(1,789,768)	(809,051)	(3,203,330)	(1,844,776)	(303,232)	(49,585)	-	(7,999,742)
	Impairment allowance	(445)	(128,528)	(102,880)	(42,879)	(6,900)	-	(153,654)	(435,286)
	Net book value as of 31 December 2020	**3,462,080**	**1,595,604**	**2,929,093**	**3,202,234**	**358,366**	**44,859**	**4,510,859**	**16,103,095**
	Cost								
	Additions	2,280	10,051	20,551	3,020	17,988	1,620	2,190,934	2,246,444
	Transfers	114,431	220,895	624,098	452,349	1,253	214	(1,413,240)	-
	Disposals	(2,341)	(176,896)	(79,194)	(95,345)	(55,211)	(1,619)	(144,715)	(555,321)
	Translation differences	(41,478)	(9,742)	(17,570)	(9,625)	441	(198)	(57,989)	(136,161)
	Accumulated depreciation and impairment allowance								
	Depreciation	(108,230)	(108,610)	(390,134)	(174,014)	(8,998)	(2,696)	-	(792,682)
	Disposals	1,498	43,937	61,392	34,709	9,408	610	38,693	190,247
	Translation differences	(126)	1,941	7,871	2,528	(426)	93	32	11,913
	Change in impairment allowance	-	(8,864)	(83,144)	(66,484)	-	-	(235,475)	(393,967)
	allowance accrual	-	(8,864)	(83,144)	(66,484)	-	-	(235,475)	(393,967)
	allowance release	-	-	-	-	-	-	-	-
	As of 31 December 2021								
	Cost	5,325,185	2,577,491	6,786,924	5,440,438	632,969	94,461	5,235,617	26,093,085
	Accumulated depreciation	(1,896,626)	(871,292)	(3,525,199)	(1,981,562)	(303,210)	(51,578)	-	(8,629,467)
	Impairment allowance	(445)	(137,883)	(188,762)	(109,504)	(6,938)	-	(346,518)	(790,050)
	Net book value as of 31 December 2021	**3,428,114**	**1,568,316**	**3,072,963**	**3,349,372**	**322,821**	**42,883**	**4,889,099**	**16,673,568**

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 2021 and 31 December 2020 the Group conducted a test of assets for the purposes of making a decision on the possible accrual or release of previously recognised impairment.

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

13 Property, Plant and Equipment (continued)

The Group applied discount rates ranging from 5.76 % to 14.80 % and from 4.93 % to 13.80 % as of 31 December 2021 and 31 December 2020, 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 2021 and 31 December 2020 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.

As of 31 December 2021 based on the result of the impairment test the Group recognised an impairment loss in the amount of RUB 158,492 million for the following CGU:

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

As of 31 December 2020 based on the result of the impairment test the Group recognised an impairment loss in the amount of RUB 27,464 million for the following CGU:

- production of gas;
- exploration and production of oil;
- 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.

Property, plant and equipment include social assets (rest houses, housing, schools and medical facilities), which the Group received at privatisation, with a net book value of RUB 5 million and RUB 27 million as of 31 December 2021 and 31 December 2020, respectively.

Included in additions above are capitalised borrowing costs of RUB 206,129 million and RUB 226,338 million for the years ended 31 December 2021 and 31 December 2020, respectively. Capitalisation rates of 5.16 % and 6.06 % were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2021 and 31 December 2020, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings were 4.87 % and 5.13 % for the years ended 31 December 2021 and 31 December 2020, 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	
	2021	**2020**
Exploration and evaluation assets at the beginning of the year	**371,815**	**333,121**
Additions	77,060	77,420
Translation differences	(814)	6,219
Reclassification	(18,489)	(2,370)
Disposals	(101,010)[1]	(42,575)[2]
Exploration and evaluation assets at the end of the year	**328,562**	**371,815**

[1] Including impairment loss in the amount of RUB nil million.
[2] Including impairment loss in the amount of RUB 4,566 million.

14 Right-of-Use Assets

	Operating assets	Social assets	Total
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**
Cost			
Additions as a result of new leases	9,634	1,181	10,815
Disposals	(6,288)	(2,617)	(8,905)
Effect of modification and changes of estimates in lease contracts	6,014	212	6,226
Translation differences	12,706	-	12,706
Accumulated depreciation and impairment allowance			
Depreciation	(40,220)	(1,268)	(41,488)
Disposals	3,641	786	4,427
Impairment allowance accrual	(15)	-	(15)
Effect of modification and changes of estimates in lease contracts	952	-	952
Translation differences	(3,649)	-	(3,649)
As of 31 December 2020			
Cost	272,537	7,706	280,243
Accumulated depreciation and impairment allowance	(83,024)	(1,906)	(84,930)
Net book value as of 31 December 2020	**189,513**	**5,800**	**195,313**
Cost			
Additions as a result of new leases	70,844	622	71,466
Disposals	(13,227)	(1,364)	(14,591)
Effect of modification and changes of estimates in lease contracts	12,931	497	13,428
Translation differences	(470)	-	(470)
Accumulated depreciation and impairment allowance			
Depreciation	(44,708)	(1,311)	(46,019)
Disposals	7,213	680	7,893
Impairment allowance accrual	(1,373)	-	(1,373)
Translation differences	643	-	643
As of 31 December 2021			
Cost	342,615	7,461	350,076
Accumulated depreciation and impairment allowance	(121,249)	(2,537)	(123,786)
Net book value as of 31 December 2021	**221,366**	**4,924**	**226,290**

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 64,858 million and RUB 56,999 million for the years ended 31 December 2021 and 31 December 2020, respectively.

15 Goodwill

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

Notes		Year ended 31 December 2021	2020
	Goodwill at the beginning of the year	**119,854**	**130,028**
	Additions	415	-
	Translation differences	499	3,384
	Adjustments to provisional amounts	-	(9,782)
30	Impairment	-	(3,774)
	Disposals	-	(2)
	Goodwill at the end of the year	**120,768**	**119,854**

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December 2021	2020
Gas production, transportation and distribution	44,538	44,123
Production of crude oil and gas condensate	38,461	37,962
Electric and heat energy generation and sales	28,326	28,326
Production and maintenance of turbocompressor and power equipment	9,443	9,443
Total goodwill	**120,768**	**119,854**

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 nil million and RUB 3,774 million for the years ended 31 December 2021 and 31 December 2020, respectively.

16 Investments in Associates and Joint Ventures

Notes		Carrying amount as of 31 December 2021	2020	Share of profit (loss) for the year ended 31 December 2021	2020
25, 37, 39, 40	Gazprombank (Joint Stock Company) and its subsidiaries[1]	227,503	227,649	37,812	17,937
37, 40	Sakhalin Energy Investment Company Ltd.	209,384	216,853	73,829	38,085
37	PJSC NGK Slavneft and its subsidiaries	169,233	156,725	12,201	(2,481)
37	JSC Arcticgas	123,883	160,312	62,946	34,300
37, 40	Nord Stream AG	121,490	119,666	23,836	22,083
37, 40	JSC Gazstroyprom	88,376	42,567	(37,964)	(562)
37	WIGA Transport Beteiligungs GmbH & Co. KG and its subsidiaries	66,994	68,824	11,044	10,084
37	JSC Tomskneft VNK and its subsidiaries[2]	63,468	-	(3,301)	-
37	JSC Messoyakhaneftegas	46,703	44,387	14,817	9,037
37	JSC Achimgaz	40,325	33,313	30,246	10,576
25, 37, 40	JSC NPF GAZFOND[3]	37,884	34,863	3,021	2,134
37	JSC EUROPOL GAZ	35,397	37,522	1,189	343
	Wintershall AG	20,399	19,172	2,686	(1,066)
37	CJSC Northgas	15,409	12,226	3,184	1,700
	Others	155,860	153,162	6,650	(5,434)
	Total investments in associates and joint ventures	**1,422,308**	**1,327,241**	**242,196**	**136,736**

[1] In March 2020 the Group purchased Gazprombank (Joint Stock Company) ordinary shares from one of its shareholders, as the result of which the Group's share in voting shares increased from 47.87 % to 49.88 %.

[2] In the fourth quarter of 2021 the investment in JSC Tomskneft VNK and its subsidiaries was reclassified from joint operations into joint ventures due to changes in the nature of relationship with the second shareholder.

[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 change. As of 31 December 2020 the Group's share in voting shares is equal to ownership interest.

16 Investments in Associates and Joint Ventures (continued)

Investments in associates and joint ventures are accounted net of allowance for investments impairment in the amount of RUB 71,047 million and RUB 21,435 million as of 31 December 2021 and 31 December 2020, respectively.

Material Associates and Joint Ventures

	Nature of relationship	Country of primary operations	Country of incorporation	Nature of operations	Ownership interest (%)[1] as of 31 December 2021	2020
JSC Arcticgas	Joint venture	Russia	Russia	Production of oil and petroleum gas	50	50
Gazprombank (Joint Stock Company)[2]	Associate	Russia	Russia	Banking	49.88	49.88
Nord Stream AG[3]	Joint venture	Russia, Germany	Switzerland	Gas transportation	51	51
Sakhalin Energy Investment Company Ltd.	Associate	Russia	Bermuda Islands	Production of oil, LNG	50	50
PJSC NGK Slavneft	Joint venture	Russia	Russia	Production, processing and sales of oil	49.88	49.88

[1] Cumulative share of the Group in share capital of investees.
[2] Share in voting shares.
[3] Investment in the company is accounted under the equity method of accounting, as the Group did not obtain control due to its corporate governance structure.

Investments in the Group's material associates and joint ventures of are accounted for using the equity method.

Summarised financial information on the Group's material associates and joint ventures and its reconciliation to the carrying amount of its ownership interests is presented below.

The disclosed values of assets, liabilities, revenues, profit (loss) of the Group's material 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.

