



Gazprom Neft Group

**Condensed Interim Consolidated Financial Statements (unaudited)
As of and for the three months ended 31 March 2020**

with Report on Review

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Contents

Report on Review of Condensed Interim Consolidated Financial Statements	i
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Condensed Inteim Consolidated Financial Statements

Condensed Interim Consolidated Statement of Financial Position	1
Condensed Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	2
Condensed Interim Consolidated Statement of Changes in Equity	3
Condensed Interim Consolidated Statement of Cash Flows	4

Notes to the Condensed Interim Consolidated Financial Statements

1. General	5
2. Summary of significant accounting policies	5
3. Cash and cash equivalents	8
4. Trade and other receivables	8
5. Inventories	8
6. Other taxes receivable	8
7. Other current assets	9
8. Property, plant and equipment	9
9. Right-of-use assets	11
10. Investments in associates and joint ventures	12
11. Long-term financial assets	13
12. Other non-current assets	13
13. Short-term debt and current portion of long-term debt	14
14. Trade and other payables	14
15. Other current liabilities	14
16. Other taxes payable	15
17. Long-term debt	16
18. Lease liabilities	18
19. Other non-current financial liabilities	18
20. Other non-current liabilities	18
21. Net foreign exchange (loss) / gain	19
22. Finance expense	19
23. Fair value measurement	20
24. Commitments and contingencies	21
25. Related party transactions	23
26. Segment information	25
27. Subsequent events	27



Report on Review of Condensed Interim Consolidated Financial Statements

To the Shareholders
of Public Joint Stock Company Gazprom Neft

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of PJSC Gazprom Neft and its subsidiaries as of 31 March 2020 and the related condensed interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three months ended 31 March 2020, and notes to the condensed interim consolidated financial statements.

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

Scope of Review

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

Conclusion

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

President of FBK, LLC



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

Engagement partner

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

Date of the Report on Review
27 May 2020

Audited entity

Name:

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

Address of the legal entity within its location:

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

State registration:

Registered on 6 October 1995 by the Omsk Registration Chamber. Statutory registration certificate No. 38606450. Primary state registration number 1025501701686.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

State registration:

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

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

Membership in a self-regulatory organization of auditors:

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

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

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

	Notes	31 March 2020 (unaudited)	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	3	237,931	202,404
Short-term financial assets		4,950	19,906
Trade and other receivables	4	175,776	205,272
Inventories	5	172,932	173,674
Current income tax prepayments		9,407	6,622
Other taxes receivable	6	78,499	104,918
Other current assets	7	50,416	55,052
Total current assets		729,911	767,848
Non-current assets			
Property, plant and equipment	8	2,620,786	2,469,338
Right-of-use assets	9	77,871	79,073
Goodwill and other intangible assets		95,919	88,620
Investments in associates and joint ventures	10	350,696	341,115
Long-term trade and other receivables		665	829
Long-term financial assets	11	11,496	11,037
Deferred income tax assets		26,147	18,492
Other non-current assets	12	48,275	49,131
Total non-current assets		3,231,855	3,057,635
Total assets		3,961,766	3,825,483
Liabilities and equity			
Current liabilities			
Short-term debt and current portion of long-term debt	13	28,925	30,198
Current lease liabilities	18	11,914	9,927
Trade and other payables	14	294,178	307,439
Other current liabilities	15	35,559	40,741
Current income tax payable		1,810	2,247
Other taxes payable	16	97,306	96,401
Provisions and other accrued liabilities		22,820	23,741
Total current liabilities		492,512	510,694
Non-current liabilities			
Long-term debt	17	748,109	685,030
Non-current lease liabilities	18	94,827	77,868
Other non-current financial liabilities	19	26,816	21,504
Deferred income tax liabilities		152,720	148,253
Provisions and other accrued liabilities		125,670	119,004
Other non-current liabilities	20	65,119	49,933
Total non-current liabilities		1,213,261	1,101,592
Equity			
Share capital		98	98
Treasury shares		(1,170)	(1,170)
Additional paid-in capital		34,964	36,044
Retained earnings		1,929,717	1,943,523
Other reserves		113,472	78,711
Equity attributable to Gazprom Neft shareholders		2,077,081	2,057,206
Non-controlling interest		178,912	155,991
Total equity		2,255,993	2,213,197
Total liabilities and equity		3,961,766	3,825,483

