



— GAZPROM GERMANIA GMBH

CONSOLIDATED FINANCIAL STATEMENTS AND COMBINED MANAGEMENT REPORT 2020

www.gazprom-germania.de

CONTENTS

Contents	2
Abbreviations.....	5
Combined management report	7
Economic and regulatory conditions	7
General economic conditions	7
Energy policy environment	8
Business performance	9
Group performance	9
Trading business	9
Gas storage	10
Gas transport	10
Other business areas	10
Net assets, financial position and result of operations of GPG Group.....	11
Comparison of actual and forecasted business performance	11
Result of operations.....	11
Net assets.....	12
Financial position.....	12
Net assets, financial position and result of operations of GPG GmbH	14
Result of operations.....	14
Net assets and financial position	15
Non-financial performance indicators	16
Human resources	16
IT environment.....	16
Social commitment	16
Report on opportunities and risks.....	18
Opportunities	18
Risk management system	19
Risks	20
Overall assessment of opportunities and risks.....	23
Report on expected developments.....	24
Consolidated financial statements 2020	25
Consolidated statement of comprehensive income	25
Consolidated balance sheet.....	26
Consolidated statement of changes in equity.....	27

Consolidated cash flow statement	28
Notes to the consolidated financial statements.....	29
General notes	29
Accounting principles.....	29
Summary of significant accounting methods.....	30
Capital consolidation and business combinations.....	30
Foreign currency translation.....	30
Revenue	31
Net result from trading, derivatives and foreign currency translation.....	31
Financial instruments.....	32
Inventories	35
Non-current assets	36
Current and deferred tax	37
Provisions for pensions and similar obligations	38
Contingent liabilities.....	38
Leases	38
Assumptions and estimates.....	40
Changes in presentation.....	41
Scope of consolidation	42
Notes to the consolidated statement of comprehensive income.....	45
(1) Revenue	45
(2) Cost of materials.....	46
(3) Net result from trading, derivatives and foreign currency translation	46
(4) Net result from loss allowances on trade receivables	47
(5) Other operating income	47
(6) Employee benefits	47
(7) Depreciation, amortisation and impairment of fixed assets.....	48
(8) Other operating expense	48
(9) Finance income	49
(10) Finance expense	49
(11) Result from investments	50
(12) Net result from loss allowances on loans and long-term financial assets	50
(13) Income taxes	50
(14) Other comprehensive income.....	51
(15) Total comprehensive income attributable to non-controlling interests	52
Notes to the consolidated balance sheet	53
(16) Cash and cash equivalents	53
(17) Trade and other receivables.....	53

(18)	Derivative financial assets	55
(19)	Inventories	55
(20)	Intangible assets	56
(21)	Property, plant and equipment	57
(22)	Right-of-use assets	58
(23)	Investments accounted for using the equity method	59
(24)	Other financial assets	61
(25)	Deferred tax	63
(26)	Provisions	64
(27)	Financing liabilities	66
(28)	Trade and other payables	67
(29)	Derivative financial liabilities	68
(30)	Subscribed capital	68
(31)	Non-controlling interests	68
	Notes to the consolidated cash flow statement	68
(32)	Dividends paid	68
	Other notes	69
(33)	Financial instruments and risk management	69
(34)	Leases	84
(35)	Risks from disputes and litigation	85
(36)	Contingent liabilities	85
(37)	Other financial commitments	86
(38)	Related party transactions	86
(39)	Remuneration of the management	87
(40)	Remuneration of the group auditor	87
(41)	Material events after the reporting period	88

For computational reasons, rounding differences of \pm one unit (thousands of EUR, %, etc.) can occur in the tables.

ABBREVIATIONS

astora	astora GmbH, Kassel (Germany)
bbl	Barrel
DCF	Discounted cash flow
ECL	Expected credit loss
EMIR	European Market Infrastructure Regulation
EU	European Union
EUGAL	Europäische Gasanbindungsleitung (European Gas Pipeline Link)
EUR	Euro
FVH	Fair value hedge
GASCADE	GASCADE Gastransport GmbH, Kassel (Germany)
GAZPROM	PJSC GAZPROM, Moscow (Russia)
Gazprom export	Gazprom export Ltd., St. Petersburg (Russia)
GBP	British pound sterling
GM&T	Gazprom Marketing & Trading Ltd., London (United Kingdom)
GPG	GAZPROM Germania GmbH, Berlin (Germany)
GWh	Gigawatt-hour
HGB	Handelsgesetzbuch (German Commercial Code)
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
kWh	Kilowatt-hour
LNG	Liquefied natural gas
LPG	Liquefied petroleum gas
MiFID	Markets in Financial Instruments Directive
MWh	Megawatt-hour
NGVE	Gazprom NGV Europe GmbH, Berlin (Germany)
OPAL	Ostsee-Pipeline-Anbindungsleitung (Baltic Sea Pipeline Link)
ROC	Risk Oversight Committee
SOVAG	SCHWARZMEER UND OSTSEE Versicherungs-Aktiengesellschaft SOVAG, Hamburg (Germany)
TTF	Title Transfer Facility
USD	United States dollar
VaR	Value at risk
VEMEX	VEMEX s.r.o., Prague (Czech Republic)
WACC	Weighted average cost of capital
WIBG	WIBG GmbH, Kassel (Germany)
WIEH	WIEH GmbH, Berlin (Germany)
WIGA	WIGA Transport Beteiligungs-GmbH & Co. KG, Kassel (Germany)
WINGAS	WINGAS GmbH, Kassel (Germany)

Wintershall

Wintershall Dea GmbH, Celle (Germany)

COMBINED MANAGEMENT REPORT

GAZPROM Germania GmbH, Berlin, Germany (hereinafter referred to as GPG), was founded in 1990 as a German subsidiary of Gazprom export, St. Petersburg, Russia (Gazprom export), a limited liability company under Russian law, as part of the group of companies led by GAZPROM, Moscow, Russia (GAZPROM), a public joint-stock company under Russian law, for the purpose of marketing Russian natural gas in Germany and Western Europe.

Since its foundation, GPG has developed into an international group that comprises 37 companies operating globally in 16 countries. The GPG Group's main business areas are the trading and storage of natural gas. GPG, together with its subsidiaries and investees, realises GAZPROM's key commercial interests in Europe and Asia.

GPG, in its capacity as a holding company, is significantly influenced by the performance of its investees. GPG's management report is therefore combined in the following commentary with the Group's management report.

ECONOMIC AND REGULATORY CONDITIONS

GENERAL ECONOMIC CONDITIONS

The global economic trend in 2020 was negatively affected to a significant extent by the COVID-19 pandemic, which led to far-reaching restrictions on public life worldwide. Store closures, global travel warnings and the increased use of home-office work, among other things, led to a significant slump in the global economy. After expanding by 2.7 % in the previous year, global GDP contracted in 2020 to -4.3 %.

Gross domestic product growth in major markets (in %)	2020	2019
Gross world product	-4.3	2.7
European Union (EU)	-7.4	1.5
- Germany	-5.6	0.6
- United Kingdom	-10.3	1.3
China	2.1	6.1
Japan	-5.3	0.7
South Korea	-1.9	2.0

The figures for 2020 are preliminary.

Following the decline in prices for crude oil and natural gas on the commodity markets in the previous year, the annual average price for crude oil fell further during 2020 to USD 41.7 per barrel (bbl) (prior-year period: 64.3 USD/bbl). This decrease was caused by the global measures to contain the pandemic, in particular the massive restrictions on air and other travel and the associated decline in fuel sales. As expected, the lower crude oil prices also had a negative effect on the price trend for natural gas.

EUROPE AND GERMANY

European demand for gas has risen steadily from year to year, not least due to the growing share of gas in the region's generation of power and the higher need in transportation. The steady reduction of domestic natural gas production has also forced Northwest Europe to rely on other sources to cover seasonal fluctuations in demand. In 2020, however, the pandemic and a warm first quarter caused Europe's gas needs to fall by 8 % in the first half of the year. In Germany, where natural gas imports are an essential pillar of the energy supply due to low domestic production, a year-on-year decline also occurred. The German Federal Office for Economic Affairs and Export Control states that natural gas imports amounted to 1,354,658 gigawatt-hours (GWh) as at November 2020. That represents a decrease of 2.9 % on the comparable period from January to November in 2019 (1,395,406 GWh).

Prices also developed negatively on the major European gas-trading hubs, such as the Title Transfer Facility (TTF) in the Netherlands and the hub for the NetConnect Germany (NCG) trading area. The

average price for natural gas on the TTF spot market declined from EUR 13.6 per megawatt-hour (MWh) in 2019 to EUR 9.3 per MWh in 2020.

The European power market was likewise characterised by falling prices in 2020. The average spot price for power on the European Energy Exchange EEX stood at 30.7 EUR/MWh in 2020 (prior-year period: 37.9 EUR/MWh). This decrease was caused by lower prices for coal and natural gas as well as the influence of renewable energies on the energy mix.

ASIA

The COVID-19 pandemic was also a key driver for the weakening of the economic environment on the Asian markets. Declining demand for liquefied natural gas (LNG) on the Asian market and a disproportionately higher supply of LNG had a negative impact on the average annual price trend. JKM, the relevant LNG spot price index, fell from 30.9 EUR/MWh in December 2019 to 19.4 EUR/MWh in December 2020. Contrary to the negative developments, China's natural gas consumption continued to rise and is expected to reach 320 billion cubic meters by the end of the year, which corresponds to an increase of over 4 % (previous year's growth: 10 %). Experts anticipate gas consumption will continue to rise in the coming years, primarily due to the ongoing evolution of China's policy on energy and the climate.

ENERGY POLICY ENVIRONMENT

The global economy was characterised by uncertainties in 2020 due to the COVID-19 pandemic. Financial support measures were taken within the European Union to limit the impact. The associated economic stimulus program, entitled Next Generation EU, relies in particular on hydrogen as an investment priority to stimulate economic growth.

The hydrogen strategy published by the European Commission on 8 July 2020 contains specific proposals and a roadmap for expanding hydrogen production and creating a hydrogen market. The aim of this strategy is to create an environment in which the supply and demand for hydrogen can be increased in a climate-neutral economy.

Regardless of the COVID-19 crisis, climate protection remained one of the European Union's political priorities. Under its European Green Deal initiative, the EU Commission has unveiled a proposal for a European climate law that aims to establish the binding goal of EU-wide greenhouse-gas neutrality by 2050. At the same time, it proposes to increase the reduction target for greenhouse gas emissions by 2030 to at least 55 % compared to 1990 levels.

Further steps have also been taken in Germany to achieve the climate targets. On 10 June 2020, the German federal government adopted the long-awaited national hydrogen strategy, which aims to create a coherent framework for the generation, transport, consumption and further use of hydrogen in Germany, as well as for innovations and investments in the hydrogen sector. The government's national hydrogen strategy names all three key sectors (industry, transport, heating) as potential areas for increased future use of hydrogen.

The enhancement and promotion of cogeneration in Germany ensures a significant market share for natural gas in the power and heating sector. Extending, redesigning and increasing the coal replacement bonus as part of the coal phase-out legislation created an important incentive to replace coal-fired power plants with modern, highly efficient gas-cogeneration plants. This will secure and strengthen the gas industry's contribution to the energy transition.

The GPG Group in this environment continued to focus on the political classification of the role of natural gas in the current and future energy system. Overall, a technology-open approach for the production, transport and use of hydrogen was successfully anchored at the European level, as well as in the German hydrogen strategy. It was also made clear in the political discourse that natural gas will continue to play a major role in the future towards achieving energy and climate policy goals and sustainable economic development. Using natural gas and climate-neutral hydrogen generated from natural gas can help in particular to decarbonise those sectors of the economy in which renewable energies

are reaching their limits. This is especially true for energy-intensive industries, energy storage and heavy goods traffic. It is a very positive development that both the EU Commission and the German federal government intend to intensify their cooperation with exporters of fossil fuels, including Russia, to integrate climate-neutral hydrogen.

BUSINESS PERFORMANCE

GROUP PERFORMANCE

The GPG Group realised sharply lower year-on-year revenue of EUR 12,757.0 million in 2020 (prior-year period: EUR 24,334.1 million). This decrease was due to a decline in prices and sales volumes for natural gas. In contrast, the performance indicator gross operating profit stood at EUR 733.1 million and therefore clearly surpassed the planned value of EUR 653.2 million. The main reasons for this outperformance were higher trading margins as a result of high price volatility on the energy markets, and the Group's efforts to optimise its gas portfolio and its storage and transport capacities. Nevertheless, the previous year's level of EUR 787.5 million was not reached due to a lower contribution from the end-customer business with natural gas and power, and from the marketing of LNG. These businesses declined because of lower demand due to the COVID-19 pandemic, and as a result of mounting global price convergence.

Lower impairment losses and reduced other operating expense had a beneficial effect on the year-on-year trend in net operating profit, which rose to EUR 229.0 million (prior-year period: EUR 105.4 million).

The gas transportation business operated in a joint venture with Wintershall Dea GmbH (Wintershall) has a material effect on Group's result and continued to generate a stable profit from investments accounted for using the equity method and thus contributed to the Group's result for the period.

As an outcome of the aforementioned effects, result for the period rose to EUR 277.1 million (prior-year period: EUR 193.0 million). Overall, we believe the GPG Group performed very well in the 2020 financial year given the prevailing market conditions and the effects of the COVID-19 pandemic.

The net assets, financial position and result of operations of GPG are shaped primarily by its function as the parent company of the GPG Group, and thus by its business and financial relationships with the companies of the GPG Group. The business performance of material subsidiaries and investees in the respective markets will therefore also be explained in the following sections.

TRADING BUSINESS

EUROPE AND GERMANY

The GPG Group distributes predominantly Russian natural gas on the markets in West and East Europe via the trading companies WINGAS GmbH (WINGAS) and WIEH GmbH (WIEH). WINGAS supplies primarily municipal utility companies, larger industrial businesses, power plants and regional gas supply companies in Germany and in other European countries. WIEH markets natural gas mainly to one German natural gas import company.

UK-based Gazprom Marketing & Trading Ltd. (GM&T) and its subsidiaries trade natural gas, LNG, liquefied petroleum gas (LPG), power, crude oil and refined products around the world. In addition, GAZPROM Schweiz AG and its subsidiaries market natural gas in Central Asia and East Europe.

The decline in revenue from the natural gas business is attributable to a decrease in both prices and quantities. As expected, the overall result from trading activities stood in contrast. It rose due to the successful exploitation of price volatility and differences on Europe's gas, storage and transport markets. An increase in sales volumes did not occur, primarily due to market uncertainties.

The European power market is becoming more competitive, and demand for more flexible products is growing. By developing new digital solutions and marketing certificates, the GPG Group is able to adapt to rapidly changing market conditions and benefit from them. Despite a decline in end-customer

quantities due to the pandemic and lower average prices, the gross operating profit decreased only marginally thanks to effective optimisation measures on the power wholesale markets.

ASIA

The global LNG market experienced a drastic decline in aggregate demand in 2020. This decrease, coupled with continued growth in supply, put pressure on Asian LNG prices. Revenue from the GPG Group's LNG business nevertheless increased compared to the previous year, owing to higher sales volumes. The Group realised a profit from the LNG business due to successful hedging, profitable spot deals and savings in transport costs. This profit, however, declined compared to the previous year, mainly because of increased global price convergence.

The trading activities in crude oil in China and South Korea generated lower revenue of EUR 23.2 million in 2020 because of lower average prices and reduced supply available for distribution (prior-year period: EUR 773.3 million).

GAS STORAGE

astora GmbH (astora) is one of the largest operators of natural gas storage facilities in Europe. Its business activities include not only the operation of natural gas storage facilities, but also the planning and construction as well as the marketing of storage capacity. The GPG Group's share of the Jemgum storage facility gives it a proportionate total storage capacity of 0.8 billion cubic metres. Revenue from the marketing of storage capacity by astora and revenue from long-term secondary marketing amounted to EUR 82.4 million in 2020 (prior-year period: EUR 79.7 million).

The GPG Group also has a stake in a further cavern storage facility through its investments in Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG and Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG (BEP). This highly flexible storage facility with 0.95 billion cubic metres of capacity has efficient access to Europe's major natural gas trading hubs. Despite good technical and operating conditions, Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG did not contribute to profit, as in the previous year, due to difficult market conditions for storage capacity.

GAS TRANSPORT

WIGA Transport Beteiligungs-GmbH & Co. KG (WIGA) is a joint venture operated by GPG and Wintershall. Subsidiaries of WIGA arrange for natural gas to be transported from the onshore connection point of the Nord Stream pipeline to the German-Czech border via the Baltic Sea Pipeline Link (OPAL) (transport capacity of 36 billion cubic metres), and towards the west via the Northern Europe Gas Pipeline (NEL) (transport capacity of 20 billion cubic metres) to Rehden in the German state of Lower Saxony. In addition, GASCADE Gastransport GmbH's (GASCADE) network of gas pipelines transported 58.0 billion cubic metres of natural gas in Germany during 2020 (prior-year period: 58.2 billion cubic metres).

As part of the ongoing project to expand transport capacity by building the Nord Stream 2 offshore pipeline, GASCADE in 2020 commissioned the first portion of the new European Gas Pipeline Link (EUGAL) and plans to complete the construction of the second portion of the pipeline during 2021. EUGAL therefore secures the possibility to transport throughout Europe the gas volumes delivered via Nord Stream 2.

WIGA and its subsidiaries contributed an at-equity-accounted profit of EUR 123.0 million (prior-year period: EUR 103.2 million).

OTHER BUSINESS AREAS

in the 2020 financial year the GPG Group remained active in the field of natural gas as fuel, another sales channel for Russian natural gas. As at the end of the 2020 financial year, Gazprom NGV Europe GmbH (NGVE) operated 48 natural gas filling stations in Germany and 14 in the Czech Republic.

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS OF GPG GROUP

The GPG Group's business policies focus on contributing to the sustained growth in the value of the GAZPROM Group. To measure this contribution, the GPG Group uses a system of strategic performance indicators. As of the reporting period, the primary indicators of this contribution are gross operating profit, EBITDA, result for the period and equity. The Group also takes into account other secondary financial metrics. The target indicators contribute to the appropriate measurement of the financial performance of the GPG Group, even amid changing business structures. At the same time, the target indicators were standardised within the Group, taking into account the requirements of the parent company. Their scope was also reduced for the sake of clarity.

The following is an overview of the GPG Group's key performance indicators.

		31 December 2020	31 December 2019	31 December 2018
Gross operating profit	EUR thousands	733,101	787,476	710,671
EBITDA	EUR thousands	496,333	501,170	377,538
Result for the period	EUR thousands	277,139	193,034	121,886
Equity	EUR thousands	2,228,985	2,369,399	2,563,884
Adopted Equity ratio	%	31.83	31.96	32.64
Net debt to modified EBITDA ratio (dynamic leverage)		1.09	0.13	0.30

The gross operating profit is the aggregate amount of revenue, cost of materials, net result from realised trading activities, changes in the fair value of derivative financial assets and foreign currency translation, and the net result from loss allowances on trade receivables.

EBITDA is the result for the period before income taxes, interest, depreciation and amortisation. The dynamic leverage ratio is calculated based on the ratio of net debt to modified EBITDA. Modified EBITDA is derived from EBITDA adjusted for extraordinary and unusual items. Net debt is the difference between interest-bearing liabilities and the aggregate amount of cash and cash equivalents. If excess interest-bearing liabilities do not exist, the Group does not determine the dynamic leverage ratio.

COMPARISON OF ACTUAL AND FORECASTED BUSINESS PERFORMANCE

The GPG Group's forecast for the 2020 financial year was a gross operating profit of EUR 653.2 million and a result for the period totalling EUR 109.1 million. Both key figures in 2020 – at EUR 733.1 million and EUR 277.1 million respectively – exceeded the previous year's forecast. The primary reason why the Group surpassed its forecast for both metrics was the volatility on the energy markets, which had a positive impact on trading and optimisation strategies. Furthermore, the contribution from the LNG business clearly exceeded the forecast. The result for the period also benefited from lower other expense as a result of the COVID-19 pandemic.

RESULT OF OPERATIONS

The GPG Group manages a significant portion of its trading transactions, which involve both physical deliveries and financial settlement on a net basis, as a portfolio that is subject in its entirety to hedging and optimisation activities. For that reason, revenue and cost of materials from physically and financially settled transactions as well as foreign currency translation effects are aggregated together for the first time with the result from changes in the fair value of unrealised commodity and currency derivatives within the consolidated statement of comprehensive income. This aggregation is then reported as gross operating profit.

The GPG Group's gross operating profit was influenced primarily by reduced volumes as well as lower energy prices and margins, and was 6.9 % lower in the financial year compared with the previous year. The strong volatility in energy prices during the year had an offsetting effect on the trading business.

EBITDA remained almost unchanged on the previous year because it benefited from lower other operating expense due to the pandemic.

Depreciation and amortisation expense on property, plant and equipment as well as intangible assets declined by EUR 133.2 million to EUR 158.6 million. The main reason for the year-on-year decrease was the impairment losses recognised in 2019, which reduced depreciation expense in subsequent years.

Despite a lower operating profit, the result for the period, at EUR 277.1 million, significantly increased year-on-year due to lower depreciation expense and other operating expense (prior-year period: EUR 193.0 million).

Other comprehensive income totalling EUR -361.9 million (prior-year period: EUR 82.8 million) reduced total comprehensive income in the financial year to EUR -84.7 million (prior-year period: EUR 275.8 million). The primary reason for the negative overall result was the decrease in the cash flow hedge reserve by EUR 264.5 million (prior-year period: EUR 37.3 million). This was due to changes in market prices, which had a negative overall effect on the fair value of the GPG Group's hedging transactions, as well as to recycling into the statement of comprehensive income as a result of the realisation of hedged items.

NET ASSETS

The GPG Group's total assets decreased from EUR 9,053.1 million in the previous year to EUR 8,398.0 million as at the end of 2020. The decline in total assets by EUR 655.0 million is mainly attributable to current assets, specifically a EUR 269.5 million decrease in trade and other receivables and a decline in the fair value of derivative financial instruments by EUR 400.9 million. These decreases were offset by an increase in inventories in the amount of EUR 369.8 million, which was due to a greater availability of storage capacity and a higher fair value of natural gas inventories.

Current liabilities fell by EUR 357.9 million to stand at EUR 4,648.6 million (prior-year period: EUR 5,006.5 million). They were largely comprised of trade payables, derivative financial instruments and provisions. The decline of EUR 759.8 million is primarily attributable to trade payables. This decrease was offset by an increase in cash pool liabilities by EUR 467.5 million to EUR 689.1 million under the Group's internal financing arrangement.

The realised result for the period only partially offset the negative other comprehensive income and the dividend payments made during the reporting period. As a result, equity decreased to EUR 2,229.0 million (prior-year period: EUR 2,369.4 million). The adopted equity ratio nevertheless remained unchanged year-on-year at 31.8 % due to the decrease in total assets.

FINANCIAL POSITION

Cash and cash equivalents totalled EUR 173.0 million as at the reporting date (prior-year period: EUR 170.0 million). Cash flows from operating activities stood at EUR -423.7 million in the reporting period (prior-year period: EUR 649.0 million). The cash outflow resulted primarily from the purchase of inventories and the decline in trade payables.

After making substantial investments in the previous year in software, tangible fixed assets for natural gas storage facilities and other property, plant and equipment in the total amount of EUR 143.7 million, the cash flows from investing activities in 2020 were influenced predominantly by dividends received, which caused an increase by EUR 159.0 million to EUR 102.2 million.

Cash flows from financing activities totalled EUR 342.2 million (prior-year period: EUR -563.1 million). The increase was due to inflows from a new cash pool line and a lower net dividend payment to the shareholder in the amount of EUR 52.9 million (prior-year period: EUR 429.0 million).

The Group's priorities for its financing activities included the continuous improvement in the efficiency of cash management, the optimisation of working capital and the safeguarding of a stable level of liquidity. Against this backdrop, the GPG Group achieved further progress towards integrating internal financing functions and structures in the reporting period.

The GPG Group has internal financial reserves at its disposal that are made available through both flexible cash pool credit lines from GAZPROM and from an investee. This financing is the primary source of liquidity for the Group's marketing and trading activities. In addition, GPG has at its disposal additional financing lines. The GPG Group's most important external liquidity reserve is derived from its currently unused syndicated revolving credit line, which was established in 2016 and currently amounts to EUR 500.0 million. GPG also has at its disposal bilateral credit lines with several commercial banks to provide, when needed, additional liquidity on short notice.

Besides the credit lines, GPG also has numerous guarantee lines to support the Group's global marketing and trading activities. After centralising these lines in 2019, GPG began in the reporting period to reorganise and renegotiate all guarantee lines at the GPG level in order to harmonise the agreements, make them available to the companies of the GPG Group, and to strengthen GPG's profile and position in the banking market. The renegotiation of the guarantee lines will continue during 2021.

In order to ensure financial flexibility, the Group in 2021 will continue to focus on optimising its Group-wide cash and liquidity management activities and on developing alternative financing options using existing resources. Among others, one goal of these efforts is to optimise the use of working capital through various transactions and through the implementation of a Group-wide receivables financing programme during 2021.

NET ASSETS, FINANCIAL POSITION AND RESULT OF OPERATIONS OF GPG GMBH

RESULT OF OPERATIONS

GPG's business activities focus on rendering various administrative services for operating subsidiaries. GPG's branch office in St. Petersburg provides support in this respect for the GPG Group. A system of strategic performance indicators is used to manage GPG's performance. The primary indicator is result for the period, which serves as the basis for dividend payments to the shareholder.

The year-on-year performance indicators, determined based on the principles set out in the German Commercial Code (Handelsgesetzbuch, HGB), are as follows:

EUR thousands	2020	2019
Operating result	-83,732	-136,305
Financial result	284,948	218,669
Result for the period	190,323	55,685

Operating result is result for the period minus the financial result and taxes. The financial result includes the investment result and net interest income.