16 Investments in Associates and Joint Ventures (continued)

	Gazprombank (Joint Stock Company) and its subsidiaries[1, 2]	Sakhalin Energy Investment Company Ltd.	JSC Arcticgas	PJSC NGK Slavneft and its subsidiaries	Nord Stream AG
As of 31 December 2021 and for the year ended 31 December 2021					
Cash and cash equivalents	1,290,460	64,815	2,567	1,577	14,687
Other current assets (excluding cash and cash equivalents)	1,774,511	68,204	34,172	108,412	34,256
Other non-current assets	5,556,528	824,369	403,956	559,463	376,340
Total assets	**8,621,499**	**957,388**	**440,695**	**669,452**	**425,283**
Current financial liabilities (excluding trade payables)	6,113,817	26,608	16,720	106,888	42,691
Other current liabilities (including trade payables)	162,185	130,747	29,289	60,752	923
Non-current financial liabilities	1,595,265	77,293	120,000	91,636	139,916
Other non-current liabilities	18,410	303,973	51,246	63,722	3,536
Total liabilities	**7,889,677**	**538,621**	**217,255**	**322,998**	**187,066**
Net assets	731,822	418,767	223,440	346,454	238,217
Ownership interest	49.88%	50%	50%	49.88%	51%
Group's share of net assets	365,066	209,384	111,720	172,822	121,490
Impairment, goodwill and other effects	(137,563)	-	12,163	(3,589)	-
Carrying amount of investment	**227,503**	**209,384**	**123,883**	**169,233**	**121,490**
Revenue	281,903	422,629	294,864	322,011	93,552
Depreciation	(61,003)	(125,208)	(22,184)	(47,854)	(6)
Interest income	473,250	389	660	99	8
Interest expense	(258,459)	(9,238)	(8,839)	(6,828)	(8,879)
Profit tax expenses	(30,531)	(78,175)	(32,546)	(8,004)	(1,814)
Profit for the year	**95,768**	**147,658**	**125,890**	**24,987**	**46,738**
Other comprehensive (loss) income for the year	**(3,107)**	**381**	**-**	**644**	**6,325**
Comprehensive income for the year	**92,661**	**148,039**	**125,890**	**25,631**	**53,063**
Dividends received from associates and joint ventures	**(2,625)**	**(81,965)**	**(99,375)**	**-**	**(16,677)**
As of 31 December 2020 and for the year ended 31 December 2020					
Cash and cash equivalents	943,439	18,229	6,123	2,281	17,562
Other current assets (excluding cash and cash equivalents)	1,590,281	89,760	38,757	47,779	36,504
Other non-current assets	4,896,541	874,261	391,809	549,836	432,697
Total assets	**7,430,261**	**982,250**	**436,689**	**599,896**	**486,763**
Current financial liabilities (excluding trade payables)	5,353,272	54,911	44,445	52,151	47,628
Other current liabilities (including trade payables)	154,948	105,428	20,376	27,605	1,088
Non-current financial liabilities	1,255,417	86,277	30,000	132,221	200,236
Other non-current liabilities	27,751	301,929	45,570	68,182	3,170
Total liabilities	**6,791,388**	**548,545**	**140,391**	**280,159**	**252,122**
Net assets	638,873	433,705	296,298	319,737	234,641
Ownership interest	49.88%	50%	50%	49.88%	51%
Group's share of net assets	318,652	216,853	148,149	159,494	119,666
Impairment, goodwill and other effects	(91,003)	-	12,163	(2,769)	-
Carrying amount of investment	**227,649**	**216,853**	**160,312**	**156,725**	**119,666**
Revenue	245,487	314,480	171,095	175,013	89,005
Depreciation	(52,994)	(129,391)	(23,844)	(42,981)	(18)
Interest income	407,372	1,518	352	106	1
Interest expense	(237,855)	(11,368)	(5,192)	(5,650)	(10,320)
Profit tax expenses	(25,402)	(35,710)	(7,137)	451	(891)
Profit (loss) for the year	**55,995**	**76,170**	**68,601**	**(5,205)**	**43,299**
Other comprehensive income (loss) for the year	**13,224**	**294**	**-**	**(29)**	**5,108**
Comprehensive income (loss) for the year	**69,219**	**76,464**	**68,601**	**(5,234)**	**48,407**
Dividends received from associates and joint ventures	**(4,013)**	**(34,672)**	**(10,750)**	**(1)**	**(12,491)**

[1] The amount of revenue of Gazprombank (Joint Stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking entities.
[2] Share in voting shares.

17 Long-Term Accounts Receivable and Prepayments

	31 December	
	2021	**2020**
Financial assets		
Long-term trade accounts receivable	82,123	47,661
Long-term loans receivable	253,895	194,215
Long-term other accounts receivable	82,417	83,460
	418,435	**325,336**
Non-financial assets		
Long-term prepayments	24,451	23,082
Advances for assets under construction	786,093	640,439
	810,544	**663,521**
Total long-term accounts receivable and prepayments	**1,228,979**	**988,857**

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 23,018 million and RUB 16,083 million as of 31 December 2021 and 31 December 2020, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,324 million and RUB 8,794 million as of 31 December 2021 and 31 December 2020, respectively.

As of 31 December 2021 and 31 December 2020 long-term accounts receivable and prepayments with carrying value RUB 418,435 million and RUB 325,336 million have an estimated fair value RUB 418,435 million and RUB 325,336 million, respectively.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2021	**2020**	**2021**	**2020**
Long-term accounts receivable neither past due nor credit-impaired	82,123	47,661	335,145	277,675
Long-term accounts receivable past due or credit-impaired	8,772	5,927	15,413	10,156
Allowance for expected credit losses of long-term accounts receivable	(8,772)	(5,927)	(14,246)	(10,156)
Total long-term accounts receivable	**82,123**	**47,661**	**336,312**	**277,675**

17 Long-Term Accounts Receivable and Prepayments (continued)

Management experience indicates that long-term loans to other entities granted mainly for capital construction purposes are of strong credit quality.

Movement of the Group's allowance for expected credit losses of long-term accounts receivable is presented in the table below.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2021	**2020**	**2021**	**2020**
Allowance for expected credit losses of accounts receivable at the beginning of the year	**5,927**	**4,300**	**10,156**	**7,328**
Accrual of allowance for expected credit losses of accounts receivable[1]	3,491	-	5,317	2,789
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(909)	(175)	(1,011)	(711)
Reclassification to other line of assets	236	1,038	105	(403)
Foreign exchange rate differences	27	764	(321)	1,153
Allowance for expected credit losses of accounts receivable at the end of the year	**8,772**	**5,927**	**14,246**	**10,156**

[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	
	2021	**2020**
Financial assets measured at fair value with changes recognised through profit or loss:	**2,343**	**3,056**
Equity securities	2,343	3,056
Financial assets measured at fair value with changes recognised through other comprehensive income:	**597,404**	**418,813**
Equity securities[1]	597,066	418,504
Promissory notes	338	309
Total long-term financial assets	**599,747**	**421,869**

[1] As of 31 December 2021 and 31 December 2020 equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 527,769 million and RUB 362,681 million, respectively.

Long-term financial assets are shown net of allowance for expected credit losses of RUB 2 million and RUB 34 million as of 31 December 2021 and 31 December 2020, respectively.

Long-term financial assets measured at fair value with changes recognised through other comprehensive income include promissory notes on the 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	
	2021	**2020**
Long-term financial assets at the beginning of the year	**421,869**	**434,282**
Increase (decrease) in fair value of long-term financial assets	162,923	(16,788)
Acquisition of long-term financial assets	15,691	4,451
Disposal of long-term financial assets	(3)	(565)
Translation differences	(765)	489
Release of allowance for expected credit losses of long-term financial assets	32	-
Long-term financial assets at the end of the year	**599,747**	**421,869**

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 41).

19 Accounts Payable, Provisions and Other Liabilities

Notes		31 December 2021	31 December 2020
	Financial liabilities		
	Trade accounts payable	1,113,471	509,013
	Accounts payable for acquisition of property, plant and equipment	396,856	387,110
41	Derivative financial instruments	555,753	118,872
	Lease liabilities	53,079	41,452
	Other accounts payable[1]	359,733	298,394
		2,478,892	**1,354,841**
	Non-financial liabilities		
	Advances received	318,768	265,329
	Accruals and deferred income	2,140	2,118
		320,908	**267,447**
	Total accounts payable, provisions and other liabilities	**2,799,800**	**1,622,288**

[1] As of 31 December 2021 and 31 December 2020 other accounts payable include RUB nil million and RUB 40,692 million of accruals for probable price adjustments related to natural gas deliveries made from 2014 to 2020, respectively.

Advances received as of 31 December 2020 include advances under construction contracts that contain a significant financing component determined based on the discount rate that would be reflected in a separate financing transaction between the Group and its customer at contract inception and relate to an operational cycle of more than 12 months. Revenue from the contracts was expected to be recognised when all contract work was completed in 2022. The amount of unsatisfied performance obligations excluding the significant financing component amounted to RUB 65,000 million as of 31 December 2020. In the fourth quarter of 2021, an asset under construction by the Group under a building contract was decided to be leased out to the Group after completion of its construction. Since that moment, the construction contract and the lease contract have been regarded as a financing arrangement. Therefore, the corresponding amount from the work in progress was reclassified to assets under construction (see Note 13). Advances received from the customer under the construction contract were reclassified to other non-current liabilities.

The fair value of these liabilities approximately equal to their carrying value.

20 Taxes Other than on Profit and Fees Payable

	31 December 2021	31 December 2020
VAT	183,678	134,616
MET	121,450	73,190
Property tax	34,067	31,871
Excise tax	31,215	25,696
Other taxes	42,984	31,367
Total taxes other than on profit and fees payable	**413,394**	**296,740**

21 Short-Term Borrowings, Promissory Notes and Current Portion of Long-Term Borrowings

	31 December 2021	31 December 2020
Short-term borrowings and promissory notes:		
Borrowings and promissory notes denominated in Russian Rubles	115,900	88,856
Foreign currency denominated borrowings	11,343	30,730
	127,243	119,586
Current portion of long-term borrowings (see Note 22)	569,803	573,948
Total short-term borrowings, promissory notes and current portion of long-term borrowings	**697,046**	**693,534**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2021	31 December 2020
Fixed rate short-term borrowings denominated in Russian Rubles	8.67 %	5.38 %
Fixed rate foreign currency denominated short-term borrowings	0.50 %	-
Variable rate short-term borrowings denominated in Russian Rubles	9.32 %	5.25 %
Variable rate foreign currency denominated short-term borrowings	0.15 %	0.11 %

The fair value of these liabilities approximates their carrying value.

22 Long-Term Borrowings, Promissory Notes

	31 декабря	
	2021 года	**2020 года**
Long-term borrowings, promissory notes:		
Loan participation notes[1]	2,026,399	1,831,913
Bank borrowings	1,809,661	1,986,148
Loans	451,494	469,043
Russian bonds[2]	420,626	454,879
Other bonds[3]	41,560	46,045
Promissory notes	6,719	-
Total long-term borrowings, promissory notes	**4,756,459**	**4,788,028**
Less current portion of long-term borrowings	(569,803)	(573,948)
	4,186,656	**4,214,080**

[1]The issuers of these bonds are Gaz Finance Plc. (the bonds were issued under EUR 30,000 million Programme for the Issuance of Loan Participation Notes), Gaz Capital S.A. (bonds were issued under USD 40,000 million Programme for the Issuance of Loan Participation Notes) and GPN Capital S.A.
[2]Issuer of these bonds are PJSC Gazprom Neft, Gazprom Capital LLC, PJSC Gazprom, PJSC OGK-2, PJSC MIPC, PJSC TGC-1.
[3]Issuer of these bonds is GazAsia Capital S.A.

	31 December	
	2021	**2020**
Long-term borrowings and promissory notes denominated in Russian Rubles (including current portion of RUB 123,665 million and RUB 68,153 million as of 31 December 2021 and 31 December 2020, respectively)	1,045,927	1,017,203
denominated in foreign currency (including current portion of RUB 446,138 million and RUB 505,795 million as of 31 December 2021 and 31 December 2020, respectively)	3,710,532	3,770,825
	4,756,459	**4,788,028**

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

	31 December	
Maturity of long-term borrowings, promissory notes	**2021**	**2020**
between one and two years	591,465	788,176
between two and five years	1,643,345	1,586,715
after five years	1,951,846	1,839,189
	4,186,656	**4,214,080**

Long-term liabilities include fixed interest rate borrowings with a carrying value of RUB 2,786,826 million and RUB 2,626,491 million and fair value of RUB 3,003,568 million and RUB 3,021,359 million as of 31 December 2021 and 31 December 2020, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 1,969,633 million and RUB 2,161,537 million and fair value is RUB 2,146,438 million and RUB 2,409,733 million as of 31 December 2021 and 31 December 2020, respectively.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2021	**2020**
Fixed interest rate long-term borrowings denominated in Russian Rubles	7.49 %	7.44 %
Fixed interest rate foreign currency denominated long-term borrowings	4.69 %	4.97 %
Variable interest rate long-term borrowings denominated in Russian Rubles	9.21 %	5.16 %
Variable interest rate foreign currency denominated long-term borrowings	2.80 %	2.77 %

22 Long-Term Borrowings, Promissory Notes (continued)

As of 31 December 2021 and 31 December 2020 according to the agreements signed within the framework of financing the Nord Stream 2 project, 100 % of shares of Nord Stream 2 AG were pledged until a full settlement of the secured obligations.