A. V. Dyukov
Chief Executive Officer
PJSC Gazprom Neft
27 May 2020

A. V. Yankevich
Chief Financial Officer
PJSC Gazprom Neft
27 May 2020

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

	Notes	3 months ended 31 March 2020	3 months ended 31 March 2019
Revenue			
Crude oil, gas and petroleum products sales		495,785	570,840
Other revenue		18,783	15,519
Total revenue from sales	26	514,568	586,359
Costs and other deductions			
Purchases of oil, gas and petroleum products		(137,034)	(145,099)
Production and manufacturing expenses		(62,668)	(56,055)
Selling, general and administrative expenses		(27,163)	(25,538)
Transportation expenses		(38,347)	(38,906)
Depreciation, depletion and amortisation		(58,334)	(41,696)
Taxes other than income tax	16	(156,938)	(146,291)
Export duties		(19,882)	(18,026)
Exploration expenses		(111)	(82)
Total operating expenses		(500,477)	(471,693)
Operating profit		14,091	114,666
Share of profit of associates and joint ventures	10	8,951	22,690
Net foreign exchange (loss) / gain	21	(31,943)	5,461
Finance income		4,350	5,096
Finance expense	22	(6,568)	(9,209)
Other loss, net		(1,620)	(6,079)
Total other (expenses) / income		(26,830)	17,959
(Loss) / profit before income tax		(12,739)	132,625
Current income tax expense		(5,594)	(10,610)
Deferred income tax gain / (expense)		5,708	(9,343)
Total income tax gain / (expense)		114	(19,953)
(Loss) / profit for the period		(12,625)	112,672
Other comprehensive income / (loss) - may be reclassified to profit or loss			
Currency translation differences		56,939	(19,963)
Cash flow hedge, net of tax		(370)	(60)
Other comprehensive income / (loss)		27	(8)
Total other comprehensive income / (loss) - may be reclassified to profit or loss		56,596	(20,031)
Total comprehensive income for the period		43,971	92,641
(Loss) / profit attributable to:			
- Gazprom Neft shareholders		(13,806)	107,894
- Non-controlling interest		1,181	4,778
(Loss) / profit for the period		(12,625)	112,672
Total comprehensive income / (loss) attributable to:			
- Gazprom Neft shareholders		20,955	95,233
- Non-controlling interest		23,016	(2,592)
Total comprehensive income for the period		43,971	92,641
(Loss) / earnings per share attributable to Gazprom Neft			
Basic (loss) / earnings (RUB per share)		(2.93)	22.87
Diluted (loss) / earnings (RUB per share)		(2.93)	22.87
Weighted-average number of common shares outstanding (millions)		4,718	4,718

Gazprom Neft Group
Condensed Interim Consolidated Statement of Changes in Equity (unaudited)
in millions of Russian Rubles

	Equity, attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 1 January 2020	98	(1,170)	36,044	1,943,523	78,711	2,057,206	155,991	2,213,197
(Loss) / profit for the period	-	-	-	(13,806)	-	(13,806)	1,181	(12,625)
Other comprehensive income / (loss)								
Currency translation differences	-	-	-	-	35,121	35,121	21,818	56,939
Cash flow hedge, net of tax	-	-	-	-	(370)	(370)	-	(370)
Other comprehensive income	-	-	-	-	10	10	17	27
Total comprehensive (loss) / income for the period	-	-	-	(13,806)	34,761	20,955	23,016	43,971
Transactions with shareholders, recorded in equity								
Dividends to equity holders	-	-	-	-	-	-	(95)	(95)
Transactions with shareholder	-	-	(1,080)	-	-	(1,080)	-	(1,080)
Total transactions with shareholders	-	-	(1,080)	-	-	(1,080)	(95)	(1,175)
Balance as of 31 March 2020	98	(1,170)	34,964	1,929,717	113,472	2,077,081	178,912	2,255,993

	Equity, attributable to Gazprom Neft shareholders							
	Share capital	Treasury shares	Additional paid-in capital	Retained earnings	Other reserves	Total	Non-controlling interest	Total equity
Balance as of 31 December 2018	98	(1,170)	60,397	1,680,978	99,874	1,840,177	151,642	1,991,819
Effect of changes in accounting policies	-	-	-	(14,565)	-	(14,565)	-	(14,565)
Balance as of 1 January 2019	98	(1,170)	60,397	1,666,413	99,874	1,825,612	151,642	1,977,254
Profit for the period	-	-	-	107,894	-	107,894	4,778	112,672
Other comprehensive income								
Currency translation differences	-	-	-	-	(12,593)	(12,593)	(7,370)	(19,963)
Cash flow hedge, net of tax	-	-	-	-	(60)	(60)	-	(60)
Other comprehensive loss	-	-	-	-	(8)	(8)	-	(8)
Total comprehensive income / (loss) for the period	-	-	-	107,894	(12,661)	95,233	(2,592)	92,641
Transactions with shareholders, recorded in equity								
Dividends to equity holders	-	-	-	-	-	-	(75)	(75)
Transactions with shareholder	-	-	(22,254)	-	-	(22,254)	-	(22,254)
Total transactions with shareholders	-	-	(22,254)	-	-	(22,254)	(75)	(22,329)
Balance as of 31 March 2019	98	(1,170)	38,143	1,774,307	87,213	1,898,591	148,975	2,047,566