GPG in 2019 forecasted a significantly higher year-on-year result for the period in 2020. With an HGB-based full-year profit of EUR 190.3 million, this forecast was achieved. Management is satisfied with this result. GPG's operating result improved considerably on the previous year. The reason for this improvement is primarily due to the impairment losses recognised in the previous year on non-depreciable assets included in non-current assets. As expected, GPG's investment result rose sharply in the reporting period compared with the previous year. The income from dividends received is significantly higher than in the previous year and therefore clearly offset lower income from profit and loss transfer agreements and higher expenses for loss assumptions. In contrast to the previous year, the investment result in the reporting year includes dividend income from GM&T, which made a significant contribution to the improvement of the financial result.

Revenue of EUR 48.9 million in the reporting period was higher on the previous year's value of EUR 39.4 million. This improvement is primarily due to higher revenues under a transfer-of-use arrangement.

Other operating income is mainly influenced by higher gains from foreign currency translation in the amount of EUR 23.4 million and income of EUR 3.9 million associated with the receipt of partial payment for a previously impaired loan.

The cost of materials remained largely unchanged compared with the 2019 financial year. Employee benefits expense rose slightly year-on-year.

Other operating expense rose in the financial year to EUR 106.7 million (prior-year period: EUR 90.9 million). The reason for the increase is mostly due to higher losses from foreign currency translation.

The investment result of EUR 285.8 million includes expenses for the assumption of the losses realised by NGVE and astora, as well as income from the transfer of the profit from WIBG. In addition, the investment result includes dividends totalling EUR 315.5 million, which were received primarily from GM&T and WIGA.

Net interest income contains both interest income and interest expense, as well as income from other loans held as non-current financial assets. Net interest income amounts to EUR 11.2 million (prior-year period: EUR 4.8 million). The increase in net interest income is due in part to higher interest income on non-current receivables.

Taking into account the income tax expense of EUR 10.9 million for the overall tax group (prior-year period: EUR 26.6 million), result for the period totals EUR 190.3 million. The decline in income tax is due to the lower pre-tax profit of the companies included in the tax group, particularly WINGAS.

NET ASSETS AND FINANCIAL POSITION

GPG's total assets amounted to EUR 3,243 million as at the reporting date (prior-year period: EUR 2,897 million).

Non-current assets declined slightly to EUR 2,593.4 million (prior-year period: EUR 2,610.4 million). As at the end of 2020, GPG reported non-current financial assets totalling EUR 2,507.3 million (prior-year period: EUR 2,519.7 million) and EUR 86.1 million (prior-year period: EUR 90.7 million) in property, plant and equipment as well as intangible assets. Receivables and other assets rose year-on-year to EUR 609.5 million (prior-year period: EUR 158.0 million). This increase was caused primarily because receivables from cash pooling agreements and loans were higher as at the reporting date. The unrestricted balance of cash and cash equivalents amounted to EUR 17.2 million as at the reporting date (prior-year period: EUR 109.6 million).

GPG's equity increased from EUR 1,121.1 million to EUR 1,255.7 million. This improvement resulted from the result for the period realised in the 2020 financial year totalling EUR 190.3 million. This increase was offset by a gross dividend of EUR 55.7 million paid to the parent company Gazprom export. The equity ratio was 38.7 % as at the reporting date and therefore remained unchanged on the previous year. GPG reported provisions in the amount of EUR 150.6 million (prior-year period: EUR 177.1 million). Liabilities rose from EUR 1,598.4 million to EUR 1,836.1 million. The increase is almost solely due to higher liabilities from cash pooling agreements. The net balance of receivables and liabilities from cash pooling agreements was a liability of EUR 1,368.7 million as at the reporting date (prior-year period: liability of EUR 1,569.6 million).

The syndicated credit line for EUR 500.0 million, which was prolonged in 2019, was an important liquidity and risk reserve for GPG. The credit line was not utilised as at 31 December 2020.

NON-FINANCIAL PERFORMANCE INDICATORS

HUMAN RESOURCES

The GPG Group's total number of employees remained largely unchanged compared with the previous year:

	2020	2019
GAZPROM Germania GmbH, Berlin (DE)	339	244
Gazprom Marketing & Trading Ltd, London (UK)	409	467
Gazprom Marketing & Trading Retail Ltd, London (UK)	315	294
Others	481	493
Total employees	1,543	1,498

IT ENVIRONMENT

The GPG Group's IT function uses its infrastructure, software and complex solutions to support the entire life cycle of the Group's trading and marketing transactions, as well as to assist with the management of natural gas storage facilities and the logistics in the LNG transport business.

The IT function is constantly expanding its know-how in digital trading in order to support the Group's performance in several respects. These include maintaining the Group's leading position in the European gas and power market, monetising market opportunities, improving sales and contract management and reducing portfolio risks in an increasingly digitised and automated market.

The Group aims to standardise IT systems to support corporate management functions. This standardisation will reduce operational risks and increase efficiency.

Group-wide improvement measures are currently being implemented in IT infrastructure, IT security and IT architecture. These measures are intended to increase system availability, maintain a long-term strategic perspective, ensure standardisation and reduce operating costs.

The standardisation and improvement of the support and operating processes was an important prerequisite for cross-country and cross-company collaboration on support issues. In addition, the IT function established an Incident Review Board to track the actions taken to address high-priority disruptions. This aims to help reduce the number of faults and to increase the general system stability.

SOCIAL COMMITMENT

The GPG Group has long worked to promote a large number of projects in the realms of culture, education, social welfare and sport. Under the slogan "Energy Unites People", the GPG Group has made a significant contribution to increasing the awareness of the GAZPROM brand in Germany and Europe. Despite the COVID-19 pandemic, which has affected not only the global economy but also sports, education and charity projects around the world, GPG has managed to maintain all important partnerships and has proven to be a reliable partner in difficult times.

The focus of the GPG Group's sports sponsorship activities during the reporting period was on the partnership with FC Schalke 04, a German premier-league football club. The GPG Group, which has been the club's general sponsor since 2007, extended this partnership in 2017 until 2022.

In addition, the GPG Group in 2020 continued to implement significant portions of the UEFA Champions League sponsorship on behalf of GAZPROM. The effects of the COVID-19 pandemic on international football and the organisation of the UEFA Champions League competition led to significant changes in the Group's sponsorship measures. It focused increasingly on the use of commercial and digital rights to carry out GAZPROM advertising campaigns via TV, the internet, social media and relevant partner platforms. Further measures associated with this project included the planning and implementation of the branding, the coordination of CSR measures, as well as ticketing and hospitality. The GPG Group also supports FC Zenit St. Petersburg, a Russian premier-league football club, as its exclusive international partner.

In cycling, GPG since 2016 has been the main sponsor and name-provider for the Russian professional cycling team Gazprom-RusVelo. This sponsorship has positioned the GAZPROM brand at international cycling races in Germany and Europe. GPG extended this partnership in the reporting year until 2024.

GPG's cultural sponsorship activities in 2020 included its long-standing involvement with the Russian-German Music Academy, a youth orchestra under the direction of Valery Gergiev for which the GPG Group is the main sponsor. In addition, GPG has been promoting for many years the language competition "Bundescup – Spielend Russisch lernen" (Bundescup – Learn Russian by Playing).

The GPG Group's social commitment also involves making regular donations to support non-profit associations and organisations.

REPORT ON OPPORTUNITIES AND RISKS

OPPORTUNITIES

Developments in the political, economic and technological environment result in both opportunities and risks for GPG. Relevant changes are continuously identified, monitored and evaluated with regard to the resources and capabilities of the GPG Group. In close cooperation with GAZPROM, GPG's management makes decisions about the exploitation of opportunities and the mitigation of remaining risks. GPG makes strategic decisions with a view to its main task of ensuring a reliable energy supply with natural gas in Germany and Europe. Changes that could have a significant impact on GPG are divided into the following three categories.

COMPETITIVE AND MARKET ENVIRONMENT

The decline in natural gas production in Germany and Europe will offer the GAZPROM Group significant opportunities in the future to gain further market share and therefore realise associated revenue increases. Germany's planned withdrawal from nuclear power and coal-fired power generation may lead to additional gas requirements.

The competitiveness of natural gas increased in 2016 when the German Combined Heat and Power Generation Act (Kraft-Wärme-Kopplungsgesetz, KWKG) was amended. The year 2020 has shown that natural gas occupies a higher ranking in power generation. The increased use of natural gas in power generation is also a result of higher market prices for carbon emission certificates. We anticipate the associated positive effects will materialise over the medium to long term, and will result in material and probably lasting improvements in the performance of the business.

One significant project of the GAZPROM Group is the Nord Stream 2 pipeline project, which is currently in the final stages of construction. The pipelines run from Russia to Germany and enable a significant increase in transport capacity for gas deliveries to Germany and Europe. In order to transport additional quantities within Germany and to the Czech Republic, WIGA expanded the pipeline network to include the new EUGAL pipeline.

Despite the difficult geopolitical environment, GPG believes the current delay of the Nord Stream 2 project is not significant for its business and the security of European supply, in particular due to the contingency measures that have been taken. The GPG Group anticipates this project will indirectly generate favourable prospects over the medium term that will lead to potentially sustained improvements in the performance of its business. The potential use of the additional natural gas transported through Nord Stream 2 (55 billion cubic meters) for power generation would replace half of all European coal power generation and save 160 million tons of carbon emissions. This amount corresponds to the entire emissions of the German mobility sector.

TRANSITION TO A LOW-CARBON ECONOMY

Russian natural gas already has the lowest carbon emissions compared to other fossil carbon footprint sources in Europe. Natural gas serves as a reliable source of energy to heat the majority of German households and also covers around 30 % of industrial energy needs.

GPG actively promotes the role of natural gas and hydrogen. It has been working closely with GAZPROM to develop a technical roadmap and plan infrastructure investments. This initiative aims to reduce the strategic risks for the Group associated with the reduction in fossil fuels in the European energy mix by expanding the Group's business activities.

The development of methane pyrolysis technologies on an industrial scale enables the decarbonisation of the European energy system at competitive costs while using the existing infrastructure. In this context, GAZPROM is working with its European partners to examine ways to produce hydrogen from natural gas.

We anticipate that cost-effective and low-carbon technologies for generating hydrogen from natural gas will offer opportunities for the energy strategies of European countries, as well as greater future demand for Russian gas.

The progressing digitisation of the infrastructure, especially the large underground gas storage facilities of the GPG Group, are opening up further opportunities. A significant trend in the energy industry is the smart grid, with which energy flows can be monitored and an autonomous balance can be found between energy demand and supply. These smart grids, which can serve as a digital solution for the integration of intermittent renewable and decentralised energy generation, create added value for the entire energy system. The GPG Group uses this potential for its natural gas storage facilities to increase automation and expand online remote access to diagnostic information, which raises the availability of the storage facilities. At the same time, maintenance costs are reduced through optimised maintenance schedules and improved early warning capabilities. In addition, health, safety and environmental risks are reduced further by digitising the infrastructure.

Another challenge is the introduction of green gas certificates with guarantees of origin. Risks arise from a potentially negative perception of natural gas on the energy markets and the associated decline in market potential. In contrast, renewable energy certificates offer the GPG Group another opportunity to demonstrate its corporate social responsibility and support for the transition to a low-carbon economy.

Sustainable financing represents both risks and opportunities for the GPG Group. European sustainability ratings and green bonds offer the GPG Group opportunities to raise additional funds for decarbonisation projects in Europe and thereby finance the transition to natural gas and hydrogen.

The extension of the coal replacement premium as part of the amendment of the KWKG has created important incentives for the transition from coal to natural gas in heat and power generation. Gas power plants enable efficient and flexible generation of base-load electricity. They also support the balancing of renewable energies and thus contribute to the security of supply.

Transport is another sector where natural gas is recognised as a climate-friendly fuel. This awareness is reflected in the German government's decision to extend the tax breaks for compressed natural gas (CNG) until 2026. Overall, however, the potential of natural gas as a low-emission energy source is not being fully exploited.

REGULATION, MARKET STRUCTURE AND REORGANISATION

Brexit was a major challenge for the GPG Group. The Group used its existing competencies at an early stage to overcome the emerging regulatory uncertainties and to take measures to mitigate risks in order to safeguard its leading market position. At the same time, the continuous centralisation of group functions and a focus on central business areas created synergies. We believe it is very likely that this initiative will have a sustained positive effect on the performance of the Group's business and will achieve visible results in the medium to long term.

RISK MANAGEMENT SYSTEM

The GPG Group's risk management system is an integral component of its business processes and activities. The system is based on the principle of three lines of defence. Commercial and support units, in their capacity as the risk owners in the first line of defence, are responsible for the identification and management of the Group's risks. They are supported by the Group Risk Management departments, which renders advisory, control and oversight services, independent of the commercial and support units. The Internal Audit function controls and reviews the activities carried out by the commercial and support units, as well as by the Group Risk Management unit.

GPG's management is supported in its risk management responsibilities by the GPG Group Risk Oversight Committee (ROC). The ROC, which consists of members from GAZPROM's Risk Management and Legal departments, as well as from Gazprom export, provides recommendations to GPG Group's management on risk-related matters.

MANAGEMENT OF THE GROUP'S RISK EXPOSURES

The GPG Group's risk management processes include procedures to identify, assess, manage, monitor and report on Group-wide risks. They enable early recognition and effective management of risks, as well as timely implementation of risk mitigation measures.

The GPG Group's risk management aims to limit and reduce the negative effects of risks on the Group's net assets, financial position and result of operations. The following risk management tools are used to ensure that Group-wide risks are covered at all times by sufficient capital and liquidity:

Strategic risk controls: The GPG Group's management authorises the activities of the GPG Group at the Group level. It additionally stipulates the markets and products in which and with which the Group may trade.

Economic capital: Economic capital is the qualitative extent of the Group's aggregate risk based on a targeted confidence level over a 12-month time horizon. A monthly calculation is performed and compared with the Group's tangible net worth. This procedure ensures that a sufficient equity buffer exists to cover unexpected losses.

Liquidity risk reserve: This is an estimate of the negative impact on planned cash flows from the materialisation of market, credit and operational risks based on a specified confidence level over 3 and 12-month time horizons. The reserve is compared to the Group's committed funding and other potential mitigation measures to ensure that Group companies have sufficient liquidity to cover the materialisation of unexpected risks.

Transaction-level authorities: The GPG Group's management approves the thresholds above which trading transactions of Group companies require a review by the ROC and the Group Commercial Committee.

Market risk limits: The management sets limits by commodity, market and tenor for both the market-value-at-risk (MVaR) of the GPG Group's trading activities and for the net open financial positions it may hold.

Credit risk limits: The management approves credit limits for key counterparties to ensure credit risks are managed appropriately.

RISKS

The GPG Group faces risk arising in particular from the business activities of its Group companies and investees. The main types of risk that may have a material effect on the net assets, financial position and result of operations are listed in the following sections. These risks can affect GPG's result for the period because of falling dividend payments or through fluctuations in profit and loss transfers from its investees. The explanations on Group-related risks therefore also reflect the uncertainties from GPG's perspective.

MARKET RISKS

Market risk is the risk of negative financial effects due to changes in market factors. Market factors include commodity and derivative prices, interest rates, foreign exchange rates and volumes. Market risks arise for the GPG Group principally from trading activities, and from long-term supply contracts. These risks are managed by the commercial units in close cooperation with Group Risk Management to ensure that these risks are identified, assessed, managed and monitored in an efficient and effective manner, and then reported using the existing reporting processes.

The Group aims to maintain a relatively low level of exposure to market risk primarily by entering into offsetting contracts that match the previously agreed contractual obligations to the greatest extent possible. The Group, however, also holds some unhedged positions, which are subject to limits approved by the GPG Group's management. These items relate largely to the proprietary energy trading business. The proprietary energy trading business exposes the Group to commodity price risk and foreign exchange risk.

The Group uses a value-at-risk (VaR) approach to monitor and review its exposure to market risk. VaR is an estimate of the potential loss on a given position or portfolio of positions over a specific holding period, based on normal market conditions and within a defined statistical confidence interval. The Group uses a Monte Carlo simulation methodology for computing VaR based on a confidence level of 97.5 % and an assumed holding period of one day.

The Group recognises that VaR cannot be relied upon solely to predict the size of potential losses. For that reason it employs additional techniques to monitor market risk, such as stress testing and sensitivity analysis. As at 31 December 2020, the share of market risk in the GPG Group's economic capital at a 99.84 % confidence level was EUR 209.2 million (prior-year period: EUR 180.9 million).

CREDIT RISKS

Credit risk is the risk of negative financial effects due to a counterparty's failure to meet its contractual obligations in accordance with agreed terms. This includes default risk and the risk of non-performance of contractual arrangements overall.

The Group's credit risk results mainly from the marketing, trading and project activities of Group companies. A credit risk also results from bank balances. These risks, which must remain within the established limits, are controlled on a daily basis. The credit limits for counterparties, which are recommended by the ROC based on an internal rating method, are approved by the GPG Group's management.

Credit exposures are also consolidated and assessed at the Group level using a portfolio VaR model to calculate credit-value-at-risk. As at 31 December 2020, the share of credit risk in the GPG Group's economic capital at a 99.84 % confidence level was EUR 266.4 million (prior-year period: EUR 233.6 million).

OPERATIONAL RISKS

Operational risk is the risk of negative effects due to inadequate or failed internal processes and systems, human error or from external events. The Group therefore carries out risk identification activities on an ongoing basis in order to identify all material risks; it then records them in a risk register and monitors the associated measures to manage these material risks. Other tools used to manage the Group's operational risks include an Incident Management system, monitoring of key risk indicators, and maintenance of a Business Continuity programme.

The physical assets and projects that the GPG Group operates expose the Group to certain environmental and technical risks. The Group's activities to minimise the risk in the operational phase of projects include installing quality assurance and control systems. Political conditions and market developments – and their potential effects on the Group's project activities – are continuously monitored. As at 31 December 2020, the share of operational risk in the GPG Group's economic capital was EUR 153.6 million (prior-year period: EUR 177.7 million).

STRATEGIC RISKS

Strategic risk is the risk that the Group is unable to achieve its strategic objectives as a result of actions by governments, regulators and competitors, as well as risks associated with the long-term decision-making within the Group. Strategic risks are managed in close collaboration with the Group Risk Management unit and are part of the Group's strategic planning process.

LIQUIDITY RISKS

Liquidity risk is the risk that the GPG Group cannot satisfy the financial obligations that arise during the course of business due to insufficient funding lines or inadequate cash reserves. These risks are managed by the Treasury function, as the first line of defence, with support from the Group Risk Management function. The Group conducts a regular review of the risks to the cash flow forecast, which stem principally from the potential materialisation of market, credit and operational risks. These risks

are then overlaid with the funding plan to ensure that the Group has sufficient financial means or other risk-mitigation possibilities to cover both the cash forecast and the materialisation of unexpected risks.

RISKS RESULTING FROM BREXIT

The UK's departure from the EU on 31 December 2020 forced the Group to adapt its operating model to maintain access to the EU energy markets. The Trade and Cooperation Agreement (TCA) between the European Union and the United Kingdom provides a legal framework for fair competition and non-discrimination in the distribution and supply of gas and power until June 2026. Long-term legal consequences remain, however, and this creates the need to clarify the details. The resulting changes are likely to lead to regulatory challenges, which can be overcome with the established expertise in the GPG Group. With regard to financial services regulations, the Group can continue to rely on the exemptions available to it, even though the TCA does not provide UK companies with automatic access to the EU market.

The GPG Group has taken all necessary precautions to minimise the risk that UK-based trading companies might lose access to EU energy markets, and to ensure continuity. Despite the principles set out in the agreement, some details have not yet been specified, which leaves a small residual risk.

The following key risks for the Group were identified:

- Risk of noncompliance with the European regulatory framework (financial services regulations):

The risk exists that the benefits of the ancillary exemption under the Markets in Financial Instruments Directive (MiFID) might be lost, or that the relevant thresholds set out in the European Market Infrastructure Regulation (EMIR) could be breached. The Group has performed an internal assessment of this risk and gathered information published by EU regulators clarifying the treatment of various products in the case of a "hard Brexit". Based on this information, we assess this risk as relatively low.

- Risk of potential tax effects:

The UK's exit from the EU entails the risk that the Group could no longer apply the substance test to UK income under the German controlled foreign corporation taxation regime in accordance with the German Foreign Transaction Tax Act (Außensteuergesetz, AStG). Under certain circumstances, this could lead to additional taxation in Germany on the earnings of UK-based GPG subsidiaries.

COVID-19 EFFECTS

The COVID-19 pandemic has had a massive impact on the global economy and has led to an unusual slump in global markets. The GPG Group is affected primarily by the energy demand and the price trend in Europe and Asia. From March 2020, almost all relevant markets dwindled to a minimum, which led to a significant drop in demand, oversupply and falling commodity prices, accompanied by significant volatility. The GPG Group focused on monitoring and minimising its operational, market, liquidity, credit and impairment risks. GPG Group companies formed local crisis management teams, which consisted of the heads of all key functions in the respective companies. In order to maintain all necessary business functions and to minimise risks, the crisis management teams coordinated their actions. Among other measures, the crisis management teams regularly monitor the sickness rates of employees.

GPG Group companies have taken the following measures in response to COVID-19:

Operational risks: The employees of GPG Group companies began to work mainly in home offices in 2020. The company's IT systems are operating smoothly in this environment. Employees at all levels have access to all necessary systems. Safety measures to minimise the risk of infection were implemented at each location. All major business processes are functioning normally and business operations, despite the pandemic, are secured throughout the GPG Group.

Credit risks: The GPG Group has established a process for monitoring counterparties' ability to pay in the event of default. In addition, the Group analysed the potential effects of COVID-19 on the respective business model of customers and scrutinised the approved limits for trading activities in the event of a risk.

Market risks: One consequence of the lockdown was lower industrial demand and a drop in prices due to an oversupply of gas. The portfolio management teams of GPG Group companies analyse demand and price trends in order to ensure that the portfolio is adequately hedged. The forecast for contracts with flexible volumes was lowered at an early stage and is being monitored on an ongoing basis.

Liquidity risks: The GPG Group's Treasury and Risk Management units create not only long-term cash flow forecasts, but also a liquidity risk reserve (LRR). This reserve, which measures the sensitivity of cash against market, credit and operational risk scenarios, determines a cash flow stress within a 95 % confidence interval.

During the COVID-19 crisis in 2020, the GPG liquidity forecast and the LRR were continually reassessed against the available committed funding. The GPG Group's prudent approach to maintaining excess available liquidity to handle stressed liquidity scenarios ensured that more than enough cash was available to meet payment demands.

Impairment risks: Falling prices for energy products indicated that impairment risks may exist at the GPG Group. In order to evaluate the probability and extent of possible impairment losses, the GPG Group carried out a sensitivity analysis for all indicated assets. This analysis revealed that impairments are not likely because possible price reductions are forecasted in the short or medium term. Such short-term declines do not pose a risk for the long-term assets of the GPG Group.

In contrast, the high volatility of energy prices also created opportunities for energy trading.

OVERALL ASSESSMENT OF OPPORTUNITIES AND RISKS

GPG utilises the opportunities that arise from the transition to a low-carbon economy, the use of digital solutions for industrial infrastructure, and the competitive and market environment. The Group continues to optimise its gas trading activities and is expanding its infrastructure facilities to take advantage of the benefits resulting from the changing business environment. Price volatility on the energy and currency markets – although predictable only to a limited extent – represents a significant opportunity for the GPG Group's trading and optimisation activities.

The current focus of energy policy in favour of renewable energies, particularly in Germany, increases the complexity of the political environment, and also poses significant challenges for the natural gas industry. At the same time, this energy transition offers significant opportunities for natural gas, as it is an environmentally friendly and affordable source of energy. The benefits of using natural gas are particularly evident for heating, power and fuel purposes. The GPG Group aims to continue participating in this development.

Besides the aforementioned opportunities, the Group is also exposed to risks, particularly the following:

The GPG Group has a long investment horizon and therefore depends on reliable political and regulatory conditions. The current interventions in the energy sector could impact the Group's financial performance and are therefore considered to be a significant risk factor. The current price regulation for network usage has negative consequences for the trading and marketing of natural gas, and may have an adverse effect on the profitability of the Group's investments and project activities.

In addition, the effects of ongoing financial market regulation on GPG's energy trading business are seen as a risk. These regulatory initiatives include in particular EMIR and MiFID, especially in connection with equivalence decisions in the context of Brexit. GPG will continue to monitor these and other regulatory developments based on both the measures that have already been implemented to meet the regulatory requirements as well as by using adequate processes and controls.

In summary, there are no identifiable risks from today's perspective that could pose a threat to the continued existence of the GPG Group in the foreseeable future.

REPORT ON EXPECTED DEVELOPMENTS

As a unit of one of the largest energy companies in the world, the GPG Group operates in a market environment that is changing fundamentally, sustainably and at great speed. The GPG Group aims to support the sale of Russian natural gas and LNG throughout the world. Given declining natural gas production in Europe, nearly all member states of the European Union are increasingly dependent on the import of natural gas, which is and remains a significant source of energy to ensure a secure, economic and environmentally friendly provision of energy. That also includes in particular the use of natural gas in the markets for heating and power generation.

Despite the constantly rising demand for natural gas in Europe and Asia, the GPG Group must deal with the challenges resulting from convergence between purchase and sales prices as well as trading points, and price volatility. The GPG Group therefore constantly invests in innovative and flexible products and develops technological solutions in algorithmic and digital trading to make better use of market opportunities and reduce risks.

Natural gas storage facilities, which are strategic assets for both the GPG Group and the GAZPROM Group, safeguard the security of the energy supply in Germany and Europe. In the current market environment, the prices for storage fees have fallen below historical averages. GPG's management anticipates that storage fees will stabilise at today's level.

In the gas transportation segment, the GPG Group has been financing the construction of the EUGAL pipeline since 2018 via its WIGA investee. The first portion was commissioned during 2020; it will be followed by the planned start of the second portion in the course of 2021

The GPG Group aims to become more flexible and efficient. To achieve this, the Group is reorganising and merging key areas of its operations. These changes in the Group's organisational structure are intended to simplify and optimise these areas.