As of 31 December 2021 and 31 December 2020 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant, 99.99 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 31 December 2021 and 31 December 2020 the secured obligations to agent banks amounted to RUB 636,701 million and RUB 471,558 million, respectively.

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.

The Group has no subordinated borrowings and no debt obligations that may be converted into shares of the Group (see Note 33).

23 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 2021	2020
	Profit before profit tax	2,769,514	133,469
	Theoretical tax charge calculated at applicable tax rates	(553,903)	(26,694)
	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	(8,123)	(9,231)
25	Provision for post-employment benefits	(2,713)	(7,911)
13	Allowance for impairment of assets under construction	(45,267)	(3,486)
	Non-operating expenses	(54,767)	(23,364)
	Social expenses	(8,893)	(8,028)
	Other non-deductible expenses	(38,946)	(7,678)
15	Non-taxable share of profit of associates and joint ventures	48,439	27,347
	Other non-taxable income	53,745	87,983
	Profit tax (expenses) income	**(610,428)**	**28,938**

Differences between the recognition criteria of assets and liabilities reflected in the consolidated financial statements and for the purposes of taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is reported at the rates set forth by the applicable legislation of the Russian Federation. Certain entities of the Gazprom Group enjoy preferential tax treatment, which allows them to pay income tax at a reduced rate.

23 Profit Tax (continued)

	31 December 2019	Temporary differences recognition and reversals in profit or loss	Temporary differences recognition and reversals in other comprehensive income	31 December 2020	Temporary differences recognition and reversals in profit or loss	Temporary differences recognition and reversals in other comprehensive income	31 December 2021
Property, plant and equipment	(953,557)	(29,468)	(4,573)	(987,598)	(41,964)	8,374	(1,021,188)
Right-of-use assets	(33,324)	3,492	-	(29,832)	(5,912)	-	(35,744)
Financial assets	2,122	4,146	(1,288)	4,980	(215)	(41,299)	(36,534)
Account receivables	97,132	75,055	-	172,187	(16,123)	-	156,064
Inventories	(5,159)	2,466	-	(2,693)	(9,515)	-	(12,208)
Tax losses carry forward	25,451	89,933	(518)	114,866	(65,982)	-	48,884
Retroactive gas price adjustments	19,422	(11,258)	-	8,164	8,899	-	17,063
Lease liabilities	39,732	689	-	40,421	2,731	-	43,152
Other deductible temporary differences	39,733	(30,511)	2,559	11,781	(29,530)	(16,839)	(34,588)
Total net deferred tax liabilities	**(768,448)**	**104,544**	**(3,820)**	**(667,724)**	**(157,611)**	**(49,764)**	**(875,099)**

Taxable temporary differences recognised for the years ended 31 December 2021 and 31 December 2020 include the effect of bonus depreciation applied to certain items of property, plant and equipment. The positive tax effect on these differences amounted to RUB 5,231 million and RUB 18,216 million, respectively, it was offset by the decrease in the current profit tax by the corresponding amount which did not affect profit (loss) for the years ended 31 December 2021 and 31 December 2020.

24 Derivative Financial Instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivative financial instruments 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 derivative financial instruments outstanding as of the end of the reporting year. Fair values of assets and liabilities classified as derivative financial instruments are reflected in the consolidated balance sheet on a gross basis within other assets and other liabilities.

Fair value	**31 December**	
	2021	**2020**
Assets		
Commodity contracts	665,262	119,348
Foreign currency derivatives and currency and interest rate swaps	10,095	3,938
Other derivative financial instruments	3,227	3,162
	678,584	**126,448**
Liabilities		
Commodity contracts	661,486	134,514
Foreign currency derivatives and currency and interest rate swaps	3,857	8,204
Other derivative financial instruments	655	7,282
	665,998	**150,000**

Derivative financial instruments are mainly denominated in US dollars, Euros and British Pounds Sterling.

25 Provisions

	31 December	
	2021	**2020**
Provision for decommissioning and site restoration costs	249,306	340,193
Provision for post-employment benefits	298,822	329,404
Other	29,735	18,736
Total provisions	**577,863**	**688,333**

Provision for decommissioning and site restoration costs changed mainly due to change in estimates.

The Group applies pension and other post-employment 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 provided by the Group 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	
	2021	**2020**
Discount rate (nominal)	8.4 %	6.2 %
Future salary and pension increase (nominal)	5.0 %	4.0 %
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 10.7 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 2021 and 2020.

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

	31 December 2021		31 December 2020	
	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	(401,560)	(298,822)	(435,828)	(328,110)
Fair value of plan assets	442,362	-	434,534	-
Total net assets (liabilities)	**40,802**	**(298,822)**	**(1,294)**	**(328,110)**

The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 40,802 million as of 31 December 2021 are included within other non-current assets in the consolidated balance sheet (see Note 12). The net pension plan liabilities related to benefits provided through JSC NPF GAZFOND in the amount of RUB 1,294 million as of 31 December 2020 are included within provisions in the consolidated balance sheet.

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 2021 and 31 December 2020 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 2020	**435,828**	**(434,534)**	**1,294**	**328,110**
Current service cost	10,216	-	10,216	12,706
Past service cost	(6,878)	-	(6,878)	(2,722)
Interest expense (income)	27,022	(26,862)	160	19,823
Effect of business combinations	-	-	-	241
Total included in profit or loss (see Note 30, 31)	**30,360**	**(26,862)**	**3,498**	**30,048**
Remeasurement of provision for post-employment benefits:				
Actuarial gains – changes in financial assumptions	(36,053)	-	(36,053)	(38,680)
Actuarial losses – changes in demographic assumptions	81	-	81	61
Actuarial gains – experience adjustments	(8,789)	-	(8,789)	(1,001)
Expense on plan assets excluding amounts included in interest expense	-	16,488	16,488	-
Translation differences	-	-	-	(533)
Total included in other comprehensive income	**(44,761)**	**16,488**	**(28,273)**	**(40,153)**
Benefits paid	(19,867)	19,867	-	(19,183)
Employer's contributions	-	(17,321)	(17,321)	-
As of 31 December 2021	**401,560**	**(442,362)**	**(40,802)**	**298,822**
As of 31 December 2019	**404,997**	**(431,544)**	**(26,547)**	**291,684**
Current service cost	10,895	-	10,895	14,527
Past service cost	(1,881)	-	(1,881)	(1,108)
Interest expense (income)	26,317	(27,763)	(1,446)	18,612
Effect of business combinations	-	-	-	(45)
Total included in profit or loss (see Note 30, 31)	**35,331**	**(27,763)**	**7,568**	**31,986**
Remeasurement of provision for post-employment benefits:				
Actuarial losses – changes in financial assumptions	10,151	-	10,151	9,850
Actuarial losses – changes in demographic assumptions	46	-	46	71
Actuarial losses – experience adjustments	4,042	-	4,042	12,373
Expense on plan assets excluding amounts included in interest expense	-	15,943	15,943	-
Translation differences	-	-	-	1,475
Total included in other comprehensive income	**14,239**	**15,943**	**30,182**	**23,769**
Benefits paid	(18,739)	18,740	1	(19,329)
Employer's contributions	-	(9,910)	(9,910)	-
As of 31 December 2020	**435,828**	**(434,534)**	**1,294**	**328,110**

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 2021		31 December 2020	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
Quoted plan assets, including:	**315,495**	**71.3 %**	**319,348**	**73.5 %**
Bonds	207,607	46.9 %	213,385	49.1 %
Mutual funds	75,398	17.0 %	72,236	16.6 %
Shares	32,490	7.4 %	33,727	7.8 %
Unquoted plan assets, including:	**126,867**	**28.7 %**	**115,186**	**26.5 %**
Equities	88,977	20.1 %	81,778	18.8 %
Mutual funds	21,748	4.9 %	22,774	5.2 %
Deposits	9,800	2.2 %	9,685	2.2 %
Other assets	6,342	1.5 %	949	0.3 %
Total plan assets	**442,362**	**100 %**	**434,534**	**100 %**

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 1,948 million and RUB 473 million as of 31 December 2021 and 31 December 2020, respectively.

Unquoted equities within the pension plan assets are represented by equity stake in Gazprombank (Joint Stock Company), which is 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 2021 and 31 December 2020 the actual return on pension plan assets was a gain in the amount of RUB 10,374 million and in the amount of RUB 11,820 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 2021 is presented in the table below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rate lower by 20 %	27,586	4.1 %
Mortality rate higher by 20 %	(23,094)	(3.4 %)
Discount rate lower by 1 pp	60,313	8.9 %
Discount rate higher by 1 pp	(51,199)	(7.5 %)
Pension and other benefits growth rate lower by 1 pp	(53,192)	(7.8 %)
Pension and other benefits growth rate higher by 1 pp	61,801	9.1 %
Staff turnover lower by 1 pp for all ages	35,640	5,2 %
Staff turnover higher by 1 pp for all ages	(30,802)	(4.5) %
Retirement age lower by 1 year	25,271	3.7 %
Retirement age higher by 1 year	(25,432)	(3.7 %)

The Group expects to contribute in the amount of RUB 31,300 million to the defined benefit pension plan in 2022.

Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for salary-dependent benefits 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 Other Non-Current Liabilities

Other non-current liabilities include advances received in the amount RUB 77,785 million and RUB 76,299 million as of 31 December 2021 and 31 December 2020, respectively. The contract obligations carried out from 2021 to 2027 according to the schedule. All the contracts are concluded on the market conditions.

27 Equity

Share Capital

The share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2021 and 31 December 2020 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2021 PJSC Gazprom declared and paid dividends in the nominal amount of 12.55 Russian Rubles per share based on the results for the year ended 31 December 2020. In 2020 PJSC Gazprom declared and paid dividends in the nominal amount of 15.24 Russian Rubles per share based on the results for the year ended 31 December 2019.

Treasury Shares

As of 31 December 2021 and 31 December 2020 subsidiaries of PJSC Gazprom held 29 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

The shares held by PJSC Gazprom's subsidiaries represented 0.1 % of the total number of PJSC Gazprom's shares as of 31 December 2021 and 31 December 2020.

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 914,156 million and RUB 964,659 million as of 31 December 2021 and 31 December 2020, 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 13 million and RUB nil million were transferred to governmental authorities in 2021 and 2020, respectively. Cost of assets transferred was recorded as a reduction of retained earnings and other reserves.

Number of shares outstanding

The number of PJSC Gazprom shares outstanding (the number of issued ordinary shares less treasury shares) amounted to 23,645 million shares as of 31 December 2021 and 31 December 2020.

Perpetual notes

Information about perpetual notes is disclosed in Note 28.

28 Perpetual Notes

In October 2020 the Group issued in the international market perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes. Gaz Finance Plc was the issuer of the notes. When the note issues were offered, the interest rate was set at 4.5985 % for the issue in USD and 3.8970 % for the issue in EUR. The interest rate for the perpetual notes in USD and EUR is reviewed every five years. Interest is cumulative.

Under the terms of the foreign currency perpetual loan participation notes, the Group, acting in its sole discretion, may refuse to redeem the notes and may, at any time and on any number of occasions, decide to postpone interest payments. Conditions which give rise to an interest payment liability are under the control of PJSC Gazprom. In particular, an interest payment liability arises when PJSC Gazprom decides to pay or declare dividends.

The Group may decide to redeem the foreign currency perpetual loan participation notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, including those caused by changes in the regulation of accounting for and taxation of perpetual notes.