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

	Notes	3 months ended 31 March 2020	3 months ended 31 March 2019
Cash flows from operating activities			
(Loss) / profit before income tax		(12,739)	132,625
Adjustments for:			
Share of profit of associates and joint ventures	10	(8,951)	(22,690)
Net foreign exchange loss / (gain)	21	31,943	(5,461)
Finance income		(4,350)	(5,096)
Finance expense	22	6,568	9,209
Depreciation, depletion and amortisation		58,334	41,696
Other non-cash items		1,711	2,481
Operating cash flow before changes in working capital		72,516	152,764
Changes in working capital:			
Accounts receivable		48,394	(3,780)
Inventories		6,931	(6,626)
Taxes receivable		26,800	(8,877)
Other assets		6,815	(300)
Accounts payable		(13,986)	12,786
Taxes payable		(1,225)	49,152
Other liabilities		6,428	(3,279)
Total effect of working capital changes		80,157	39,076
Income tax paid		(8,674)	(10,519)
Interest paid		(11,675)	(12,725)
Dividends received		500	-
Other cash flows from operating activities		887	-
Net cash provided by operating activities		133,711	168,596
Cash flows from investing activities			
Acquisition of investments in joint ventures		(312)	(64)
Bank deposits placement		-	(82,001)
Repayment of bank deposits		15,000	5,000
Acquisition of other investments		(6)	(30)
Proceeds from sales of other investments		-	1,356
Short-term loans issued		(29)	(532)
Repayment of short-term loans issued		-	533
Long-term loans issued		(304)	(120)
Repayment of long-term loans issued		8	8
Purchases of property, plant and equipment and intangible assets		(111,622)	(81,945)
Purchases of oil and gas licences		(6,056)	(7,651)
Proceeds from sale of property, plant and equipment, net of tax		1,105	86,949
Interest received		2,891	3,150
Other cash flows from investing activities		(2,291)	-
Net cash used in investing activities		(101,616)	(75,347)
Cash flows from financing activities			
Proceeds from short-term borrowings		2,372	122
Repayment of short-term borrowings		(14,996)	(39)
Proceeds from long-term borrowings		20,566	51,362
Repayment of long-term borrowings		(20,387)	(31,368)
Transaction costs directly attributable to the borrowings received		(90)	(150)
Dividends paid to Gazprom Neft shareholders		-	(104,027)
Dividends paid to non-controlling shareholders		(96)	(75)
Repayment of principal portion of lease liabilities		(2,653)	(2,037)
Net cash used in financing activities		(15,284)	(86,212)
Increase in cash and cash equivalents		16,811	7,037
Effect of foreign exchange on cash and cash equivalents		18,716	(9,816)
Cash and cash equivalents as of the beginning of the period		202,404	247,585
Cash and cash equivalents as of the end of the period		237,931	244,806

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

1. General

Description of business

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

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

2. Summary of significant accounting policies

Basis of preparation

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

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with International Accounting Standard **IAS 34 Interim Financial Reporting**.

The Group does not disclose information which would substantially duplicate the disclosures contained in its audited Consolidated Financial Statements as of and for the year ended 31 December 2019, such as significant accounting policies, estimates and judgements, financial risk disclosures or disclosures of financial line items, which have not changed significantly in amount or composition. These Condensed Interim Consolidated Financial Statements should be read in conjunction with the Group's Consolidated Financial Statements for 2019 prepared in accordance with IFRS.

However, the spread of the coronavirus pandemic (COVID-19) and the preventive measures which led to decrease in the economic activity of market participants in the first quarter of 2020, as well as significant volatility in the currency, stock and commodity markets (including the decrease in oil prices and weakening of the ruble (RUB) against the US dollar (USD) and EURO (EUR)), since March 2020, have impacted the accounting estimates which are used by the Group in the Condensed Interim Consolidated Financial Statements preparation and bear the risk of significant adjustments to the carrying amounts of assets and liabilities. Information on the effect of these macroeconomic factors on the estimates with the greatest impact on the amounts reflected in these Condensed Interim Consolidated Financial Statements is provided below.

Impairment of non-current assets

Due to indications of possible impairment, the Group conducted impairment testing for oil and gas assets located outside the Russian Federation, the valuation of which is most affected by changes in macroeconomic parameters that are not offset by a decrease in the ruble exchange rate (note 8). The macroeconomic factors mentioned above were taken into account when preparing business plans (models), which are the main source of information for measuring the value in use of non-current assets, including when preparing forecasts of oil production volumes, oil price dynamics, as well as when determining the discount rate.

Estimation of oil and gas reserves

The estimation of proved reserves of oil and gas is used to calculate depreciation, depletion and amortization of oil and gas assets. In addition, the assessment of proved oil and gas reserves is used to calculate future cash flows, which are one of the main indicators of whether an asset is impaired. Oil and gas reserves are estimated based on certain assumptions of the Group, including the economic profitability of production, which is affected by the dynamics of oil prices and future capital and operating expenses. The macroeconomic factors mentioned above may lead to a downward revision of the reserves estimate. The Group intention is to assess the macroeconomic factors impact on the amount of reserves in the next reporting periods.

These macroeconomic factors also affected the fair value of financial assets and financial liabilities that are carried at fair value or amortised cost (note 23).

Subsequent events occurring after 31 March 2020 were evaluated through 27 May 2020, the date these Condensed Interim Consolidated Financial Statements were authorised for issue.

The results for the three months ended 31 March 2020 are not necessarily indicative of the results expected for the full year.

The Group as a whole is not subject to significant seasonal fluctuations.

Changes in significant accounting policies

Significant accounting policies, judgements and estimates applied while preparing these Condensed Interim Consolidated Financial Statements are consistent with those applied during the preparation of the Consolidated Financial Statements as of and for the year ended 31 December 2019.

