

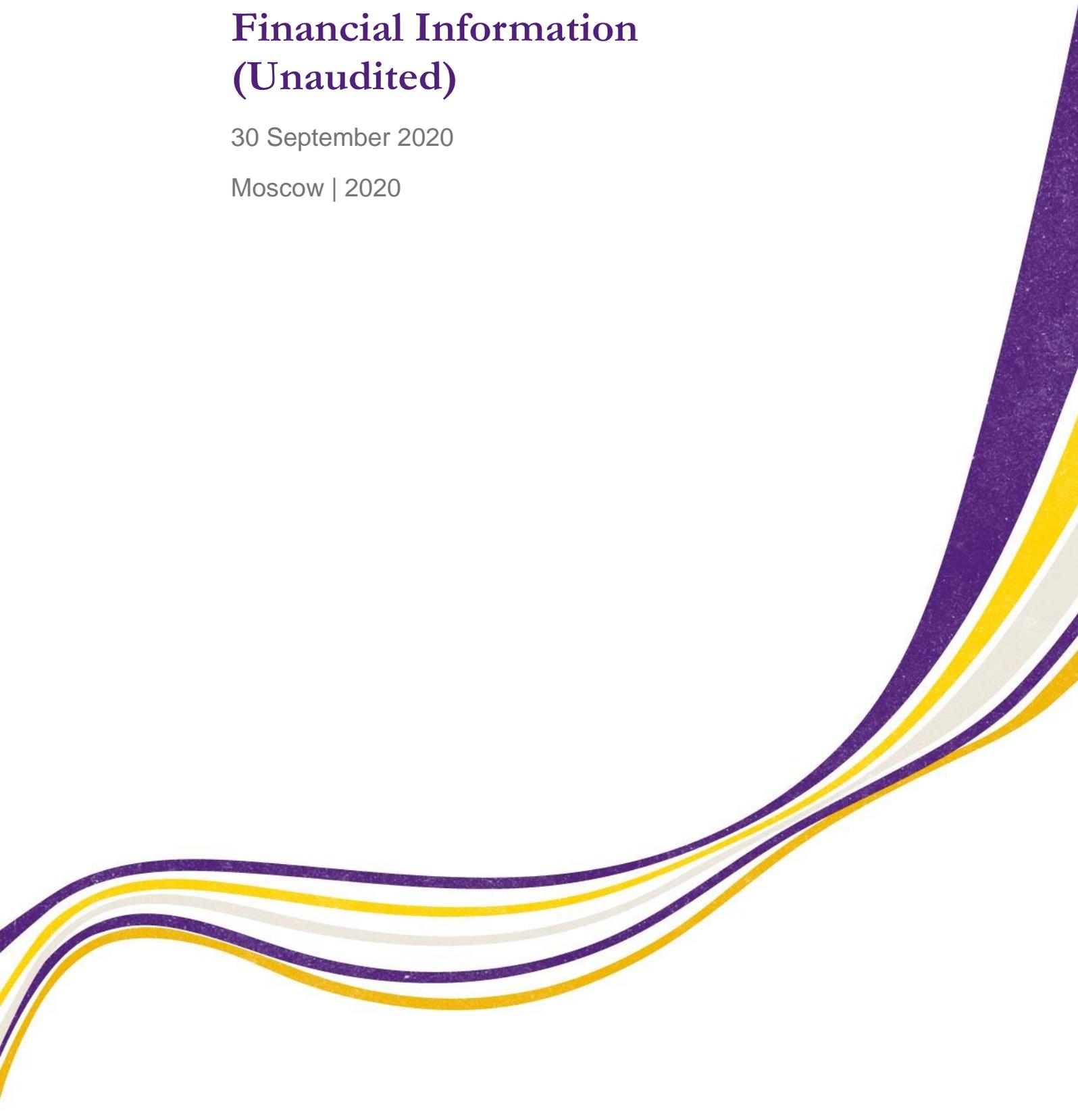
ФБК

OJSC SEVERNEFTEGAZPROM

IFRS Condensed Interim Financial Information (Unaudited)

30 September 2020

Moscow | 2020



Contents

Report on Review of Condensed Interim Financial Information	3
Condensed interim statement of financial position	5
Condensed interim statement of profit or loss and other comprehensive income	6
Condensed interim statement of cash flows	7
Condensed interim statement of changes in equity	8
Notes to the financial statements:	
1. Main activity	9
2. Operating environment	9
3. Summary of significant accounting policies	9
4. Critical accounting estimates and judgements in applying accounting policies	11
5. Financial instruments	12
6. Cash and cash equivalents	12
7. Trade and other accounts receivable	13
8. Inventories	14
9. Other current assets	14
10. Property, plant and equipment	15
11. Long-term accounts receivable	16
12. Accounts payable and provisions	17
13. Taxes payable other than income tax	17
14. Provisions	17
15. Borrowings	20
16. Income tax	20
17. Long-term accounts payable	21
18. Equity	22
19. Revenue	22
20. Cost of sales	23
21. General and administrative expenses	24
22. Other operating income	24
23. Other operating expenses	25
24. Finance income	25
25. Finance expense	25
26. Contingencies, commitments and other risks	25
27. Related party transactions	26
28. Subsequent events	28



Report on Review of Condensed Interim Financial Information

To the Shareholders of OJSC Severneftegazprom

Introduction

We have reviewed the accompanying condensed interim statement of financial position of OJSC Severneftegazprom as at 30 September 2020 and the related condensed interim statements of profit or loss and other comprehensive income, cash flows and changes in equity for the nine months ended 30 September 2020, and notes to the condensed interim financial information.

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

Scope of Review

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

Conclusion

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

Engagement partner



P.V. Sungurova
(audit qualification certificate
01-001300, ORNZ 21606047673)

Date of the Report on Review:

9 November 2020

Audited entity

Name:

Open Joint Stock Company Severneftegazprom
(OJSC Severneftegazprom).

Address of the legal entity within its location:

22, Lenin street, Krasnoselkup village, Krasnoselkupskiy district, the Yamalo-Nenets Autonomous District, Tyumen region, 629380, Russian Federation.

Official registration:

Registered by the State registration chamber under the Ministry of Justice of the Russian Federation on 15 June 2001, registration number R-16625.16.

The registration entry was made in the Unified State Register of Legal Entities on 19 December 2002 under primary state registration number 1028900699035.

Auditor

Name:

FBK, LLC.