28 Perpetual Notes (continued)

In June and September 2021 the Group issued in the Russian market perpetual callable notes with a par value of RUB 60,000 million and RUB 60,000 million, respectively, under the RUB 150,000 million Programme for the Issuance of Series 001B Notes. Gazprom capital LLC, a subsidiary of the Group, was the issuer of the notes. When the note issues were offered, the interest rate was set at 8.4500 % in June 2021 issue and 8.6000 % in September 2021 issue. The interest rate is reviewed every five years. The issuer may, on a unilateral basis, decide to refuse to pay interest. Interest is not cumulative. In case the issuer decides to refuse to pay interest, Resolution of the Government of the Russian Federation No.2337 dated 29 December 2020 provides for the reimbursement for the investors' lost income.

The Group may decide to redeem the ruble perpetual notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, caused by changes in the regulation of accounting for perpetual notes.

As the notes have no stated maturity and the Group may postpone payment of any interest on any number of occasions or decide to refuse to pay interest, the Group classifies these perpetual callable loan participation notes as an equity instrument within equity.

Transactions related to perpetual notes for the years ended 31 December 2021 and 31 December 2020 are presented below.

	Ruble perpetual notes	Foreign currency perpetual loan participation notes	Retained earnings and other reserves	Total
Balance as of 31 December 2020	**-**	**195,616**	**(947)**	**194,669**
Issuance of perpetual notes	120,000	-	-	120,000
Costs related to issuance of perpetual notes[1]	-	-	(950)	(950)
Translation differences arising on the translation of the par value of perpetual notes	-	(6,030)	6,030	-
Accrued interest	-	8,140	(8,140)	-
Recognition of an interest payment liability[2]	-	(4,455)	(2,528)	(6,983)
Translation differences arising on the translation of accrued interest	-	(81)	81	-
Cumulative tax effect of transactions related to perpetual notes	-	-	(1,016)	(1,016)
Balance as of 31 December 2021	**120,000**	**193,190**	**(7,470)**	**305,720**

[1] Including payment in cash amounted to RUB 922 million.
[2] Interest was paid in the amount of RUB 6,985 million.

As of 31 December 2021 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 9,389 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 5,111 million.

	Foreign currency perpetual loan participation notes	Retained earnings and other reserves	Total
Balance as of 31 December 2019	**-**	**-**	**-**
Issuance of perpetual notes	197,468	-	197,468
Costs related to issuance of perpetual notes[1]	-	(2,659)	(2,659)
Translation differences arising on the translation of the par value of perpetual notes	(3,359)	3,359	-
Accrued interest	1,523	(1,523)	-
Translation differences arising on the translation of accrued interest	(16)	16	-
Cumulative tax effect of transactions related to perpetual notes	-	(140)	(140)
Balance as of 31 December 2020	**195,616**	**(947)**	**194,669**

[1] Including payment in cash amounted to RUB 2,637 million.

As of 31 December 2020 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 3,359 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 1,507 million.

29 Sales

	Year ended 31 December 2021	2020
Gas sales gross of excise tax and customs duties:		
the Russian Federation	1,080,256	940,155
Former Soviet Union countries (excluding the Russian Federation)	440,540	308,952
Europe and other countries	5,284,122	2,268,424
	6,804,918	3,517,531
Customs duties	(1,084,761)	(435,830)
Excise tax	(73,661)	(34,656)
Retroactive gas price adjustments[1]	9,537	2,294
Total gas sales	5,656,033	3,049,339
Sales of refined products:		
the Russian Federation	1,673,834	1,221,857
Former Soviet Union countries (excluding the Russian Federation)	158,529	107,166
Europe and other countries	762,821	469,373
Total sales of refined products	2,595,184	1,798,396
Sales of crude oil and gas condensate:		
the Russian Federation	129,662	47,647
Former Soviet Union countries (excluding the Russian Federation)	38,613	18,713
Europe and other countries	713,873	420,989
Total sales of crude oil and gas condensate	882,148	487,349
Electric and heat energy sales:		
the Russian Federation	554,111	467,689
Former Soviet Union countries (excluding the Russian Federation)	31	4,199
Europe and other countries	41,336	27,581
Total electric and heat energy sales	595,478	499,469
Gas transportation sales:		
the Russian Federation	216,694	217,367
Former Soviet Union countries (excluding the Russian Federation)	2,739	2,875
Europe and other countries	5,097	3,582
Total gas transportation sales	224,530	223,824
Other sales:		
the Russian Federation	240,239	223,163
Former Soviet Union countries (excluding the Russian Federation)	8,664	7,274
Europe and other countries	39,077	32,745
Total other sales	287,980	263,182
Total sales	**10,241,353**	**6,321,559**

[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 2021 and 31 December 2020 were recorded as the increase of sales by RUB 9,537 million and RUB 2,294 million, respectively.
The effects increasing sales were due to recognition of adjustments increasing gas prices for the past periods and due to decrease in previously recognised 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 101,113 million and RUB 81,175 million for the years ended 31 December 2021 and 31 December 2020, respectively.

30 Operating Expenses

	Year ended 31 December	
	2021	**2020**
Purchased gas and oil	1,924,908	961,928
Taxes other than on profit	1,539,507	1,235,822
Staff costs	840,153	807,824
Depreciation	828,027	798,436
Transit of gas, oil and refined products	680,216	654,562
Impairment loss on non-financial assets	448,229	54,191
Goods for resale, including refined products	290,799	213,900
Materials	261,921	257,490
Repairs and maintenance	177,979	151,869
Electricity and heating	135,919	113,303
Foreign exchange differences on operating items	69,171	(164,128)
Social expenses	38,454	40,690
Insurance	34,291	29,925
Transportation expenses	31,158	29,412
Processing services	24,528	21,576
Research and development	23,767	18,075
Lease	13,392	13,614
(Gain) loss on derivative financial instruments	(53,905)	16,735
Other	461,174	389,034
	7,769,688	**5,644,258**
Change in balances of finished goods, work in progress and other effects	(88,278)	21,504
Total operating expenses	**7,681,410**	**5,665,762**

Taxes other than on profit consist of:

	Year ended 31 December	
	2021	**2020**
MET	1,357,679	795,154
Property tax	140,753	142,554
Excise tax	(39,425)	252,993
Other	80,500	45,121
Total taxes other than on profit	**1,539,507**	**1,235,822**

Gas purchase expenses included within purchased gas and oil amounted to RUB 1,275,668 million and RUB 678,910 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Staff costs include RUB 13,563 million and RUB 39,554 million of expenses for provision for post-employment benefits for the years ended 31 December 2021 and 31 December 2020, respectively (see Note 25).

The impairment loss on assets is presented below.

Notes		Year ended 31 December	
		2021	**2020**
10, 17	Impairment loss on trade accounts receivable	52,849	56,236
	Impairment loss on other accounts receivable and loans receivable	3,436	16,059
	Total impairment loss on financial assets	**56,285**	**72,295**
13, 14	Impairment loss on property, plant and equipment and assets under construction[1]	395,376	49,060
	Impairment loss on advances paid and prepayments	627	937
	Impairment loss (reversal of impairment loss) on investments in associates and joint ventures	52,207	4,124
	Impairment loss on other assets	19	70
	Total impairment loss on non-financial assets	**448,229**	**54,191**

[1] Including impairment loss on right-of-use assets.

31 Finance Income and Expenses

	Year ended 31 December	
	2021	**2020**
Foreign exchange gain	544,183	687,263
Interest income	70,984	60,137
Total finance income	**615,167**	**747,400**
Foreign exchange loss	404,239	1,292,073
Interest expense	94,871	73,445
Total finance expenses	**499,110**	**1,365,518**

Total interest paid amounted to RUB 195,686 million and RUB 172,877 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Interest expense includes interest expense on lease liabilities under IFRS 16 Leases in the amount of RUB 16,924 million and RUB 16,529 million for the years ended 31 December 2021 and 31 December 2020, respectively.

Foreign exchange gain and loss for the years ended 31 December 2021 and 31 December 2020 were mainly caused by a 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.

32 Reconciliation of Profit (Loss), 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	
	2021	**2020**
RSA profit (loss) for the year per consolidated statutory accounts	**2,302,586**	**(354,403)**
Effect of IFRS adjustments:		
Differences in depreciation of property, plant and equipment and intangible assets	333,797	327,813
Differences in borrowing costs capitalised	151,654	177,552
Reversal of goodwill amortisation	64,145	63,637
Classification of loss (gain) arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(121,551)	13,571
Impairment (loss) gain on assets and changes in provisions, including provision for post-employment benefits	(511,186)	(48,474)
Differences in property, plant and equipment disposal	14,889	29,213
Difference in share of profit of associates and joint ventures	(25,335)	(18,866)
Write-off of research and development expenses capitalised for RSA purposes	(5,967)	(6,026)
Other	(43,946)	(21,610)
IFRS profit for the year	**2,159,086**	**162,407**

33 Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

Basic earnings per share attributable to the owners of PJSC Gazprom is shown in the table below.

Notes		Year ended 31 December	
		2021	**2020**
	Profit for the year attributable to the owners of PJSC Gazprom	**2,093,071**	**135,341**
28	Interest accrued on perpetual notes	(10,668)	(1,523)
28	Translation differences arising on the translation of interest accrued on perpetual notes	81	16
	Profit for the year attributable to the ordinary shareholders of PJSC Gazprom	**2,082,484**	**133,834**
27	Annual weighted average number of ordinary shares outstanding, excluding the weighted average number of treasury shares (in millions of shares)	23,645	23,645
	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	**88.07**	**5.66**

The Group has no dilutive financial instruments.

34 Net Cash from Operating Activities

Notes		Year ended 31 December 2021	2020
	Profit before profit tax	**2,769,514**	**133,469**
	Adjustments to profit before profit tax		
30	Depreciation	828,027	798,436
31	Net finance (income) expenses	(116,057)	618,118
16	Share of profit of associates and joint ventures	(242,196)	(136,736)
	Impairment loss on assets and change in provision for post-employment benefits	518,077	166,039
30	Derivative financial instruments (gain) loss	(53,905)	16,735
	Other	22,088	6,834
	Total effect of adjustments	956,034	1,469,426
	Cash flows from operating activities before working capital changes	3,725,548	1,602,895
	Increase in non-current assets	(32,369)	(4,544)
	Increase in non-current liabilities	1,664	75,726
		3,694,843	1,674,077
	Changes in working capital:		
	Increase in accounts receivable and prepayments	(754,004)	(288,724)
	Increase in inventories	(113,518)	(28,141)
	(Increase) decrease in other current assets	(254,968)	682,987
	Increase (decrease) in accounts payable, excluding interest, dividends and capital construction	664,795	(15,507)
	Settlements on taxes and fees payable (other than profit tax)	119,467	(7,534)
	Decrease in financial assets	3,619	7,032
	Total effect of working capital changes	(334,609)	350,113
	Profit tax paid	(344,844)	(105,299)
	Net cash from operating activities	**3,015,390**	**1,918,891**

The following taxes and other similar payments were paid in cash during 2021 and 2020:

	Year ended 31 December 2021	2020
MET	1,308,464	812,187
Customs duties	1,232,297	472,031
Profit tax	344,844	105,299
Insurance contributions	178,128	162,568
Property tax	148,713	155,709
VAT	144,796	126,077
Personal income tax	91,227	84,360
Excise tax	82,144	373,090
Additional income tax for hydrocarbon producers	55,663	29,997
Other taxes	46,489	47,235
Total taxes paid	**3,632,765**	**2,368,553**