Application of new IFRS

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

- Amendments to the Conceptual Framework for Financial Reporting (issued in March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a Business – Amendments to IFRS 3 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of Material – Amendments to IAS 1 and IAS 8 (issued in October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020).

New accounting standards

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

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and effective for annual periods beginning on or after January 2022);
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Property, Plant and Equipment - Proceeds before Intended Use - Amendments to IAS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);

- Updating a Reference to the Conceptual Framework - Amendments to IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022);
- Annual Improvements to IFRS Standards 2018-2020 (issued in May 2020):
 - Fees in the '10 per cent' Test for Derecognition of Financial Liabilities - Amendments to IFRS 9 (effective for annual periods beginning on or after 1 January 2022);
 - Lease Incentives (Amendment to Illustrative Example 13 accompanying IFRS 16);
 - Subsidiary as a First-time Adopter - Amendment to IFRS 1 (effective for annual periods beginning on or after 1 January 2022);
 - Taxation in Fair Value Measurements - Amendment to IAS 41 (effective for annual periods beginning on or after 1 January 2022).

3. Cash and cash equivalents

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

	31 March 2020	31 December 2019
Cash on hand	520	587
Cash in bank	52,352	79,669
Bank deposits	117,297	51,485
Cash pooling to the parent company	44,206	43,912
Cash transferred under repurchase agreements	21,945	24,709
Other cash equivalents	1,611	2,042
Total cash and cash equivalents	237,931	202,404

4. Trade and other receivables

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

	31 March 2020	31 December 2019
Trade receivables	121,737	153,738
Other receivables	56,466	53,637
Less credit loss allowance	(2,427)	(2,103)
Total trade and other receivables	175,776	205,272

5. Inventories

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

	31 March 2020	31 December 2019
Petroleum products and petrochemicals	58,742	62,891
Crude oil and gas	28,463	36,341
Materials and supplies	39,724	34,274
Other inventories	49,144	41,861
Less provision	(3,141)	(1,693)
Total inventory	172,932	173,674

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

6. Other taxes receivable

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

	31 March 2020	31 December 2019
Value added tax receivable	55,926	73,387
Prepaid custom duties	16,670	21,045
Other taxes prepaid	5,903	10,486
Total other taxes receivable	78,499	104,918

7. Other current assets

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

	31 March 2020	31 December 2019
Advances paid	31,751	40,413
Prepaid expenses	4,499	1,481
Other current assets	14,166	13,158
Total other current assets, net	50,416	55,052

8. Property, plant and equipment

Movements in property, plant and equipment for the three months ended 31 March 2020 and 2019 are as follows:

	Oil and Gas properties	Refining assets	Marketing and distribution	Others	Assets under construction	Total
Cost						
<i>As of 1 January 2020</i>	2,321,953	402,565	216,610	28,984	644,964	3,615,076
Additions	1,362	886	-	-	109,490	111,738
Changes in decommissioning obligations	732	-	-	-	-	732
Capitalised borrowing costs	-	-	-	-	9,201	9,201
Transfers	48,407	3,907	3,987	1,989	(58,290)	-
Internal movement	(1,501)	(164)	1,123	(32)	574	-
Disposals	(2,470)	(360)	(888)	(234)	(821)	(4,773)
Foreign currency translation	109,806	18,142	16,734	602	20,830	166,114
<i>As of 31 March 2020</i>	2,478,289	424,976	237,566	31,309	725,948	3,898,088
Depreciation, depletion and impairment						
<i>As of 1 January 2020</i>	(913,986)	(137,323)	(83,984)	(10,445)	-	(1,145,738)
Depreciation and depletion charge	(36,240)	(4,791)	(3,553)	(782)	-	(45,366)
Impairment	(8,380)	-	-	-	-	(8,380)
Internal movement	43	5	(37)	(11)	-	-
Disposals	1,361	239	411	41	-	2,052
Foreign currency translation	(66,243)	(6,970)	(6,280)	(377)	-	(79,870)
<i>As of 31 March 2020</i>	(1,023,445)	(148,840)	(93,443)	(11,574)	-	(1,277,302)
Net book value						
<i>As of 1 January 2020</i>	1,407,967	265,242	132,626	18,539	644,964	2,469,338
<i>As of 31 March 2020</i>	1,454,844	276,136	144,123	19,735	725,948	2,620,786

Capitalised borrowing costs for the three months ended 31 March 2020 include interest expense in the amount of RUB 7.8 billion and exchange losses arising from currency borrowing in the amount of RUB 1.4 billion (RUB 6.6 billion and zero RUB billion for the three months ended 31 March 2019 accordingly).

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

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

Key assumptions applied to the calculation of value in use:

- **The discount rate** calculation is based on the Company's weighted average cost of capital adjusted for asset specific risks (9.36% per annum in real terms, no change compared to 2019);
- **Oil prices** are based on the available forecasts from globally recognized research institutions such as Wood Mackenzie, Platts/PIRA, Energy Group and Energy Aspects;
- **Estimated production volumes** were based on detailed data for the fields and the field development plans approved by management through the long-term planning process were taken into account.