Address of the legal entity within its location:

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

Official registration:

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

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

Membership in self-regulatory organisation of auditors:

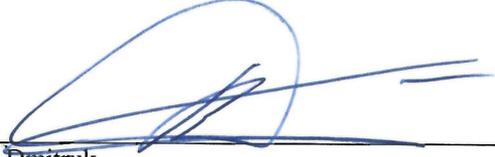
Member of the Self-regulatory organization of auditors Association "Sodruzhestvo".

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

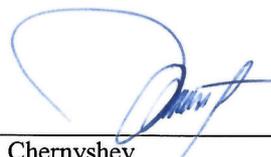
OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF FINANCIAL POSITION (UNAUDITED)
AS AT 30 SEPTEMBER 2020
(In thousands of Russian Roubles)

	Note	30 September 2020	31 December 2019
Assets			
Current assets			
Cash and cash equivalents	6	3,913,665	9,150,682
Trade and other accounts receivable	7	6,901,692	6,352,344
Inventories	8	520,224	549,952
Current income tax prepayment		339,618	101,974
Other current assets	9	-	1,207
Total current assets		11,675,199	16,156,159
Non-current assets			
Property, plant and equipment	10	77,830,222	67,449,409
Long-term accounts receivable	11	3,538	8,652
Total non-current assets		77,833,760	67,458,061
TOTAL assets		89,508,959	83,614,220
Liabilities and equity			
Current liabilities			
Accounts payable and provisions	12	7,105,657	2,671,632
Current portion of long-term borrowings	15	22,688	-
Taxes payable other than income tax	13	2,416,947	4,896,585
Total current liabilities		9,545,292	7,568,217
Non-current liabilities			
Provisions	14	12,253,680	11,494,268
Long-term borrowings	15	5,755,830	-
Deferred income tax liabilities	16	6,191,906	6,954,186
Long-term accounts payable	17	458,027	229,057
Total non-current liabilities		24,659,443	18,677,511
Total liabilities		34,204,735	26,245,728
Equity			
Share capital	18	40,000	40,000
Share premium	18	25,099,045	25,099,045
Other reserves	18	374,081	299,810
Retained earnings		29,791,098	31,929,637
Total equity		55,304,224	57,368,492
TOTAL liabilities and equity		89,508,959	83,614,220

Approved for issue and signed on 9 November 2020 by the following members of the management:



 V.V. Dmitruk
 General Director



 A.A. Chernyshev
 Deputy director on economics and finance

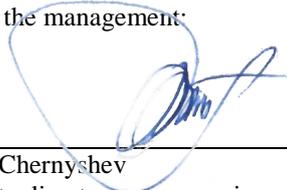
OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Revenue	19	9,310,581	11,572,684	33,519,369	38,048,318
Cost of sales	20	(8,713,104)	(9,326,384)	(29,180,139)	(30,478,375)
Gross profit		597,477	2,246,300	4,339,230	7,569,943
General and administrative expenses	21	(286,027)	(295,226)	(828,325)	(820,772)
Exploration costs		(16,277)	(815)	(34,399)	(11,247)
Other operating income	22	15,283	24,172	67,015	61,158
Other operating expenses	23	(44,969)	(42,711)	(184,857)	(155,970)
Operating profit		265,487	1,931,720	3,358,664	6,643,112
Finance income	24	42,661	114,450	245,640	310,006
Finance expense	25	(189,660)	(142,068)	(567,051)	(421,446)
Profit before income tax		118,488	1,904,102	3,037,253	6,531,672
Income tax	16	(94,370)	(434,538)	(767,330)	(1,534,536)
Profit for the period		24,118	1,469,564	2,269,923	4,997,136
Other comprehensive income / (loss):					
Items that will not be reclassified to profit or loss:					
Remeasurements of provision for post-employment benefits	14	139,122	(102,538)	92,839	(402,155)
Related income tax		(27,825)	18,801	(18,568)	80,431
Total other comprehensive income/ (loss) that will not be reclassified to profit or loss		111,297	(83,737)	74,271	(321,724)
Other comprehensive income/ (loss) for the period		111,297	(83,737)	74,271	(321,724)
Comprehensive income for the period		135,415	1,385,827	2,344,194	4,675,412

Approved for issue and signed on 9 November 2020 by the following members of the management:



 V.V. Dmitruk
 General Director



 A.A. Chernyshev
 Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles)

	Note	Nine months ended 30 September 2020	Nine months ended 30 September 2019
Profit before income tax		3,037,253	6,531,672
Adjustments for:			
Interest income	24	(245,260)	(309,603)
Finance expense excluding foreign currency exchange losses	25	566,717	421,443
Depreciation of property, plant and equipment and right-of-use assets	20, 21	6,057,173	3,984,909
Loss / (gain) on disposal of property, plant and equipment and held for sale assets	22, 23	1,543	(2,938)
Net foreign currency exchange gain	24, 25	(46)	(400)
Change in provision for employee benefits		(70,160)	58,417
Other non-cash transactions		19,168	7,285
Operating cash flows before changes in working capital		9,366,388	10,690,785
Change in inventories		29,728	(2,804)
Change in trade and other accounts receivable		(190,946)	(3,657,994)
Change in accounts payable, provisions and taxes payable other than income tax		(667,709)	(2,241,802)
Change in other current assets		1,207	-
Income tax paid		(1,785,822)	(1,234,995)
Net cash from operating activities		6,752,846	3,553,190
Cash flows from investing activities			
Capital expenditures		(13,601,300)	(3,172,487)
Interest received on deposits		253,799	313,045
Proceeds from sale of property, plant and equipment		6,090	7,490
Net cash used in investing activities		(13,341,411)	(2,851,952)
Cash flows from financing activities			
Proceeds from long-term borrowings		5,914,136	-
Other expenses related to proceeds from long-term borrowings		(104,000)	-
Dividends paid	18	(4,408,462)	(1,840,114)
Repayment of lease liabilities		(50,126)	(64,651)
Net cash from / (used in) financing activities		1,351,548	(1,904,765)
Net decrease in cash and cash equivalents		(5,237,017)	(1,203,527)
Cash and cash equivalents at the beginning of the period	6	9,150,682	6,754,924
Cash and cash equivalents at the end of the period	6	3,913,665	5,551,397

Approved for issue and signed on 9 November 2020 by the following members of the management:


V. A. Dmitruk
General Director


A. A. Chernyshev
Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

	Note	Number of shares outstanding	Share capital	Share premium	Other reserves	Retained earnings	Total equity
Balance as at 1 January 2019		533,330	40,000	25,099,045	813,755	28,742,765	54,695,565
Profit for the period		-	-	-	-	4,997,136	4,997,136
Other comprehensive loss for the period		-	-	-	(321,724)	-	(321,724)
Comprehensive (loss) / income for the period		-	-	-	(321,724)	4,997,136	4,675,412
Dividends	18	-	-	-	-	(1,840,114)	(1,840,114)
Balance as at 30 September 2019		533,330	40,000	25,099,045	492,031	31,899,787	57,530,863
Balance as at 1 January 2020		533,330	40,000	25,099,045	299,810	31,929,637	57,368,492
Profit for the period		-	-	-	-	2,269,923	2,269,923
Other comprehensive income for the period		-	-	-	74,271	-	74,271
Comprehensive income for the period		-	-	-	74,271	2,269,923	2,344,194
Dividends	18	-	-	-	-	(4,408,462)	(4,408,462)
Balance as at 30 September 2020		533,330	40,000	25,099,045	374,081	29,791,098	55,304,224

Approved for issue and signed on 9 November 2020 by the following members of the management:



 V.V. Dmitruk
 General Director



 A.A. Chernyshev
 Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

1. MAIN ACTIVITY

The main activities of Open Joint Stock Company Severneftegazprom (the “Company”) are exploration and development of the Yuzhno-Russkoye oil and gas field, prospecting, production and sales of gas.

The Company was established in 2001 as a result of reorganisation of Limited Liability Company Severneftegazprom. The Company is its successor, including the rights and obligations contained in the licenses received, certificates and other constitutive documents issued by governmental and controlling bodies.

As at 30 September 2020 shareholders of the Company were represented by PJSC Gazprom which holds 50 % of ordinary shares plus 6 ordinary shares, Wintershall Dea GmbH which holds 25 % of ordinary shares minus 3 ordinary shares plus 2 class “A” preference shares and 1 class “C” preference share and OMV Exploration & Production GmbH which holds 25 % of ordinary shares minus 3 ordinary shares plus 3 class “B” preference shares.

The Company holds the license for the development of Yuzhno-Russkoye oil and gas field located in the Yamalo-Nenets Autonomous District of the Russian Federation. The license expires in 2043, however it may be extended in case of increase of the period of production.

Production at the Yuzhno-Russkoye oil and gas field began in October 2007.

Registered address and place of business: 22, Lenin street, Krasnoselkup village, Krasnoselkupskiy district, the Yamalo-Nenets Autonomous District, Tyumen region, Russian Federation, 629380.

2. OPERATING ENVIRONMENT

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

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

The spread of COVID-19, which occurred since the beginning of 2020, has had a material adverse effect on the world economy. Measures taken to combat the spread of the virus have caused material economic downturn. Global oil and gas markets are experiencing high volatility of demand and prices. The duration and consequences of the COVID-19 pandemic, as well as the efficiency of the measures taken are currently unclear. It is now impossible to assess reliably the duration and effect of the consequences of the pandemic on the Company's financial position and results of operations in future reporting periods.

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

The official Russian Rouble to US Dollar (“USD”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 79.6845 and 61.9057 as at 30 September 2020 and 31 December 2019, respectively. The official Russian Rouble to Euro (“EUR”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 93.0237 and 69.3406 as at 30 September 2020 and 31 December 2019, respectively.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The condensed interim financial information is prepared in accordance with requirements of International Accounting Standard 34 Interim financial reporting (IAS 34). This condensed interim financial information should be read in conjunction with the financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

The significant accounting policies followed by the Company and the critical accounting estimates in applying accounting policies are consistent with those disclosed in the financial statements for the year ended 31 December 2019.

In 2020, the Company raised a long-term borrowing. Borrowings are recognised initially at fair value of the proceeds, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost, using the effective interest method; any difference between the amount at initial recognition and the redemption amount is recognised as

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

interest expense over the period of the borrowings.

Income tax for interim periods is calculated based on the tax rate that would be applicable to the expected profit for the year.

Functional currency of Company is the Russian Rouble (“RUB”).

(b) Application of Amendments to Standards

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

- The amendments to IFRS 3 Business Combinations (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). These amendments clarify the definition of a business and simplify assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
- The amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in October 2018 and effective for annual reporting periods beginning on or after 1 January 2020). The amendments clarify and bring into line the definition of the term “materiality”, as well as provide recommendations for improving the consistency in its application when referenced in IFRS.
- The amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures (issued in September 2019 and effective for annual periods beginning on or after 1 January 2020). Amendments are related to the reform of basic interest rates and clarify the requirements for hedge accounting.
- The amendments to IFRS 16 Leases (issued in May 2020 and effective for annual reporting periods beginning on or after 1 June 2020). The amendments permit lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors.

The Company reviewed these amendments to standards while preparing the interim condensed financial information. The amendments to standards have no significant impact on the interim condensed financial information.

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

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

- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual reporting periods beginning on or after 1 January 2023). Amendments clarify the criteria for classifying obligations as short-term or long-term.
- The amendments to IFRS 9 Financial Instruments (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments clarify which fees should be included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments specify which costs are included in determining the cost of fulfilling a contract for assessing whether the contract is onerous.
- The amendments to IAS 16 Property, Plant and Equipment (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is preparing for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss.
- Interest Rate Benchmark Reform (Phase 2) – Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement, IFRS 7 Financial Instruments: Disclosures, IFRS 4 Insurance Contracts and IFRS 16 Leases (issued in August 2020 and effective for annual periods beginning on or after 1 January 2021).

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

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Company makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Tax legislation

Russian tax, currency and customs legislation is subject to varying interpretations (see Note 26).

Useful lives of property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. The estimation of the useful life of an item of property, plant and equipment is a matter of management judgment based upon experience with similar assets. In determining the useful life of an asset, management considers the expected usage, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Classification of production licenses

Management treats cost of production licenses as cost of acquisition of oil and gas properties, accordingly, production licenses are included in property, plant and equipment in these financial statements.

Site restoration and environmental costs

Site restoration costs that may be incurred by the Company at the end of the operating life of certain of the Company facilities and properties are recognised when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. The cost is depreciated in accordance with the unit-of-production method during the whole usage period of these assets and reported in the comprehensive income. Changes in the measurement of an existing site restoration obligation that result from changes in the estimated timing or amount of the outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRS prescribes the recording of liabilities for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgment. This judgment is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Liabilities for site restoration are subject to change because of change in laws and regulations, and their interpretation.

For details of discounting rates used see Note 14.

Reserves estimation

Unit-of-production depreciation charges are principally measured based on Company's estimates of proved developed reserves. Proved developed reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to Company's estimates of proved developed reserves affect prospectively the amounts of depreciation charged and, consequently, the carrying amounts of production assets.