35 Subsidiaries

Significant Subsidiaries

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2021	2020
LLC Aviapredpriyatie Gazprom avia	Russia	100	100
WIBG GmbH	Germany	100	100
WIEH GmbH	Germany	100	100
WINGAS GmbH	Germany	100	100
JSC Vostokgazprom	Russia	100	100
CJSC Gazprom Armenia	Armenia	100	100
JSC Gazprom gazoraspredelenie	Russia	100	100
GAZPROM Germania GmbH	Germany	100	100
LLC Gazprom GNP Holding	Russia	100	100
LLC Gazprom dobycha Astrakhan	Russia	100	100
LLC Gazprom dobycha Krasnodar	Russia	100	100
LLC Gazprom dobycha Nadym	Russia	100	100
LLC Gazprom dobycha Noyabrsk	Russia	100	100
LLC Gazprom dobycha Orenburg	Russia	100	100

35 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2021	2020
JSC Gazprom dobycha Tomsk	Russia	100	100
LLC Gazprom dobycha Urengoy	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 investgazifikatsiya	Russia	100	100
LLC Gazprom capital	Russia	100	100
LLC Gazprom komplektatciya	Russia	100	100
JSC Gazprom Space Systems	Russia	80	80
Gazprom Marketing & Trading Ltd	United Kingdom	100	100
Gazprom Marketing & 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 metanol	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 NGKHK	Russia	100	100
LLC Gazprom pererabotka	Russia	100	100
LLC Gazprom pererabotka Blagoveshchensk	Russia	100	100
LLC Gazprom PHG	Russia	100	100
LLC Gazprom Sakhalin holding	Russia	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
GAZPROM Schweiz AG	Switzerland	100	100
LLC Gazprom export	Russia	100	100
JSC Gazprom energosbyt[3]	Russia	81	81
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-Bitumen Materials[2]	Russia	100	100
LLC Gazpromneft-Vostok[2]	Russia	51	51
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

35 Subsidiaries (continued)

Subsidiary	Country of primary operation	Ownership interest (%)[1] as of 31 December 2021	2020
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
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 OGK-2[3]	Russia	81	79
JSC REPH	Russia	100	100
South Stream Transport B.V.	Netherlands	100	100
OJSC Severneftegazprom[3]	Russia	50	50
PJSC TGC-1	Russia	52	52
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.

36 Non-Controlling Interest

	Year ended 31 December 2021	2020
Non-controlling interest as of 31 December 2020	**566,789**	**510,854**
Non-controlling interest share of profit of subsidiaries[1]	66,015	27,066
Change in ownership interest in LLC Gazpromneft-Palyan[2]	10,346	-
Change in ownership interest in LLC Gazpromneft -Sakhalin[2]	2,672	-
Change in ownership interest in JSC Teploset Sankt-Peterburga[3]	2,449	2,266
Change in ownership interest in ZMB Gasspeicher Holding GmbH[4]	1,612	-
Change in ownership interest in LLC Gazpromneft-Salym[2]	467	468
Change in ownership interest in PJSC OGK-2	(3,161)	-
Change in / acquisition of interest in JSC REP Holding (abbreviated name – JSC REPH)	-	15,418
Change in ownership interest in JSC SalavatStroyTEK[5]	-	1,647
Change in ownership interest in JSC Gazprom energosbyt	-	(629)
Change in the non-controlling interest as a result of other acquisitions and disposals	2,494	186
Gain from hedging operations, net of tax	10	18
Remeasurement of provision for post-employment benefits	200	4
Dividends	(26,691)	(16,749)
Translation differences	(8,142)	26,240
Non-controlling interest as of 31 December 2021	**615,060**	**566,789**

[1] Non-controlling interest share of profit of subsidiaries includes share in impairment of assets in the amount of RUB 19,829 million and RUB 1,964 million for the years ended 31 December 2021 and 31 December 2020, respectively.
[2] Subsidiary of PJSC Gazprom Neft.
[3] Subsidiary of PJSC TGC-1.
[4] Subsidiary of GAZPROM Germania GmbH.
[5] Subsidiary of LLC Gazprom neftekhim Salavat.

36 Non-Controlling Interest (continued)

The following table provides information about all subsidiaries that have non-controlling interests that are significant to the Group is presented in the table below.

	Country of primary operation	Ownership interest held by non-controlling interest, %[1]	Profit (loss) 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 2021 and for the year ended 31 December 2021					
Gazprom Neft Group[2]	Russia	4	39,571	319,992	14,239
Naftna Industrija Srbije a.d. Group	Serbia	46	7,184	103,721	343
Mosenergo Group	Russia	46	4,543	112,537	3,292
TGC-1 Group	Russia	48	3,875	84,078	1,989
OGK-2 Group	Russia	19	(7,867)	23,980	1,263
As of 31 December 2020 and for the year ended 31 December 2020					
Gazprom Neft Group[2]	Russia	4	14,085	288,447	7,497
Naftna Industrija Srbije a.d. Group	Serbia	46	(2,468)	106,338	1,444
Mosenergo Group	Russia	46	4,274	111,436	2,215
TGC-1 Group	Russia	48	5,630	79,625	1,926
OGK-2 Group	Russia	21	2,062	36,205	1,145

[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	OGK-2 Group
As of 31 December 2021 and for the year ended 31 December 2021					
Current assets	1,135,154	68,359	98,365	33,267	40,759
Non-current assets	4,037,695	286,857	189,594	182,293	152,967
Current liabilities	1,349,479	45,121	27,851	20,494	14,028
Non-current liabilities	1,097,015	63,076	8,388	34,046	52,061
Sales	3,043,214	214,609	225,747	102,598	141,671
Profit (loss) for the year	506,496	14,738	11,126	7,504	(41,051)
Comprehensive income (loss) for the year	490,370	14,825	11,172	7,742	(40,709)
Net cash from (used in):					
operating activities	878,344	31,239	35,568	19,145	35,364
investing activities	108,827	(16,532)	(26,541)	(12,657)	(17,866)
financing activities	(65,483)	(5,301)	(16,638)	(4,879)	(17,435)

36 Non-Controlling Interest (continued)

	Gazprom Neft Group[1]	Naftna Industrija Srbije a.d Group	Mosenergo Group	TGC-1 Group	OGK-2 Group
As of 31 December 2020 and for the year ended 31 December 2020					
Current assets	714,332	50,576	96,987	33,694	41,161
Non-current assets	3,763,046	317,934	171,812	178,670	202,666
Current liabilities	780,266	45,430	20,489	25,881	18,425
Non-current liabilities	1,231,753	68,313	26,734	32,078	70,752
Sales	1,974,938	127,598	181,559	89,023	121,229
Profit (loss) for the year	136,944	(7,513)	10,389	11,463	10,501
Comprehensive income (loss) for the year	193,492	(7,471)	10,388	11,490	10,550
Net cash from (used in):					
operating activities	569,899	20,940	29,592	22,571	21,211
investing activities	(382,103)	(18,391)	(15,377)	(18,575)	(4,993)
financing activities	(167,460)	(7,399)	(18,322)	(3,843)	(16,303)

[1] Including data of in 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.

37 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 would 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 relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (the 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 2021 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 31 December 2021 wholesale prices of natural gas produced by PJSC Gazprom and its affiliates, gas transportation tariffs for independent producers and 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.

37 Related Parties (continued)

As of 31 December 2021 and 31 December 2020 and for the years ended 31 December 2021 and 31 December 2020 the Group's significant transactions and balances with the Government and entities under the Government control are presented below.

	As of 31 December 2021		Year ended 31 December 2021	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	5,345	97,483	-	433,613
Insurance contributions	1,734	14,000	-	177,600
VAT	290,361	162,724	-	-
Customs duties	78,088	-	-	-
MET	130	121,158	-	1,356,694
Other taxes	85,847	81,410	-	177,565
Other	-	-	96,696	-
Transactions and balances with entities under the Government control				
Gas sales	-	-	171,025	-
Electric and heat energy sales	-	-	213,807	-
Gas transportation sales	-	-	46,011	-
Other sales	-	-	7,696	-
Transit of oil and refined products expenses	-	-	-	139,026
Interest expense	-	-	-	27,384
Cash and cash equivalents	883,455	-	-	-
Short-term deposits	2,805	-	-	-
Long-term deposits	13	-	-	-
Accounts receivable	64,031	-	-	-
Short-term financial assets	24,251	-	-	-
Long-term financial assets	4,451	-	-	-
Accounts payable	-	36,321	-	-
Borrowings	-	322,733	-	-
Short-term lease liabilities	-	10,292	-	-
Long-term lease liabilities	-	86,213	-	-

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with the Government				
Current profit tax	14,384	6,230	-	63,384
Insurance contributions	2,908	15,474	-	166,071
VAT	269,914	115,404	-	-
Customs duties	15,567	-	-	-
MET	18	72,930	-	793,705
Other taxes	30,624	61,288	-	437,305
Other	-	-	-	4,068
Transactions and balances with entities under the Government control				
Gas sales	-	-	147,016	-
Electric and heat energy sales	-	-	173,778	-
Gas transportation sales	-	-	37,410	-
Other sales	-	-	6,136	-
Transit of oil and refined products expenses	-	-	-	133,685
Interest expense	-	-	-	22,037
Cash and cash equivalents	336,213	-	-	-
Short-term deposits	2,190	-	-	-
Long-term deposits	1,156	-	-	-
Accounts receivable	50,450	-	-	-
Short-term financial assets	27,462	-	-	-
Long-term financial assets	6,683	-	-	-
Accounts payable	-	29,374	-	-
Borrowings	-	291,888	-	-
Short-term lease liabilities	-	8,420	-	-
Long-term lease liabilities	-	90,912	-	-

37 Related Parties (continued)

The recognised of right-of-use assets adjusted for lease modifications amount to RUB 5,903 million and RUB 2,073 million for the years ended 31 December 2021 and 31 December 2020.

See the consolidated statement of changes in equity for returns of social assets to governmental authorities during the years ended 31 December 2021 and 31 December 2020. See Note 13 for the net book values as of 31 December 2021 and 31 December 2020 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 2021		Year ended 31 December 2021	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	191,477	-
Electricity and heating expenses	-	-	-	30,684
Accounts receivable	8,713	-	-	-
Accounts payable	-	2,369	-	-

	As of 31 December 2020		Year ended 31 December 2020	
	Assets	Liabilities	Income	Expenses
Transactions and balances with JSC FSC				
Electric and heat energy sales	-	-	139,114	-
Electricity and heating expenses	-	-	-	20,745
Accounts receivable	6,478	-	-	-
Accounts payable	-	1,917	-	-

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 2,625 million and RUB 3,026 million for the years ended 31 December 2021 and 31 December 2020, respectively.

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

The compensation of the members of the Board of Directors is approved by the annual general meetings of shareholders of the Group's entities. The 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 provided by the Group's entities 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 2021 and 31 December 2020 and also as of 31 December 2021 and 31 December 2020 the Group's significant transactions and balances with associates and joint ventures are presented below.