	Oil and Gas properties	Refining assets	Marketing and distribution	Others	Assets under construction	Total
Cost						
<i>As of 31 December 2018</i>	2,084,208	387,099	237,386	27,658	655,772	3,392,123
Effect of changes in accounting policies	(124)	-	(27,145)	-	-	(27,269)
<i>As of 1 January 2019</i>	2,084,084	387,099	210,241	27,658	655,772	3,364,854
Additions	5,011	549	-	-	84,742	90,302
Changes in decommissioning obligations	215	-	-	-	-	215
Capitalised borrowing costs	-	-	-	-	6,553	6,553
Transfers	29,738	2,250	3,448	1,583	(37,019)	-
Internal movement	729	234	(225)	45	(783)	-
Disposals	(3,223)	(1,402)	(263)	(265)	(157,027)	(162,180)
Foreign currency translation	(33,087)	(6,144)	(6,095)	(217)	(6,088)	(51,631)
<i>As of 31 March 2019</i>	2,083,467	382,586	207,106	28,804	546,150	3,248,113
Depreciation, depletion and impairment						
<i>As of 31 December 2018</i>	(815,875)	(125,189)	(75,809)	(9,181)	-	(1,026,054)
Effect of changes in accounting policies	14	-	1,772	-	-	1,786
<i>As of 1 January 2019</i>	(815,861)	(125,189)	(74,037)	(9,181)	-	(1,024,268)
Depreciation and depletion charge	(29,903)	(4,347)	(3,352)	(711)	-	(38,313)
Internal movement	-	(2)	19	(17)	-	-
Disposals	935	1,090	263	264	-	2,552
Foreign currency translation	17,663	2,117	2,327	123	-	22,230
<i>As of 31 March 2019</i>	(827,166)	(126,331)	(74,780)	(9,522)	-	(1,037,799)
Net book value						
<i>As of 1 January 2019</i>	1,268,223	261,910	136,204	18,477	655,772	2,340,586
<i>As of 31 March 2019</i>	1,256,301	256,255	132,326	19,282	546,150	2,210,314

9. Right-of-use assets

Movements in right-of-use assets for the three months ended 31 March 2020 and 2019 are as follows:

	Vessels	Land, buildings and premises	Total
<i>As of 1 January 2020</i>	72,146	6,927	79,073
Additions	29	657	686
Modification and remeasurement	-	198	198
Depreciation of right-of-use assets	(1,901)	(619)	(2,520)
Foreign currency translation	-	434	434
<i>As of 31 March 2020</i>	70,274	7,597	77,871

	Vessels	Land, buildings and premises	Total
<i>As of 1 January 2019</i>	62,455	6,568	69,023
Additions	-	586	586
Modification and remeasurement	-	(43)	(43)
Depreciation of right-of-use assets	(1,381)	(459)	(1,840)
Foreign currency translation	-	(27)	(27)
<i>As of 31 March 2019</i>	61,074	6,625	67,699

10. Investments in associates and joint ventures

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

		Ownership percentage	31 March 2020	31 December 2019
Arcticgas	Joint venture	50.0	143,481	136,262
Slavneft	Joint venture	49.9	133,820	136,792
Messoyakha	Joint venture	50.0	49,167	45,350
Northgas	Joint venture	50.0	10,789	10,307
Others			13,439	12,404
Total investments			350,696	341,115

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

Arcticgas

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

Slavneft

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

Northgas

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

Messoyakha

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

The summarised financial information for the significant associates and joint ventures as of 31 March 2020 and 31 December 2019 and for the three months ended 31 March 2020 and 2019 is presented in the tables below.

31 March 2020	Arcticgas	Slavneft	Messoyakha	Northgas
Cash and cash equivalents	13,766	1,370	12	1,569
Other current assets	25,104	72,252	23,567	2,427
Non-current assets	384,832	461,185	201,482	41,404
Current financial liabilities	(35,994)	(46,002)	(103,372)	(6,966)
Other current liabilities	(15,119)	(30,411)	(5,747)	(1,394)
Non-current financial liabilities	(58,958)	(129,734)	-	(7,761)
Other non-current liabilities	(51,001)	(69,445)	(18,026)	(6,328)
Net assets	262,630	259,215	97,916	22,951

31 December 2019

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

3 months ended 31 March 2020

	Arcticgas	Slavneft	Messoyakha	Northgas
Revenue	40,913	57,805	26,427	4,046
Depreciation, depletion and amortisation	(5,658)	(11,143)	(6,727)	(477)
Finance income	109	38	-	32
Finance expense	(1,719)	(4,588)	(2,544)	(274)
Total income tax (expense) / gain	(2,838)	2,698	(1,457)	(243)
Profit / (loss) for the period	14,439	(6,128)	7,639	965
Total comprehensive income / (loss) for the period	14,439	(6,128)	7,639	965

3 months ended 31 March 2019

	Arcticgas	Slavneft	Messoyakha	Northgas
Revenue	47,565	80,025	32,011	5,316
Depreciation, depletion and amortisation	(5,611)	(8,325)	(5,598)	(564)
Finance income	715	90	-	36
Finance expense	(1,921)	(2,301)	(2,547)	(455)
Total income tax expense	(3,739)	(2,754)	(2,497)	(67)
Profit for the period	18,819	11,174	13,208	1,596
Total comprehensive income for the period	18,819	11,174	13,208	1,596