Accounting for assets and liabilities of the pension plan

The assessment of the obligations of the pension plan is based on the use of actuarial techniques and assumptions (see Note 14). Actual results may differ from estimates, and the Company's estimates may be adjusted in the future based on changes in the economic and financial situation. Management uses judgments on selected models, cash flows and their distribution over time, as well as other indicators, including the discount rate. The recognition of the assets of the pension plan is limited to an assessment of the present value of future benefits available to the Company under this plan. The cost of future benefits is determined on the basis of actuarial techniques and prerequisites. The value of the assets of the pension plan and these restrictions can be adjusted in the future.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

Accounting for lease liabilities and right-of-use assets

When measuring the present value of lease payments, the Company applies professional judgement to determine the incremental borrowing rate if the discount rate is not implicit in the lease. When determining the incremental borrowing rate, the Company's management analyses borrowings over a similar term in a similar period. If there are no borrowings with similar characteristics the discount rate is determined on the basis of the risk-free rate determined on the basis of State bonds. Assessment of the non-cancellable period is subject to management judgement, which takes into account all relevant facts and circumstances that create an economic incentive for the Company to exercise or not to exercise an option to extend the lease. These facts and circumstances include the need to extend the lease to continue operations, the period of construction and exploitation of assets on leased lands, useful lives of leased assets, potential dismantling and relocation costs.

5. FINANCIAL INSTRUMENTS

	Note	30 September 2020	31 December 2019
Current assets			
Accounts receivable from related parties	7	6,425,393	5,551,514
Cash and cash equivalents	6	3,913,665	9,150,682
Other accounts receivable	7	62,724	141,398
Non-current assets			
Other long-term accounts receivable	11	3,538	8,652
Total financial assets at amortised cost		10,405,320	14,852,245
Current liabilities			
Trade accounts payable	12	6,549,884	1,643,979
Accounts payable to related parties	12	157,760	604,031
Current portion of long-term borrowings	15	22,688	-
Other accounts payable	12	5,392	6,359
Current portion of long-term lease liabilities	12	2,378	57,058
Non-current liabilities			
Long-term borrowings	15	5,755,830	-
Trade accounts payable	17	429,251	179,696
Long-term lease liabilities	17	28,776	49,361
Total financial liabilities at amortised cost		12,951,959	1,994,159

The fair value of financial instruments as at 30 September 2020 and as at 31 December 2019 approximates their carrying value.

6. CASH AND CASH EQUIVALENTS

	30 September 2020	31 December 2019
Deposit accounts	3,913,000	9,150,600
Current accounts	665	82
Total cash and cash equivalents	3,913,665	9,150,682

As at 30 September 2020 and as at 31 December 2019 cash was placed on deposit accounts for the period less than three months.

As at 30 September 2020 the weighted average interest rate on the deposit accounts of the Company was 3.50 % for Russian Roubles.

As at 31 December 2019 the weighted average interest rate on the deposit accounts of the Company was 4.95 % for Russian Roubles.

The fair value of cash and cash equivalents as at 30 September 2020 and as at 31 December 2019 approximates their carrying value.

The table below analyses the credit quality of banks at which the Company holds cash and cash equivalents at the reporting date:

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

	Rating	Rating agency	Credit limit for one bank	30 September 2020	31 December 2019
Bank GPB (JSC)	Ba1	Moody's	Not set	3,913,368	9,150,682
Bank VTB (PJSC)	Baa3	Moody's	Not set	297	-
Total cash and cash equivalents				3,913,665	9,150,682

7. TRADE AND OTHER ACCOUNTS RECEIVABLE

	Note	30 September 2020	31 December 2019
Financial assets			
Accounts receivable from related parties	27	6,425,393	5,551,514
Other accounts receivable		79,196	157,887
Allowance for expected credit losses on other trade receivables		(16,472)	(16,489)
Total financial accounts receivable		6,488,117	5,692,912
Non-financial assets			
VAT recoverable		322,959	584,649
Advances to suppliers		89,676	69,386
Prepaid taxes, other than income tax		940	5,397
Total non-financial accounts receivable		413,575	659,432
Total trade and other accounts receivable		6,901,692	6,352,344

As at 30 September 2020 and as at 31 December 2019 accounts receivable from related parties are related to gas sales in the Russian Federation.

The Board of directors OJSC Severneftegazprom held in 30 September 2020 decided to change the Annual Program of activities and the Budget of OJSC Severneftegazprom for 2020 which resulted in the decrease of the gas sales price for the second half of the year 2020 by 16 %. Accordingly as at 30 September 2020 the revenue was decreased for the period from 1 July to 30 September 2020, and accounts receivable from related parties for the contracts with PJSC Gazprom, CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development were adjusted.

As at 30 September 2015 cash in the amount of RUB 1,851,570 thousand was placed on deposit accounts in LLC Vneshprombank. Due to the revocation of the bank license on 21 January 2016 the return probability of the deposit is assessed as low. As a result, in 2015 the Company reclassified the deposit in the amount of RUB 1,851,570 thousand into accounts receivable and accrued allowance for expected credit losses for the whole amount. As at 31 December 2019 an analysis of the possibility of debt collection was conducted. The management of the Company decided to write off the full amount of debt due to the created provision for expected credit losses in the amount of RUB 1,896,496 thousand (including interest accrued) due to the fact that there is no probability of a deposit return.

Allowance for expected credit losses has been charged for the sum of overdue accounts receivable as at 30 September 2020 and as at 31 December 2019.

The ageing analysis of trade and other accounts receivable is as follows:

Ageing from the due date	Total overdue accounts receivable as at		Total allowance for expected credit losses as at		Total overdue accounts receivable net of allowance for expected credit losses as at	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019	30 September 2020	31 December 2019
up to 1 year	1,079	1,079	(1,079)	(1,079)	-	-
1 to 3 years	13,374	13,422	(13,374)	(13,422)	-	-
over 3 years	2,019	1,988	(2,019)	(1,988)	-	-
Total	16,472	16,489	(16,472)	(16,489)	-	-

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

Change in the allowance for expected credit losses of accounts receivable is as follows:

Allowance for expected credit losses as at 1 January 2019	(1,911,432)
Change in allowance	-
Allowance for expected credit losses as at 30 September 2020	(1,911,432)
Accrual of allowance	(1,553)
Write-off of accounts receivable against allowance	1,896,496
Allowance for expected credit losses as at 31 December 2019	(16,489)
Reversal of allowance	17
Allowance for expected credit losses as at 30 September 2020	(16,472)

As the principal debtors of the Company are related parties, the Company believes that the default risk is low. No accounts receivable from related parties were past due or impaired as at 30 September 2020 and as at 31 December 2019.