37 Related Parties (continued)

	Year ended 31 December	
	2021	2020
	Income	
Gas sales		
Panrusgas Co.	59,596	25,724
JSV Moldovagaz	53,936	24,179
JSC Latvijas Gaze	24,092	6,708
JSC Gazprom YRGM Trading[1]	15,499	15,426
Prometheus Gas S.A.	15,211	3,740
JSC Gazprom YRGM Development[1]	11,070	11,018
JSC EUROPOL GAZ	1,983	2,312
Gas transportation sales		
JSC Gazprom YRGM Trading[1]	24,382	24,229
JSC Gazprom YRGM Development[1]	17,415	17,306
KazRosGas LLP	2,739	2,874
Crude oil, gas condensate and refined products sales		
PJSC NGK Slavneft and its subsidiaries	37,325	17,787
LLC NPP Neftekhimia	9,997	4,080
LLC Poliom	8,125	3,717
Sakhalin Energy Investment Company Ltd.	7,863	2,326
JSC SOVEX	6,768	2,635
Field operator services sales and other services sales		
PJSC NGK Slavneft and its subsidiaries	3,965	3,491
JSC Messoyakhaneftegas	3,795	3,865
Sakhalin Energy Investment Company Ltd.	1,839	1,774
Gas refining services sales		
KazRosGas LLP	10,300	10,865
Interest income		
Gazprombank (Joint Stock Company) and its subsidiaries	22,255	23,201
JSC Gazstroyprom	6,574	7,632
Other operating income (rental income)		
Sakhalin Energy Investment Company Ltd.	669	733

37 Related Parties (continued)

	Year ended 31 December	
	2021	2020
	Expenses	
Purchased gas		
JSC Gazprom YRGM Trading[1]	66,158	47,076
JSC Gazprom YRGM Development[1]	47,288	33,658
Sakhalin Energy Investment Company Ltd.	39,989	8,730
JSC Arcticgas	36,351	35,906
KazRosGas LLP	6,397	9,032
CJSC Northgas	4,633	5,261
Transit of gas		
Nord Stream AG	93,628	90,578
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	48,921	45,735
JSC EUROPOL GAZ	-	4,838
Purchased crude oil and refined products		
PJSC NGK Slavneft and its subsidiaries	152,836	82,730
JSC Messoyakhaneftegas	87,474	48,701
JSC Arcticgas	6,075	4,395
KazRosGas LLP	6,033	2,149
LLC NPP Neftekhimia	1,401	726
Sakhalin Energy Investment Company Ltd.	-	2,097
Gas and gas condensate production		
JSC Achimgaz	84,437	37,687
Processing services		
PJSC NGK Slavneft and its subsidiaries	15,462	14,642
Transit of crude oil and oil refinery products		
PJSC NGK Slavneft and its subsidiaries	9,343	5,821
JSC Messoyakhaneftegas	7,418	7,651
Interest expense		
Gazprombank (Joint Stock Company) and its subsidiaries	14,422	11,235

[1] JSC 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 nil million and RUB 40,000 million for the years ended 31 December 2021 and 31 December 2020, 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.

37 Related Parties (continued)

	As of 31 December 2021		As of 31 December 2020	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
JSC Gazstroyprom	26,180	-	58,569	-
Gazprombank (Joint Stock Company)	10,291	-	33,851	-
TurkAkim Gaz Tasima A.S.	5,820	-	1,993	-
PJSC NGK Slavneft and its subsidiaries	5,697	-	3,450	-
Sakhalin Energy Investment Company Ltd.	5,499	-	4,403	-
Prometheus Gas S.A.	3,307	-	563	-
JSC Gazprom YRGM Trading	2,273	-	1,924	-
JSC Latvijas Gaze	2,049	-	-	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	2,005	-	50	-
JSC Gazprom YRGM Development	1,623	-	1,374	-
KazRosGas LLP	1,488	-	1,579	-
Overgas Inc. AD	-	-	8,286	-
LLC National Petroleum Consortium	-	-	1,487	-
Cash and cash equivalents				
Gazprombank (Joint Stock Company) and its subsidiaries	552,930	-	453,859	-
OJSC Belgazprombank	1,931	-	29	-
Other current assets				
Gazprombank (Joint Stock Company) and its subsidiaries	194,197	-	2,290	-
OJSC Belgazprombank	3,222	-	16	-
Long-term accounts receivable and prepayments				
JSC Gazstroyprom	429,318	-	318,674	-
TurkAkim Gaz Tasima A.S.	23,135	-	28,763	-
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	16,807	-	18,129	-
Sakhalin Energy Investment Company Ltd.	12,240	-	14,187	-
JSC Eurotek-Yugra	5,191	-	4,515	-
OJSC Belgazprombank	2,479	-	2,479	-
Short-term accounts payable				
PJSC NGK Slavneft and its subsidiaries	-	112,249	-	53,286
JSC Gazstroyprom	-	85,885	-	57,618
JSC Messoyakhaneftegas	-	47,518	-	33,670
JSC Gazprom YRGM Trading	-	15,931	-	6,509
JSC Achimgaz	-	15,898	-	5,476
JSC Gazprom YRGM Development	-	11,385	-	4,655
TurkAkim Gaz Tasima A.S.	-	9,810	-	1,438
JSC Tomskneft VNK	-	9,471	-	-
Nord Stream AG	-	7,516	-	8,139
JSC Arcticgas	-	4,278	-	3,367
Sakhalin Energy Investment Company Ltd.	-	2,666	-	864
JSC Latvijas Gaze	-	2,516	-	663
WIGA Transport Beteiligungs-GmbH & Co. KG and its subsidiaries	-	1,635	-	1,487
Short-term borrowings (including current portion of long-term borrowings)				
Gazprombank (Joint Stock Company)	-	11,805	-	7,109
JSC Tomskneft VNK	-	9,347	-	-
JSC Gazstroyprom	-	86	-	5,549
WIGA Transport Beteiligungs-GmbH & Co. KG	-	-	-	27,918
Long-term borrowings				
Gazprombank (Joint Stock Company)	-	195,624	-	182,216

37 Related Parties (continued)

Accounts receivable due from JSV Moldovagaz before allowance for expected credit losses were RUB 564,595 million and RUB 508,624 million as of 31 December 2021 and 31 December 2020, respectively. The accounts receivable net of allowance for expected credit losses amounted to RUB 2,775 million as of 31 December 2021 and RUB nil million as of 31 December 2020.

Accounts receivable for gas due from Overgas Inc. AD were RUB 7,770 million net of allowance for expected credit losses in the amount of RUB nil million as of 31 December 2020.

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 commitments to provide loans to JSC Gazstroyprom to repay its loan liabilities towards the bank in case of late payment. As of 31 December 2021 and 31 December 2020 the limit of loan facilities according to the concluded agreements amounted to RUB 297,002 million (RUB 60,000 million with the loan facilities valid until 29 November 2022, RUB 40,000 million – until 15 December 2022, RUB 197,002 million – until 31 December 2027). As of 31 December 2021 and 31 December 2020 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 June 2021 the Group acquired 100% of ordinary shares of Centrex Europe Energy & Gas AG. Compensation payments amounted to RUB 16,868 million. Payment was made by the cash. The shares were acquired from Gazprombank Group.

Information on investments in associates and joint ventures is disclosed in Note 16.

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 40.

38 Commitments and Contingencies

Capital Commitments

The total investment utilisation in accordance with the investment programme of the Group for 2022 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 2,258,026 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 2021 and 31 December 2020 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 2021 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 37).

39 Operating Risks

Taxation

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 2021 is appropriate and the Group's position in terms of tax, currency and customs legislation will remain stable.

39 Operating Risks (continued)

Legal Proceedings

On 15 October 2018 PGNiG S.A., Poland, filed a claim with the General Court of the European Union ("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. On 18–19 May 2021 hearings in the case were held in the General Court of the EU. By its decision dated 2 February 2022 ("the Decision"), the General Court of the EU dismissed the claim filed by PGNiG S.A. dated 15 October 2018. On 14 April 2022 it became known that PGNiG S.A. had filed an appeal against the Decision to the European Court of Justice.

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. On 20 May 2021 hearings in the case were held in the General Court of the EU. By its decision dated 2 February 2022, the General Court of the EU accepted the petition filed by PGNiG S.A. and annulled the decision of the European Commission dated 17 April 2019.

According to the announcement on the official website of NJSC Naftogaz of Ukraine, on 21 December 2021 NJSC Naftogaz of Ukraine filed a complaint with the European Commission against the Gazprom Group for abusing its dominant position on the European gas market and a request to implement precautionary measures ("the Complaint"). Based on this Complaint, the European Commission registered case No. AT.40801. On 28 February 2022 PJSC Gazprom sent to the European Commission a response to the Complaint of NJSC Naftogaz of Ukraine.

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").

On 31 July 2020 PJSC Gazprom received an official notice 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 antitrust investigation. On 28 August 2020 PJSC Gazprom appealed to Poland's competent court against the decision of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) to impose the fine on PJSC Gazprom. As the fine was appealed, it will not be subject to recovery until a respective court decision becomes effective. On 19 May 2021 PJSC Gazprom filed a motion to the competent court of Poland to suspend the legal proceedings in the case concerning the imposition of the said fine on PJSC Gazprom until the court made a decision in the case concerning the appeal against the decision of Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) on alleged concentration exercised by PJSC Gazprom and foreign investors when implementing the Nord Stream 2 project.

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.

39 Operating Risks (continued)

On 6 October 2020 it became known to PJSC Gazprom that, based on the results of the antitrust investigation, Poland's antimonopoly authority (the Polish Office of Competition and Consumer Protection) had decided to impose a fine of about USD 7.6 billion on PJSC Gazprom, and obliged PJSC Gazprom and its Nord Stream 2 project partners to terminate the project financing agreements. On 4 November 2020 PJSC Gazprom appealed to Poland's competent court against that decision. As the decision of the antimonopoly authority was appealed, it will not be subject to enforcement until a respective court decision becomes effective. The decision of the court of first instance may be appealed to the Court of Appeal in Warsaw, which is considering the merits of the case.

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 operation 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 25 January 2021 Nord Stream 2 AG filed its response to the objections made earlier by the EU Council and the European Parliament to its appeal dated 28 July 2020. On 18 May 2021 Nord Stream 2 AG filed its response to the objections from Poland, Latvia and Estonia (that had earlier announced their intervention in the proceedings) to the appeal dated 28 July 2020.

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. The EU responded with its own memorial concerning objections to the jurisdiction of the arbitration tribunal to consider the dispute and a request for bifurcation dated 15 September 2020. On 16 October 2020 Nord Stream 2 AG responded to the EU memorial dated 15 September 2020. Hearings on the bifurcation issue were held on 8 December 2020 – the EU request for bifurcation was rejected by a decision of the arbitration tribunal dated 31 December 2020. On 3 May 2021 the EU presented a memorial on the merits of the case. On 25 October 2021 Nord Stream 2 AG responded to the arbitration tribunal with a memorial on the merits of the case and a counter-memorial to the EU objections to the jurisdiction of the arbitration tribunal to consider the dispute. On 1 March 2022 Nord Stream 2 AG requested a suspension of the arbitration. The arbitration tribunal vacated the hearings scheduled for the end of June 2022. A meeting to be held by videoconference is scheduled for 20 June 2022, at that meeting Nord Stream 2 AG will have to comment on the respective circumstances and further ability to continue the arbitration on the merits.

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. Hearings in the case were held on 30 June 2021. On 25 August 2021 the Higher Regional Court of Dusseldorf made a decision to reject the appeal. On 21 September 2021 Nord Stream 2 AG appealed against the decision of the Higher Regional Court of Dusseldorf to the Federal Court of Justice of the Federal Republic of Germany.

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.

39 Operating Risks (continued)

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 was 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 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.

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:

39 Operating Risks (continued)

1) vessels that are engaged 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 pipelines; or facilitated deceptive or structured transactions to provide those vessels for the construction of such gas pipelines.

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 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 authorisations 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.

The National Defense Authorization Act for Fiscal Year 2021 was enacted on 1 January 2021 (the "Act of 1 January 2021"). This act amended the Act of 20 December 2019 by adding the provision of services as a reason for the imposition of sanctions, including the provision of insurance services (including underwriting services) for the vessels, services for upgrades of the vessels, as well as services for the testing, inspection and certification necessary for the completion of the Nord Stream 2 project. In addition, amendments introduced by the Act of 1 January 2021 provide for an opportunity to impose sanctions on persons that provide or facilitate providing the vessels for pipe-laying or pipe-laying activities.