The key financial figures for the 2020 financial year were characterised by special effects, such as the unusually high price volatility on global energy markets. It is currently not apparent, however, that favourable market conditions in this respect will continue in 2021. The GPG Group is working on strategic measures, including the procurement and pricing of Russian gas, so that the margins in the trading business – in terms of both trading and distribution – are stabilised and risks are minimised. The GPG Group's planning for the 2021 financial year anticipates an gross operating profit of EUR 547.3 million and a result for the period totalling EUR 61.8 million.

In terms of GPG, result for the period is expected to be lower in 2021. The reason for this decrease is a reduced investment result based on GM&T's dividend planning. This entity's contribution to earnings from the LNG business is still being negatively impacted by the trend towards global gas price convergence and the falling margins from the trading business.

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

EUR thousands	Notes	2020	adjusted presentation 2019
Revenue	(1)	12,756,997	24,334,058
Cost of materials	(2)	-12,209,287	-23,278,530
Net result from trading, derivatives and foreign currency translation	(3)	207,399	-258,422
Net result from loss allowances on trade receivables	(4)	-22,009	-9,631
Gross operating profit		733,101	787,476
Other operating income	(5)	39,015	58,299
Employee benefits	(6)	-236,539	-242,016
Depreciation, amortisation and impairment of fixed assets	(7)	-158,624	-291,779
Other operating expense	(8)	-147,967	-206,620
Net operating profit		228,985	105,361
Finance income	(9)	35,561	26,372
Finance expense	(10)	-59,979	-55,482
Result from investments	(11)	114,337	107,768
Net result from loss allowances on loans and long-term financial assets	(12)	-983	5,819
Result before tax		317,921	189,837
Income taxes expense	(13)	-40,782	3,197
Result for the period		277,139	193,034
Items that will not be reclassified subsequently to profit or loss:			
Changes in			
Share in other comprehensive income of investments accounted for using the equity method		-353	-2,453
Defined benefit plans		-7,433	-13,559
Deferred tax		2,250	4,108
Items that may be reclassified subsequently to profit or loss:			
Changes in			
Cash flow hedge reserve		-240,964	12,572
Cost of hedging reserve		-1,404	-4,049
Share in other comprehensive income of investments accounted for using the equity method		-2,259	-1,784
Translation reserve		-88,599	58,705
Deferred tax		-23,104	29,213
Total other comprehensive income	(14)	-361,868	82,753
Total comprehensive income		-84,729	275,787
Group result for the period		277,732	187,118
Result for the period attributable to non-controlling interests	(15)	-594	5,917
Total result for the period		277,139	193,034
Total group comprehensive income		-84,135	269,895
Total comprehensive income attributable to non-controlling interests	(15)	-594	5,892
Total comprehensive income		-84,729	275,787

CONSOLIDATED BALANCE SHEET

EUR thousands	Notes	31 December 2020	31 December 2019
Cash and cash equivalents	(16)	173,035	170,044
Trade and other receivables	(17)	2,789,361	3,058,841
Short-term derivative financial assets	(18)	1,184,913	1,585,796
Receivables from income tax		25,480	8,456
Inventories	(19)	1,027,735	657,963
Total current assets		5,200,526	5,481,100
Intangible assets	(20)	91,826	110,475
Property, plant and equipment	(21)	810,495	836,868
Right-of-use assets	(22)	438,528	518,156
Investments accounted for using the equity method	(23)	769,103	775,666
Other financial assets	(24)	528,751	576,691
Long-term derivative financial assets	(18)	210,307	285,116
Deferred tax assets	(25)	348,476	468,986
Total non-current assets		3,197,487	3,571,958
Total assets		8,398,013	9,053,058
Short-term provisions	(26)	14,062	11,695
Short-term financing liabilities	(27)	720,095	232,963
Short-term lease liabilities		91,318	91,739
Short-term trade and other payables	(28)	2,451,619	3,168,780
Short-term derivative financial liabilities	(29)	1,301,263	1,414,614
Liabilities from income tax		70,213	86,686
Total current liabilities		4,648,569	5,006,476
Deferred tax liabilities	(25)	144,944	263,268
Long-term provisions	(26)	360,764	341,992
Long-term lease liabilities	(27)	706,320	834,608
Long-term trade and other payables	(28)	5,608	12,161
Long-term derivative financial liabilities	(29)	302,823	225,153
Total non-current liabilities		1,520,458	1,677,183
Subscribed capital	(30)	225,595	225,595
Reserves		928,900	1,290,944
Retained earnings		1,092,850	870,627
Equity attributable to equity holders of the parent company		2,247,345	2,387,166
Non-controlling interests	(31)	-18,360	-17,767
Total equity		2,228,985	2,369,399
Total equity and liabilities		8,398,013	9,053,058

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

EUR thousands	Subscribed capital	Capital reserve	Other reserves	Retained earnings	Equity attributable to equity holders of the parent company	Non-controlling interests	Total
1 January 2019	225,595	1,124,937	76,647	1,160,138	2,587,317	-23,433	2,563,884
Adjustment opening balance on IFRS 16 adoption				-24,497	-24,497		-24,497
Changes to the scope of consolidation			6,582	-600	5,982	-226	5,756
Dividends				-451,531	-451,531		-451,531
Total comprehensive income			82,778	193,034	275,812	-25	275,787
Transfers				-5,917	-5,917	5,917	
31 December 2019	225,595	1,124,937	166,007	870,627	2,387,166	-17,767	2,369,399
Changes to the scope of consolidation			-176	176			
Dividends				-55,685	-55,685		-55,685
Total comprehensive income			-361,868	277,139	-84,729		-84,729
Transfers				594	594	-594	
31 December 2020	225,595	1,124,937	-196,037	1,092,850	2,247,346	-18,360	2,228,985

We refer to Note (14) for further explanatory material on the changes in other reserves.

CONSOLIDATED CASH FLOW STATEMENT

EUR thousands	Notes	2020	2019
Cash receipts from:			
Sale of goods, works and services		61,298,967	87,612,903
Usage fees and other revenues		28,754	50,363
Finance leases		37,058	37,084
Cash paid for:			
Purchased goods, works and services		-61,461,819	-86,635,019
Wages and salaries		-240,094	-242,994
Interest and finance cost		-44,878	-47,747
Paid or refunded income taxes		-98,270	-58,316
Other taxes		56,559	-67,312
Cash flow from operating activities		-423,722	648,962
Cash receipts from:			
Interest		9,669	11,323
Dividends		114,852	57,373
Disposals of:			
Intangible assets			2,202
Property, plant and equipment		2,615	3,188
Loans		11,955	11,044
Investments accounted for using the equity method		1,870	4,570
Group companies			3,852
Other financial assets		77	14
Cash paid for investments in:			
Intangible assets		-20,206	-19,780
Property, plant and equipment		-11,703	-123,872
Loans		-3,760	-6,711
Other financial assets		-3,180	-4
Cash flow from investing activities		102,188	-56,802
Cash receipts:			
from proceeds of financing liabilities		864,777	10,753
Cash paid for:			
Dividends	(32)	-52,901	-428,954
Repayment of financing liabilities		-384,068	-60,738
Repayment of lease liabilities		-85,634	-84,160
Cash flow from financing activities		342,174	-563,098
Total cash flows from continued operations		20,640	29,062
Changes of non-current assets held for sale			11
Total cash flows from discontinued operations			11
Effect of exchange rate differences in cash and cash equivalents		-17,607	-6,243
Changes to the scope of consolidation		-56	-19,819
Effect of loss allowances in cash and cash equivalents		14	-17
Total changes in cash and cash equivalents		2,992	2,993
Cash and cash equivalents on 1 January		170,044	167,050
Cash and cash equivalents on 31 December		173,035	170,044

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GENERAL NOTES

GAZPROM Germania GmbH (GPG or the Group), which has its head office at Markgrafenstraße 23, 10117 Berlin, Germany, is registered in the Commercial Register of Berlin-Charlottenburg under HRB No. 36569.

The GPG Group's principal activity is the acquisition, management and sale of interests in companies, specifically in those dealing with the import, export and sale of natural gas, and with the planning, construction and use of natural gas storage facilities.

GPG uses its subsidiaries and investees to realise the significant commercial interests of GAZPROM, a public stock corporation based in Moscow, Russia (GAZPROM), particularly in the European and Asian regions.

GPG is a subsidiary of the limited liability company Gazprom export, which in turn is a GAZPROM subsidiary based in St. Petersburg, Russia (Gazprom export). GAZPROM prepares the consolidated financial statements for the maximum scope of consolidation in which GPG is included. The consolidated financial statements are available from GAZPROM at ul. Nametkina 16, V-420, GSP-7, 117 997 Moscow, Russia. The company is registered at the Registry Office of the Russian Federation, Moscow, under No. 022.726.

The managing director prepared these consolidated financial statements as at the signature date. Gazprom export, the sole shareholder of GPG, is responsible for approving these consolidated financial statements. Section 325 HGB stipulates that they must be submitted electronically to the operator of the German Federal Gazette (Bundesanzeiger) for subsequent publication in the Federal Gazette.

ACCOUNTING PRINCIPLES

GPG prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), based on section 315e (3) in conjunction with section 315e (1) HGB. The Group has chosen not to prepare consolidated financial statements in accordance with HGB, as permitted under section 315e (3) HGB.

We prepared GPG's consolidated financial statements based on the going concern assumption and generally applied the historical cost principle. Exceptions from this principle are disclosed in the Summary of Significant Accounting Methods section, which describes the primary accounting policies applied in these consolidated financial statements. These policies were applied consistently throughout all reported periods, except when otherwise indicated.

MANDATORY NEW IFRS; AMENDED STANDARDS AND INTERPRETATIONS ADOPTED BY THE GROUP

Certain new amendments to accounting standards and interpretations have been published by standard-setting bodies. The GPG Group has adopted these in full insofar as the application of these amendments was mandatory for the reporting period. The application of these amendments did not have a material effect on the GPG consolidated financial statements in the period under review.

RELEVANT NEW STANDARDS PUBLISHED BUT NOT YET MANDATORY

Certain new accounting standards and interpretations were published in the 2020 financial year, but their application is not mandatory for the reporting period ending as at 31 December 2020. The GPG Group has not adopted these accounting standards. We anticipate these standards will not have a material impact on the Group or on foreseeable future transactions in the current or future reporting periods.

SUMMARY OF SIGNIFICANT ACCOUNTING METHODS

CAPITAL CONSOLIDATION AND BUSINESS COMBINATIONS

The consolidated financial statements include the financial statements of GPG and the entities controlled by it (subsidiaries).

Control over a subsidiary requires that the investor is exposed to or has rights to variable returns from its engagement in the investee, and that the investor also has the right to affect those returns through its power over the investee. This control right can be exercised either based on simple voting rights, or through other contractual agreements. Controlled entities are consolidated in accordance with IFRS 10.

Non-controlling interests are reported as a separate line item. An increase made to a majority interest is accounted for in accordance with the entity concept as a transaction between owners.

Entities over which the Group has significant influence (associates) and joint ventures are recognised in the statement of financial position as of the acquisition date using the equity method in accordance with IAS 28. The principle applied to capital consolidation is also applied to any remaining differences. Goodwill is reported in the carrying amount of the equity investment.

If necessary, adjustments are made to the financial statements of the subsidiaries in order to adapt the accounting methods used to the Group's policies.

Receivables and payables between fully consolidated companies are offset. Intragroup revenue and any other intragroup income as well as the corresponding expenses are eliminated.

Material intragroup profits and losses are eliminated as well. If the consolidation results in temporary differences between the IFRS-based accounts and the tax accounts, deferred taxes are recognised accordingly.

FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are prepared in euros (EUR). Unless otherwise indicated, all amounts are shown in thousands of euros (EUR thousand).

Transactions in a foreign currency in the separate financial statements prepared in local currency by consolidated companies are translated into the reporting currency using the exchange rate of the transaction month. Monetary items are translated using the exchange rate prevailing on the financial reporting date. Translation differences from transactions denominated in foreign currency are reported through profit or loss in the statement of comprehensive income, separated into operating activities and financing activities.

Financial statements prepared by consolidated companies in a foreign currency are translated into EUR using the functional currency concept. With the exception of seven foreign companies (prior-year period: seven), the functional currency of the foreign companies is their respective local currency, as these companies conduct their business activities in a financially, commercially and organisationally independent manner. The US dollar (USD), the most common transaction currency in the gas business, is used as an alternative functional currency.

Assets and liabilities are translated into EUR using the daily rate prevailing at the end of the reporting period, whereas the average exchange rate of the financial year is used to translate income and expenses. The resulting foreign currency translation differences are recognised through other comprehensive income in the currency translation reserve and are recognised in profit or loss only when the corresponding assets and liabilities are derecognised.

The most important exchange rates used for currency translation into EUR are:

Currency (1 EUR =)	Exchange rate 31 December 2020	Exchange rate 31 December 2019	Average exchange rate 2020	Average exchange rate 2019
US dollar (USD)	1.22710	1.12340	1.14220	1.11947
British pound sterling (GBP)	0.89903	0.85080	0.88970	0.87777
Swiss franc (CHF)	1.08020	1.08540	1.07052	1.11245

The financial statements of the consolidated entities included in the Group accounts are prepared using uniform accounting policies.

REVENUE

The Group recognises revenue if the fulfilment of a performance obligation towards a customer creates an economic benefit and the proceeds can be reliably determined. Revenue is recognised either over the time period during which the performance is rendered or at the point in time when the power to dispose of the asset has been transferred to the customer.

Revenue within the Group that falls within the scope of IFRS 15 is reported as revenue from contracts with customers. This revenue is realised as part of business activities undertaken to distribute energy carriers, such as natural gas and power, to end-customers. This includes contracts that are entered into and held for receiving or delivering a non-financial item in accordance with the Group's expected purchase, resale or use requirements. Revenue from contracts with customers also includes optimisation, structuring and other transactions that are conducted for physically receiving or delivering a non-financial item in connection with sales business oriented towards supplying end-customers. Revenue from contracts with customers additionally includes physically fulfilled deliveries of LNG, LPG and similar products, as well as services related to gas storage and transport. Revenue that does not fall within the scope of IFRS 15, such as operating lease transactions in accordance with IFRS 16, is reported as other revenue. Revenue is always presented gross within the Group.

The performance obligations for LNG, LPG, crude oil, gas condensate and refined products are fulfilled at a specific point in time in accordance with contractually applicable Incoterms. In contrast, the performance obligations for the products natural gas, power and for services associated with storage and transport are fulfilled over a specific period of time. The contracts with customers have in principle a performance obligation.

Revenue recognised over a specific period of time is measured using an output-based method that measures the natural gas and power volumes delivered to the customer. The Group deems this approach to be reliable because it is based on actually delivered quantities and – with just a few exceptions – it corresponds to the invoice amount.

Revenue from the end-customer business is based to a limited extent on estimates of consumption because a meter reading takes place at irregular intervals. Until the actual consumption is determined, this revenue is deferred as contract assets. Contract liabilities result when customers make prepayments. Revenue is subsequently recognised as soon as the performance obligation is fulfilled, i.e. when the products are delivered.

The vast majority of contracts have a payment term of 30 days. However, payment conditions with due dates for up to one year are also possible.

NET RESULT FROM TRADING, DERIVATIVES AND FOREIGN CURRENCY TRANSLATION

A significant portion of the Group's transactions are classified as trading. These include financial instruments, which are classified as Held for Trading in accordance with IFRS 9. Trading transactions are undertaken solely to achieve a trader margin. The corresponding results are therefore reported on a net basis. In addition to physically fulfilled contracts, these transactions include financial trading activities without physical delivery that are undertaken to optimise the Group's energy portfolio.

Contracts related to non-financial instruments contain pricing terms based on a variety of commodities and indices. IFRS 9 stipulates that these contracts must be recognised in the statement of financial position at fair value, with the change in fair value being reported in the statement of comprehensive income under the line item Net result from trading, derivatives and foreign currency translation.

Realised and unrealised gains and losses from foreign currency translation in operating activities are likewise reported in the net result from trading, derivatives and foreign currency translation.

The change in the reporting in the statement of comprehensive income in the year under review is intended to improve the comparability of financial indicators and strengthen the understanding of the impact of price and currency hedging instruments.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset for one entity and to a financial liability or equity instrument for another entity.

Financial assets include primarily cash and cash equivalents, trade receivables, other originated loans and receivables, and derivative financial assets held for trading.

IFRS 9 stipulates that they must be allocated to the following categories: At Amortised Cost, Fair Value Through Profit or Loss, and Fair Value Through Other Comprehensive Income.

Financial liabilities regularly create a contractual obligation to deliver cash or another financial asset to another party. They comprise primarily trade payables, liabilities to banks, lease liabilities and derivative financial liabilities.

Financial assets and liabilities are fundamentally **recognised** as soon as the Group becomes a contractual party to the financial instrument. Recognition depends on the respective category of financial instrument. In the case of customary market purchases or sales without net settlement, financial instruments in the At Amortised Cost category are recognised on the settlement date. The settlement date is usually the day when an asset is delivered or received. In contrast, derivative financial instruments included within the scope of the categories Fair Value Through Profit and Loss or Fair Value Through Comprehensive Income are excluded from this principle, as they are recognised earlier.

Financial assets and liabilities are **reported** on a net basis if a legally enforceable right currently exists to offset the amounts to report, and the parties intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are **derecognised** if the Group has no control, or only partial control, of the asset due to the realisation, transfer, abandonment or forfeiture of contractual usage rights. Financial liabilities are derecognised when they are extinguished, i.e. when the obligation is settled, cancelled or expires.

Primary financial assets are **measured** using the following methods:

- Originated loans and receivables are measured at amortised cost using the effective interest method. Cash and cash equivalents, trade receivables and other receivables usually have short residual maturities. Their carrying amounts thus largely correspond to their fair values. Cash and cash equivalents include cash in hand, bank balances and short-term deposits with an original maturity of less than three months, as well as receivables from the cash pooling arrangement within the GAZPROM Group.

This category also includes loans and other non-current receivables, which are reported under other non-current financial assets.

The Group does not use its option to measure these items at fair value through profit or loss.

- Other investments are fundamentally assigned to the Fair Value Through Other Comprehensive Income category pursuant to IFRS 9. Any changes to fair value between the acquisition date and the reporting date are recognised through other comprehensive income in the reserve for changes in fair values. An exception is currently made for other investments that are structured as a Ger-

man partnership. These are assigned to the Fair Value Through Profit or Loss category, and their changes in market value are recognised through profit or loss.

An active market does not exist for the other investments held by the GPG Group. The fair values are therefore estimated and recognised based on the discounted cash flow method, provided that reliable forecasts exist. Otherwise, these investments are measured at the cost of acquisition in accordance with IFRS 9.B5.2.3.

The Group has applied the Expected Credit Loss (ECL) model pursuant to IFRS 9 to financial instruments that are measured at amortised cost, and to granted financial guarantees. Trade receivables are subject to the simplified approach when determining the expected credit losses. Under this approach, a risk provision is established for all instruments regardless of their credit quality for the amount of the expected credit losses over the lifetime of the instrument.

For the other financial instruments within the scope of the ECL model, the Group uses external and internal ratings in order to establish a risk provision at initial recognition for the loss expected within a 12-month period. In the subsequent measurement, financial instruments with only limited credit risk remain classified in this category. Financial instruments with elevated default risk upon initial recognition are reviewed regularly to determine whether the probability of default has risen significantly since initial recognition. This leads to the recognition of a risk provision in the amount of the expected credit loss over the lifetime of the financial instrument. The same applies if objective evidence of an impairment exists. In addition, the instrument must be classified accordingly as an impaired financial instrument. For further detailed explanatory material, please refer to Note (33) Financial Instruments and Risk Management. The impairment loss is reversed if the amount of the impairment decreases in a subsequent period, and this decrease can be verifiably traced to an event occurring after the impairment loss was recognised. The reversal of the impairment loss cannot exceed what the amortised cost would have been on the date of the impairment reversal if the impairment loss had not been recognised. The reversal of the impairment loss is also recognised in profit or loss.

Primary financial liabilities are recognised at amortised cost using the effective interest rate method. The Group does not use its option to measure these items at fair value through profit or loss.

Financial guarantees issued by the Group are contractual arrangements requiring a payment to be made to reimburse the guarantee holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. When granted for the first time, financial guarantees are initially recognised as a liability at fair value, net of the transaction costs directly attributable to the issuance of the guarantee. The liability is subsequently measured at the higher of the amount initially recognised less cumulative income, and the amount of the expected credit loss under the ECL model in accordance with IFRS 9.

Derivative financial instruments (derivative financial assets or derivative financial liabilities) include primarily trading agreements that are not intended for the receipt or delivery of non-financial items in connection with the Group's expected purchase, resale or usage requirements. Derivative financial instruments are regularly used to hedge against price, volume and foreign exchange risks in operating activities, as well as against interest rate risks in financing activities. Derivative financial instruments comprise contracts requiring physical delivery (usually forwards), as well as contracts that can be settled on a net basis, such as futures, swaps and options.

Derivative financial instruments are recognised at fair value in accordance with IFRS 9.

The fair value of commodity futures and swaps that are traded in active markets where observable market data exist is based on the quoted prices as at the measurement date (Level 1 of the IFRS fair value hierarchy).

The fair value of financial instruments not traded in an active market is based on inputs other than quoted prices that are observable either directly or indirectly (Level 2 in the IFRS fair value hierarchy).

Contracts that are measured based on non-observable market data belong to Level 3 of the IFRS fair value hierarchy. The Group measures these items using management's best estimates as derived from internally developed estimation models.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines at the end of each reporting period whether reclassifications resulting from remeasurements have occurred between levels in the hierarchy (based on the lowest input level that is significant for the fair value measurement as a whole).

Derivative financial instruments that do not fulfil the conditions for hedge accounting must be classified as Fair Value Through Profit or Loss items and reported within financial assets or financial liabilities. A gain or loss resulting from subsequent measurement is recognised through profit or loss in the statement of comprehensive income. Unrealised gains or losses resulting from the fair value measurement of derivative financial instruments are reported in the net result from trading, derivatives and foreign currency translation in operating activities, or in financial expenses in financing activities.

Hedge accounting

The Group uses certain financial and non-financial instruments to hedge against risks associated with changes in commodity prices, emission rights prices and foreign exchange rates that arise in the ordinary course of business.

When a hedging relationship is initiated, both the hedging relationship as well as the risk management objectives and strategies behind the hedge are formally defined and documented. This documentation contains the determination of the hedging instrument, the hedged item or the hedged transaction, the type of risk to be hedged, and a description setting out how the Group assesses whether the hedging relationship meets the requirements for hedging effectiveness.

The hedging relationships used by the Group are classified as follows:

- fair value hedges, which are used to hedge exposures against changes in the fair value of a recognised asset, liability or a firm commitment; or
- cash flow hedges, which are used to hedge exposures against cash flow fluctuations that are attributable to a risk associated with a recognised asset or liability, or to a highly probable forecast transaction.

The treatment of gains and losses from the measurement of hedging instruments depends on the type of hedging relationship.

Fair value hedges are used to hedge the risk of changes in the fair value of unrecognised firm commitments. The Group applies fair value hedge accounting when hedging against commodity price risks associated with natural gas storage contracts.

Changes in the fair value of derivatives that have been designated as part of effective fair value hedges continue to be recognised in the statement of comprehensive income. During the term of the hedge, the change in the fair value of the designated firm commitment that is attributable to the hedged risk is recognised in both the balance sheet and the statement of comprehensive income.

Fair value hedge accounting is discontinued only if the hedging relationship or part of it no longer meets the qualifying criteria. This includes cases in which the risk management objective changes, or if the hedging instrument has been sold, terminated or exercised. The cumulative adjustment of the carrying amount of the hedged item at the time of termination is then amortised prospectively through profit or loss over the remaining term of the hedged item.

The Group uses a **cash flow hedge** to hedge future cash flows from assets and liabilities recognised in the balance sheet or from highly probable forecasted transactions. The effective portion of the change in the value of the hedging instruments is recognised through other comprehensive income in the relevant reserve until the corresponding hedged item is recognised through profit or loss. If a hedged future transaction later results in the recognition of a non-financial asset, the accumulated

gains and losses of the derivative financial instrument recognised directly in equity will be accounted for as a reduction or increase in the cost of acquisition of the hedged transaction.

Hedge accounting is discontinued for the hedging relationship when the risk management objective has changed, the hedging instrument expires or is sold, terminated or exercised, or the hedging relationship no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised in profit and loss when the forecasted transaction is recognised in profit or loss. When a forecasted transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately as described above.

Price quotations on an active market are used to determine the fair value of derivative financial instruments. Otherwise, the measurement is made based on current market parameters using customary measurement models. Present values and discounted cash flow methods are used in the measurements. The Group intends to use the best information available by applying valuation methods that maximise the use of observable inputs.

Changes in the fair value of financial assets and financial liabilities measured at fair value through profit or loss are recognised in the net result from trading, derivatives and foreign currency translation if the instrument is not designated in an effective hedging relationship.

The Group in the ordinary course of business acquires non-financial and financial instruments in which the fair value at initial recognition equals the transaction price, which corresponds to the fair value of the consideration rendered or received. Some transactions, however, have a fair value at initial recognition that is based on other observable market evidence for the instrument, or is calculated using a valuation technique that uses only input variables based on observable market evidence. If evidence from observable data is available, the Group recognises a gain or loss (day-one gain or loss) in the statement of comprehensive income when the transaction is initially recognised, provided the fair value is higher or lower than the transaction price.

If significant, unobservable market evidence is used to determine fair value when the transaction takes place, the difference between the transaction price and the fair value that was calculated using valuation techniques as at the transaction date is not recognised immediately. Instead, these day-one gains or losses are deferred and recognised in the statement of comprehensive income on a straight-line basis or in another suitable manner as soon as observable market evidence becomes available.

Virtual gas storage contracts are treated as financial instruments measured at fair value. The gains and losses associated with these items are reported in the net result from trading, derivatives and foreign currency translation. All inventories included in virtual storage contracts are recognised as a derivative financial instrument.