8. INVENTORIES

	30 September 2020	31 December 2019
Materials for extraction	706,732	770,890
Other materials	15,133	17,577
Impairment of materials for extraction	(201,641)	(238,515)
Total inventories	520,224	549,952

9. OTHER CURRENT ASSETS

	30 September 2020	31 December 2019
Assets held for sale	-	1,207
Total other current assets	-	1,207

As at 30 September 2020 were no assets held for sale.

An asset held for sale as at 31 December 2019 was presented by one flat situated in the Urengoy settlement and was sold in 2020.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

10. PROPERTY, PLANT AND EQUIPMENT

	Pipelines	Wells	Buildings and facilities	Machinery and equipment	Roads	Others	Right-of-use assets	Prepayments and assets under construction	Total
Cost as at 1 January 2019	9,625,765	12,208,505	39,490,493	18,675,086	13,685,020	229,598	182,578	5,236,942	99,333,987
Additions	-	-	-	125,633	-	7,368	7,470	3,601,787	3,742,258
Additions provision for decommissioning and site restoration (Note 14)	-	27,020	-	-	-	-	-	-	27,020
Disposals	-	-	(1,571)	(10,267)	-	-	-	-	(11,838)
Transfer	-	3,225,610	283,303	127,182	-	6,863	-	(3,642,958)	-
Cost as at 30 September 2019	9,625,765	15,461,135	39,772,225	18,917,634	13,685,020	243,829	190,048	5,195,771	103,091,427
Additions	-	-	-	41,307	-	422	-	4,763,774	4,805,503
Additions provision for decommissioning and site restoration	-	200,132	62,773	74	-	-	-	-	262,979
Change in component for decommissioning and site restoration obligation	1,181,998	1,051,657	5,059,579	514,093	-	-	-	-	7,807,327
Disposals	-	-	(38)	(76,912)	-	(601)	-	-	(77,551)
Disposals provision for decommissioning and site restoration obligation	-	-	(36)	(9)	-	-	-	-	(45)
Transfer to inventories	-	-	-	-	-	-	-	(189,221)	(189,221)
Transfer	-	248,400	890,829	217,830	-	1,039	-	(1,358,098)	-
Cost as at 31 December 2019	10,807,763	16,961,324	45,785,332	19,614,017	13,685,020	244,689	190,048	8,412,226	115,700,419
Additions	-	-	-	63,701	-	2,586	-	16,097,465	16,163,752
Additions provision for decommissioning and site restoration (Note 14)	-	275,004	28,730	5,809	4,266	-	-	-	313,809
Disposals	-	(2,492)	(2,262)	(17,818)	-	-	-	-	(22,572)
Disposal provision for decommissioning and site restoration (Note 14)	-	(284)	(114)	(27)	-	-	(30,508)	-	(425)
Modification of lease contracts	-	-	-	-	-	-	-	-	(30,508)
Capitalised borrowing costs	-	2,525	762	213	26	-	-	14,972	18,498
Transfer	-	7,556,757	789,461	408,150	117,220	-	-	(8,871,588)	-
Cost as at 30 September 2020	10,807,763	24,792,834	46,601,909	20,074,045	13,806,532	247,275	159,540	15,653,075	132,142,973
Accumulated depreciation as at 1 January 2019	(4,173,037)	(4,465,104)	(15,398,282)	(7,312,221)	(5,768,750)	(156,520)	-	-	(37,273,914)
Depreciation	(353,214)	(582,169)	(1,560,698)	(917,463)	(512,795)	(17,044)	(56,027)	-	(3,999,410)
Disposals	-	-	664	10,088	-	-	-	-	10,752
Accumulated depreciation as at 30 September 2019	(4,526,251)	(5,047,273)	(16,958,316)	(8,219,596)	(6,281,545)	(173,564)	(56,027)	-	(41,262,572)
Depreciation	(297,186)	(607,669)	(1,371,292)	(626,489)	(431,455)	(6,046)	(18,676)	-	(3,358,813)
Disposals	-	-	31	76,716	-	582	-	-	77,329
Change in component for decommissioning and site restoration obligation	(533,083)	(513,607)	(2,441,088)	(219,176)	-	-	-	-	(3,706,954)
Accumulated depreciation as at 31 December 2019	(5,356,520)	(6,168,549)	(20,770,665)	(8,988,545)	(6,713,000)	(179,028)	(74,703)	-	(48,251,010)
Depreciation	(524,869)	(1,303,636)	(2,415,090)	(1,098,276)	(672,797)	(16,040)	(45,633)	-	(6,076,341)
Disposals	-	1,508	71	13,021	-	-	-	-	14,600
Accumulated depreciation as at 30 September 2020	(5,881,389)	(7,470,677)	(23,185,684)	(10,073,800)	(7,385,797)	(195,068)	(120,336)	-	(54,312,751)
Net book value as at 1 January 2019	5,452,728	7,743,401	24,092,211	11,362,865	7,916,270	73,078	182,578	5,236,942	62,060,073
Net book value as at 30 September 2019	5,099,514	10,413,862	22,813,909	10,698,038	7,403,475	70,265	134,021	5,195,771	61,828,855
Net book value as at 31 December 2019	5,451,243	10,792,775	25,014,667	10,625,472	6,972,020	65,661	115,345	8,412,226	67,449,409
Net book value as at 30 September 2020	4,926,374	17,322,157	23,416,225	10,000,245	6,420,735	52,207	39,204	15,653,075	77,830,222

In August 2020, the Company raised a long-term borrowing. For the nine months ended 30 September 2020 capitalised borrowing costs amounted to RUB 18,498 thousand.

As at 30 September 2020 capitalised borrowing costs included in assets under construction amounted RUB 14,972 thousands.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

As at 30 September 2020 property, plant and equipment included prepayments for assets under construction in the amount of RUB 1,598,470 thousand (RUB 2,809,945 thousand as at 31 December 2019).

As at 30 September 2020 property, plant and equipment included right-of-use assets in the amount of RUB 39,204 thousand (RUB 115,345 thousand as at 31 January 2019). Right-to-use assets are mainly presented by leases of real estate and land.