Among other things, the Act of 1 January 2021 also introduced a new provision under which sanctions under the Act of 20 December 2019 shall not apply with respect to the EU, the governments of Norway, Switzerland, the United Kingdom, or any member country of the EU, and entities of these countries that are not operating as business enterprises.

On 20 October 2020 and 9 April 2021 the U.S. Department of State issued guidance documents for the Act of 20 December 2019 (including with regard to the amendments of 1 January 2021) that expanded the sanctions to include persons who provide services or goods that are necessary to the operation of vessels engaged in the process of pipe-laying for the construction of the Nord Stream 2 and the TurkStream projects (including services for installation of equipment or upgrades for those vessels, or funding for those services), financing of the vessels and providing other forms of support to them.

Pursuant to the Act of 20 December 2019 and based on the reports submitted by the U.S. Department of State on 21 May 2021, 20 August 2021 and 23 November 2021 the U.S. Department of the Treasury imposed sanctions against a number of legal entities and vessels that are owned by them and involved in the construction of the Nord Stream 2 pipeline.

On 21 July 2021 the U.S. and the Federal Republic of Germany published a joint statement, whereby the parties agree that should the Russian Federation use energy supplies as a weapon, the Federal Republic of Germany will take retaliatory action at the national level and at the EU level, including sanctions. This statement is declaratory and is not, in its legal nature, a legally binding document.

39 Operating Risks (continued)

On 15 April 2021 the U.S. President signed Executive Order No. 14024 on Blocking Property with Respect to Specified Harmful Foreign Activities of the Government of the Russian Federation that provides for an opportunity to impose new sanctions on the Russian Federation on a wide range of grounds, in particular against Russian persons that are responsible for, directly or indirectly engaged in or attempted to engage in, cutting or disrupting gas or energy supplies to Europe, the Caucasus, or Asia.

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 the Russian Federation, 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 to 12 April 2022 or with any maturity issued after 12 April 2022 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 to 12 April 2022 with a maturity of more than 30 days or with any maturity if issued after 12 April 2022;

4) after 12 September 2014 to 12 April 2022 directly or indirectly making or being part of any arrangement to make new borrowings with a maturity exceeding 30 days, and after 12 April 2022 — with any maturity, 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.

On 24 February 2022 the Office of Foreign Assets Control of the U.S. Department of the Treasury included PJSC Gazprom in the U.S. sectoral sanctions list for the financial field pursuant to Directive No. 3 issued to implement the U.S. President's Executive Order No. 14024 of 15 April 2021. Those sanctions prohibit transactions by U.S. persons in new debt and new equity of PJSC Gazprom issued after 26 March 2022 of longer than 14 days maturity. The respective restrictions also apply to entities owned 50 percent or more, directly or indirectly, by PJSC Gazprom. Any transactions that have the purpose of evading those restrictions are also prohibited. Apart from PJSC Gazprom, those restrictions were imposed on PJSC Gazprom Neft, a subsidiary of the Gazprom Group, and Gazprombank (Joint Stock Company), an associate of the Gazprom Group. The ability of PJSC Gazprom and the Gazprom Group's entities to raise debt financing from U.S. persons is thus restricted.

39 Operating Risks (continued)

On 8 March 2022 the U.S. President signed Executive Order No. 14066, which prohibited the importation into the U.S. from the Russian Federation of crude oil and refined oil products, liquefied natural gas, coal and coal products, and prohibited new investment in the energy sector in the Russian Federation by U.S. persons and any approval, financing, facilitation or guarantee by U.S. persons of the respective prohibited transactions by foreign persons. At the same time, the Office of Foreign Assets Control issued Licence No. 16 of 8 March 2022 providing for an exception from the restrictive measures introduced by the U.S. President's Executive Order No. 14066 to execute until 22 April 2022 contracts and agreements entered prior to 8 March 2022.

The U.S. Ending Importation of Russian Oil Act became effective on 8 April 2022 and prohibited the importation into the U.S. of Russian energy products, including oil and gas, in a manner consistent with actions issued under the U.S. President's Executive Order No. 14066 of 8 March 2022. However, the U.S. President is authorized to terminate that prohibition on importation of energy products from the Russian Federation in certain circumstances.

On 23 February 2022 the U.S. also imposed blocking sanctions on Nord Stream 2 AG.

The blocking sanctions mean that assets located in the U.S. are frozen (including when they are transferred to third parties) and U.S. persons are prohibited from dealings with such sanctioned persons. In addition, there is a risk of secondary sanctions being imposed on any foreign person for significant transactions and dealings with a person subject to the U.S. blocking sanctions.

The EU Council included PJSC Gazprom Neft in the list of entities with which European persons from 16 March 2022 are prohibited from engaging in any direct or indirect transactions (except for the execution until 15 May 2022 of contracts concluded before 16 March 2022 or ancillary contracts). That restriction does not apply to transactions which are strictly necessary for the purchase, import or transport of oil, oil products and natural gas, as well as titanium, aluminium, copper, nickel, palladium and iron ore, and until 10 August 2022 coal and other solid fossil fuels, from or through the Russian Federation into the EU and to transactions related to energy projects outside the Russian Federation in which PJSC Gazprom Neft (and other entities in the list) is a minority shareholder.

From 25 February 2022 it is prohibited to sell, supply, transfer or export, directly or indirectly, goods and technologies necessary for oil refining, and from 8 April 20221 – for natural gas liquefaction, as listed in Annex II to EU Regulation No. 833/2014 of 31 July 2014, including those originated outside the EU, to any natural and legal persons, entities and bodies in the Russian Federation or for use in the Russian Federation. That prohibition does not apply to events of the execution until 27 May 2022 of obligations arising from contracts concluded before 26 February 2022 or ancillary contracts necessary for the execution of such contracts.

From 16 March 2022 it is prohibited to sell, supply, transfer or export, directly or indirectly, goods and technologies listed in Annex II to EU Regulation No. 833/2014 of 31 July 2014, including those originated outside the EU, to any natural and legal persons, entities and bodies in the Russian Federation or for use in the Russian Federation, including its exclusive economic zone and continental shelf. In addition, it is prohibited to provide technical assistance, brokering and other services related to those goods and technologies and to the provision, manufacture, maintenance and use of those goods and technologies, directly or indirectly, to any natural or legal person, entity or body in the Russian Federation or for use in the Russian Federation. It is also prohibited to provide financing or financial assistance related to those goods, technologies and listed services.

The exceptions from that prohibition include:

1) the provision of those goods and services for the transport of fossil fuels (in particular coal, oil and natural gas) from or through the Russian Federation into the EU; or

2) the urgent prevention or mitigation of consequences of an event that is likely to have a serious and significant impact on human health and safety or the environment.

In addition, that prohibition does not apply to:

a) events of the execution until 17 September 2022 of obligations arising from contracts concluded before 16 March 2022 or ancillary contracts necessary for the execution of such contracts, provided that the EU competent public authority has been informed at least five working days in advance;

39 Operating Risks (continued)

b) the provision of insurance or reinsurance to any legal person, entity or body incorporated or constituted under the law of an EU member state with regard to its activities outside the energy sector in the Russian Federation.

A competent public authority of the respective EU country may authorise the activities, export and financing listed above if it has been determined that:

1) it is necessary for ensuring critical energy supply within the EU; or

2) it is intended for the exclusive use of entities owned, or solely or jointly controlled by a legal person, entity or body which is incorporated or constituted under the law of an EU member state.

From 16 March 2022 it is prohibited for European persons to:

1) acquire any new or extend any existing participation in any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation;

2) grant or be part of any arrangement to grant any new loan or credit or otherwise provide financing (including equity capital) to any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation or for the documented purpose of financing such a legal person, entity or body;

3) create any new joint venture with any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation;

4) provide investment services related to the activities referred to in points 1)-3) above.

In February–March 2022, the United Kingdom imposed a wide range of financial sanctions, including the prohibition on transactions with securities and financial instruments issued after 1 March 2022 by “persons connected with the Russian Federation”, regardless of maturity, and the Government of the Russian Federation. From 1 March 2022 the United Kingdom introduced restrictions in respect of the provision of debt financing with a maturity exceeding 30 days to all legal “persons connected with the Russian Federation” and to the Government of the Russian Federation.

A number of other countries have recently imposed sanctions on the Russian Federation. Those sanctions are generally similar to the U.S., EU and UK sanctions. At the same time, certain countries have imposed extended sanction restrictions. On 24 February 2022 Canada imposed blocking sanctions on PJSC Gazprom, PJSC Gazprom Neft and Gazprombank (Joint Stock Company). Furthermore, there is an ongoing restriction imposed by Canada 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. On 13 April 2022 Australia imposed blocking sanctions on PJSC Gazprom and PJSC Gazprom Neft, a subsidiary of the Gazprom Group.

The Group is currently assessing an influence of adopted economic measures on its financial position and financial performance.

40 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.

40 Financial Risk Factors (continued)

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 financial assets and liabilities denominated in foreign currencies other than the functional currency of a Group entity.

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 2021					
	Financial assets					
	Current					
8	Cash and cash equivalents	764,187	774,513	431,090	44,133	2,013,923
12	Short-term deposits	185,927	11,264	2,809	758	200,758
9	Short-term financial assets (excluding equity securities)	23,736	1,196	-	-	24,932
10	Accounts receivable	385,646	672,255	718,805	41,917	1,818,623
	Non-current					
12	Long-term deposits	-	-	18,618	285	18,903
17	Long-term accounts receivable	366,225	4,418	45,598	2,194	418,435
18	Long-term financial assets (excluding equity securities)	338	-	-	-	338
	Total financial assets	**1,726,059**	**1,463,646**	**1,216,920**	**89,287**	**4,495,912**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	1,006,727	175,750	599,709	140,953	1,923,139
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	239,565	300,925	116,271	40,285	697,046
	Non-current					
22	Long-term borrowings, promissory notes	922,262	989,959	2,049,971	224,464	4,186,656
	Long-term lease liabilities	83,963	121,072	21,948	3,647	230,630
26	Other non-current liabilities (excluding derivative financial instruments)	78,336	5,591	660	6	84,593
	Total financial liabilities	**2,330,853**	**1,593,297**	**2,788,559**	**409,355**	**7,122,064**

40 Financial Risk Factors (continued)

Notes		Russian Ruble	US dollar	Euro	Other	Total
	As of 31 December 2020					
	Financial assets					
	Current					
8	Cash and cash equivalents	633,798	182,701	192,514	25,906	1,034,919
12	Short-term deposits	9,402	363	920	4,416	15,101
9	Short-term financial assets (excluding equity securities)	29,518	133	-	-	29,651
10	Accounts receivable	545,153	365,664	275,104	36,595	1,222,516
	Non-current					
12	Long-term deposits	-	-	123	1,439	1,562
17	Long-term accounts receivable	278,256	4,587	41,451	1,042	325,336
18	Long-term financial assets (excluding equity securities)	309	-	-	-	309
	Total financial assets	**1,496,436**	**553,448**	**510,112**	**69,398**	**2,629,394**
	Financial liabilities					
	Current					
19	Accounts payable (excluding derivative financial instruments)	879,064	131,105	149,232	76,568	1,235,969
21	Short-term borrowings, promissory notes and current portion of long-term borrowings	157,009	68,537	422,014	45,974	693,534
	Non-current					
22	Long-term borrowings, promissory notes	949,050	1,038,517	1,988,239	238,274	4,214,080
	Long-term lease liabilities	63,965	118,872	24,297	4,354	211,488
26	Other non-current liabilities (excluding derivative financial instruments)	21,239	5,484	660	6	27,389
	Total financial liabilities	**2,070,327**	**1,362,515**	**2,584,442**	**365,176**	**6,382,460**

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 2021, if the Russian Ruble had weakened by 30 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 50,033 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 2020, 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 167,718 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 2021, if the Russian Ruble had weakened by 30 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 375,652 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 2020, 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 337,846 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. Interest rate risk arises from loans issued, borrowings, lease liabilities and other interest-bearing financial instruments. 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 variable interest rates.