Others

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

11. Long-term financial assets

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

	31 March 2020	31 December 2019
Long-term loans issued	10,349	9,919
Equity investments measured at fair value through OCI	1,506	1,562
Deposits with original maturity more than 1 year	117	93
Less expected credit loss allowance	(476)	(537)
Total long-term financial assets	11,496	11,037

12. Other non-current assets

Other non-current assets are primarily comprised of advances provided on capital expenditures (RUB 43.7 billion and RUB 44.9 billion as of 31 March 2020 and 31 December 2019, respectively).

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

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

	31 March 2020	31 December 2019
Current portion of long-term debt	25,505	14,317
Bank loans	2,241	14,981
Other borrowings	1,179	900
Total short-term debt and current portion of long-term debt	28,925	30,198

14. Trade and other payables

Accounts payable as of 31 March 2020 and 31 December 2019 comprise the following:

	31 March 2020	31 December 2019
Trade accounts payable	264,881	279,985
Dividends payable	2,962	2,362
Forward contracts - cash flow hedge	552	-
Other accounts payable	25,783	25,092
Total trade and other payables	294,178	307,439

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

15. Other current liabilities

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

	31 March 2020	31 December 2019
Advances received	17,902	26,219
Payables to employees	5,549	3,896
Other non-financial payables	12,108	10,626
Total other current liabilities	35,559	40,741

16. Other taxes payable

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

	31 March 2020	31 December 2019
VAT	30,277	32,098
Excise tax	26,381	14,558
Mineral extraction tax	16,269	32,849
Additional income tax for hydrocarbon producers	9,834	3,954
Social security contributions (social taxes)	8,436	7,868
Property tax	3,246	2,591
Other taxes	2,863	2,483
Total other taxes payable	97,306	96,401

Tax expenses other than income tax expense for the three months ended 31 March 2020 and 2019 comprise the following:

	3 months ended 31 March 2020	3 months ended 31 March 2019
Mineral extraction tax	91,025	112,052
Excise tax	43,512	21,379
Additional income tax for hydrocarbon producers	10,931	2,675
Social security contributions (social taxes)	7,535	6,183
Property tax	3,416	3,167
Other taxes	519	835
Total taxes other than income tax	156,938	146,291

17. Long-term debt

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

	31 March 2020	31 December 2019
Bank loans	351,762	335,690
Loan participation notes	235,057	186,775
Bonds	178,785	168,918
Other borrowings	8,010	7,964
Less current portion of long-term debt	(25,505)	(14,317)
Total long-term debt	748,109	685,030

Bank loans

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

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

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

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

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

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

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

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

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

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

In December 2019 the Group borrowed RUB 30.0 billion under a long-term facility agreement with one of the Russian banks due payable in December 2022.

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

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

Bonds

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

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

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

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

18. Lease liabilities

Reconciliations between undiscounted lease liabilities and their present value as of 31 March 2020 and 31 December 2019 are presented in the tables below:

	Lease liabilities
As of 31 March 2020	
Less than one year	18,982
Between one and five years	61,587
More than five years	64,347
Total undiscounted lease liabilities	144,916
Lease liabilities as of 31 March 2020	106,741
Current lease liabilities	11,914
Non-current lease liabilities	94,827

	Lease liabilities
As of 31 December 2019	
Less than one year	15,599
Between one and five years	49,941
More than five years	53,791
Total undiscounted lease liabilities	119,331
Lease liabilities as of 31 December 2019	87,795
Current lease liabilities	9,927
Non-current lease liabilities	77,868

From lease liabilities the Group has excluded expenses related to variable lease payments and payments under short-term lease contracts in the amount of RUB 4.5 billion for the three months ended 31 March 2020 (RUB 3.8 billion for the three months ended 31 March 2019).

Total cash outflow for leases equals RUB 4.2 billion for the three months ended 31 March 2020 and does not include payments for non-lease component (RUB 3.4 billion for the three months ended 31 March 2019).

19. Other non-current financial liabilities

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

	31 March 2020	31 December 2019
Deferred consideration	25,663	20,269
Forward contracts - cash flow hedge	1,138	1,230
Other liabilities	15	5
Total other non-current financial liabilities	26,816	21,504

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

20. Other non-current liabilities

Other non-current liabilities are primarily comprised of advances received (RUB 63.2 billion and RUB 48.0 billion as of 31 March 2020 and 31 December 2019, respectively).