Change of right-of-use assets for the nine months ended 30 September 2020 is provided below:

	Buildings and facilities	Others (land lease)	Total
Cost as at 1 January 2020	142,207	47,841	190,048
Leases agreements modification	(12,027)	(18,481)	(30,508)
Cost as at 30 September 2020	130,180	29,360	159,540
Accumulated depreciation as at 1 January 2020	(72,788)	(1,915)	(74,703)
Depreciation	(44,770)	(863)	(45,633)
Accumulated depreciation as at 30 September 2020	(117,558)	(2,778)	(120,336)
Net book value as at 30 September 2020	12,622	26,582	39,204

Change of right-of-use assets for the nine months ended 30 September 2019 is provided below:

	Buildings and facilities	Others (land lease)	Total
Cost as at 1 January 2019			
Initial recognition	134,737	47,841	182,578
Additions of new lease agreements	7,470	-	7,470
Cost as at 30 September 2019	142,207	47,841	190,048
Accumulated depreciation as at 1 January 2019	-	-	-
Depreciation	(54,591)	(1,436)	(56,027)
Accumulated depreciation as at 30 September 2019	(54,591)	(1,436)	(56,027)
Net book value as at 30 September 2019	87,616	46,405	134,021

Unit-of-production depreciation charged are principally measured based on Company's estimation of proved developed gas reserves. Proved developed gas reserves are estimated by independent international reservoir engineers with reference to available geological and engineering data, and only include volumes for which access to extract is assured with reasonable certainty.

The unit-of-production depreciation rate for the property, plant and equipment was 9.63 % for the nine months ended 30 September 2020 (for the nine months ended 30 September 2019 – 6.48 %).

Estimates of gas reserves are inherently imprecise, require the application of judgments and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. Changes to Company's estimates of proved developed reserves affect prospectively the amounts of depreciation charged and, consequently, the carrying amounts of property, plant and equipment.

11. LONG-TERM ACCOUNTS RECEIVABLE

	30 September 2020	31 December 2019
Financial assets		
Other accounts receivable	3,538	8,652
Total long-term accounts receivable	3,538	8,652

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

12. ACCOUNTS PAYABLE AND PROVISIONS

Note	Note	30 September 2020	31 December 2019
Financial liabilities			
Trade accounts payable		6,549,884	1,643,979
Accounts payable to related parties	27	157,760	604,031
Current portion of long-term lease liabilities		2,378	57,058
Other accounts payable		5,392	6,359
Total financial liabilities		6,715,414	2,311,427
Non-financial liabilities			
Wages and salaries		280,814	263,274
Provision for employee bonuses		96,545	66,143
Advances received		239	17,268
Provision for revegetation		12,645	12,645
Estimated expenses for seasonal works and equipment installation		-	875
Total non-financial liabilities		390,243	360,205
Total accounts payable and provisions		7,105,657	2,671,632

An increase in accounts payable to suppliers and contractors in 2020 is due to the implementation of the investment program in accordance with the Technological Scheme for the development of Cenomanian and Turonian gas deposits of the Yuzhno-Russkoye field.

13. TAXES PAYABLE OTHER THAN INCOME TAX

	30 September 2020	31 December 2019
Mineral extraction tax	1,888,549	2,607,389
Value added tax	257,384	2,043,344
Property tax	174,949	162,904
Insurance contributions for employees	75,434	63,086
Personal income tax	20,151	19,087
Other taxes and accruals	480	775
Total taxes payable other than income tax	2,416,947	4,896,585

14. PROVISIONS

	30 September 2020	31 December 2019
Provision for decommissioning and site restoration	11,038,955	10,174,748
Provision for employee benefits	1,214,725	1,319,520
Total provisions	12,253,680	11,494,268

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

Provision for decommissioning and site restoration

		Nine months ended	
	Note	30 September	
		2020	2019
Provision for decommissioning and site restoration at the beginning of the period		10,174,748	5,251,727
Accrual provision for recultivation		47,679	
Additions provision for decommissioning and site restoration	10	313,384	27,020
Reclassification of short-term provision		-	9,683
Increase in discounted value for the period	24	503,144	350,941
Provision for decommissioning and site restoration at the end of the period		11,038,955	5,639,371

The Company is obliged to bear expenses for decommissioning and site restoration of the Yuzhno-Russkoye deposit after its development. The discount rate used to calculate the net present value of the future cash outflows relating to decommissioning and site restoration as at 30 September 2020 was 6.58 % (as at 31 December 2019 – 6.58 %), which represents the pre-tax rate which reflects market assessment of time value of money at the end of the reporting period.

Provisions for employee benefits

The Company operates post-employment and other long-term benefits system, which is recorded as defined benefit plan in the financial statements under IAS 19 Employee benefits. Defined benefit plan covers the majority employees of the Company. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and post-retirement benefits from the Company provided upon retirement. The amount of post-employment and other long-term benefits depends on the time of work experience of employees, wages in recent years prior to retirement, a predetermined fixed amount or a combination of these factors.

Provision for employee benefits recognised in the balance sheet is provided below:

	Provision for employee benefits as at	
	30 September 2020	31 December 2019
Present value of benefit obligations	2,069,839	2,087,982
Fair value of plan assets	(855,114)	(768,462)
Total net liabilities	1,214,725	1,319,520

The principal assumptions used for the measurement of post-employment and other long-term benefit obligations for the nine months ended 30 September 2020 were the same as those applied for the year ended 31 December 2019 with exception of the discount rate determined by reference to market yields on government securities. The increase in the discount rate from 6.3 % to 6.6 % resulted in recognition of an actuarial gain of RUB 74,109 thousand in other comprehensive income for the nine months ended 30 September 2020.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

Changes in the present value of the defined benefit obligations and fair value of plan assets for the periods ended 30 September 2020 and 30 September 2019 are provided below:

	Provision for employee benefits (post- employment benefits)	Provision for employee benefits (other long-term benefits)	Fair value of plan assets	Net liability / (asset)
As at 31 December 2019	2,041,549	46,433	(768,462)	1,319,520
Current service cost	124,057	14,848	-	138,905
Interest expense / (income)	92,433	2,081	(36,310)	58,204
Gain from remeasurements of other long-term benefit obligations	-	(2,080)	-	(2,080)
Total expenses included in staff costs	216,490	14,849	(36,310)	195,029
Gain from remeasurements of post-employment benefit obligations	(74,109)	-	-	(74,109)
Gain on plan assets excluding amounts included in net interest expense	-	-	(18,730)	(18,730)
Total recognised in the other comprehensive income	(74,109)	-	(18,730)	(92,839)
Benefits paid	(170,588)	(4,785)	128,214	(47,159)
Contributions by employer	-	-	(159,826)	(159,826)
Closing balance as at 30 September 2020	2,013,342	56,497	(855,114)	1,214,725