40 Financial Risk Factors (continued)

Notes	Long-term borrowings and promissory notes	31 December 2021	31 December 2020
22	At fixed rate	2,786,826	2,626,491
22	At variable rate	1,969,633	2,161,537
		4,756,459	**4,788,028**

The Group performs 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 2020-2021 the Group's borrowings at variable rates were mainly denominated in Russian Rubles and Euro.

As of 31 December 2021, 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 20,656 million for 2021, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2020, 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 18,168 million for 2020, 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 2021, if the average gas export prices had decreased by 30 % with all other variables held constant, profit before profit tax would have been lower by RUB 1,372,733 million for 2021. As of 31 December 2020, 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 421,837 million for 2020.

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 2021 and 31 December 2020, if London Stock Exchange equity index, which primarily affects the major part of the 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 120,142 million and RUB 84,361 million lower, respectively.

The Group is also exposed to movements in the value 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, deposits, debt financial instruments, derivative financial instruments, accounts receivable, loan commitments and financial guarantee contracts.

40 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 Notes 10 and 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	
		2021	2020
8	Cash and cash equivalents	2,013,923	1,034,919
12	Deposits	219,661	16,663
9, 18	Debt securities	25,270	29,960
10, 17	Accounts receivable	2,237,058	1,547,852
40	Financial guarantee contracts	239,309	261,162
37	Loan commitments	297,002	297,002
	Total maximum exposure to credit risk	**5,032,223**	**3,187,558**

Financial Guarantee Contracts

In accordance with the agreements, the Group provided financial guarantees in the total amount of RUB 239,309 million and RUB 261,162 million as of 31 December 2021 and 31 December 2020, respectively.

The total amount of financial guarantee contracts issued to the Group's associates and joint ventures as of 31 December 2021 and 31 December 2020 was RUB 129,516 million and RUB 174,835 million, respectively.

In 2021 and 2020 the counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in US Dollars of USD nil million and USD 314 million as of 31 December 2021 and 31 December 2020, respectively, as well as amounts denominated in Euros of EUR 1,553 million and EUR 2,103 million as of 31 December 2021 and 31 December 2020, respectively.

In March 2019 the Group pledged promissory notes to Gazprombank (Joint Stock Company) for a period up to November 2020, without the right to alienate or otherwise manage of them without the written consent of the pledgee, to secure the obligations of JSC Gazstroyprom under the loan agreement. In October 2020, the pledge was extended until January 2022, the subject of the pledge is all the rights of the claim for repayment of the debt arising from the promissory notes. In December 2021 the pledge was extended until February 2023. The collateral value of debt repayment rights as of 31 December 2021 and 31 December 2020 was RUB 4,889 million and RUB 31,639 million, respectively.

In November and December 2021, the Group provided a guarantee to secure the obligations of LLC RusChemAlliance under the loan agreement until September 2025. As of 31 December 2021 the amount of the issued guarantee was RUB 34,745 million.

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. Due to the dynamic nature of the Group's activities, management maintains flexibility in financing sources by having committed credit facilities available.

40 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. 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 2021					
Short-term and long-term loans and borrowings and promissory notes	310,320	536,036	760,435	2,041,774	2,707,882
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,687,161	182,899	-	-	-
Lease liabilities	38,727	34,881	65,355	130,583	119,649
Other non-current liabilities (excluding derivative financial instruments)	-	-	72,733	4,465	7,537
Financial guarantee contracts	6,850	4,799	31,726	46,574	149,360
Derivative financial instruments	393,329	162,424	95,307	14,842	96
Loan commitments	-	100,000	-	-	197,002
As of 31 December 2020					
Short-term and long-term loans and borrowings and promissory notes	418,826	413,553	944,335	1,978,064	2,516,873
Accounts payable (excluding derivative financial instruments and lease liabilities)	1,160,538	33,979	-	-	-
Lease liabilities	31,123	27,011	40,184	99,885	134,205
Other non-current liabilities (excluding derivative financial instruments)	-	-	17,703	2,566	7,369
Financial guarantee contracts	11,744	33,575	42,054	6,330	167,459
Derivative financial instruments	82,903	35,969	21,739	9,389	-
Loan commitments	-	-	100,000	-	197,002

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.

40 Financial Risk Factors (continued)

Reconciliation of liabilities arising from financing activities

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2020	**4,907,614**	**5,625**	**252,940**	**4,124**	**5,170,303**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	952,896	-	-	-	952,896
Additions as a result of new leases and modifications to existing leases	-	-	85,202	-	85,202
Repayment of borrowings	(845,839)	-	(47,934)	(72)	(893,845)
Interest capitalised and paid	(151,615)	-	-	-	(151,615)
Interest paid (in financing activities)	(27,085)	-	(16,924)	(62)	(44,071)
Dividends paid	-	(313,396)	-	-	(313,396)
Finance expense	27,553	-	16,924	62	44,539
Interest capitalised	184,985	-	-	-	184,985
Dividends declared	-	323,431	-	-	323,431
Change in fair value of hedging operations	-	-	-	(7,555)	(7,555)
Translation differences	(188,156)	-	(1,376)	-	(189,532)
Other movements	23,349	(3,167)	(5,123)	3 652	18,711
As of 31 December 2021	**4,883,702**	**12,493**	**283,709**	**149**	**5,180,053**

Information about perpetual notes is disclosed in Note 28.

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2019	**3,863,904**	**3,667**	**247,513**	**4,836**	**4,119,920**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,139,715	-	-	-	1,139,715
Additions as a result of new leases and modifications to existing leases	-	-	16,884	-	16, 884
Repayment of borrowings	(946,991)	-	(40,470)	1,003	(986,458)
Interest capitalised and paid	(133,076)	-	-	-	(133,076)
Interest paid (in financing activities)	(22,876)	-	(16,529)	(396)	(39,801)
Dividends paid	-	(372,524)	-	-	(372,524)
Finance expense	29,755	-	16,529	396	46,680
Interest capitalised	174,079	-	-	-	174,079
Dividends declared	-	377,363	-	-	377,363
Change in fair value of hedging operations	-	-	-	(1,935)	(1,935)
Translation differences	828,337	-	31,817	-	860,154
Other movements	(25,233)	(2,881)	(2,804)	220	(30,698)
As of 31 December 2020	**4,907,614**	**5,625**	**252,940**	**4,124**	**5,170,303**

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.

40 Financial Risk Factors (continued)

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 2021 and 31 December 2020 is presented in the table below.

	31 December	
	2021	**2020**
Total debt	4,883,702	4,907,614
Less: cash and cash equivalents	(2,013,923)	(1,034,919)
Net debt	2,869,779	3,872,695
Adjusted EBITDA	3,686,890	1,466,541
Net debt / Adjusted EBITDA	**0.78**	**2.64**

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 2021.

41 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 17), long-term borrowings – Level 2 (see Note 22).

41 Fair Value of Financial Instruments (continued)

As of 31 December 2021 and 31 December 2020 the Group had the following assets and liabilities that are measured at fair value.

		31 December 2021			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	140,853	283,095	10,449	434,397
9	Bonds	23,706	-	-	23,706
9	Equity securities	230	-	1,075	1,305
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	103,552	-	103,552
9	Bonds	1,092	-	-	1,092
	Total short-term financial assets measured at fair value	**165,881**	**386,647**	**11,524**	**564,052**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	72,366	26,807	-	99,173
18	Equity securities	-	-	2,343	2,343
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	41,462	-	41,462
18	Equity securities	532,263	55,578	9,225	597,066
18	Promissory notes	-	338	-	338
	Total long-term financial assets measured at fair value	**604,629**	**124,185**	**11,568**	**740,382**
	Total financial assets measured at fair value	**770,510**	**510,832**	**23,092**	**1,304,434**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	40,213	474,096	971	515,280
24	Long-term derivative financial instruments	8,060	98,867	-	106,927
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
19, 24	Short-term derivative financial instruments	-	40,473	-	40,473
24	Long-term derivative financial instruments	-	3,318	-	3,318
	Total financial liabilities measured at fair value	**48,273**	**616,754**	**971**	**665,998**

41 Fair Value of Financial Instruments (continued)

Notes		31 December 2020 Level 1	Level 2	Level 3	Total
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	14,400	85,797	379	100,576
9	Bonds	29,517	-	-	29,517
9	Equity securities	241	-	-	241
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	6,586	-	6,586
9	Promissory notes	-	1	-	1
	Total short-term financial assets measured at fair value	**44,158**	**92,384**	**379**	**136,921**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 24	Derivative financial instruments	4,835	12,187	-	17,022
18	Equity securities	-	-	3,056	3,056
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 24	Derivative financial instruments	-	2,264	-	2,264
18	Equity securities	369,388	40,578	8,538	418,504
18	Promissory notes	-	309	-	309
	Total long-term financial assets measured at fair value	**374,223**	**55,338**	**11,594**	**441,155**
	Total financial assets measured at fair value	**418,381**	**147,722**	**11,973**	**578,076**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
19, 24	Short-term derivative financial instruments	38,478	77,967	557	117,002
24	Long-term derivative financial instruments	6,845	17,294	-	24,139
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
19, 24	Short-term derivative financial instruments	-	1,870	-	1,870
24	Long-term derivative financial instruments	-	6,989	-	6,989
	Total financial liabilities measured at fair value	**45,323**	**104,120**	**557**	**150,000**

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 2021 and 2020 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.

42 Offsetting Financial Assets and Liabilities

In connection with derivative financial instruments activities, the Group generally enters into standard offsetting 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.

42 Offsetting Financial Assets and Liabilities (continued)

The following financial assets and liabilities are subject to standard offsetting agreements, including set-off agreements using collateral for obligations and similar agreements.

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2021				
Financial assets				
Long-term and short-term trade and other accounts receivable	2,786,056	548,998	2,237,058	86,088
Derivative financial instruments	3,365,299	2,686,715	678,584	352,547
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	2,472,137	548,998	1,923,139	86,088
Derivative financial instruments	3,352,713	2,686,715	665,998	352,547
As of 31 December 2020				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,915,425	367,573	1,547,852	39,898
Derivative financial instruments	540,135	413,687	126,448	78,468
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	1,603,542	367,573	1,235,969	39,898
Derivative financial instruments	563,687	413,687	150,000	78,468

43 Events after the Reporting Period

Borrowings

In the first quarter of 2022 the Group obtained long-term loans in the total amount of EUR 304 million and RUB 40,270 million.

Changes in the Group's structure

In March 2022 the Gazprom Group terminated its participation in the subsidiary GAZPROM Germania GmbH and all assets of the latter.

Other events

In February-April 2022 the United States of America, the European Union and some other countries imposed additional sanctions against the Russian Federation (see note 39). These circumstances led to the depreciation of the Russian ruble exchange rate, volatility in financial market and significantly increased the level of economic uncertainty in the conditions of doing business in the Russian Federation. The Group's management is currently analysing the current economic conditions and their possible impact on the Group's operations. At the time of signing these consolidated financial statements, according to the estimates of the Group's management, the described circumstances do not cast doubt on the going concern of the Group. The Group's management treats these events as non-adjusting events after the reporting period.

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