INVENTORIES

If trading activities fall within the scope of IFRS 9 (commodity derivatives), the Group in principle uses fair value to measure the inventories that were acquired for resale within a short period after delivery for the purpose of generating a trading profit from fluctuations in the market price. The changes in fair value are recognised through profit or loss. Inventories that were acquired for resale in the short term and which are subject to temporary access restrictions as at the reporting date are measured at the lower of cost and net realisable value.

All other inventories outside the scope of IFRS 9 (contracts to receive or deliver non-financial items in accordance with the entity's expected purchase, resale or usage requirements, and which are to be held further for this purpose) are measured at the lower of cost of acquisition and net realisable value in accordance with IAS 2. These are inventories that were purchased for optimisation and structuring purposes in connection with the end-customer business, and not for the realisation of a trader margin. Acquisition costs are determined using the weighted average cost method or the first-in first-out (FIFO) method.

NON-CURRENT ASSETS

Intangible assets acquired for consideration excluding goodwill are measured at the cost of acquisition less straight-line amortisation pursuant to IAS 38. Goodwill is recognised in accordance with IFRS 3. Right-of-use assets are amortised in accordance with their useful life.

Development costs for internally developed software are recognised as an intangible asset if the Group can demonstrate it is technically feasible to complete the software, and that the Group intends to complete the internally developed software for internal use or resale. The asset is recognised only if it is probable that the internally developed software will generate expected future economic benefits. Internally developed software is amortised on a straight-line basis over its expected useful life.

If there are indications of impairment and the recoverable amount is less than the amortised cost, an impairment loss is recognised on the intangible asset. If the reasons for the impairment no longer exist, the impairment loss on the asset (except for goodwill) is reversed accordingly.

The estimated useful lives of the individual classes of intangible assets are as follows:

	Useful life in years
Goodwill	Indefinite
Contractual rights	1-33
Software purchased	1-5
Internally generated software	1-5
Other intangible assets (w/o software)	1-3
	or lifecycle

Property, plant and equipment is measured in accordance with IAS 16 at cost less straight-line depreciation and allowances in case of an impairment. If there are indications that the reasons for the impairment losses recognised in previous years no longer exist, the impairment losses are reversed accordingly.

Borrowing costs are capitalised if these costs are attributable to the acquisition or production period of the qualifying assets.

If components of an asset have different useful lives and if their cost accounts for a significant proportion of the total costs of the item of property, plant and equipment, each component is depreciated separately.

The Group reports under plant and machinery the cushion gas held in various natural gas storage facilities. This cushion gas has a useful life that is based on the amount that can be technically extracted. If the sales proceeds of the extractable cushion gas exceed its carrying amount, an indefinite useful life is assumed.

Obligations for the dismantling of assets are capitalised as a cost of acquisition in accordance with IAS 16.16 (c) to the extent of the provisions required for such obligations in accordance with IAS 37. The provision is recognised for the discounted settlement amount. The time value of money is recognised in profit or loss.

Costs incurred for the maintenance and repair of items of property, plant and equipment are expensed as incurred. Replacement costs and the costs of significant repair work are capitalised as subsequent costs of conversion when the recognition criteria are met.

The estimated useful lives of the various categories of property, plant and equipment are as follows:

	Useful life in years
Land	Indefinite
Buildings	1-50
Technical equipment and machinery	1-33
	or units of production method
Fixtures, fittings and equipment	1-23

Investments accounted for using the equity method are recognised in the statement of financial position in accordance with IAS 28. Investments are initially recognised at the cost of acquisition. The respective carrying amount is thereafter increased or decreased after the acquisition date to recognise the Group's share of the change in the equity of the associate or joint undertaking.

In the case of an associate, the shareholder is able to exercise significant influence. Significant influence requires the power to participate in the financial and operating policy decisions of an investee, but precludes control or joint management.

Joint management is exercised based on joint arrangements. Joint arrangements are classified as either joint operations or joint ventures.

Joint operations involve a joint agreement that transfers to the parties direct rights to the assets and liabilities relating to the joint operation.

In contrast, a joint venture grants to the venturers the rights to the net assets or the earnings of the arrangement. A venturer of a joint venture has no rights to individual assets or liabilities of the joint venture.

Impairment of non-current non-financial assets

Impairments are recognised on non-current assets when the asset's carrying amount exceeds the higher of its fair value less expected disposal costs, and value in use. Value in use is normally applied because the data used for this assessment are more reliable.

The Group tests assets as at every reporting date to determine whether indications of impairment exist. Regardless of whether there is an indication of impairment, goodwill and other intangibles not yet available for use (software in development) are tested for impairment once a year. Other non-current assets are tested for impairment when an indication of impairment exists.

Non-current assets are measured at the level of cash-generating units. These are defined as the smallest identifiable group of assets that can generate cash inflows from the ongoing use independently of cash inflows from other assets.

The Group determines value in use based on the present discounted value of the estimated future sustainable operating cash flows expected from the ongoing use of the asset in the future. This calculation is based on a ten-year plan approved by the Group's management. Management considers the cash flow projections for the ten-year period to be reliable, as a portion of the Group's contractual relationships have been concluded for long-term periods. If an asset is judged to have an indefinite useful life, the perpetual annuity is calculated based on the forecast for the last plan year.

CURRENT AND DEFERRED TAX

Tax expense for the reporting period comprises current and deferred tax.

Current tax expense is calculated in accordance with the tax rules applicable on the reporting date in the countries where GPG, its subsidiaries, joint ventures and associates operate.

The Group recognises and measures deferred tax in accordance with IAS 12 using the balance sheet liability method based on the tax rate expected at the time of realisation. Deferred tax is recognised on the timing differences between the recognition and measurement of items in the tax accounts and the IFRS-based balance sheet of the individual Group companies. The company-specific income tax rate is applied to this difference. Deferred tax resulting from consolidation entries is recognised separately.

Deferred tax assets are recognised for the anticipated tax benefits associated with tax loss carryforwards and deductible differences if it is sufficiently certain that these carryforwards will be utilised in the future. The recoverability of deferred tax assets is reviewed as at each reporting date. If the Group determines that the deferred tax assets are not recoverable, valuation allowances are established for the unrecoverable amounts.

As in the previous year, the income tax rate applied at GPG is 31.0 %. This rate consists of a 15.83 % corporation tax, including the solidarity surcharge on corporation tax, and a 15.17 % trade tax. The income tax rates of foreign companies applied within the Group range between 10 % and 40 %.

PROVISIONS FOR PENSIONS AND SIMILAR OBLIGATIONS

Employees of the entities included in the consolidated financial statements are entitled to receive a defined benefit or defined contribution pension under the respective entity's pension scheme. Pension provisions from **defined benefit plans** are recognised in the statement of financial position using the projected unit credit method in accordance with IAS 19. This method takes into account not only the known pensions and entitlements as at the reporting date, but also expected future salary and pension increases. Actuarial gains and losses are recognised fully in other comprehensive income in the financial year in which they occur.

Plan assets reduce the present value of the defined benefit obligation (DBO). If a pension plan is in surplus, a non-current asset is reported under other non-current financial assets. Allocations to provisions for pensions including interest are reported in operating profit.

When **defined contribution plans** are involved, the payments are expensed when due and reported in employee benefits expense.

Provisions for uncertain obligations to third parties as defined in IAS 37 are recognised when an obligation to a third party exists as a result of a past event, the obligation is likely to result in a future outflow of resources, and the amount of this outflow can be reliably estimated. They are recognised at their expected settlement amount and are not offset against any recourse claims. Non-current provisions are recognised at their present value, provided that the effect is material. The periodic compounding is recognised as interest expense. Changes in provisions due to an adjustment of the interest rate are reported in operating profit, provided a related asset does not need to be adjusted.

The Group recognises an onerous contracts provision if the contract is not part of a cash-generating unit and the unavoidable costs of fulfilling the associated contractual obligations are higher than the expected economic benefits from the contract.

Provisions for dismantling obligations are recognised for the future cost to dismantle and remove natural gas storage and extraction facilities, and natural gas filling stations. They represent the major part of the provisions for uncertain obligations. The present value of the anticipated obligations is capitalised as an asset within property, plant and equipment. A corresponding provision is recognised simultaneously for the same amount. The periodic interest cost from the unwinding of the discount is reported as finance expense. The discount rates used range between 0.01 % and 0.34 %. If any of the underlying estimates change, such as prices or discount rates, the carrying amount of the item of property, plant and equipment as well as the corresponding provision are modified accordingly.

CONTINGENT LIABILITIES

Contingent liabilities are not recognised in the balance sheet unless they have been assumed in the context of a company acquisition. They are disclosed in the notes if a) the existence of a possible obligation due to past events has yet to be confirmed on the basis of the occurrence or non-occurrence of one or more possible future events over which the company does not exercise complete control; or b) an outflow of resources is not probable; or c) the amount of the obligation cannot be reliably estimated.

LEASES

The following table contains the Group's most important leasing activities, which under IFRS 16 are recognised in the balance sheet either under the right-of-use model or as a finance lease:

Lease activity	Contract view	Expected lease term	Asset class
LNG vessels	As lessee and sublessor	10 to 15 years	Vessels
Gas storage caverns	As lessee only	25 years	Plant and machinery
Fibre optic	As lessee and sub-/lessor	5 to 15 years	Plant and machinery
Cushion gas	As lessee only	13 years	Plant and machinery
Property (mainly used as offices)	As lessee and sublessor	8 to 18 years	Property

The Group has furthermore concluded operating lease agreements as a lessor, as well as short-term leases and leases for low-value assets as a lessee, which overall have a limited effect on the consolidated financial statements.

Lease agreements in the GPG Group, as both a lessor and as a lessee, usually have a fixed maturity, but also contain extension and termination options in a number of vessels and real estate lease agreements throughout the Group. These options are intended primarily to increase operating flexibility when using the leased objects. The extension and termination options included in the lease agreements may be exercised only by the lessee.

Lease agreements in the GPG Group frequently have both leasing and non-leasing components. In the case of vessels and real estate lease agreements, the contractually agreed lease payments are broken down into the lease and non-lease components in accordance with their proportionate individual prices.

Accounting as the lessee

If the leased property has been ceded to the lessee for use, IFRS 16 stipulates that the leases must be recognised in the balance sheet as a right-of-use asset and as a corresponding lease liability.

The lease liabilities in the GPG Group equal in principle the present value of the fixed and variable payments, which are based on an index or an interest rate. Other types of payments, such as those resulting from residual guarantees, exercise prices of purchase options, or penalties, occur very rarely in the Group or are immaterial, and are usually not taken into account. The lease payments are discounted with the implied interest rate. If this interest rate cannot be easily determined, which is the case for almost all leases in the Group, the lessee's incremental borrowing rate of interest is used. The incremental borrowing rate is the interest rate that a lessee would have to pay to finance an asset with a value similar to the right-of-use asset, in a similar economic environment and with similar terms, collateral and conditions.

The Group determines the incremental borrowing rate by applying a bottom-up approach. Under this approach, the Group starts at a risk-free interest rate and then adjusts it according to the respective subsidiary's credit risk, the lease term, the currency and any collateral provided.

The right-of-use asset in most cases corresponds to the lease liability at the start of the lease agreement, but may also include lease payments that were made when the lease commenced or before, less any lease incentives received. Initial direct costs or dismantling obligations, in contrast, are added to the right-of-use asset.

Right-of-use assets are fundamentally depreciated on a straight-line basis over the term of the lease because the useful life of the asset does not extend beyond the term of the lease.

Lease liabilities are regularly remeasured to reflect modifications to the lease payments because of changes in estimates regarding extension or termination options, or to take account of other adjustments to the lease that were not recognised as a separate lease. The adjustment of the lease liability due to a remeasurement is usually carried out profit-neutrally by increasing or decreasing the value of the right-of-use asset.

The Group is also exposed to potential future increases in variable lease payments based on an index or interest rate. These increases are not included in the lease liability until they become effective. If lease payments are adjusted based on an index or an interest rate, the lease liability is remeasured and the right-of-use asset is adjusted accordingly.

The Group utilised the exemption provided for by IFRS 16 under which payments for leases with a term of less than 12 months or for leases in connection with low-value assets may be recognised directly in profit and loss. In these cases, a right-of-use asset or a lease liability are not recognised.

Accounting as the lessor

A lease is classified as a finance lease if it in essence transfers all risks and rewards of ownership of the asset to the lessee. Otherwise the lease is classified as an operating lease.

Assets held under a finance lease are reported in the balance sheet as a receivable in the amount of the net investment in the lease. Financial income is recognised based on a pattern that reflects a constant periodic rate of return on the net investment in the finance lease.

Payments from operating leases less lease incentives or premiums are recognised in the statement of comprehensive income through profit or loss on a straight-line basis over the term of the lease.

The GPG Group also acts as an intermediate lessor by subleasing vessels, fibre optic cables and office space to external and affiliated companies. These subleases are treated in accordance with the usual lessor activity, with the exception that they are now classified as a finance or operating lease based on the head lease agreement, and no longer on the basis of the underlying asset.

ASSUMPTIONS AND ESTIMATES

The consolidated financial statements were prepared using assumptions and estimates that affect the value and presentation of the recognised financial assets and liabilities, income and expense, and contingent liabilities.

- Assumptions and estimates play a particularly important role when determining the fair values of **tangible and intangible assets** obtained when acquiring companies. To that end, assumptions were made regarding production and sales quantities as well as the development of prices over periods of up to 25 years.
- The post-tax **discount rates** used range between 4.93 % and 5.30 %, and were determined using the weighted average cost of capital (WACC) method. An energy-industry-specific beta factor of 0.685 was applied in the calculation of WACC.
- Moreover, forward-looking assumptions and estimates are also made when assessing the recoverability of **goodwill**.
- The fair values of **derivative financial instruments** that are not traded in active markets (Level 3 of the IFRS fair value hierarchy) are determined using measurement models. The choice of methods and inputs contained in the measurement models is based on market conditions. Any fluctuations in these conditions can have a significant influence on the measurement result.
- Deferred tax assets are recognised for unutilised tax loss carryforwards if it is probable that a taxable profit will be achieved in the future periods in which the losses can be used. When analysing the recoverability of deferred tax assets, discretionary decisions are made. The recoverability of the deferred tax assets is determined using a ten-year tax planning calculation.
- The assumptions and estimates made when measuring provisions relate to their probability and the discount rate. The inflation rate for services to be utilised in the future must also be estimated when measuring provisions.
- A long-term capacity contract for a gas transmission line was treated as an onerous contract in the reporting period. The Group exercised judgement when determining the expected amount of the onerous payments that exceed the expected future benefit, particularly for future periods in which market prices are not readily available.
- When determining the **non-cancellable term of lease agreements**, the Group, when necessary, takes into account all relevant economic incentives that can lead to the exercise of extension or termination options. If management concludes that the exercise of an extension or termination

option cannot be assessed with sufficient certainty, this option is not taken into account when determining the underlying contractual term.

- When the Group leases its own natural gas storage facilities, the lease asset is assumed to have an indefinite useful life. As a result, leases of the Group's natural gas storage facilities are fundamentally classified as **operating leases**.

The assumptions and estimates are based on the respective current circumstances and estimates. Actual results may differ from these estimates. The assumptions underlying the estimates are regularly reviewed. Changes to estimates that relate to only one period are implemented in this period only. However, if the changes affect the current period and subsequent periods, they are taken into account in all affected periods. The GPG Group's risk management is based on the VaR approach. The Group therefore performs sensitivity analyses in addition to a VaR calculation when deemed necessary. If material, the results of this sensitivity analysis are disclosed in the corresponding notes. We refer to Note (26) for the sensitivity analysis regarding provisions for pensions.

CHANGES IN PRESENTATION

The presentation of the statement of comprehensive income has been changed in these consolidated financial statements. The prior-year figures were restated in accordance with the adjusted presentation in the statement of comprehensive income and in the related notes. The changes made are explained in the corresponding notes.

SCOPE OF CONSOLIDATION

The scope of consolidation changed as follows:

	Domestic	Foreign	Total
Parent company	1		1
Controlled companies	9	22	31
Investments accounted for using the equity method	5	4	9
Number as at 31 December 2019	15	26	41
Controlled companies	2		2
Mergers 2020	2		2
Controlled companies		1	1
Investments accounted for using the equity method		1	1
Disposals 2020		2	2
Parent company	1		1
Controlled companies	7	21	28
Investments accounted for using the equity method	5	3	8
Number as at 31 December 2020	13	24	37

As in the previous year, the Group is not making the corresponding disclosures in the notes in accordance with IFRS 3 because this information is not material.

The **mergers** of controlled companies in the financial year were as follows:

	merged to	Date of the merger
Subsidiary		
astora Beteiligungs-GmbH, Kassel (Germany)	astora GmbH, Kassel (Germany)	13 October 2020
astora GmbH & Co. KG, Kassel (Germany)	astora GmbH, Kassel (Germany)	13 October 2020

On 13 October 2020, astora Beteiligungs-GmbH was merged with Zweite Gazprom Projektgesellschaft mbH. As part of this transaction, astora GmbH & Co. KG was merged into Zweite Gazprom Projektgesellschaft mbH on 13 October 2020. In this context, the company name was changed to astora GmbH and the headquarters was moved to Kassel when the articles of association of Zweite Gazprom Projektgesellschaft mbH were amended and the transaction was entered in the commercial register on 13 October 2020.

The **disposals** in the financial year were as follows:

	Date of deconsolidation	Notes
Subsidiaries		
WGS Gas s.r.o., Prague (Czech Republic)	16 April 2020	Liquidation
Investments accounted for using the equity method		
Gazprom Austria GmbH, Vienna (Austria)	28 October 2020	Sale

In accordance with the shareholders' resolution dated 11 June 2018, the liquidation of WGS Gas s.r.o. was completed when the company was deleted from Czech commercial register on 16 April 2020. The disposal resulted in a loss of EUR 0.1 million.

On 28 October 2020, GAZPROM Schweiz AG sold its investment in Gazprom Austria GmbH to Gazprom export. The sale resulted in a loss of EUR 1.3 million.

The following subsidiaries were included in the consolidated financial statements:

Company, registered office	Shareholding 31 December 2020 (in %)	via	Shareholding 31 December 2019 (in %)	via
01 GAZPROM Schweiz AG, Zug (Switzerland)	100.00	GPG	100.00	GPG
02 IMUK AG, Zug (Switzerland)	100.00	01	100.00	01
03 Gazprom Marketing & Trading Ltd, London (United Kingdom)	100.00	GPG	100.00	GPG
04 Gazprom Marketing & Trading Retail Ltd, London (United Kingdom)	100.00	03	100.00	03
05 Gazprom Marketing & Trading France SAS, Nanterre (France)	100.00	03	100.00	03
06 Gazprom Marketing & Trading Switzerland AG, Zug (Switzerland)	100.00	03	100.00	03
07 Gazprom Marketing & Trading Singapore Pte Ltd, Singapore (Singapore)	100.00	03	100.00	03
08 Gazprom Marketing & Trading USA Inc., Delaware (USA)	100.00	03	100.00	03
09 Gazprom Global LNG Ltd, London (United Kingdom)	100.00	03	100.00	03
10 Gazprom Mex (UK) 1 Ltd, London (United Kingdom)	100.00	03	100.00	03
11 Gazprom Mex (UK) 2 Ltd, London (United Kingdom)	100.00	10	100.00	10
12 Gazprom Marketing & Trading México S. de R.L. de C.V., Tijuana (Mexico)	100.00	10/11	100.00	10/11
13 ZMB Gasspeicher Holding GmbH, Vienna (Austria)	66.67	GPG	66.67	GPG
14 ZGG - Zarubezhgazneftechim Trading GmbH, Vienna (Austria)	100.00	GPG	100.00	GPG
15 Gazprom NGV Europe GmbH, Berlin (Germany)	100.00	GPG	100.00	GPG
16 astora GmbH, Kassel (Germany), previously Zweite Gazprom Projektgesellschaft mbH, Berlin (Germany)	100.00	GPG	100.00	GPG
17 WIBG GmbH, Kassel (Germany)	100.00	GPG	100.00	GPG
18 WIEH GmbH, Berlin (Germany)	100.00	17	100.00	17
19 WIEE Hungary Kft., Budapest (Hungary)	100.00	01	100.00	01
20 WIEE Bulgaria EOOD, Sofia (Bulgaria)	100.00	01	100.00	01
21 WIEE Romania S.R.L., Bucharest (Romania)	100.00	01	100.00	01
22 WINGAS GmbH, Kassel (Germany)	100.00	17	100.00	17
23 WINGAS UK Ltd, Richmond (United Kingdom)	100.00	22	100.00	22
24 WINGAS Sales GmbH, Kassel (Germany)	100.00	22	100.00	22
25 WINGAS Holding GmbH, Kassel (Germany)	100.00	22	100.00	22
26 WINGAS Benelux BV, Brussels (Belgium)	100.00	25	100.00	25
27 Gazprom Turkey Enerji Anonim Sirketi, Istanbul (Turkey)	100.00	01	100.00	01
28 VEMEX ENERGO s.r.o., Bratislava (Slovakia)	100.00	22/25	100.00	01
... astora Beteiligungs-GmbH, Kassel (Germany)			100.00	16
... astora GmbH & Co. KG, Kassel (Germany)			100.00	16
... WGS Gas s.r.o., Prague (Czech Republic)			100.00	17

The comprehensive income attributable to non-controlling interests is disclosed in Note (31).

WIBG for the reporting year chose to exercise the exemption provided for under section 264 (3) HGB.

The following joint ventures and associated companies are accounted for using the equity method:

Company, registered office	Shareholding 31 December 2020 (in %)	via	Shareholding 31 December 2019 (in %)	via
Joint ventures				
29 Gas Project Development Central Asia AG, Baar (Switzerland)*	50.00	GPG	50.00	GPG
30 PremiumGas S.p.A., Bergamo (Italy)	50.00	GPG	50.00	GPG
31 Industriekraftwerk Greifswald GmbH, Kassel (Germany)	51.00	22	51.00	22
32 WIGA Verwaltungs-GmbH, Kassel (Germany)	49.98	GPG	49.98	GPG
33 WIGA Transport Beteiligungs-GmbH & Co. KG, Kassel (Germany)*	49.98	GPG	49.98	GPG
Associated companies				
34 Etzel Kavernenbetriebs-Verwaltungsgesellschaft mbH, Bremen (Germany)	33.33	GPG	33.33	GPG
35 Etzel Kavernenbetriebsgesellschaft mbH & Co KG, Bremen (Germany)	33.33	GPG	33.33	GPG
36 VEMEX s.r.o., Prague (Czech Republic)*	67.00	GPG	50.14	GPG
... Gazprom Austria GmbH, Vienna (Austria)			50.00	01

* Subsidiaries and investments consolidated within subgroup financial statements are not listed separately.

GPG acquired a further 16.86 % investment in VEMEX on 30 December 2020. Despite its 67.00 % interest in the share capital of VEMEX, the Group does not have a controlling influence on the company and its subsidiaries, as this would require not less than a 75.0 % voting majority under the company's articles of association.

The articles of association of Industriekraftwerk Greifswald GmbH also require not less than a 75.0 % voting majority for significant decisions. Consequently, the Group does not have a controlling influence on this company, even though the Group has a 51.0 % interest in the company's share capital.

According to the articles of association of WIGA Verwaltungs-GmbH and the articles of association of WIGA Transport Beteiligungs-GmbH & Co. KG, resolutions of the shareholders' meeting must be passed unanimously. As a result, both companies are classified as joint ventures despite GPG's equity investment of 49.98 % in each company.

NOTES TO THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(1) REVENUE

The Group realises its revenue primarily from contracts with customers. The exceptions include charter revenue for sublet LNG transports. The following table shows the breakdown of revenue by products:

EUR thousands	2020	adjusted presentation 2019
Natural gas	10,681,824	21,425,200
Liquefied natural gas (LNG)	1,395,112	1,092,787
Liquefied petroleum gas (LPG)	17,986	291,870
Gas condensate	2,236	15,366
Oil	23,214	773,289
Refined products	21,199	74,341
Power and renewable energy certificates	313,547	249,229
Storage	30,830	29,088
Other revenue	271,048	382,888
Total revenue	12,756,997	24,334,058
thereof from contracts with customers (IFRS 15)	12,723,653	24,283,877
thereof from leasing (IFRS 16)	33,345	50,182

The Group changed the presentation of revenue in the year under review so that the reporting includes only revenue from customer contracts according to IFRS 15 and from leases under IFRS 16. The net result from trading, derivatives and foreign currency translation is reported and explained in Note (3).

The revenue decrease in 2020 is largely due to natural gas. This decline resulted from both lower sales prices and reduced sales volumes. The negative price trend is clearly reflected in the important European wholesale markets, such as the Dutch Title Transfer Facility (TTF). While the annual average price for natural gas on the TTF spot market in 2019 was EUR 13.6 per megawatt-hour (MWh), it fell to an average of EUR 9.3/MWh during 2020.

Although average LNG prices decreased on the Asian market, which is the GPG Group's primary market for LNG sales, revenue increased due to higher sales volumes.

LPG revenue was lower in 2020 on the previous year due to reduced volumes.

The decline in revenue generated with gas condensate was also largely due to lower volumes.

The sales of crude oil in 2020 was shaped by a drop in prices on the global markets, and especially by lower volumes available for distribution. As a result, revenue generated with crude oil fell year-on-year by 97.0 %.

The revenue generated with refined products decreased compared with the previous year. This decline was attributable mainly to lower volumes.

The year-on-year increase in the revenue from renewable energy certificates more than offset the volume-related decline in revenue realised with power.

Other revenue fell year-on-year by EUR 111.8 million and stands at EUR 271.0 million in the reporting period. This item includes mainly charter revenue for LNG transport vessels and the marketing of natural gas storage facilities and transport capacities.

The GPG Group in 2020 completely fulfilled the recognised contractual liabilities in connection with performance obligations for the delivery of gas and power to customers which had made advance payments as at 31 December 2019. The Group recognised the associated revenue accordingly. In addition, there are no outstanding performance obligations with a residual term of more than one year.