	Provision for employee benefits (post- employment benefits)	Provision for employee benefits (other long-term benefits)	Fair value of plan assets	Net liability / (asset)
As at 31 December 2018	1,454,377	135,050	(650,317)	939,110
Current service cost	242,129	10,275	-	252,404
Interest expense / (income)	92,088	8,454	(41,945)	58,597
Loss from remeasurements of other long-term benefit obligations	-	24,051	-	24,051
Total expenses included in staff costs	334,217	42,780	(41,945)	335,052
Loss from remeasurements of post-employment benefit obligations	279,736	-	-	279,736
Loss on plan assets excluding amounts included in net interest expense	-	-	122,419	122,419
Total recognised in the other comprehensive loss	279,736	-	122,419	402,155
Benefits paid	(53,298)	(7,949)	13,912	(47,335)
Contributions by employer	-	-	(170,702)	(170,702)
Closing balance as at 30 September 2019	2,015,032	169,881	(726,633)	1,458,280

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

15. BORROWINGS

In August 2020, the Company signed a Borrowing Agreement with VTB Bank PJSC for opening a long-term credit line up to RUB 40,000,000 thousand to finance capital expenses with an interest rate equal to the current key rate of the Central Bank of the Russian Federation (Bank of Russia) + 1.3 % and maturing until the end of 2027.

	30 September 2020	31 December 2019
Bank borrowing	5,755,830	-
Total long-term borrowings	5,755,830	-
Current portion of long-term borrowing	22,688	-
Total current portion of long-term borrowings	22,688	-

The current portion of long-term bank borrowing includes interest payable in accordance with the Borrowing Agreement.

The terms and conditions of the bank borrowing not repaid as at the reporting date are specified below:

	Currency	Interest rate	Maturity date	30 September 2020	31 December 2019
VTB Bank (PJSC)	RUB	Key rate Bank of Russia +1.3 %	2 023	5,755,830	-
Total				5,755,830	-

The key rate of the Bank of Russia as at 30 September 2020 amounted to 4.25 %. The commission rate charged on the unused amount of the credit line amounted to 1.45 %. As at 30 September 2020 the Company was in compliance with all financial covenants.

The analysis of the long-term debt maturity profile is shown in the table below:

Long-term borrowing maturity profile	30 September 2020	31 December 2019
from 1 to 2 years	-	-
from 2 to 5 years	5,755,830	-
from 5 years	-	-
Total	5,755,830	-

16. INCOME TAX

Income tax expense comprises the following:

	Nine months ended	
	30 September	
	2020	2019
Current tax expense	1,548,178	1,684,986
Deferred tax expense	(780,848)	(150,450)
Total tax expense	767,330	1,534,536

Differences between the recognition criteria in IFRS and Russian statutory taxation regulations give rise to certain temporary differences between the carrying value of certain assets and liabilities for financial reporting purposes and for profit tax purposes. The tax effect of the movement in these temporary differences is recorded at the rate of 20 %.

As at 30 September 2020 and as at 30 September 2019 and 31 of December 2019 all deferred tax assets and deferred tax liabilities formed during the period activity of the Company recalculated on the basis of the income tax rate of 20 % (including 2 % to the Federal budget).

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

	Tax effect of movement in temporary differences			
	30 September 2020	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2020
Tax effect of taxable temporary differences:				
Property, plant and equipment	(7,033,086)	411,355	-	(7,444,441)
Borrowing	(31,661)	(31,661)	-	-
Total	(7,064,747)	379,694	-	(7,444,441)
Tax effect of deductible temporary differences:				
Inventories	32,437	(5,805)	-	38,242
Trade and other accounts receivable	790,892	431,987	-	358,905
Other deductible temporary differences	49,512	(25,028)	(18,568)	93,108
Total	872,841	401,154	(18,568)	490,255
Total net deferred tax (liabilities) / assets	(6,191,906)	780,848	(18,568)	(6,954,186)

The tax effect of the movement in these temporary differences for the same period of 2019 are provided below.

	Tax effect of movement in temporary differences			
	30 September 2019	Recognised in profit or loss	Recognised in other comprehensive income	1 January 2019
Tax effect of taxable temporary differences:				
Property, plant and equipment	(6,801,465)	271,275	-	(7,072,740)
Total	(6,801,465)	271,275	-	(7,072,740)
Tax effect of deductible temporary differences:				
Inventories	38,635	(322)	-	38,957
Trade and other accounts receivable	373,648	(286)	-	373,934
Other deductible temporary differences	33,954	(120,217)	80,431	73,740
Total	446,237	(120,825)	80,431	486,631
Total net deferred tax (liabilities) / assets	(6,355,228)	150,450	80,431	(6,586,109)

Based on the amount of proved gas reserves and contracted sales, management believes that the Company will generate sufficient taxable profit in the future periods against which the deductible temporary differences will be reversed.

17. LONG-TERM ACCOUNTS PAYABLE

	30 September 2020	31 December 2019
Trade accounts payable	429,251	179,696
Long-term lease liabilities	28,776	49,361
Total trade accounts payable	458,027	229,057

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

18. EQUITY

Share capital

Share capital of the Company authorised, issued and paid totals RUB 40,000 thousand as at 30 September 2020 and 31 December 2019 and consists of 533,324 ordinary shares with the nominal value of RUB 60 per share and 2 preference shares (type “A”) with the nominal value of RUB 2,462 thousand per share, 3 preference shares (type “B”) with the nominal value of RUB 667 thousand per share and 1 preference share (type “C”) with the nominal value of RUB 1,077 thousand.

The excess of the proceeds from share issuance over the nominal value was recorded in equity as the share premium. After the share capital increase from its own funds (from the share premium) in 2011, the share premium amounted to RUB 25,099,045 thousand.

As at 30 September 2020 and 31 December 2019 all issued preference and ordinary shares are fully paid.

The preference shares are not redeemable and rank ahead of the ordinary shares in the event of the Company’s liquidation. The preference shares give its holders the right to participate at general shareholders’ meetings without voting rights unless decisions are made in relation to reorganisation and liquidation of the Company and changes and amendments to the Company’s charter which restrict the rights of preference shareholders are proposed. Upon a positive decision of the shareholders meeting to pay dividends, dividends on preference shares (type “A”) are calculated as 12.308 % of the portion of the profit of the Company which has been allocated for dividends payment in accordance with the resolution of the shareholders meeting; preference shares (type “B”) as 5 % of the allocated profit for dividends; preference shares (type “C”) as 2.692 % of the profit allocated for dividends. These preference dividends rank above ordinary dividends. If preference dividends are not declared by ordinary shareholders, the preference shareholders obtain the right to vote as ordinary shareholders until the dividend is paid.