21. Net foreign exchange (loss) / gain

The net foreign exchange (loss) / gain for the three months ended 31 March 2020 and 2019 comprises the following:

	3 months ended 31 March 2020	3 months ended 31 March 2019
Net foreign exchange (loss) / gain on financing activities, including	(70,006)	20,311
foreign exchange gain	12,386	27,445
foreign exchange loss	(82,392)	(7,134)
Net foreign exchange gain / (loss) on operating activities	38,063	(14,850)
Net foreign exchange (loss) / gain	(31,943)	5,461

22. Finance expense

Finance expense for the three months ended 31 March 2020 and 2019 comprises the following:

	3 months ended 31 March 2020	3 months ended 31 March 2019
Interest expense	12,938	14,978
Decommissioning provision: unwinding of discount	1,450	784
Less: capitalised interest	(7,820)	(6,553)
Total finance expense	6,568	9,209

Interest expense includes expenses on lease liabilities in the amount of RUB 1.5 billion for the three months ended 31 March 2020 (RUB 1.4 billion for the three months ended 31 March 2019 accordingly).

23. Fair value measurement

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

As of 31 March 2020 the fair value of bonds and loan participation notes is RUB 417.3 billion (RUB 371.4 billion as of 31 December 2019). The fair value is derived from quotations in the active market from an external source of financial information and is related to Level 1 of the fair value hierarchy. The carrying value of other financial assets and liabilities measured at amortised cost approximates their fair value. The fair values were calculated based on cash flows discounted using the current lending rate. They are classified as Level 3 fair values in the fair value hierarchy due to the inclusion of unobservable inputs including counterparty credit risk.

24. Commitments and contingencies

Taxes

Russian tax and customs legislation is subject to frequent changes and varying interpretations. The management's treatment of such legislation as applied to the transactions and activities of the Group, including calculation of taxes payable to federal, regional and municipal budgets, may be challenged by the relevant authorities. The Russian tax authorities may take a more assertive position in their treatment of legislation and assessments, and there is a risk that transactions and activities that have not been challenged in the past may be challenged later. As a result, additional taxes, penalties and interest may be accrued. Generally, taxpayers are subject to tax audits for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit was taken. Under certain circumstances tax audits may cover longer periods. For the individual entities of the Group the field tax audit with regard to the years 2015-2018 is being performed now, the years 2018-2019 are currently open for tax audit. The management believes it has adequately provided for any probable additional tax accruals that might arise from these tax audits.

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

Compliance of the prices of the Group's controllable transactions with related parties with the transfer pricing rules is subject to regular internal control. The management believes that the transfer pricing documentation that the Group has prepared to confirm its compliance with the transfer pricing rules provides sufficient evidence to support the Group's tax positions and related tax returns. In addition in order to mitigate potential risks, the Group regularly negotiates approaches to defining prices used for tax purposes for major controllable transactions with tax authorities in advance. Twenty-two pricing agreements between the Group and tax authorities regarding major intercompany transactions were concluded in 2012-2019.

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

Economic environment in the Russian Federation

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

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

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

Environmental matters

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

Capital commitments

As of 31 March 2020 the Group has entered into contracts to purchase property, plant and equipment for RUB 626.8 billion (RUB 523.4 billion as of 31 December 2019).

25. Related party transactions

For the purpose of these Condensed Interim Consolidated Financial Statements parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial and operational decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The Group enters into transactions with related parties based on market or regulated prices. Short-term and long-term loans provided as well as debt are based on market conditions available for not related entities.

The Group has applied the exemption as allowed by IAS 24 Related Party Disclosures not to disclose all government-related transactions, as the parent of the Company is effectively being controlled by the Russian Government. In the course of its ordinary business the Group enters into transactions with natural monopolies, transportation companies and other government-related entities. Such purchases and sales are individually insignificant and are generally entered into on market or regulated prices. Transactions with the state also include taxes which are detailed in notes 6 and 16.

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

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

31 March 2020	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	44,206	94,776	-
Short-term financial assets	-	-	4,907
Trade and other receivables	71,020	7,147	6,375
Other current assets	179	5,683	2,673
Long-term financial assets	-	443	10,420
Other non-current assets	-	2,043	-
Short-term debt and other current financial liabilities	-	-	345
Other current liabilities	2	576	263
Long-term debt and other non-current financial liabilities	25,035	20,000	-
Other non-current liabilities	39,378	-	-

31 December 2019	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Cash and cash equivalents	43,912	67,811	-
Short-term financial assets	-	-	4,455
Trade and other receivables	67,564	12,381	11,456
Other current assets	120	4,476	1,737
Long-term financial assets	-	443	9,897
Other non-current assets	-	595	-
Short-term debt and other current financial liabilities	-	-	278
Other current liabilities	2	360	265
Long-term debt and other non-current financial liabilities	20,269	20,000	-
Other non-current liabilities	35,007	-	-

During the three months ended 31 March 2020 and 2019 the following transactions occurred with related parties:

3 months ended 31 March 2020	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and petroleum products sales	77	17,640	4,401
Other revenue	1,901	355	2,409
Purchases of crude oil, gas and petroleum products	-	6,636	40,561
Unsettled operations as of the reporting date	19,710	18,340	126,775
Production-related services	114	7,829	6,670
Transportation costs	950	1,139	3,378
Interest expense	1,073	329	5
Interest income	1,934	958	181
Other loss	-	-	269

3 months ended 31 March 2019	Parent company	Parent's subsidiaries and associates	Associates and joint ventures
Crude oil, gas and petroleum products sales	24	22,517	12,943
Other revenue	2	294	1,918
Purchases of crude oil, gas and petroleum products	-	9,314	55,147
Unsettled operations as of the reporting date	19,539	2,494	95,037
Production-related services	13	7,070	6,423
Transportation costs	863	446	2,518
Interest expense	1,365	795	9
Interest income	796	1,545	130

Transactions with Key Management Personnel

For the three months ended 31 March 2020 and 2019 remuneration of key management personnel (members of the Board of Directors and the Management Committee) such as salary and other contributions amounted to RUB 189 million and RUB 271 million, respectively. Key management remuneration includes salaries, bonuses, quarterly accruals of SAR and other contributions.