(2) COST OF MATERIALS

EUR thousands	2020	adjusted presentation 2019
Natural gas	9,495,392	19,744,194
Liquefied Natural Gas (LNG)	1,465,172	959,168
Liquefied Petroleum Gas (LPG)	17,928	290,515
Gas condensate	2,208	15,330
Oil	23,173	767,758
Refined products	19,854	71,743
Power and renewable energy certificates	254,199	195,815
Transit costs	655,190	919,103
Vessel and storage leasing costs	34,170	26,322
Service and maintenance	16,268	12,667
Other cost of materials	225,733	275,915
Total cost of materials	12,209,287	23,278,530

Analogous to the changes in the reporting of revenue as set out in Note (1), no expenses from trading activities are recognised as of this reporting period under cost of materials. These expenses, which are now netted, are reported and explained under Note (3).

The cost of materials declined by EUR 11,069.2 million to EUR 12,209.3 million (prior-year period: EUR 23,278.5 million). The main drivers for this trend, similar to revenue, were lower purchase prices and quantities of natural gas. The cost of materials for LNG increased by EUR 506.0 million, primarily due to higher quantities purchased. Transit costs fell by 28.7 % compared to 2019 because of lower transport volumes.

(3) NET RESULT FROM TRADING, DERIVATIVES AND FOREIGN CURRENCY TRANSLATION

EUR thousands	2020	adjusted presentation 2019
Net result from trading activities	376,487	-341,674
Net result from fair value changes of derivative financial instruments	-182,343	216,558
Net result from foreign currency translation	13,255	-133,306
Total net result from trading, derivatives and foreign currency translation	207,399	-258,422

The net result from trading, derivatives and foreign currency translation is presented in one line item for the first time in these consolidated financial statements. It contains the balance of trading income and trading expenses, the net result from fair value changes related to commodity, foreign currency and other derivative financial instruments, as well as the net result from realised and unrealised foreign currency translation in operating activities. The change in the presentation compared with the previous year is intended to match how the operating business is managed by presenting related effects on profit or loss in one line item. This aims to counteract distortions in the depiction of related commodity price and currency fluctuations and the resulting measurements.

The net result from trading activities includes gross income netted with the corresponding gross expenses in the amount of EUR 48,195.9 million (prior-year period: EUR 68,131.6 million).

The net result from foreign currency translation consists of realised gains totalling EUR 11.2 million (prior-year period: loss of EUR 147.0 million) and unrealised gains in the amount of EUR 2.1 million (prior-year period: gain of EUR 13.7 million) and stems from exchange rate fluctuations between the EUR, USD and GBP.

The net result from trading, derivatives and foreign currency translation improved year-on-year by EUR 465.8 million. The increase is primarily attributable to the high volatility on the commodity markets in 2020 and the resulting opportunities for the trading business and optimisation.

(4) NET RESULT FROM LOSS ALLOWANCES ON TRADE RECEIVABLES

EUR thousands	2020	adjusted presentation 2019
Income from reversal of loss allowance on trade receivables	1,602	14,228
Increase of loss allowance on trade receivables	-20,017	-21,961
Write-off of trade receivables	-3,595	-1,897
Total net result from loss allowances on trade receivables	-22,009	-9,631

Starting from the 2020 reporting period, the impairment result is broken down into the net result from loss allowance on trade receivables, which is reported in gross operating profit, and in the net result from loss allowances on loans and long-term financial assets, which is reported in Note (12).

The net result from loss allowances on trade receivables relates primarily to receivables recognised in connection with customer contracts. The breakdown leads to a more appropriate allocation of income and expenses to gross operating profit.

As a result of the effects of the COVID-19 pandemic, write-off of trade receivables increased to EUR 3.6 million.

(5) OTHER OPERATING INCOME

EUR thousands	2020	adjusted presentation 2019
Income from disposal of property, plant and equipment	912	2,448
Income from rents and leases	19,570	20,783
Income from internally produced and capitalised assets	131	6,797
Sundry	18,402	28,271
Total other operating income	39,015	58,299

In comparison to the previous year, the net gains from foreign currency translation in operating activities were reclassified from other operating income to the net result from trading, derivatives and foreign currency translation.

Sundry other operating income in the previous year was characterised by higher income from contractual penalties received.

(6) EMPLOYEE BENEFITS

EUR thousands	2020	2019
Salaries	198,940	205,320
Social security and other benefits	18,738	18,727
Retirement benefit costs	18,861	17,969
Total employee benefits expense	236,539	242,016

Employee benefits expense decreased in 2020 compared to the previous year due to lower expenses for bonuses.

Retirement benefit costs, which contain the interest income and interest expense relating to defined benefit plans, include:

EUR thousands	2020	2019
Current and past service cost	3,053	1,165
Net interest expenses or income	556	894
Defined benefit plans	3,609	2,059
Contributions to state pension plans	7,374	6,970
Contributions to the corporate pension scheme	7,877	8,939
Defined contribution plans	15,252	15,909
Total retirement benefit costs	18,861	17,969

The average annual number of employees in the GPG Group rose slightly.

	2020	2019
Staff	1,539	1,493
Apprentices and trainees	4	5
Total employees	1,543	1,498

(7) DEPRECIATION, AMORTISATION AND IMPAIRMENT OF FIXED ASSETS

EUR thousands	Notes	2020	2019
Depreciation and amortisation of:			
Intangible assets	(20)	35,190	41,933
Property, plant and equipment	(21)	50,853	50,844
Right-of-use assets	(22)	55,940	62,786
Total depreciation and amortisation		141,983	155,562
Impairment of:			
Intangible assets	(20)	117	9,045
Property, plant and equipment	(21)	16,524	43,670
Right-of-use assets	(22)		83,501
Total impairment		16,641	136,216
Total depreciation, amortisation and impairment of fixed assets		158,624	291,779

As a result of cautious price expectations, the Group recognised an impairment loss totalling EUR 9.1 million (prior-year period: EUR 43.7 million) on the natural gas (cushion gas) reported under plant and machinery.

In addition, the Group recognised an impairment loss of EUR 7.4 million on an aircraft.

For additional explanatory material, please refer to Note (21).

(8) OTHER OPERATING EXPENSE

EUR thousands	2020	adjusted presentation 2019
Promotion, sponsorship, representation	58,851	63,827
Legal and consulting fees	11,644	19,941
Lease related expenses	2,091	2,679
Contractually agreed sales commission on natural gas contracts	259	272
Losses from disposal of intangible assets and property, plant and equipment	795	198
Other operating cost buildings	7,131	7,624
Travel expenses	1,587	8,111
Service and maintenance	7,301	7,810
Other tax expense	1,028	1,075
Sundry	57,279	95,082
Total other operating expense	147,967	206,620

In comparison to the presentation in the previous year's consolidated financial statements, the net losses from foreign currency translation in operating activities were eliminated from other operating expense and reclassified to the net result from trading, derivatives and foreign currency translation. Other tax expense, which in the previous year were reported in a separate item, are reported under other operating expense starting from 2020.

Travel expenses decreased by EUR 6.5 million due to the restrictions resulting from the COVID-19 pandemic.

Sundry other operating expenses include the expenses for litigation and contractual penalties, as well as for other services, software and hardware maintenance, telecommunication and information services.

(9) FINANCE INCOME

EUR thousands	2020	adjusted presentation 2019
Interest income from:		
Primary financial instruments	12,647	13,367
Finance leases	9,237	10,384
Sundry	2,447	139
Total interest income	24,331	23,890
Net gains from foreign currency translation in financing activities	11,141	2,370
Sundry	89	112
Total other financial income	11,230	2,482
Total finance income	35,561	26,372

Interest income and other financial income have been combined into one item to simplify the presentation of the effects of finance income.

(10) FINANCE EXPENSE

EUR thousands	2020	adjusted presentation 2019
Interest expense for:		
Primary financial instruments	5,062	6,033
Lease liabilities	29,415	32,956
Sundry	9,642	4,454
Total interest expense	44,119	43,444
Net losses from foreign exchange differences in financing activities		1,877
Bank charges	4,236	5,452
Sundry	116	106
Total other financial expense	4,353	7,435
Fair value changes of foreign exchange derivatives financial activities	11,508	4,603
Total fair value changes of foreign exchange derivatives financial activities	11,508	4,603
Total finance expense	59,979	55,482

Analogous to finance income, interest expense and other financial expenses have been combined into one item in order to simplify the presentation of the effects of financial expenses.

Sundry interest expense includes the interest cost resulting from the compounding of interest on provisions. Please refer to Note (26) in this regard.

(11) RESULT FROM INVESTMENTS

EUR thousands	Notes	2020	adjusted presentation 2019
Share of profits		123,885	109,210
Share of losses		-10,719	-902
Total result from investments accounted for using the equity method	(23)	113,166	108,308
Gains from disposals of affiliated companies			807
Gains from business combinations achieved in stages and from disposal of other investments			3
Losses from deconsolidation of affiliated companies		-56	-6,694
Result from fair value measurement of other investments		1,227	5,343
Other result from investments	(24)	1,171	-541
Total result from investments		114,337	107,768

The result from investments accounted for using the equity method and the other result from investments have been combined into one item in order to simplify the presentation in the statement of comprehensive income.

The detailed breakdown of the profit and loss components is presented in Note (23).

For explanatory material on the result from the fair value measurement of other investees, please refer to Note (24).

(12) NET RESULT FROM LOSS ALLOWANCES ON LOANS AND LONG-TERM FINANCIAL ASSETS

EUR thousands	2020	adjusted presentation 2019
Result from loss allowance on other financial instruments and financial guarantees, net	-6,122	1,756
Result from impairment on long-term financial instruments	5,343	5,237
Revaluation gains	-204	-1,174
Total net result from loss allowances on loans and long-term financial assets	-983	5,819

The result from loss allowance as recognised due to the application of IFRS 9 is reported starting from the 2020 reporting period in various items in the statement of comprehensive income based on their underlying cause. For instance, the net result from loss allowances on loans and long-term financial assets is presented in the financial result.

(13) INCOME TAXES

EUR thousands	Notes	2020	2019
Income tax for the period		62,658	58,996
Income tax for prior periods		2,006	1,866
Current tax		64,664	60,862
Deferred tax	(25)	-23,882	-64,059
Total income tax		40,782	-3,197

The income tax expense of EUR 64.7 million for the financial year was EUR 3.8 million higher compared with the previous year. This increase is mostly due to the higher year-on-year pre-tax profit.

The deferred tax income in the amount of EUR 23.9 million (prior-year period: income of EUR 64.1 million) results primarily from changes between the IFRS-based values in the balance sheet and the corresponding balances under tax-accounting principles.

The differences between nominal income taxes and total income taxes are presented below:

	2020		2019	
	EUR thousands	%	EUR thousands	%
Profit before tax	317,921		189,837	
Calculated income tax	98,556	31.0	58,850	31.0
Tax effects from:				
Income tax for prior periods	2,006	0.6	1,866	1.0
Deferred tax for prior periods	1,450	0.5	-2,685	-1.4
Differences compared to individual tax rates	-28,909	-9.1	-31,991	-16.9
Tax rate changes on deferred tax	-13,108	-4.1	157	
Non-deductible expenses	5,798	1.8	21,010	11.1
Tax-free income	-2,855	-0.9	-1,493	-0.8
Changes on losses carried forward	10,710	3.4	-3,830	-2.0
Investments accounted for using the equity method	-14,195	-4.5	-35,010	-18.4
Differing tax rates/taxable base	-8,298	-2.6	-12,885	-6.8
Others	-10,372	-3.3	2,814	1.5
Total income tax	40,782	12.8	-3,197	-1.7

In 2020, interest carry-forwards amounting to EUR 10.4 million were utilised for which no deferred tax assets were established.

(14) OTHER COMPREHENSIVE INCOME

EUR thousands	Changes in					Total other comprehensive income
	Cash flow hedges reserve ¹	Cost of hedging reserve	Defined benefit plans reserve	Shares accounted for using the equity method reserve	Translation reserve	
1 January 2019	2,483		-3,748	4,932	71,613	75,279
Changes to the scope of consolidation				423	7,552	7,975
Exchange rate differences				294		294
Additions	191,911		-10,814	-4,622	58,167	234,641
Recycling to income statement	-183,388					-183,388
Disposals (included in other result from investments)				92	538	630
Disposals (included in employee benefits)			-2,745			-2,745
Deferred tax	28,772		4,108	441		33,320
Total changes						
1 January - 31 December 2019	37,295		-9,451	-3,796	58,705	82,753
31 December 2019	39,777		-13,199	1,559	137,869	166,007
Changes to the scope of consolidation				-181	5	-176
Adjustment opening balance	4,049	-4,049				
Exchange rate differences				-128		-128
Additions	-103,793	-779	-6,249	-2,461	-88,599	-201,882
Recycling to income statement	-141,220	3,424				-137,796
Disposals (included in other result from investments)				-24		-24
Disposals (included in employee benefits)			-1,184			-1,184
Deferred tax	-23,504	-49	2,250	449		-20,854
Total changes						
1 January - 31 December 2020	-264,468	-1,454	-5,183	-2,164	-88,599	-361,868
31 December 2020	-224,691	-1,454	-18,382	-786	49,276	-196,037

All items of other comprehensive income, except for the obligations from defined benefit plans in accordance with IAS 19, will be recycled through profit or loss in future periods.

The changes in the cash flow hedge reserve resulted mostly from commodity derivatives. For further explanatory material regarding the application of hedge accounting, please refer to Note (33) Financial Instruments and Risk Management.

When applying hedge accounting, the Group uses option contracts and distinguishes between intrinsic value and fair value. Only the change in the intrinsic value of the option is designated as a hedging instrument. The change in the fair value of an option contract is recognised in other comprehensive income and accumulated in the hedging cost reserve. In the previous year, the hedging cost reserve was reported within the cash flow hedge reserve and the corresponding amount was explained using

a footnote. As of this reporting period, the hedging cost reserve will be presented as a separate equity component.

The change in the currency translation reserve is attributable primarily to the development of the USD versus the EUR.

(15) TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

EUR thousands	2020	2019
Share of profits		14,298
Share of losses	-594	-8,381
Result for the period attributable to non-controlling interests	-594	5,917
Changes in:		
- Foreign currency translation of financial statements of non-euro group companies		-25
Other comprehensive income attributable to non-controlling interests		-25
Total comprehensive income attributable to non-controlling interests	-594	5,892

NOTES TO THE CONSOLIDATED BALANCE SHEET

(16) CASH AND CASH EQUIVALENTS

This line item includes cash in hand, bank balances and receivables from cash pooling.

Cash and cash equivalents are subject to the loss allowance regulations set out in IFRS 9, but the loss determined by the Group was immaterial.

There were no restrictions on the disposal of cash and cash equivalents as at both 31 December 2020 and 31 December 2019.

(17) TRADE AND OTHER RECEIVABLES

EUR thousands	Notes	31 December 2020	31 December 2019
Primary financial instruments and contract assets			
Trade receivables		2,489,229	2,889,881
Contract assets		171,850	
Other receivables		33,635	45,814
Total primary financial instruments and contract assets	(33)	2,694,714	2,935,696
Other assets			
Advance payments		30,597	63,851
Other tax receivables		36,608	36,109
Deferred expenses		27,443	23,185
Total other assets		94,648	123,145
Total trade and other receivables		2,789,361	3,058,841

Contract assets as defined in IFRS 15 are not financial instruments. In the previous year, these contract assets in the amount of EUR 191.6 million were combined with trade receivables because they are a material class of similar assets.

Trade receivables decreased moderately because revenue in December 2020 was lower than in December 2019. Information on related party transactions is disclosed in Note (38).

The net book value of the primary financial instruments after deducting allowances made is as follows:

EUR thousands	31 December 2020	31 December 2019
Primary financial instruments, gross	2,626,651	2,834,856
Contract assets	171,850	191,613
Loss allowances	-103,787	-90,773
Total primary financial instruments and contract assets, book value	2,694,714	2,935,696

The following table shows the change in the allowances for expected credit losses on trade and other receivables. It also presents how changes in the gross book values of financial instruments during the reporting period have led to changes in the risk provisioning:

EUR thousands	Lifetime expected credit losses				Total
	12-month expected credit losses	Credit risk increased significantly, but not credit-impaired	Credit-impaired financial assets	Trade receivables	
1 January 2019	-814		-46,866	-35,387	-83,068
Exchange rate differences	-28			-767	-795
Changes to the scope of consolidation				-2	-2
Additions	-1,274	-44	-5,946	-20,484	-27,748
Transfers	-406		-7,688		-8,094
Transfer to lifetime expected credit losses due to significant increase in default risk (not impaired)	2	-2			
Disposals	962		880	28,161	30,003
Changes in credit risk parameters	-20	3		-1,053	-1,069
31 December 2019	-1,578	-43	-59,620	-29,532	-90,773
Exchange rate differences	52			979	1,030
Additions	-669	-46	-6,395	-19,895	-27,005
Transfers	305		-4,047		-3,742
Disposals	856			15,266	16,122
Changes in credit risk parameters	220			361	580
31 December 2020	-814	-89	-70,062	-32,821	-103,787

In accordance with IFRS 9, the Group applies the simplified method for trade receivables without a significant financing component in order to determine the credit loss expected over the lifetime of the receivable.

The collateral furnished by business partners amounted to EUR 43.4 million as at 31 December 2020 (prior-year period: EUR 27.9 million). There is no indication with regard to receivables which are neither impaired nor overdue as at the financial reporting date that the corresponding debtors will not fulfil their payment obligations.

The Group concludes master netting agreements and collateral agreements with its counterparties in connection with some financial instruments. These agreements entitle the Group to net a counterparty's receivables and payables in the event of a default by the counterparty. In addition, the Group may liquidate any collateral and offset the proceeds against the net amount of the counterparty's liabilities.

The following two tables disclose information on the offsetting effects in the balance sheet as well as on the potential financial offsetting effects in respect of instruments subject to legally enforceable offsetting arrangements or similar agreements.

The Potential offsetting column discloses the amounts subject to a netting arrangement but which were not offset in the balance sheet because the conditions for offsetting were not fulfilled. In addition, the column also contains the collateral received or furnished in relation to total assets and total liabilities, as well as the received or pledged amounts of collateral in the form of cash or financial instruments which do not fulfil the conditions for offsetting in the statement of financial position.

EUR thousands	2020				
	Gross amounts recognised	Offsetting	Net amounts recognised	Potential offsetting	Net amounts after potential offsetting
Financial instruments assets					
Cash and cash equivalents	173,053		173,053		173,053
Trade receivables	6,575,456	4,053,406	2,522,050	439,972	2,082,078
Other assets	77,363		77,363		77,363
Interest receivables	5,967		5,967		5,967
Derivative financial assets	5,957,159	4,561,938	1,395,221	865,303	529,918
Total financial instruments assets	12,788,998	8,615,344	4,173,654	1,305,275	2,868,379
Financial instruments liabilities					
Trade payables	6,142,861	4,053,406	2,089,455	439,972	1,649,483
Other liabilities	18,046		18,046		18,046
Interest liabilities	155		155		155
Derivative financial liabilities	6,166,024	4,561,938	1,604,086	865,303	738,783
Total financial instruments liabilities	12,327,085	8,615,344	3,711,741	1,305,275	2,406,466

	2019				Net amounts after potential offsetting
	Gross amounts recognised	Offsetting	Net amounts recognised	Potential offsetting	
EUR thousands					
Financial instruments assets					
Cash and cash equivalents	170,075		170,075		170,075
Trade receivables	8,217,355	5,297,941	2,919,414	491,521	2,427,893
Other assets	91,030		91,030		91,030
Interest receivables	1,584		1,584		1,584
Derivative financial assets	9,497,784	7,626,872	1,870,912	1,025,995	844,917
Total financial instruments assets	17,977,829	12,924,813	5,053,016	1,517,516	3,535,500
Financial instruments liabilities					
Trade payables	8,147,152	5,297,941	2,849,211	491,521	2,357,691
Other liabilities	27,110		27,110		27,110
Derivative financial liabilities	9,266,639	7,626,872	1,639,767	1,025,995	613,771
Total financial instruments liabilities	17,440,901	12,924,813	4,516,088	1,517,516	2,998,572

The trade receivables shown in this schedule do not include any loss allowances recognised on these receivables.

(18) DERIVATIVE FINANCIAL ASSETS

The derivative financial assets as at the reporting date are composed as follows:

EUR thousands	Notes	31 December 2020		31 December 2019	
		short-term	long-term	short-term	long-term
Derivative financial assets					
Commodity derivatives		1,109,201	210,147	1,432,119	247,564
Foreign currency derivatives		43,266	160	90,152	37,552
Other derivatives		32,446		63,525	
Total derivative financial assets	(33)	1,184,913	210,307	1,585,796	285,116

(19) INVENTORIES

The following inventories were recognised in the statement of financial position as at the reporting date:

EUR thousands	31 December 2020	31 December 2019
Natural gas	155,556	164,027
Natural gas (measured at fair value)	773,031	324,357
LNG	13,404	20,107
LNG (measured at fair value)	7,286	
Power and renewable energy certificates	33,422	76,449
Emission allowances (measured at fair value)	36,501	67,264
Other inventories	8,536	5,759
Total inventories	1,027,735	657,963

Unless disclosed otherwise, inventories are measured at the lower of cost and net realisable value.

Inventories measured at fair value are held mainly to generate a profit from short-term fluctuations in the market price. Changes in the fair value of inventories between the reporting dates are recognised through profit or loss. The fair value is determined based on the market price for the earliest delivery of the respective product as at the reporting date. Most of the inventories are classified in Level 2 of the fair value hierarchy.

The Power and renewable energy certificates line item includes the Group's portfolio of clean energy certificates that are traded under the support model for renewable energies in the United Kingdom.

The rise in European gas prices in December 2020 combined with higher gas storage volume due to the expanded availability of storage capacity in the third quarter of 2020 led to a significant increase in natural gas inventories measured at fair value as at 31 December 2020 compared to 31 December 2019.

The Group recognised through profit or loss in the statement of comprehensive income in cost of materials the change in inventories totalling EUR -404.1 million (prior-year period: EUR 297.9 million), and expenses in the amount of EUR 26.3 million (prior-year period: EUR 20.9 million) from the translation of inventory balances denominated in a foreign currency in operating activities. In addition, inventories totalling EUR 8.0 million were written off. Changes in the scope of consolidation did not have an effect on inventories in 2020 (prior-year period: disposal of EUR 0.3 million).

(20) INTANGIBLE ASSETS

Intangible assets changed in the financial year as follows:

EUR thousands	Goodwill	Software purchased	Software internally generated	Software under development	Contractual rights	Other intangible assets	Total intangible assets
1 January 2019	1,196	145,734	76,621	6,419	128,796	8,142	366,908
Exchange rate differences	61	5,343	4,459	80	172	61	10,176
Changes to the scope of consolidation		-628				-6,098	-6,726
Additions		792		18,104		7,927	26,824
Transfers		4,221	16,441	-20,236		-271	154
Disposals		-231		-15		-116	-363
Total acquisition costs							
31 December 2019	1,257	155,231	97,522	4,350	128,967	9,645	396,973
1 January 2019		105,515	51,406		66,873	7,653	231,448
Exchange rate differences		3,936	3,051		172	57	7,217
Changes to the scope of consolidation		-626				-6,059	-6,685
Additions		16,123	12,904		12,411	495	41,933
Impairment					9,045		9,045
Transfers					1,512		1,512
Disposals		-219				2,248	2,029
Total accumulated amortisation							
31 December 2019		124,730	67,361		90,013	4,394	286,498
Total net book value							
31 December 2019	1,257	30,502	30,160	4,350	38,954	5,251	110,475
1 January 2020	1,257	155,231	97,522	4,350	128,967	9,645	396,973
Exchange rate differences	-67	-5,614	-5,642	-97	-188	-96	-11,704
Additions		680	317	12,336		7,021	20,354
Transfers		-27,462	39,218	-12,443			-687
Disposals		-2,565	-10			-1,525	-4,100
Total acquisition costs							
31 December 2020	1,190	120,270	131,405	4,147	128,779	15,045	400,836
1 January 2020		124,730	67,361		90,013	4,394	286,498
Exchange rate differences		-4,532	-3,880		-188	-94	-8,695
Additions		8,157	14,832		9,740	2,460	35,190
Impairment						117	117
Transfers		-10,844	10,844				
Disposals		-2,565	-10			-1,525	-4,100
Total accumulated amortisation							
31 December 2020		114,946	89,147		99,565	5,352	309,010
Total net book value							
31 December 2020	1,190	5,325	42,258	4,147	29,214	9,693	91,826

As in the previous year, the Group as at 31 December 2020 did not own any intangible assets with indefinite useful lives other than goodwill.

Goodwill was assessed in the annual impairment testing using the discounted cash flow method in accordance with IAS 36. The value in use was determined using the present value of future free post-tax cash flows. The calculations are based on the current business plan with a planning horizon of up to ten years. The respective individual company was identified as the smallest cash-generating unit. The previous year's goodwill associated with the end-customer business in the UK was still recoverable as at the reporting date.

In order to provide a more detailed separation of purchased and internally generated software, the Group in the financial year transferred the corresponding acquisition and production costs as well as amortisation between the asset classes.

No intangible assets were pledged as security for liabilities as at 31 December 2020 or as at 31 December 2019.

(21) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment changed in the financial year as follows:

EUR thousands	Land and buildings	Plant and machinery	Fixtures, fittings and other equipment	Construction in progress	Total property, plant and equipment
1 January 2019	115,176	1,498,648	199,978	123,308	1,937,111
Exchange rate differences	601	-699	3,370	-4	3,267
Changes to the scope of consolidation	-712	-188,218	-223	-993	-190,147
Additions	167	114,121	2,960	13,294	130,541
Reassessment	3,801	40,263		300	44,365
Transfers	2,008	28,453	1,124	-31,867	-282
Disposals	-4,150	-6,051	-1,557	-20,754	-32,511
Total acquisition costs					
31 December 2019	116,890	1,486,517	205,653	83,284	1,892,344
1 January 2019	52,746	901,478	116,260	99,227	1,169,710
Exchange rate differences	451	-530	2,476		2,398
Changes to the scope of consolidation	-139	-177,497	-126		-177,762
Additions	2,658	33,799	14,387		50,844
Impairment		43,669	1		43,670
Transfers	23,981	-15,423	69	-10,268	-1,640
Disposals	-4,150	-5,310	-1,537	-20,746	-31,744
Total accumulated depreciation					
31 December 2019	75,547	780,186	131,530	68,213	1,055,476
Total net book value					
31 December 2019	41,343	706,331	74,123	15,072	836,868
1 January 2020	116,890	1,486,517	205,653	83,284	1,892,344
Exchange rate differences	-111	-2	-4,517	-21	-4,651
Additions	990	874	2,933	6,881	11,678
Reassessment	2,657	30,020		74	32,751
Transfers	-3,881	72,797	5,838	-74,727	26
Disposals	-1,574	-11,824	-4,300		-17,699
Total acquisition costs					
31 December 2020	114,971	1,578,382	205,606	15,491	1,914,450
1 January 2020	75,547	780,186	131,530	68,213	1,055,476
Exchange rate differences	-11	-1	-3,520		-3,532
Additions	1,771	34,629	14,453		50,853
Impairment		9,137	7,387		16,524
Transfers	-3,077	62,797	2,910	-62,797	-166
Disposals	-250	-11,226	-3,724		-15,200
Total accumulated depreciation					
31 December 2020	73,981	875,522	149,037	5,415	1,103,955
Total net book value					
31 December 2020	40,990	702,861	56,569	10,076	810,495

The revaluation of property, plant and equipment is attributable to the adjustment of capitalised dismantling obligations due to a change in discount rates. We refer to Note (26) for more explanatory material.

The recoverable amount of the plant and machinery (cushion gas) that were written down in the 2020 financial year in connection with a right-of-use asset (natural gas storage facility) totals EUR 118.4 million as at 31 December 2020 and equals the value in use. The value in use was determined using a post-tax discount rate of 4.93 %.

The Group leases some of its property, plant and equipment based on operating leases. The carrying amounts of currently leased property, plant and equipment, as well as property, plant and equipment to be leased in the future, totalled EUR 117.6 million as at 31 December 2020 (prior-year period: EUR 126.7 million) and related to plant and machinery (EUR 77.6 million; prior-year period: EUR 75.6 million), fixture, fittings and other equipment (EUR 38.4 million; prior-year period: EUR 50.2 million) and construction in progress (EUR 1.6 million; prior-year period: EUR 0.9 million). Of the aforementioned impairment losses, EUR 7.4 million is attributable to leased property, plant and equipment. Apart from depreciation, there were no other material additions, disposals or other changes in leased property, plant and equipment in the financial year.

No items of property, plant and equipment were pledged as security for liabilities as at 31 December 2020, or as at 31 December 2019.

(22) RIGHT-OF-USE ASSETS

The right-of-use assets that were recognised in the consolidated statement of financial position for the first time as of 1 January 2019 in accordance with IFRS 16 changed in the financial year as follows:

EUR thousands	Land and buildings	Plant and machinery	Fixtures, fittings, and other equipment	Vessels	Total property, plant and equipment
Adjustment opening balance	82,591	230,028	10,570	560,902	884,091
Exchange rate differences	2,106	2		11,555	13,663
Additions	6,414	56			6,469
Reassessment	12,010	1,359	1,081	-1,950	12,501
Disposals	-22,257		-11,651	-218,323	-252,231
Total acquisition costs					
31 December 2019	80,864	231,445		352,184	664,493
Exchange rate differences	169	1		-119	50
Additions	10,203	18,480		34,102	62,786
Impairment		83,501			83,501
Total accumulated depreciation					
31 December 2019	10,372	101,982		33,983	146,337
Total net book value					
31 December 2019	70,493	129,462		318,201	518,156
1 January 2020	80,864	231,445		352,184	664,493
Exchange rate differences	-3,335	-3	-4	-29,762	-33,105
Additions	1,025		59		1,084
Reassessment	290	1,537	1,452		3,279
Transfers	494				494
Disposals			-1,452		-1,452
Total acquisition costs					
31 December 2020	79,338	232,979	55	322,422	634,793
1 January 2020	10,372	101,982		33,983	146,337
Exchange rate differences	-631	-2		-5,380	-6,013
Additions	7,998	11,681	5	36,257	55,940
Total accumulated depreciation					
31 December 2020	17,739	113,662	5	64,859	196,265
Total net book value					
31 December 2020	61,599	119,317	50	257,562	438,528

The Group remeasured right-of-use assets in the current year without affecting profit or loss. This adjustment is attributable to an increase in the corresponding lease liability because of an index-based price adjustment, as well as the exercise of an extension option.

(23) INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments accounted for using the equity method changed as follows:

EUR thousands	EKG	Subgroup GPD	Subgroup VEMEX	Subgroup WIGA	Gazprom Austria	Premium Gas	IKG	SOVAG	Invest- ments accounted for using the equity method
1 January 2019	27	9,971		703,207	3,142	2,687	14,050		733,084
Disposals							-4,570		-4,570
Share of profits GPG		-754	-99	103,190	262	-49	841	5,010	108,401
Foreign currency translation					453				453
Share of other comprehensive income:		-1,975	99	-2,391	-62				-4,329
Foreign currency translation of financial state- ments		195	99						294
Fair value of financial assets at FVTOCI		-2,170							-2,170
Defined benefit plans in accordance with IAS 19				-2,391	-62				-2,453
Dividends				-51,664	-169		-531	-5,010	-57,374
Net book value 31 December 2019	27	7,242		752,342	3,626	2,638	9,791		775,666
Disposals and capital reduction and other de- creases in share capital					-3,453				-3,453
Share of profits GPG		-6,658	-308	123,002	199	-2,638	882		114,479
Foreign currency translation					-149				-2,031
Share of other comprehensive income:		-436	308	-2,461					-707
Foreign currency translation of financial state- ments		-436	308						1,754
Cash flow hedges				-2,108					-2,108
Defined benefit plans in accordance with IAS 19				-353					-353
Dividends				-113,789	-222		-840		-114,852
Net book value 31 December 2020	27	149		759,094			9,832		769,103

We have reported WIGA Verwaltungs-GmbH under the WIGA subgroup in 2020 in order to improve clarity. Etzel-Kavernenbetriebs-Verwaltungsgesellschaft mbH and Etzel-Kavernenbetriebsgesellschaft mbH & Co. KG are likewise combined and reported as EKG.

Published price quotations are not available for investments accounted for using the equity method.

The value in use of investments accounted for using the equity method was determined in impairment testing based on the present value of future free post-tax cash flows. The calculations were based on current business plans with a planning horizon of up to ten years. The free cash flows were discounted individually for each company. The discount rates of between 4.93 % and 5.30 % (post-tax) in 2020 (prior-year period: 4.71 % to 6.30 %) were determined using the WACC method. An energy-industry-specific beta factor of 0.685 (prior-year period: 0.721) was applied in the WACC calculation. A maximum growth rate in perpetuity of 0.5 % was assumed for the time frame beyond the planning period.

The impairment tests performed for investments accounted for using the equity method resulted in a complete impairment of the GPD subgroup in the amount of EUR 4.6 million and of PremiumGas S.p.A. in the amount of EUR 2.6 million. The Group recognised these impairments due to negative forecasts regarding the business performance of the companies.

As at 31 December 2020, investments accounted for using the equity method operate in the following business areas:

Company	Short description	Nature of activities
Etzel Kavernenbetriebsgesellschaft mbH & Co. KG, Etzel Kavernenbetriebs-Verwaltungsgesellschaft mbH	EKG	Gas storage
Industriekraftwerk Greifswald GmbH	IKG	Heat and power generation
PremiumGas S.p.A.	PremiumGas	Gas sales
Subgroup Gas Project Development Central Asia AG	Subgroup GPD	Gas production
Subgroup VEMEX s.r.o.	Subgroup VEMEX	Gas sales
Subgroup WIGA Transport Beteiligungs-GmbH & Co. KG, WIGA Verwaltungs-GmbH	Subgroup WIGA	Gas transport

The following schedules show the development of selected items of the balance sheet and the statement of comprehensive income for companies accounted for using the equity method:

31 December 2020							
EUR thousands	Cash and cash equivalents (100 %)	Short-term financing liabilities (100 %)	Long-term financing liabilities (100 %)	Depreciation and amortisation (100 %)	Interest income (100 %)	Interest expense (100 %)	Income tax (100 %)
IKG	2,689			1,771		4	770
PremiumGas	1,916						
Subgroup GPD	2,027			705			
Subgroup WIGA	649	1,402	2,007,941	201,427	273	15,414	52,170
Joint ventures	7,281	1,402	2,007,941	203,903	273	15,418	52,940
Gazprom Austria				18	12	1	166
EKG	4,085	17,094	596,792	32,722	11,284	11,237	466
Subgroup VEMEX	380	23,901		53	6	790	
Associated companies	4,465	40,994	596,792	32,794	11,302	12,027	632
Total	11,747	42,396	2,604,733	236,697	11,575	27,444	53,572

31 December 2019							
EUR thousands	Cash and cash equivalents (100 %)	Short-term financing liabilities (100 %)	Long-term financing liabilities (100 %)	Depreciation and amortisation (100 %)	Interest income (100 %)	Interest expense (100 %)	Income tax (100 %)
IKG	2,449			1,771		3	643
PremiumGas	1,916			7	6		
Subgroup GPD	7,210			886			
Subgroup WIGA	657	1,425,919	401,288	200,266	6	14,555	35,410
Joint ventures	12,232	1,425,919	401,288	202,930	12	14,557	36,053
Gazprom Austria	8,052	6		32	18	45	141
EKG	6,707	16,937	638,362	32,641	3	54,225	-6,137
Subgroup VEMEX	449	23,302		50	4	288	
Associated companies	15,207	40,245	638,362	32,722	25	54,558	-5,996
Total	27,439	1,466,164	1,039,650	235,652	37	69,116	30,057

As in the previous year, there were no restrictions on the disposal of cash and cash equivalents as at 31 December 2020.

31 December 2020									
EUR thousands	Current assets (100 %)	Non-current assets (100 %)	Current liabilities (100 %)	Non-current liabilities (100 %)	Revenue (100 %)	Result from continued operations (100 %)	Result for the period (100 %)	Other comprehensive income (100 %)	Total comprehensive income (100 %)
IKG	8,199	12,741	2,127	916	8,315	1,730	1,730		1,730
PremiumGas	8,712	40	3,689	2,157					
Subgroup GPD	7,797	1,735	857		2,921	-4,207	-4,207	-871	-5,079
Subgroup WIGA	735,051	4,081,672	75,882	2,571,009	789,999	240,111	240,111	-4,027	236,084
Joint ventures	759,759	4,096,187	82,555	2,574,082	801,234	237,633	237,633	-4,898	232,736
Gazprom Austria					33,273	497	497		497
EKG	8,742	620,202	30,739	608,015	66,769	12,819	12,819		12,819
Subgroup VEMEX	14,472	131	55,818		27,672	-1,785	-1,785	614	-1,171
Associated companies	23,215	620,334	86,556	608,015	127,715	11,530	11,530	614	12,144
Total	782,974	4,716,521	169,111	3,182,096	928,949	249,163	249,163	-4,284	244,880

EUR thousands	31 December 2019					Result from continued operations (100 %)	Result for the period (100 %)	Other comprehensive income (100 %)	Total comprehensive income (100 %)
	Current assets (100 %)	Non-current assets (100 %)	Current liabilities (100 %)	Non-current liabilities (100 %)	Revenue (100 %)				
IKG	6,678	14,511	2,365	1,009	8,550	1,648	1,648		1,648
PremiumGas	8,712	40	3,689	2,157		-117	-117		-117
Subgroup GPD	13,810	2,012	2,070		11,070	-1,508	-1,508	-3,949	-5,457
Subgroup WIGA	520,516	4,136,178	1,498,490	996,786	1,052,001	210,169	210,169	-3,902	206,268
Joint ventures	549,716	4,152,741	1,506,614	999,952	1,071,620	210,193	210,193	-7,851	202,342
Gazprom Austria	12,088	431	9,641	747	61,693	654	654	-154	500
EKG	9,781	646,153	29,980	648,580	64,173	-39,317	-39,317		-39,317
Subgroup VEMEX	14,899	114	55,722		26,700	-487	-487	198	-289
Associated companies	36,768	646,699	95,343	649,327	152,567	-39,150	-39,150	43	-39,107
Total	586,484	4,799,439	1,601,957	1,649,279	1,224,187	171,043	171,043	-7,808	163,235

(24) OTHER FINANCIAL ASSETS

EUR thousands	Other investments	Loans	Long-term finance lease receivables	Other long-term receivables	Other non-current assets and prepaid expenses	Total
1 January 2019	22,245	357,204	192	33,635	142	413,418
Adjustment opening balance			19,856			19,856
Merger effects				14		14
Exchange rate differences	420		-102	-40		278
Additions			225,210	20,428		245,638
Interest compounding		1,326	9,358			10,685
Disposals		-6,101	-66		-125	-6,292
Transfers		-2,502	-36,469	-14,348		-53,319
Total acquisition costs						
31 December 2019	22,665	349,927	217,980	39,689	17	630,277
1 January 2019		48,024	38	17,417		65,479
Adjustment opening balance			397			397
Exchange rate differences			38			38
Impairment		16	1,150	8		1,174
Reversal of impairment		-464				-464
Disposals		-4,774				-4,774
Transfers			-406	-7,688		-8,094
Total accumulated impairment						
31 December 2019		42,802	1,217	9,737		53,756
1 January 2019	-4,753					-4,753
Exchange rate differences	-420					-420
Additions	5,343					5,343
Total fair value measurement						
31 December 2019	170					170
Net book value						
31 December 2019	22,835	307,125	216,763	29,952	17	576,691
1 January 2020	22,665	349,927	217,980	39,689	17	630,277
Exchange rate differences	-1,881		-15,035	-1,555		-18,470
Additions			1,202	9,574	1,254	12,030
Interest compounding		2,238	8,195			10,433
Disposals		-6,100	-31	-8,313		-14,443
Transfers		-2,480	-36,088	-10,028	-925	-49,520
Total acquisition costs						
31 December 2020	20,784	343,585	176,223	29,368	346	570,307
1 January 2020		42,802	1,217	9,737		53,756
Exchange rate differences			-41	-2		-43
Impairment				204		204
Reversal of impairment		-278	-1,203			-1,481
Disposals		-3,862				-3,862
Transfers			305	-4,047		-3,742
Total accumulated impairment						
31 December 2020		38,662	279	5,892		44,833
1 January 2020	170					170
Exchange rate differences	1,881					1,881
Additions	1,227					1,227
Total fair value measurement						
31 December 2020	3,278					3,278
Net book value						
31 December 2020	24,062	304,923	175,945	23,476	346	528,751

Other investments include:

Company, registered office	Shareholding 31 December 2020 (in %)	via	Shareholding 31 December 2019 (in %)	via
37 Bunde-Etzel-Pipeline Verwaltungsgesellschaft mbH, Westerstede (Germany)	16.00	GPG	16.00	GPG
38 Bunde-Etzel-Pipelinegesellschaft mbH & Co. KG, Westerstede (Germany)	16.00	GPG	16.00	GPG
39 Gissarneftgaz LLC, Shurtan (Uzbekistan)	5.00	01	5.00	01
40 Gas Trading S.A., Warsaw (Poland)	2.27	18	2.27	18

The Group did not receive any dividend payments from the other investees.

Loans were granted to the following companies:

EUR thousands	31 December 2020	31 December 2019
Investments accounted for using the equity method	199,720	199,720
Other companies	105,202	107,405
Total loans	304,923	307,125

The expected credit loss on loans and other long-term receivables changed as follows:

EUR thousands	12-month expected credit losses	Lifetime expected credit losses		Total
		Credit risk increased significantly, but not credit-impaired	Credit- impaired financial assets	
1 January 2019	-7,874		-57,605	-65,479
1 January 2019 after adjustments due to IFRS 9	-397			-397
Exchange rate differences	-38			-38
Additions	-950	-244		-1,194
Transfers	406		7,688	8,094
Transfer to lifetime expected credit losses due to significant increase in default risk (not impaired)	38	-38		
Disposals	19		4,774	4,792
Changes in credit risk parameters	446	19		465
31 December 2019	-8,350	-263	-45,143	-53,756
Exchange rate differences	43			43
Additions	-8		-194	-202
Transfers	-305		4,047	3,742
Disposals	1,212		3,855	5,067
Changes in credit risk parameters	275		-1	274
31 December 2020	-7,133	-263	-37,437	-44,833

(25) DEFERRED TAX

Deferred tax assets and liabilities are related to the following line items and elements:

EUR thousands	Notes	31 December 2020	31 December 2019
Current assets		256,206	175,575
Non-current assets		117,596	189,465
Current liabilities		67,185	91,419
Non-current liabilities		201,515	200,764
Tax losses carried forward		9,935	16,767
Offsetting of deferred tax assets and liabilities		-303,960	-205,004
Total deferred tax assets		348,477	468,986
Current assets		-38,092	-62,087
Non-current assets		-207,930	-273,879
Current liabilities		-192,445	-98,664
Non-current liabilities		-10,437	-33,643
Offsetting of deferred tax assets and liabilities		303,960	205,004
Total deferred tax liabilities		144,944	263,268
Deferred tax from changes to the scope of consolidation, foreign currency translation and other items		5,212	-6,316
Deferred tax component of income tax	(13)	-23,882	-64,059
Deferred tax in other comprehensive income	(14)	20,854	-33,320
Total changes in deferred tax		2,185	-103,696

EUR thousands	31 December 2020	31 December 2019
Domestic tax losses carried forward	1,045,363	1,015,427
Foreign tax losses carried forward	196,197	248,196
Total tax losses carried forward	1,241,560	1,263,622
Deferred tax assets on losses carried forward gross	211,954	219,082
Write-down	-202,020	-202,315
Total net deferred tax losses carried forward	9,935	16,767

Deferred tax not recognised in the balance sheet on investments in subsidiaries and joint ventures (IAS 12.81 (f) in conjunction with IAS 12.39) amount to EUR 4.8 million (prior-year period: EUR 10.2 million). The domestic tax losses carried forward are attributable to the following tax losses: EUR 38.8 million (prior-year period: EUR 58.1 million) for interest, EUR 971.1 million (prior-year period: EUR 917.5 million) for trade tax, EUR 15.9 million (prior-year period: EUR 19.8 million) for corporation tax, and EUR 19.4 million (prior-year period: EUR 21.0 million) for income tax loss carry-forwards. Unimpaired deferred tax assets on tax loss carry-forwards will be utilised over the long term.

(26) PROVISIONS

Provisions changed as follows:

EUR thousands	Pensions	Exploration costs	Dismantling obligations	Financial guarantees	Others	Total provisions
1 January 2019	47,774	34,057	177,472	8,266	52,934	320,503
Adjustment opening balance					-47,657	-47,657
Exchange rate differences	17		50	8	559	633
Changes to the scope of consolidation			-14,319			-14,319
Interest compounding	894	527	2,129		46	3,596
Utilisation	-999				-1,138	-2,137
Reversals	-1,861		-153	-7,370	-37	-9,420
Additions	3,802	8,018	36,514	160	40,435	88,929
Actuarial gains and losses	13,724				-165	13,559
Total provisions 31 December 2019	63,352	42,602	201,693	1,064	44,977	353,688
thereof short-term				1,064	10,631	11,695
Exchange rate differences	-176		-123	-41	-985	-1,325
Interest compounding	556	171	739		15	1,481
Utilisation	-1,075		-650	-129	-24,950	-26,804
Reversals	-503		-118	-48	-6,985	-7,653
Additions	4,025	7,617	26,277	123	9,964	48,006
Transfers	397				-397	
Actuarial gains and losses	7,356				77	7,433
Total provisions 31 December 2020	73,932	50,389	227,818	970	21,716	374,825
thereof short-term			132	970	12,960	14,062

Provisions for exploration costs were made in connection with the obligations arising from storage facility projects. The provisions for dismantling obligations relate to natural gas storage facilities and natural gas filling stations. The additions contain primarily the effect of the revaluation of the dismantling obligations as a result of lower long-term interest rates.

The Group measures the risk provision on financial guarantees using the expected 12-month credit loss, provided the credit risk has not risen significantly since initial recognition. Otherwise the Group applies the model to determine the expected credit loss over the lifetime period.

The utilisation and reversal of the other provisions item resulted from the fulfilment of obligations in connection with natural gas returns. The additions relate to a loss-making lease agreement for transport capacity.

The following table shows the change in the allowances on financial guarantees:

EUR thousands	12-month expected credit losses	Lifetime expected credit losses on credit-impaired financial assets	Total
1 January 2019	138	8,128	8,266
Exchange rate differences	8		8
Additions	228		228
Disposals	-21	-7,349	-7,370
Changes in credit risk parameters	-68		-68
31 December 2019	285	779	1,064
Exchange rate differences		-41	-41
Additions	123		123
Disposals	-48	-129	-176
31 December 2020	361	609	970

The following cash outflows are anticipated in connection with provisions based on the Group's assumptions regarding their utilisation dates:

EUR thousands	31 December 2020	31 December 2019
Following year 1	6,157	899
Following year 2	420	30,690
Following years 3 to 5	750	624
Over 5 years	234,774	383,285
Total expected cash outflows from provisions	242,101	415,498

Pension liabilities are based on collective agreements. The respective pension plans were financed by employer and employee contributions. Under these plans, a distinction is made between different types of tariffs and contribution methods, which are ultimately relevant in the payout phase. The retirement benefits comprise retirement pensions, disability pensions, and spouse and survivor benefits. These are based on the contributions paid by the employer and the employees. External pension managers were responsible for the administration, payouts and actuarial valuation of the pensions. The corresponding sponsoring companies ensure the benefits are paid.

The measurement in accordance with IAS 19 is based on the following assumptions:

	31 December 2020	31 December 2019
Discount rates	0,20 - 0,50 %	0,30 - 0,90 %
Projected trends in wages and salaries	1,00 - 2,75 %	1,00 - 2,75 %
Projected pension trends	1,50 - 1,50 %	1,50 - 1,50 %

The provisions for pensions changed as follows:

EUR thousands	Defined benefit obligations (DBO)	Plan assets	Net of DBO and plan assets
1 January 2019	67,458	-19,684	47,774
Net interest	1,266	-371	894
Exchange rate differences	17		17
Current and past service cost	1,165		1,165
Employer contributions	475		475
Benefits paid	-967	270	-697
Actuarial gains and losses	15,586	-2,027	13,559
Transfers	165		165
31 December 2019	85,165	-21,813	63,352
Net interest	751	-195	556
Exchange rate differences	-176		-176
Current and past service cost	3,053		3,053
Employer contributions	469		469
Benefits paid	-1,378	303	-1,075
Actuarial gains and losses	7,609	-176	7,433
Transfers	319		319
31 December 2020	95,813	-21,881	73,932

Knowledgeable actuaries determined the following sensitivities based on a detailed evaluation. A change in the individual parameters by 0.25 percentage points or in mortality by one year amid otherwise unchanged assumptions would have had the following effects on the pension liabilities as at the 2020 financial year-end:

EUR thousands	2020		2019	
	Increase	Decrease	Increase	Decrease
Change in discount rate	-3,051	3,303	-2,568	2,779
Change in projected future salary	230	-227	220	-221
Change in projected future benefit	1,003	-950	1,761	-1,582
Change in mortality	-1,543	1,545	-1,422	1,417

The average maturity of the pension liabilities amounted to 21 years as at 31 December 2020. The employer's contributions for the following year are expected to be at the 2020 level.

(27) FINANCING LIABILITIES

EUR thousands	Cash pool liabilities	Loans short-term	Lease liabilities short-term	Other liabilities to banks short-term	Lease liabilities long-term
1 January 2019	257,842	11,662		4,052	
Adjustment opening balance			84,021		893,322
Exchange rate differences		2	1,336		12,886
Additions		363	1,050	1	5,420
Reassessment			-395		12,867
Interest compounding			2,962		29,994
Transfers			119,881		-119,881
Disposals	-36,262	-645	-117,116	-4,052	
31 December 2019	221,580	11,382	91,739	1	834,608
Exchange rate differences			-5,563		-41,163
Additions	467,508	350,367	39	19,259	334
Reassessment			712		2,567
Interest compounding			2,634		26,781
Transfers			116,807		-116,807
Disposals		-350,000	-115,049	-1	
31 December 2020	689,088	11,749	91,318	19,259	706,320

As in the previous year, all financial liabilities are not collateralised. The expected cash outflows are presented in Note (33).

The Group raised the following borrowings:

EUR thousands	Currency	Maturity	Nominal value	Interest rate 31 December 2020	Interest rate 31 December 2019	31 December 2020	thereof short-term	31 December 2019	thereof short-term
Centrex Europe Energy & Gas AG, Austria	EUR	2019	8,500	3,03 % floating	3,27 % floating	11,749	11,749	11,382	11,382
From third parties						11,749	11,749	11,382	11,382
Total borrowings						11,749	11,749	11,382	11,382

The Group has the following credit lines at its disposal:

EUR thousands	31 December 2020	31 December 2019
Total borrowings from banks and third parties	11,749	11,382
Credit line not utilised:		
from banks	500,000	500,000
Total financing facilities	511,749	511,382

The unutilised credit lines from banks include a syndicated credit line in the amount of EUR 500.0 million.