26. Segment information

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

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

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

The information about the Group's operating segments for the three months ended 31 March 2020 and 2019 is presented below:

3 months ended 31 March 2020	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	10,835	503,733	-	514,568
Inter-segment	203,662	10,306	(213,968)	-
Total revenue from sales	214,497	514,039	(213,968)	514,568
Adjusted EBITDA	82,718	16,396	-	99,114
Depreciation, depletion and amortisation	46,047	12,287	-	58,334
Impairment of assets	8,380	-	-	8,380
Capital expenditure	92,365	27,604	-	119,969
3 months ended 31 March 2019	Upstream	Downstream	Eliminations	Total
Revenue from sales:				
External customers	11,433	574,926	-	586,359
Inter-segment	270,269	5,670	(275,939)	-
Total revenue from sales	281,702	580,596	(275,939)	586,359
Adjusted EBITDA	165,252	32,436	-	197,688
Depreciation, depletion and amortisation	30,024	11,672	-	41,696
Capital expenditure	57,032	32,564	-	89,596

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

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

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

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

3 months ended 31 March 2020	Russian Federation	CIS	Export and international operations	Total
Sales of crude oil	15,622	-	111,675	127,297
Sales of petroleum products	228,113	20,045	112,193	360,351
Sales of gas	8,105	-	32	8,137
Other sales	15,990	582	2,211	18,783
Revenues from external customers, net	267,830	20,627	226,111	514,568
3 months ended 31 March 2019				
Sales of crude oil	22,463	9,744	152,252	184,459
Sales of petroleum products	227,626	20,308	130,326	378,260
Sales of gas	7,608	-	513	8,121
Other sales	12,563	619	2,337	15,519
Revenues from external customers, net	270,260	30,671	285,428	586,359

For the three months ended 31 March 2020 and 2019 export sales of crude oil include sales from the Upstream segment in the amount of RUB 4.6 billion and RUB 7.2 billion, respectively. The remaining amount of RUB 107.1 billion for the three months ended 31 March 2020 (RUB 145.1 billion for the three months ended 31 March 2019) represents sales from the Downstream segment.

	Russian Federation	CIS	Export and international operations	Total
Non-current assets as of 31 March 2020	2,492,206	11,153	339,492	2,842,851
Investments in associates and joint ventures as of 31 March 2020	349,167	-	1,529	350,696
Other long-term financial assets as of 31 March 2020	11,890	-	271	12,161
Capital expenditures for the three months ended 31 March 2020	114,301	43	5,625	119,969
Impairment of assets for the three months ended 31 March 2020	-	-	8,380	8,380
Non-current assets as of 31 December 2019	2,397,649	10,596	277,917	2,686,162
Investments in associates and joint ventures as of 31 December 2019	339,905	-	1,210	341,115
Other long-term financial assets as of 31 December 2019	11,593	-	273	11,866
Capital expenditures for the three months ended 31 March 2019	82,976	70	6,550	89,596

Adjusted EBITDA for the three months ended 31 March 2020 and 2019 is reconciled below:

	3 months ended 31 March 2020	3 months ended 31 March 2019
(Loss) / profit for the period	(12,625)	112,672
Total income tax (gain) / expense	(114)	19,953
Finance expense	6,568	9,209
Finance income	(4,350)	(5,096)
Depreciation, depletion and amortisation	58,334	41,696
Net foreign exchange loss / (gain)	31,943	(5,461)
Other loss, net	1,620	6,079
EBITDA	81,376	179,052
less share of profit of associates and joint ventures	(8,951)	(22,690)
add share of EBITDA of associates and joint ventures	26,689	41,326
Total adjusted EBITDA	99,114	197,688

27. Subsequent events

In April 2020 the Board of Directors recommended the Annual General Meeting of Shareholders to approve a dividend on the ordinary shares for 2019 in the amount of RUB 37.96 per share (including an interim dividend on the ordinary shares in the amount of RUB 18.14 per share for 6 months ended 30 June 2019).

In April 2020 the OPEC+ member countries reached an agreement under which the Russian Federation committed to reduce oil production starting 1 May 2020 till 30 April 2022. In accordance with the agreements reached, the Group begins to fulfill its obligations to reduce oil production starting 1 May 2020.

Gazprom Neft Group
Contact Information

The Group's office is

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

Telephone: +7 (812) 363-31-52
Hotline: 8-800-700-31-52
Fax: +7 (812) 363-31-51

www.gazprom-neft.ru

Investor Relations

Tel.: +7 (812) 385-95-48
Email: ir@gazprom-neft.ru