(28) TRADE AND OTHER PAYABLES

Trade and other payables comprise the following:

EUR thousands	Notes	31 December 2020		31 December 2019	
		short-term	long-term	short-term	long-term
Primary financial instruments and contract liabilities					
Trade payables		2,089,455		2,849,211	
Contract liabilities		8,177			
Outstanding invoices		125,576		148,834	
Other liabilities		17,600	898	26,438	999
Total primary financial instruments and contract liabilities	(33)	2,240,808	898	3,024,483	999
Other liabilities					
Prepayments received		42,236	731	31,456	6,963
Payables from other taxes		161,034		106,683	
Deferred income		7,540	3,979	6,159	4,198
Total other liabilities		210,810	4,710	144,297	11,162
Total trade and other payables		2,451,619	5,608	3,168,780	12,161

Contractual liabilities as defined in IFRS 15 are not financial instruments. The Group in the previous year combined these contract liabilities in the amount of EUR 9.3 million with trade payables because they are a material class of similar liabilities.

Trade payables include prepayments received for natural gas in the amount of EUR 180.3 million (prior-year period: EUR 166.9 million).

The maturities of the primary instruments are as follows:

EUR thousands	31 December 2020	31 December 2019
Primary financial instruments		
Up to 6 months	2,227,308	3,004,212
Over 6 months until the end of the following year 1	13,500	20,271
Following year 2	898	999
Total primary financial instruments and contract liabilities	2,241,706	3,025,483

The Group determines the maturities for derivative financial instruments by assuming that they are settled in accordance with the contractual maturities.

Payables from other taxes are as follows:

EUR thousands	31 December 2020	31 December 2019
Value added tax	108,116	50,579
Other taxes	52,919	56,103
Total payables from other taxes	161,034	106,683

(29) DERIVATIVE FINANCIAL LIABILITIES

The derivative financial liabilities as at the reporting date consist of the following

EUR thousands	Notes	31 December 2020		31 December 2019	
		short-term	long-term	short-term	long-term
Derivative financial liabilities					
Commodity derivatives		1,194,451	288,921	1,340,531	224,643
Foreign currency derivatives		76,565	13,902	25,547	510
Other derivatives		30,246		48,536	
Total derivative financial liabilities	(33)	1,301,263	302,823	1,414,614	225,153

The maturities of the derivative financial instruments are as follows:

EUR thousands	31 December 2020	31 December 2019
Derivative financial liabilities		
Up to 6 months	912,592	951,180
Over 6 months until the end of the following year 1	388,670	463,434
Following year 2	234,512	182,441
Following years 3 to 5	68,311	42,710
Over 5 years		2
Total derivative financial liabilities	1,604,086	1,639,767

(30) SUBSCRIBED CAPITAL

Subscribed capital consists of one share at a notional amount of EUR 225,595 thousand and is fully paid-in.

(31) NON-CONTROLLING INTERESTS

Group company	Partner	Share- holding (in %)	31 December 2020	Share- holding (in %)	31 December 2019	Change
			EUR thousands		EUR thousands	
ZMB Gasspeicher Holding GmbH	Centrex Europe Energy & Gas AG, Vienna	33.33	-18,360	33.33	-17,767	-593
Total non-controlling interests			-18,360		-17,767	-593

The changes in non-controlling interests are primarily attributable to their share of the profit for the year. Additional components are disclosed in the statement of changes in equity.

The Group does not disclose financial information in accordance with IFRS 12.12 (g) because this information is not material.

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(32) DIVIDENDS PAID

A decision was made in the reporting year to distribute a gross dividend amounting to EUR 55.7 million. This dividend was paid to the shareholder in October 2020.

OTHER NOTES

(33) FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The following table presents the carrying amounts and fair values of the financial assets and financial liabilities in accordance with IFRS 9, and their reconciliation to the carrying amounts in the balance sheet:

EUR thousands	2020				
	Measurement according to IFRS 9			Measurement according to IFRS 16 Leases	Out of scope of IFRS 9
	Book value 31 December 2020	Book value 31 December 2020	Fair Value 31 December 2020		
Cash and cash equivalents	173,035	173,035	173,035		
Trade and other receivables	2,522,864	2,496,759	2,496,759	26,105	
Short-term contract assets	171,850				171,850
Loans	304,923	304,923	304,923		
Other long-term receivables	199,421	23,476	23,476	175,945	
Total financial assets measured at amortised cost	3,372,092	2,998,193	2,998,193	202,050	171,850
Short-term derivative financial assets	1,184,913	1,184,913	1,184,913		
Long-term derivative financial assets	210,307	210,307	210,307		
Other investments	24,062	24,062	24,062		
Total financial assets measured at fair value	1,419,283	1,419,283	1,419,283		
Short-term financial liabilities	-811,414	-720,095	-720,095	-91,318	
Long-term financial liabilities	-706,320			-706,320	
Short-term trade and other payables	-2,232,631	-2,232,631	-2,232,631		
Short-term contract liabilities	-8,177				-8,177
Long-term trade and other payables	-898	-898	-898		
Short-term provision financial guarantees	-970	-970	-970		
Total financial liabilities measured at amortised cost	-3,760,409	-2,954,594	-2,954,594	-797,638	-8,177
Short-term derivative financial liabilities	-1,301,263	-1,301,263	-1,301,263		
Long-term derivative financial liabilities	-302,823	-302,823	-302,823		
Total financial liabilities measured at fair value	-1,604,086	-1,604,086	-1,604,086		
Net financial instruments	-573,120	-141,205	-141,205	-595,588	163,673

EUR thousands	2019				
	Measurement according to IFRS 9			Measurement according to IFRS 16 Leases	Out of scope of IFRS 9
	Book value 31 December 2019	Book value 31 December 2019	Fair Value 31 December 2019		
Cash and cash equivalents	170,044	170,044	170,044		
Trade and other receivables	2,935,696	2,711,272	2,711,272	26,997	197,427
Loans	307,125	307,125	307,125		
Other long-term receivables	246,714	21,941	21,941	216,763	8,010
Total financial assets measured at amortised cost	3,659,579	3,210,381	3,210,381	243,760	205,437
Short-term derivative financial assets	1,585,796	1,585,796	1,585,796		
Long-term derivative financial assets	285,116	285,116	285,116		
Other investments	22,835	22,835	22,835		
Total financial assets measured at fair value	1,893,747	1,893,747	1,893,747		
Short-term financial liabilities	-324,701	-232,963	-232,963	-91,739	
Long-term financial liabilities	-834,608			-834,608	
Short-term trade and other payables	-3,024,483	-3,014,652	-3,014,652		-9,831
Long-term trade and other payables	-999	-999	-999		
Short-term provision financial guarantees	-1,064	-1,064	-1,064		
Total financial liabilities measured at amortised cost	-4,185,856	-3,249,678	-3,249,678	-926,347	-9,831
Short-term derivative financial liabilities	-1,414,614	-1,414,614	-1,414,614		
Long-term derivative financial liabilities	-225,153	-225,153	-225,153		
Total financial liabilities measured at fair value	-1,639,767	-1,639,767	-1,639,767		
Net financial instruments	-272,297	214,684	214,684	-682,587	195,606

The following table presents the carrying amounts and the categories of the financial assets and financial liabilities:

EUR thousands	2020					Total measurement according to IFRS 9
	Financial Assets mandatorily measured at FVTPL	Financial instruments at amortised cost	Investments in equity instruments at FVTOCI	Under cash flow hedge accounting	Financial guarantee contracts/ loan commitments	
Cash and cash equivalents		173,035				173,035
Trade and other receivables		2,496,759				2,496,759
Loans		304,923				304,923
Other long-term receivables		23,476				23,476
Total financial assets measured at amortised cost		2,998,193				2,998,193
Short-term derivative financial assets	873,727			311,187		1,184,913
Long-term derivative financial assets	134,593			75,714		210,307
Other investments	24,042		20			24,062
Total financial assets measured at fair value	1,032,362		20	386,901		1,419,283
Short-term financial liabilities		-720,095				-720,095
Short-term trade and other payables		-2,232,631				-2,232,631
Long-term trade and other payables		-898				-898
Short-term provision financial guarantees					-970	-970
Total financial liabilities measured at amortised cost		-2,953,625			-970	-2,954,594
Short-term derivative financial liabilities	-968,722			-332,541		-1,301,263
Long-term derivative financial liabilities	-187,515			-115,308		-302,823
Total financial liabilities measured at fair value	-1,156,237			-447,849		-1,604,086
Net financial instruments	-123,875	44,568	20	-60,948	-970	-141,205

EUR thousands	2019					Total measurement according to IFRS 9
	Financial Assets mandatorily measured at FVTPL	Financial instruments at amortised cost	Investments in equity instruments at FVTOCI	Under cash flow hedge accounting	Financial guarantee contracts/ loan commitments	
Cash and cash equivalents		170,044				170,044
Trade and other receivables		2,711,272				2,711,272
Loans		307,125				307,125
Other long-term receivables		21,941				21,941
Total financial assets measured at amortised cost		3,210,381				3,210,381
Short-term derivative financial assets	1,123,268			462,528		1,585,796
Long-term derivative financial assets	126,919			158,197		285,116
Other investments	22,827		8			22,835
Total financial assets measured at fair value	1,273,014		8	620,725		1,893,747
Short-term financial liabilities		-232,963				-232,963
Short-term trade and other payables		-3,014,652				-3,014,652
Long-term trade and other payables		-999				-999
Short-term provision financial guarantees					-1,064	-1,064
Total financial liabilities measured at amortised cost		-3,248,614			-1,064	-3,249,678
Short-term derivative financial liabilities	-992,796			-421,817		-1,414,614
Long-term derivative financial liabilities	-79,941			-145,212		-225,153
Total financial liabilities measured at fair value	-1,072,738			-567,029		-1,639,767
Net financial instruments	200,276	-38,233	8	53,696	-1,064	214,684

The income and expense as well as gains and losses recognised in the statement of comprehensive income from financial instruments are presented below as the result by IFRS 9 measurement category:

	2020						Total
	Financial assets measured at		Financial liabilities measured at			Derivatives designated as a hedging instrument in cash flow hedge accounting	
	amortised cost	FVTPL (mandatorily)	amortised cost	FVTPL classified as held for trading	Financial guarantee contracts		
EUR thousands							
From subsequent valuation at FV		201,536		-395,386		-264,535	-458,385
Change in loss allowance	-22,833				-75		-22,908
Net gains from foreign currency exchange differences	237,787	1,726	-207,793	-6,667			25,053
Interest income	12,647						12,647
Interest expense			-5,062				-5,062
Result from other investments		1,227					1,227
Fee income / expense	-4,229		-7				-4,236
Total net gains and losses	223,372	204,489	-212,862	-402,053	-75	-264,535	-451,664
thereof through profit or loss	223,372	204,489	-212,862	-402,053	-75		-187,130
thereof recognised directly in equity						-264,535	-264,535

EUR thousands	2019						Total
	Financial assets measured at		Financial liabilities measured at		Financial guarantee contracts	Derivatives designated as a hedging instrument in cash flow hedge accounting	
	amortised cost	FVTPL (mandatorily)	amortised cost	FVTPL classified as held for trading			
From subsequent valuation at FV		180,513		31,441		37,295	249,249
Change in loss allowance	-10,783				7,210		-3,573
Net gains from foreign currency exchange differences	-427,924	-770	296,133	-771			-133,331
Interest income	13,367						13,367
Interest expense			-6,033				-6,033
Result from other investments		5,343					5,343
Fee income / expense	-5,406		-46				-5,452
Total net gains and losses	-430,746	185,087	290,054	30,670	7,210	37,295	119,570
thereof through profit or loss	-430,746	185,087	290,054	30,670	7,210		82,275
thereof recognised directly in equity						37,295	37,295

FAIR VALUE HIERARCHY OF DERIVATIVE FINANCIAL INSTRUMENTS

The following tables, which are based on the valuation hierarchy, show the GPG Group's financial assets and liabilities that were recognised at fair value as at the reporting date. The financial assets and liabilities are classified in their entirety based on the lowest input factor that is important overall for the measurement of fair value. The assessment made by the GPG Group of the importance of a specific input for the fair value measurement requires discretionary management decisions. This assessment can influence the measurement of financial assets and liabilities, and their classification within the measurement hierarchy:

EUR thousands	31 December 2020			
	Level 1	Level 2	Level 3	Total
Derivative financial assets				
Short-term	158,799	1,021,940	4,175	1,184,913
Long-term	53,313	156,994		210,307
Derivative financial liabilities				
Short-term	-424,317	-870,804	-6,142	-1,301,263
Long-term	-75,484	-227,339		-302,823
Other investments			24,062	24,062
Total financial instruments measured at fair value	-287,688	80,790	22,095	-184,803

EUR thousands	31 December 2019			Total
	Level 1	Level 2	Level 3	
Derivative financial assets				
Short-term	120,235	1,463,114	2,447	1,585,796
Long-term	38,841	246,275		285,116
Derivative financial liabilities				
Short-term	-136,736	-1,270,428	-7,450	-1,414,614
Long-term	-81,081	-144,072		-225,153
Other investments			22,835	22,835
Total financial instruments measured at fair value	-58,741	294,889	17,833	253,980

LEVELS OF THE FAIR VALUE HIERARCHY

Most of the GPG Group's financial instruments measured at fair value are classified in Level 1 or Level 2 of the fair value hierarchy. Level 1 includes those financial instruments for which the fair value is based on quoted market prices. Financial instruments for which only individual input factors are observable on the market are classified under Level 2. The fair value of the financial assets and liabilities traded on an active market is determined as at the financial reporting date based on the average market prices. However, the Group has financial assets and liabilities for which the fair value for open net positions for financial assets is determined based on the bid price, and for open net positions for financial liabilities based on the ask price.

Derivative financial instruments that are not traded on an active market or which are not based on observable market evidence are allocated to Level 3. In these cases, the fair value is determined using a valuation technique. These techniques include reference to recent transactions, comparison with the current fair value of a similar financial instrument, DCF methods and option pricing models. To measure fair value, the Group uses valuation techniques and inputs that it considers to be reliable. When doing so, it also makes assumptions that are based mainly on the market conditions prevailing on the respective financial reporting date. In order to determine the fair value of embedded and written purchase options, the Group uses internally developed valuation models that included forwards with unsecured volumes. Estimates are necessary in these models for inputs such as implicit volatility, correlations, returns or long-term price assumptions. These estimates have a material influence on the resulting measurements.

Most of the derivative financial instruments classified in Level 3 comprise options for power transmission. The fair value of these options was determined by price differences at different destination locations and by the fair value of the options. The latter was materially influenced by the correlation of prices with each other. Options as defined in IFRS 9.2.7 are still reported under Level 3. Fair value in these cases is determined using a linear model.

As in the previous year, the impact of changes to non-observable parameters on the fair values of Level 3 derivative financial instruments was not material as at 31 December 2020.

No reclassifications were made between the valuation hierarchies in the 2020 financial year.

EUR thousands	Derivative financial assets	Derivative financial liabilities	Other investments	Total
1 January 2019	7,408	-59,795	17,492	-34,895
Exchange rate differences	217	-1,320		-1,103
Additions	2,372	-7,221	5,343	494
Disposals	-7,549	37,743		30,194
Transfers to/from level 3		23,143		23,143
31 December 2019	2,447	-7,450	22,835	17,833
Total gain or loss at the end of the reporting period	-4,960	52,345	5,343	52,728
thereof in Net result from trading, derivatives and foreign currency translation	-5,177	30,522		25,345
thereof in Result from investments			5,343	5,343
thereof directly in equity in Other reserves	217	-1,320		-1,103
Exchange rate differences	-151	390		239
Additions	4,218	-6,206	1,227	-761
Disposals	-2,340	7,124		4,784
31 December 2020	4,175	-6,142	24,062	22,095
Total gain or loss at the end of the reporting period	1,727	1,308	1,227	4,262
thereof in Net result from trading, derivatives and foreign currency translation	1,878	918		2,796
thereof in Result from investments			1,227	1,227
thereof directly in equity in Other reserves	-151	390		239

The unrealised gains and losses from derivative financial assets and liabilities held as at the end of the reporting period that were classified under Level 3 correspond to their carrying amount (i.e. the fair value of these assets and liabilities) as at 31 December 2020 due to their short terms.

The unrealised gains and losses from other financial assets that were measured through profit or loss under Level 3 and were held as at the end of the reporting period relate to other investments and totalled EUR 8.9 million for the 2020 financial year (prior-year period: EUR 7.7 million).

Risks from derivative financial instruments, including foreign currency derivatives, were taken into account in the market risk limit of the entities holding the instrument. For further information on risk management, please refer to the explanatory material contained in the Group management report.

DAY-ONE GAIN OR LOSS

The following table shows the changes in the deferred gains and losses (day-one gain or loss).

EUR thousands	2020	2019
Fair value of contracts not recognised through the statement of comprehensive income at 1 January	10,942	14,156
Exchange rate differences	-564	606
Initial fair value of new contracts not recognised in the statement of comprehensive income	8,247	10,605
Fair value recognised in the statement of comprehensive income during the year	-10,463	-14,426
Fair value of contracts not recognised through the statement of comprehensive income at 31 December	8,161	10,942

FAIR VALUE OF DERIVATIVE FINANCIAL INSTRUMENTS BY MATURITY

EUR thousands	31 December 2020	31 December 2019
Up to 6 months	-57,655	102,056
From 6 months until the end of the following year 1	-58,694	69,127
Following year 2	-79,838	60,944
Following years 3 to 5	-12,678	-979
Over 5 years		-2
Total fair values	-208,865	231,145

HEDGE ACCOUNTING

The Group applies the hedge accounting provisions set out in IFRS 9 by classifying hedging relationships as either cash flow hedges, fair value hedges or hedges of a net investment in foreign operations.

The Group did not have any hedging relationships in the 2020 and 2019 financial years that were classified as hedges of a net investment in a foreign operation. In 2019, the Group also did not have any hedging relationships that were classified as fair value hedges.

The GPG Group uses hedge accounting to align its performance measurement more closely with the applied hedging activities. The GPG Group is exposed to fluctuating cash flows and changes in the fair value of off-balance-sheet firm commitments primarily due to the distribution business for natural gas, power, emission rights and LNG. To mitigate this risk, the GPG Group carries out various types of hedging transactions.

The following table, which relates to each risk category that the Group has hedged and for which the Group applied hedge accounting, shows which risk exists, which hedging instruments are used and the type of hedging relationship that is applied.

Risk category	Exposure arising from	Measurement	Type of hedging instruments	Type of hedging relationships
Market risk – commodity prices	Future commercial transactions with natural gas, power and LNG and firm commitment to purchase gas storage capacity in the future	VaR, cash flow forecasting	Commodity forwards/futures, options and swaps	Cash flow hedge, Fair value hedge
Market risk – emission allowance prices	Future commercial transactions with emission allowances	VaR, cash flow forecasting	Emission allowance forwards	Cash flow hedge
Market risk – foreign exchange rates	Future commercial transactions in foreign currency	VaR, cash flow forecasting	Foreign currency forwards	Cash flow hedge

The Group obtains hedging instruments if an economic relationship exists with the hedged item. Cash flow hedge accounting is applied to protect the Group against accounting fluctuations associated with future cash flows. These fluctuations result from future, highly probable sales and purchases of natural gas, power and the associated use of emission certificates for the distribution and end-customer business, and from highly probable purchases and sales of LNG. The volatility of cash flows is measured in the functional currency of the entity in which the underlying risk exists.

The GPG Group designates as a hedged item all risks connected with a specific transaction that is highly likely to occur, with the exception of some cash flow hedges. In these exceptions only one risk component is designated as a hedged item.

For the latter type of hedging relationship, the GPG Group considers it appropriate to hedge one risk component in order to improve the depiction of the risk management objective regarding the availability and liquidity of the hedging instruments in the underlying market. The risk components are determined as separately identifiable and reliably measurable components, either based on the contractual price conditions or on the analysis of the market structure and the broker prices of the position.

The underlying risks are deemed as a hedged risk component plus a margin or other risk components. The historical prices have demonstrated a high degree of correlation between the hedged risk component and the underlying risks.

The Group assumes that all hedged risk exposures for which hedge accounting has been applied have an economic relationship between the hedged item and the hedging instrument. We take this approach because the hedging instruments have an economic connection with the underlying hedged risk. The GPG Group assesses the effectiveness of the hedging relationship qualitatively by comparing the critical terms of the hedging instrument and the hedged item. These terms must either match or be very similar. The effectiveness of hedging relationships is also reviewed retrospectively in order to meet the effectiveness requirements on an ongoing basis.

If the hedging relationship is effective, the gains and losses from hedging instruments are initially recognised in the cash flow hedge reserve. These are recycled through profit or loss into the statement of comprehensive income as soon as the expected cash flows affect profit and loss. In contrast, the ineffective portion is recognised through profit or loss in the statement of comprehensive income in the net result from trading, derivatives and currency translation in operating activities.

All changes in equity in connection with cash flow hedges are reported in the cash flow hedge reserve in the statement of changes in equity.

Fair value hedge accounting is applied in those cases when the Group uses forward purchases and sales of natural gas to manage from a commercial perspective the inherent price risk of certain contractual obligations. These contractual obligations relate to future access to gas storage facilities. The settlement of forward purchases and sales is based on the expected injection, usage and withdrawal profiles of the storage facility. If hedge accounting were not applied, the following alternative accounting treatment would be necessary. First, the storage contract would be recognised as a contract to be fulfilled, with the costs for access to the storage being recognised in profit or loss over the term of the contract; and second, the forward purchases and sales of natural gas would be recognised in profit or loss at fair value in accordance with IFRS 9. This mismatch in the accounting models would lead to earnings volatility.

The GPG Group has prepared the necessary documentation in accordance with IFRS 9. This documentation sets out for each type of hedging strategy the hedging instrument, the hedged item and the method to measure the effectiveness of the hedging relationship.

EFFECTS OF HEDGING INSTRUMENTS ON THE CONSOLIDATED BALANCE SHEET

EUR thousands	Risk category	Type of hedging relationships	Type of hedging instruments	2020	
				Carrying amount of the hedging instruments	Change in fair value of hedging instruments*
Trade and other receivables	Commodity price risk	Cash flow hedge	Forwards/Futures	67,575	-24,568
			Options	8,092	-9,336
			Swaps	230,525	363,474
	Emission allowance price risk	Fair value hedge	Forwards/Futures	51,544	48,564
		Cash flow hedge	Forwards/Futures	4,995	182
Other financial assets	Commodity price risk	Cash flow hedge	Forwards/Futures	22,597	-73,581
			Swaps	53,117	26,941
	Emission allowance price risk	Fair value hedge	Forwards/Futures	10,458	10,272
		Cash flow hedge	Forwards/Futures		-3,252
Short-term trade and other payables	Commodity price risk	Cash flow hedge	Swaps		
			Forwards/Futures	11,011	86,935
			Swaps	321,530	535,141
Long-term trade and other payables	Commodity price risk	Fair value hedge	Forwards/Futures	14,623	-14,124
		Cash flow hedge	Forwards/Futures	38,203	119,643
			Swaps	77,105	72,839
		Fair value hedge	Forwards/Futures	35,856	-35,073

EUR thousands	Risk category	Type of hedging relationships	Type of hedging instruments	2019	
				Carrying amount of the hedging instruments	Change in fair value of hedging instruments*
Trade and other receivables	Commodity price risk	Cash flow hedge	Forwards/Futures	10,744	9,944
			Options Swaps	446,697	446,697
Other financial assets	Emission allowance price risk	Cash flow hedge	Forwards/Futures	5,086	5,086
			Forwards/Futures Options Swaps	9,837	9,837
	Emission allowance price risk	Cash flow hedge	Forwards/Futures	144,924	144,924
			Forwards/Futures	3,436	3,436
Short-term trade and other payables	Commodity price risk	Cash flow hedge	Forwards/Futures	247,442	247,442
			Swaps	174,375	174,375
Long-term trade and other payables	Commodity price risk	Cash flow hedge	Forwards/Futures	70,461	70,461
			Swaps	74,750	74,750

* Serves as the basis to identify ineffectiveness in the reporting period.

The effects that hedging instruments had on the Group's financial position and result are set out in the following tables:

Product	Risk category	2020					Total
		< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years	
Emission allowances	Emission allowances price risk						
	Cash flow hedge						
	Forward contracts (purchases)						
	Quantity (in 1,000 t)	200					200
	Weighted average price (in EUR/1,000 t)	7,682.05					7,682.05
Natural gas related products	Commodity price risk						
	Cash flow hedge						
	Forward, futures and swap contracts (purchases)						
	Quantity (in 1,000 cbm)	4,666,006	3,441,975	2,937,361	1,443,386		12,488,729
	Weighted average price (in EUR/1,000 cbm)	155.24	147.18	146.43	171.46		152.82
	Forward, futures and swap contracts (sales)						
	Quantity (in 1,000 cbm)	5,216,753	3,690,287	4,319,855	139,428		13,366,323
	Weighted average price (in EUR/1,000 cbm)	129.65	124.25	122.06	179.92		126.23
	Fair value hedge						
	Forward contracts (purchases)						
	Quantity (in 1,000 cbm)	494,258	353,177				847,435
	Weighted average price (in EUR/1,000 cbm)	141.21	137.82				139.79
	Forward contracts (sales)						
Oil	Quantity (in 1,000 cbm)		422,328	437,976			860,304
	Weighted average price (in EUR/1,000 cbm)		170.39	170.97			170.69
	Cash flow hedge						
	Forward, futures and swap contracts (purchases)						
	Quantity (in 1,000 t)	967	1,379	366			2,712
	Weighted average price (in EUR/1,000 t)	260,047.08	332,741.29	270,187.68			298,371.79
	Forward, futures and swap contracts (sales)						
Power and renewable energy certificates	Quantity in 1,000 t	240	200				441
	Weighted average price (in EUR/1,000 t)	292,184	286,149				289,442
	Cash flow hedge						
	Forward contracts (purchases)						
	Quantity (in 1,000 kWh)	432,498	396,273	432,487	177,274	14	1,438,546
	Weighted average price (in EUR/1,000 kWh)	52.76	51.51	52.81	55.32	50.84	52.75
	Forward contracts (sales)						
	Quantity in 1,000 kWh	331,510	268,907	285,033	32,797		918,248
	Weighted average price (in EUR/1,000 kWh)	50	51	52	54		51

Product	Risk category	2019					Total
		< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years	
Emission allowances	Emission allowances price risk						
	Cash flow hedge						
	Forward contracts (purchases)						
	Quantity (in 1,000 t)	300		200			500
Natural gas related products	Weighted average price (in EUR/1,000 t)	7,570.00		7,670.00			7,610.00
	Commodity price risk						
	Cash flow hedge						
	Forward, futures and swap contracts (purchases)						
	Quantity (in 1,000 cbm)	5,276,833	3,120,143	3,052,371	1,470,830	697	12,920,875
Oil	Weighted average price (in EUR/1,000 cbm)	174.70	174.88	190.06	185.89	149.46	179.65
	Forward, futures and swap contracts (sales)						
	Quantity (in 1,000 cbm)	4,507,955	3,760,123	3,285,295	878,232	65	12,431,670
	Weighted average price (in EUR/1,000 cbm)	164.43	157.95	170.62	173.03	207.10	164.71
Power and renewable energy certificates	Cash flow hedge						
	Forward, futures and swap contracts (purchases)						
	Quantity (in 1,000 kWh)	131,544,380	124,147,317	140,676,024	88,757,776	128,892	485,254,388
	Weighted average price (in EUR/1,000 kWh)					72.52	0.02
	Forward contracts (sales)						
	Quantity in 1,000 kWh	77,453,360	35,143,634	11,015,369			123,612,362
	Weighted average price (in EUR/1,000 kWh)		20.47	64.29			11.55

The values set out below relate to forward currency transactions that are concluded in combination with commodity hedge instruments to hedge LNG cargoes.

EUR thousands			2020				
Local Currency	Foreign Currency	Risk category	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	Total
USD	EUR	Foreign exchange risk					
		Highly probable forecast sales in foreign currency					
		Notional amount in foreign currency	435,754	411,831	472,628		1,320,213
		Notional amount in local currency	510,361	487,819	576,126		1,574,306
		Weighted average exchange rate	0.85	0.84	0.82		0.84
		Highly probable forecast purchases in foreign currency					
		Notional amount in foreign currency	22,728	26,296	3,122		52,145
		Notional amount in local currency	25,882	30,429	3,747		60,057
		Weighted average exchange rate	0.88	0.86	0.83		0.86
	GBP	Highly probable forecast sales in foreign currency					
		Notional amount in foreign currency	21,891				21,891
		Notional amount in local currency	28,699				28,699
		Weighted average exchange rate	0.76				0.76

EUR thousands			2019			
Local Currency	Foreign Currency	Risk category	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years
USD	EUR	Foreign exchange risk				
		Highly probable forecast sales in foreign currency				
		Notional amount in foreign currency	403,409	426,790	395,642	1,225,841
		Notional amount in local currency	466,436	502,270	476,317	1,445,024
		Weighted average exchange rate	0.86	0.85	0.83	0.85
		Highly probable forecast purchases in foreign currency				
		Notional amount in foreign currency	65,696	66,124	113,509	110,756
		Notional amount in local currency	79,912	81,870	142,806	144,079
		Weighted average exchange rate	0.82	0.81	0.79	0.77
						0.80
	GBP	Highly probable forecast purchases in foreign currency				
		Notional amount in foreign currency	23,839			23,839
		Notional amount in local currency	31,247			31,247
		Weighted average exchange rate	0.76			0.76

HEDGED ITEMS

The following disclosures relate to hedged items from cash flow hedges as at the reporting date:

31 December 2020				
EUR thousands	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserves for continuing hedges	Balance in cash flow hedge reserves from hedge relationships*	Cost of hedging reserve
Commodity price risk				
Highly probable forecast sale	49,053	-262,640	5,050	
Highly probable forecast purchase	340,020	153,010	-119,748	
Total commodity price risk	389,072	-109,631	-114,699	
Emission allowance price risk				
Highly probable forecast purchase	-3,102	3,758		
Emission allowance price risk	-3,102	3,758		

31 December 2019				
EUR thousands	Change in value used for calculating hedge ineffectiveness	Balance in cash flow hedge reserves for continuing hedges	Balance in cash flow hedge reserves from hedge relationships*	Cost of hedging reserve
Commodity price risk				
Highly probable forecast sale	373,507	596,534	-1,388	-4,311
Highly probable forecast purchase	-178,799	-549,391	-29,552	
Total commodity price risk	194,708	47,143	-30,939	-4,311
Emission allowance price risk				
Highly probable forecast purchase	8,163	8,500		
Emission allowance price risk	8,163	8,500		

* Without continued application of hedge accounting.

The effect of the cash flow hedges on the Group's statement of comprehensive income is as follows:

2020						
Reclassification from CFH reserve to consolidated statement of comprehensive income *						
Risk category	Type of hedging instrument	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in PL	Revenue	Cost of materials	Net result from trading, derivatives and exchange rate differences
Commodity price risk	Forwards/Futures	109,566		106,488	116,074	
	Options	-5,108	-1,856			-2,809
	Swaps	-205,149	-25,290			-354,547
Emission allowance price risk	Forwards/Futures	-3,102			-6,425	

EUR thousands		2019				
		Reclassification from CFH reserve to consolidated statement of comprehensive income *				
Risk category	Type of hedging instrument	Change in the value of the hedging instrument recognised in OCI	Hedge ineffectiveness recognised in PL	Revenue	Cost of materials	Net result from trading, derivatives and exchange rate differences
Commodity price risk	Forwards/Futures	-380,077		3,998	15,355	
	Options	-4,126				
	Swaps	567,951	8,935			-205,589
Emission allowance price risk	Forwards/Futures	8,163				
Foreign exchange risk	Forwards/Futures				2,848	

* Analogous to the hedged item.

No ineffective hedging relationships in connection with the Group's end-customer and distribution business were recognised in the consolidated statement of comprehensive income. This results from the fact that the terms and conditions of the hedging instrument and the hedged item are identical. The hedging relationship is therefore fully effective. The ineffectiveness of the hedging transactions in connection with the hedging of the LNG business results from differences in the time, location and benchmark basis between the hedged items and the hedging instruments.

The COVID-19 pandemic caused some disruption to global supply chains during the period. As a result, certain deliveries of LNG cargoes which had previously been designated as hedged items in cash flow hedges of highly probable forecast transactions did not occur. The amount reclassified from the cash flow hedge reserve into the Statement of comprehensive income for hedged future cash flows that were no longer expected to occur was a gain of EUR 46.8 million (prior-year period: EUR 0). These releases were accelerated from their previously scheduled release dates later in the period; reserve balances relating to future periods were not affected.

The following disclosures present the hedged items from fair value hedges as at the reporting date, and the sum of the ineffective portion of the hedge:

			2020			
				The accumulated amount of FVH adjustments included in the carrying amount of the hedged item	Change in value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss
EUR thousands	Risk category	Hedged item	Carrying amount of the hedged item			
Long-term trade and other payables	Commodity price risk	Unrecognised firm commitments	11,917	11,917	12,042	-2,302

The hedging ratio when accounting for the GPG Group's fair value and cash flow hedges is 1:1.

The ineffective portion is recognised in the statement of comprehensive income in the net result from trading, derivatives and foreign currency translation.

COUNTERPARTY CREDIT RISK

The GPG Group's counterparty credit risk results primarily from its equity investments and financings, as well as from the marketing, trading and project activities carried out by Group companies. In addition, counterparty credit risk also results from bank balances.

The Group monitors the primary default risks by individual counterparties and risk categories. These risks must remain within approved limits. The credit limits for counterparties are approved by the GPG Group's management and certain persons to whom it has delegated the appropriate authority. Each counterparty is assigned an internal rating. If available, this internal rating is based on external ratings, otherwise we apply an internal methodology to determine the rating. This internal rating is then used to derive the maximum supportable risk that can be incurred with the respective counterparty. The GPG Risk Oversight Committee (ROC) approves the internal methodology used to determine the rating. To ensure that the limit resulting from the internal rating is not exceeded, the credit exposure with each counterparty is monitored daily.

CREDIT RISK

To calculate the credit-value-at-risk, we also consolidate the credit risks at the Group level and then measure them using a VaR model.

We decided for the GPG Group that financial instruments with the ratings AAA to BBB- have limited credit risk.

The Group uses external (if available) and internal ratings to determine whether the credit risk of a financial instrument has risen significantly since its initial recognition.

Regarding the end-customer business, the GPG Group deems that a default has occurred if receivables are in arrears for more than 90 days or are definitively uncollectible.

The GPG Group's policy on writing off trade receivables in the end-customer business requires that amounts are derecognised if they are deemed to be definitively uncollectible. Examples of this definitive uncollectability include:

- The counterparty is in insolvency proceedings or is undergoing a financial restructuring.
- The collection of the debts is deemed uneconomical.
- The debts were forwarded to a collection agency and are in arrears for more than one year.

In the case of trade receivables not related to end-customer sales, as well as trade receivables of the trading business, the Group's policy is to write off receivables only when a specific review of the individual case determines that the receivable is definitively uncollectible. The Group takes this approach because of the higher credit quality associated with these counterparties and the lower expected probability of default.

We calculate the expected loss ratio based on the probability-of-default (PD) of the counterparty, multiplied by the loss-given-default (LGD) ratio. This approach uses both historical and forward-looking data, such as ratings, audited financial statements, prices for credit default swaps, and sector and entity-specific analyses of the prospects of the respective counterparty.

The following table shows the credit quality of the financial assets and other items, as well as the GPG Group's maximum default risk per credit risk rating level:

EUR thousands		2020				
		Gross carrying amount				
		Life-time expected credit losses			Simplified approach for trade receivables, lease receivables	Total
Rate of default risk	Asset category/Financial guarantees	Expected 12-month credit loss	for not credit-impaired financial assets	for credit-impaired financial assets		
BBB- to AAA	Cash and cash equivalents	162,110				162,110
	Trade and other receivables	27,960			1,873,289	1,901,249
	Loans granted	206,017				206,017
	Other long-term receivables	162,975				162,975
B- to BB+	Cash and cash equivalents	10,737				10,737
	Trade and other receivables	2,990			549,038	552,027
	Loans granted	98,862				98,862
	Other long-term receivables	1,067				1,067
	Provision for financial guarantees	21,511				21,511
C to CCC+	Cash and cash equivalents	206				206
	Trade and other receivables	1,537	2,035		92,954	96,525
	Loans granted	10,809				10,809
	Other long-term receivables	24,928	10,243			35,170
	Provision for financial guarantees	750				750
D	Trade and other receivables	6		70,074	6,770	76,849
	Loans granted			27,896		27,896
	Other long-term receivables			6,379		6,379
	Provision for financial guarantees			609		609

EUR thousands		2019				Total
		Gross carrying amount			Simplified approach for trade receivables, lease receivables	
		Life-time expected credit losses				
Rate of default risk	Asset category/Financial guarantees	Expected 12-month credit loss	for not credit-impaired financial assets	for credit-impaired financial assets		
BBB- to AAA	Cash and cash equivalents	142,863				142,863
	Trade and other receivables	30,842			2,071,830	2,102,673
	Loans granted	208,508				208,508
	Other long-term receivables	202,124				202,124
B- to BB+	Cash and cash equivalents	25,896				25,896
	Trade and other receivables	4,828			592,411	597,240
	Loans granted	105,980				105,980
	Other long-term receivables	839				839
	Provision for financial guarantees	17,056				17,056
C to CCC+	Cash and cash equivalents	1,316				1,316
	Trade and other receivables	3,070	1,999		60,853	65,922
	Other long-term receivables	24,643	12,092			36,735
D	Trade and other receivables	50		59,620	2,706	62,376
	Loans granted			35,439		35,439
	Other long-term receivables	255		9,704		9,959
	Provision for financial guarantees			779		779

LIQUIDITY RISK

The maturity profile provided below presents the liquidity risk associated with the primary financial instruments:

EUR thousands		31 December 2020				
		< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Cash receipts for:						
Cash and cash equivalents		173,053				
Trade receivables (gross)		2,464,578	56,854			619
Other non-interest bearing receivables short-term		61,020	27,278			
Other interest bearing receivables short-term		19,600	4,298			
Loans					108,392	259,393
Other long-term receivables			14	63,181	97,604	70,098
Total cash receipts for primary financial instruments		2,718,251	88,444	63,181	205,996	330,109
Cash payments for:						
Short-term borrowing/current part long term borrowing		708,346	11,749			
Lease liabilities short-term		56,792	58,423			
Trade payables short-term		2,084,797	4,658			
Accrued invoices		119,930	5,646			
Other short-term debts		16,900	700			
Lease liabilities long-term				113,473	334,703	351,706
Primary financial instruments long-term		211		686		
Total cash payments for primary financial instruments		2,986,978	81,176	114,159	334,703	351,706

31 December 2019					
EUR thousands	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Cash receipts for:					
Cash and cash equivalents	170,075				
Trade receivables (gross)	2,787,022	27,493			
Other non-interest bearing receivables short-term	57,367	26,297			10
Other interest bearing receivables short-term	22,434	3,900			
Loans				2,392	347,535
Other long-term receivables			69,904	108,398	105,006
Total cash receipts for primary financial instruments	3,036,899	57,690	69,904	110,790	452,551
Cash payments for:					
Short-term borrowing/current part long term borrowing	221,581	11,382			
Lease liabilities short-term	61,051	60,525			
Trade payables short-term	2,828,298	11,615			
Accrued invoices	132,708	16,126			
Other short-term debts	25,861	44			
Lease liabilities long-term			120,324	359,389	481,294
Primary financial instruments long-term			999		
Total cash payments for primary financial instruments	3,269,499	99,692	121,324	359,389	481,294

The maturity profile provided below presents the liquidity risk associated with the derivative financial instruments:

31 December 2020					
EUR thousands	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Cash receipts for:					
Commodity derivatives	15,689,545	7,987,100	5,507,617	1,370,194	
Other derivatives	25,161	49,727	152	8	
Total cash receipts for derivatives	15,714,706	8,036,827	5,507,770	1,370,201	
Cash payments for:					
Commodity derivatives	16,112,026	8,228,633	5,396,011	1,349,958	
Other derivatives	175,522	49,924	13,902		
Total cash payments for derivatives	16,287,548	8,278,557	5,409,913	1,349,958	

31 December 2019					
EUR thousands	< 6 months	6 - 12 months	1 - 2 years	2 - 5 years	> 5 years
Cash receipts for:					
Commodity derivatives	19,157,169	10,323,357	7,318,330	1,981,115	6
Other derivatives	43,012	110,666	37,552		
Total cash receipts for derivatives	19,200,181	10,434,022	7,355,882	1,981,115	6
Cash payments for:					
Commodity derivatives	18,736,940	9,691,099	6,836,248	1,821,431	5
Other derivatives	16,792	57,281	510		
Total cash payments for derivatives	18,753,732	9,748,380	6,836,758	1,821,431	5

(34) LEASES

The following overview shows the annual change in the relevant balance sheet line item in connection with lessor and lessee agreements in the GPG Group.

EUR thousands	Finance lease receivables				Lease liabilities		
	short-term	Loss allowance (short-term)	long-term	Total	short-term	long-term	Total
Opening balance 1 January 2019	26	-2	153	178			
Additions / Adjustment opening balance			19,459	19,459	84,021	893,322	977,342
Reassessment					-395	12,867	12,472
Recognition of new leases	27,187		225,210	252,397	1,050	5,420	6,469
Exchange rate difference	-50	-6	-139	-196	1,337	12,886	14,223
Principal / repayment	-37,018		-66	-37,084	-117,116		-117,116
Transfer long-term to short-term	36,469	-406	-36,063		119,881	-119,881	
Depreciation and impairment (P&L effective)		-229	-1,150	-1,378			
Interest compounding (P&L effective)	1,026		9,358	10,384	2,962	29,994	32,956
Closing balance 31 December 2019	27,640	-643	216,763	243,760	91,739	834,608	926,347
Reassessment					712	2,567	3,279
Recognition of new leases	761		1,202	1,962	39	334	372
Exchange rate difference	-1,993	23	-14,994	-16,964	-5,563	-41,163	-46,726
Principal / repayment	-36,857		-201	-37,058	-115,049		-115,049
Transfer long-term to short-term	35,917	305	-36,222		116,807	-116,807	
Depreciation and impairment (P&L effective)		-90	1,203	1,113			
Interest compounding (P&L effective)	1,042		8,195	9,237	2,634	26,781	29,415
Closing balance 31 December 2020	26,509	-404	175,945	202,050	91,318	706,320	797,638

The receivables from finance leases relate predominantly to sublet vessels, fibre optics and real estate, which under IFRS 16 must be reported initially as a net investment in the sublease as at 1 January 2019.

Right-of-use assets and lease liabilities are recognised in the consolidated statement of financial position in accordance with the right-of-use model of IFRS 16 for the first time in 2019.

DISCLOSURES ON LESSEE ARRANGEMENTS

The following expenses from activities as a lessee were recognised in profit and loss because these expenses were not included in the present value of the lease liability.

EUR thousands	31 December 2020	31 December 2019
Expenses related to:		
Short-term leases	9,746	27,692
Leases of low-value assets	394	484
Variable lease payments	307	570
Total lease related expense	10,447	28,745
- From core business	8,356	26,067
- Other	2,091	2,679

As at 31 December 2020, the Group did not include potential future cash outflows totalling EUR 584.1 million (undiscounted) in the lease liability because it could not be determined with sufficient certainty that the lease agreements will be extended or not terminated.

The total sum of the cash outflows from leases during the reporting period amounts to EUR 115.0 million (prior-year period: EUR 117.1 million). In addition, the Group during the reporting period concluded two vessel lease agreements with a usage commencement date in 2021. The sum of the future, undiscounted lease payments for the two contracts will probably total EUR 299.0 million.

DISCLOSURES ON LESSOR ARRANGEMENTS

Finance leases as lessor relate primarily to the sublease of LNG vessels, fibre optic cables and office space. The receivables recognised in the balance sheet had the following maturity profile as at the reporting date:

EUR thousands	31 December 2020			31 December 2019		
	Minimum lease payments	Interest proportion	Present value	Minimum lease payments	Interest proportion	Present value
Due the following year 1	34,407	-7,598	26,809	37,113	-9,365	27,748
Due the following years 2 to 5	130,557	-20,014	110,543	143,630	-26,380	117,249
Due over 5 years	69,085	-3,405	65,680	108,667	-7,285	101,382
Total	234,048	-31,016	203,032	289,410	-43,031	246,379

Income from sublease agreements classified as operating leases totalled EUR 47.1 million in 2020 (previous year: EUR 88.3 million). The following cash proceeds are expected in subsequent years from sublease agreements, which are accounted for as operating leases.

EUR thousands	31 December 2020	31 December 2019
Following year 1	1,565	28,123
Following years 2 to 5		927
Over 5 years		129
Total future sublease payments	1,565	29,180

In addition, the Group also leases its own fixed assets. These agreements are classified as operating leases and include primarily a portfolio of fibre optic cables. The following cash proceeds are expected in subsequent years:

EUR thousands	31 December 2020	31 December 2019
Following year 1	20,673	17,500
Following years 2 to 5	67,511	60,700
Over 5 years	74,739	109,400
Total future payments from operating leases	162,922	187,600

(35) RISKS FROM DISPUTES AND LITIGATION

The GPG Group as part of its normal course of business is involved in both legal disputes and arbitration proceedings through the individual Group companies. If proceedings are pending, the Group recognises provisions for possible financial obligations arising from these proceedings if their occurrence is deemed probable. Additional financial risks cannot be ruled out.

(36) CONTINGENT LIABILITIES

EUR thousands	31 December 2020	31 December 2019
Liabilities arising from guarantees and letters of comfort	22,261	17,835
Total contingent liabilities	22,261	17,835

Contingent liabilities exist as at the reporting date that may affect the future net assets, financial position and result of operations of the GPG Group. Management assesses the nature and amount of these contingent liabilities as well as the probability of their occurrence. The Group estimates the likelihood is limited that these contingent liabilities will lead to cash outflows.

The maturities of the contingent liabilities are as follows:

EUR thousands	31 December 2020	31 December 2019
Following year 1	7,934	5,976
Following years 2 to 5	4,250	4,240
Over 5 years	10,077	7,619
Total contingent liabilities	22,261	17,835

(37) OTHER FINANCIAL COMMITMENTS

EUR thousands	31 December 2020	31 December 2019
Purchase commitments from investments in intangible assets (IAS 38.122a)		442
Total purchase commitments from investments		442
Commitments arising from gas purchase and other long-term contracts	61,567,904	68,481,193
Total other financial commitments	61,567,904	68,481,634

The GPG Group's distribution companies procure natural gas partly on the basis of long-term purchase agreements that are subject to ongoing price changes. These purchase agreements are aligned to delivery contracts with natural gas customers.

The following schedule discloses the payment profile of other financial commitments:

EUR thousands	31 December 2020	31 December 2019
Following year 1	9,340,596	10,510,321
Following years 2 to 5	22,032,169	23,826,133
Over 5 years	30,195,139	34,145,180
Total other financial commitments	61,567,904	68,481,634

(38) RELATED PARTY TRANSACTIONS

Related parties as defined in IAS 24 include companies that control or exercise a significant influence over GPG, as well as companies affiliated with GAZPROM. In addition, related parties also include all companies that are controlled or significantly influenced by GPG, as well as their supervisory board members and key management personnel. All transactions with related parties have been conducted at market conditions.

The following business activities were conducted with the following companies:

EUR thousands	Revenue and other income	Supplies and services received	Assets	Liabilities
Controlling companies	970,575	4,955,583	211,333	944,761
Other GAZPROM Group companies	63,881	296,468	292,765	9,219
Joint ventures	5,140	10,088	200,644	310,197
Associated companies	8,923	13,136	3,839	17
Total transactions with related parties 2020	1,048,519	5,275,275	708,581	1,264,194
Controlling companies	2,922,695	10,829,111	524,579	986,717
Other GAZPROM Group companies	93,997	834,053	327,962	302,755
Joint ventures	7,984	28,498	200,468	1,320
Associated companies	17,286	31,258	4,001	25
Total transactions with related parties 2019	3,041,962	11,722,920	1,057,009	1,290,816

Distributions of dividends are not included in these disclosures. The outstanding assets and liabilities with related parties are settled in cash.

Of the revenue and other income with controlling companies, 78.1 % (prior-year period: 96.4 %) was attributable to natural gas deliveries to Gazprom export.

Of the supplies and services received from controlling companies, 97.2 % (prior-year period: 97.5 %) was procured from Gazprom export and related to natural gas deliveries, including transit tariffs.

The balance of loss allowances recognised for receivables from associated companies totalled EUR 39.7 million as at 31 December 2020 (prior-year period: EUR 37.8 million).

Obligations from guarantees and other financial commitments in favour of associated companies total EUR 4.6 million as at 31 December 2020 (prior-year period: EUR 7.5 million), and in favour of other companies of the GAZPROM Group in the amount of EUR 16.9 million (prior-year period: EUR 9.6 million).

Of the supplies and services received from other GAZPROM Group companies, 90.7 % (prior-year period: 92.8 %) involved natural gas, LNG and crude oil deliveries including transit tariffs from KazRosGaz, a limited-liability company under Kazakh law, Almaty (Kazakhstan), and Sakhalin Energy Investment Company Ltd., Bermuda (Bermuda).

(39) REMUNERATION OF THE MANAGEMENT

EUR thousands	2020	2019
Short-term employee benefits	12,576	9,095
Post-employment benefits	94	8
Termination benefits		2,540
Total management remunerations	12,670	11,643

As in the previous year, there were no retirement benefit obligations in relation to active and former managing directors.

(40) REMUNERATION OF THE GROUP AUDITOR

The following amounts were recognised in the financial year as expenses for the remuneration of the Group auditor:

EUR thousands	2020	2019
Annual statutory audit	763	800
Other auditing services	6	4
Tax advice services		7
Other services	71	11
Total Group auditor's remunerations	840	822

(41) MATERIAL EVENTS AFTER THE REPORTING PERIOD

On 25 January 2021, GPG and Centrex Europe Energy & Gas AG, as sole shareholders, adopted a shareholders' resolution to liquidate ZMB Gasspeicher Holding GmbH as at 1 February 2021. The adoption of this resolution did not have an impact on the consolidated financial statements as at 31 December 2020.

There were no further material events after the reporting period that were not recognised in the consolidated financial statements.

Berlin, 12 March 2021

Igor Fedorov
Managing Director

INDEPENDENT AUDITOR'S REPORT

To GAZPROM Germania GmbH, Berlin

Audit Opinions

We have audited the consolidated financial statements of GAZPROM Germania GmbH, Berlin, and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from 1 January to 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of GAZPROM Germania GmbH, which is combined with the Company's management report, for the financial year from 1 January to 31 December 2020.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § [Article] 315e Abs. [paragraph] 1 HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as at 31 December 2020, and of its financial performance for the financial year from 1 January to 31 December 2020, and
- the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § 322 Abs. 3 Satz [sentence] 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

Basis for the Audit Opinions

We conducted our audit of the consolidated financial statements and of the group management report in accordance with § 317 HGB in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional 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 audit opinions on the consolidated financial statements and on the group management report.

Responsibilities of the Executive Directors for the Consolidated Financial Statements and the Group Management Report

The executive directors are responsible for the preparation of the consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, the executive directors are responsible for such internal control as they have determined 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, the executive directors are responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, the executive directors are responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report

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 whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the consolidated financial statements and on the group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, 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 audit opinions. 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.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' 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 the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective audit opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to § 315e Abs. 1 HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express audit opinions on the consolidated financial statements and on the group management report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinions.
- Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with German law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the group management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit

opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

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.

Berlin, March 12, 2021

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(sgd.) Dr. Thomas Schmid
Wirtschaftsprüfer
(German Public Auditor)

(sgd.) ppa. Stefanie Bartel
Wirtschaftsprüferin
(German Public Auditor)



GAZPROM Germania GmbH | Markgrafenstr. 23 | 10117 Berlin
T +49 30 20195 152 | F +49 30 20195 135
presse@gazprom-germania.de | www.gazprom-germania.de