Other reserves

Before 1 January 2007 the Company received loans from its shareholders. Indebtedness under the loans was recognised in the financial statements at the fair value calculated using average interest rates on similar loans. The difference between the fair value of the loans and the amount received net of related tax was recorded in equity as Other reserves. During 2007-2008 years, the Company redeemed all the loans for which Other reserves were recognised. The fair value effect in the amount of RUB 873,253 thousands, net of income tax RUB 275,810 thousand, was recognised in Other reserves.

Other reserves include other comprehensive income related to the reassessment of estimated post-employment benefits obligations net of related income tax (Note 14).

Dividends

The Annual General Meeting of the Shareholders of the Company held on 30 June 2020 decided to pay dividends in the amount of RUB 4,408,462 thousand for the year ended 31 December 2019. All dividends declared and paid in 2020 in Russian roubles in full.

The Annual General Meeting of the Shareholders of the Company held on 4 June 2019 decided to pay dividends in the amount of RUB 1,840,114 thousand for the year ended 31 December 2018. All dividends declared and paid in 2019 in Russian roubles in full.

In accordance with Russian legislation, the Company distributes profits as dividends on the basis of financial statements prepared in accordance with Russian statutory accounting. The statutory accounting reports of the Company are the basis for profit distribution according to legislation of the Russian Federation.

19. REVENUE

	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
Revenue from gas sales	9,310,581	11,572,684	33,519,369	38,048,318
Total revenue	9,310,581	11,572,684	33,519,369	38,048,318

All customers of the Company are related parties (Note 27).

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

20. COST OF SALES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Mineral extraction tax (MET)	5,454,764	6,896,028	19,728,014	23,118,339
Depreciation of property, plant and equipment and right-of-use assets	1,935,840	1,216,360	6,013,779	3,931,382
Staff costs	700,769	650,974	1,935,889	1,869,210
Property tax	185,071	173,139	538,619	521,273
Repairment and technical maintenance	165,722	173,898	354,352	398,253
Materials	56,773	64,396	156,086	174,685
Other outsourced production services	92,771	26,432	114,409	71,584
Insurance	36,997	35,137	110,520	98,102
Fire safety and security services	16,069	13,468	48,729	38,657
Transportation costs	10,986	20,494	33,233	52,085
Geophysical services	13,315	17,418	30,162	50,806
Software support costs	5,240	7,216	29,309	41,747
Fuel costs	8,616	9,510	28,571	34,063
Rent expenses	6,248	3,888	19,088	16,592
Other	23,923	18,026	39,379	61,597
Total cost of sales	8,713,104	9,326,384	29,180,139	30,478,375

Depreciation of property, plant and equipment in the amount of RUB 19,168 thousand for the nine months ended 30 September 2020 was capitalised into assets under construction (for the period ended 30 September 2019: RUB 14,501 thousand).

The decrease in mineral extraction tax expenses in comparison to the same period of the last year is due to a change in the component coefficients in the calculation of the MET rate and an increase in the share of gas produced from the Turonian gas deposit.

Average MET rate for the nine months ended 30 September 2020 was approximately RUB 1,164 per 1,000 cubic meters for the Cenomanian gas and RUB 241 per 1,000 cubic meters for the Turonian gas.

Average MET rate for the nine months ended 30 September 2019 was approximately RUB 1,269 per 1,000 cubic meters for the Cenomanian gas and RUB 265 per 1,000 cubic meters for the Turonian gas.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Administrative staff costs	235,448	220,362	624,073	603,992
Depreciation of right-of-use assets	7,929	20,392	43,394	53,527
Insurance	10,820	14,739	32,178	30,577
Overhaul of other objects	556	6,170	20,522	6,170
Industrial safety and security services	6,734	5,745	20,176	16,473
Heat and electricity	2,909	2,911	12,059	12,193
Materials and spare parts	4,200	4,309	11,425	14,093
Advertising	681	1,009	10,123	10,608
Communication services	2,839	2,869	8,437	8,327
Maintenance	2,579	2,485	8,142	8,544
Software support	2,677	4,043	8,035	9,378
Rent expenses	474	708	1,486	1,485
Other general and administrative expenses	8,181	9,484	28,275	45,405
Total general and administrative expenses	286,027	295,226	828,325	820,772

22. OTHER OPERATING INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Fees and penalties due to violation of contract covenants	2,556	16,054	44,863	34,052
Gain on disposal of property, plant and equipment	3,210	467	4,280	2,938
Gain from assets held for sale	-	-	3,613	-
Rent income on property, plant and equipment	939	457	2,557	2,807
Remeasurement of other long-term benefit obligations	4,740	-	2,080	-
Reimbursement of the road maintenance costs	1	335	1,443	1,739
Other operating income	3,837	6,859	8,179	19,622
Total other operating income	15,283	24,172	67,015	61,158

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020
(In thousands of Russian Roubles, unless otherwise stated)

23. OTHER OPERATING EXPENSES

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Social costs	3,084	6,185	66,180	73,409
Loss on disposal of materials	15,990	5,954	54,264	13,979
Loss from disposal of property, plant and equipment	695	-	8,229	-
Registration of rights for real estate and land	27	-	4,132	-
House renting to employees	1,219	2,027	3,568	5,872
Non-refundable VAT	924	947	1,976	2,759
Loss from disposal assets held for sale	-	-	1,207	-
Souvenirs	603	505	1,050	1,063
Evaluation and expert service	350	-	1,010	-
Administrative fines	-	-	600	-
Remeasurement of other long-term benefit obligations	1,397	5,395	-	24,051
Other operating expenses	20,680	21,698	42,641	34,837
Total other operating expenses	44,969	42,711	184,857	155,970

24. FINANCE INCOME

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Interest income	42,661	114,442	245,260	309,603
Foreign currency exchange gains	-	8	380	403
Total finance income	42,661	114,450	245,640	310,006

25. FINANCE EXPENSE

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Unwinding of discount cost of provision for decommissioning and site restoration (Note 14)	169,973	116,981	503,144	350,941
Interest expense on provision for post-employment benefits (Note 14)	18,470	19,972	58,204	58,597
Interest expense on long-term lease liability	1,200	5,115	5,369	11,905
Foreign currency exchange losses	17	-	334	3
Total finance expense	189,660	142,068	567,051	421,446

26. CONTINGENCIES, COMMITMENTS AND OTHER RISKS

(a) Tax legislation

Russian tax legislation, which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Company. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

Russian transfer pricing legislation was amended with effect from 1 January 2012 are more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm's length.

Management believes that its pricing policy used in 2020 and preceding years meets market condition. Company has implemented measures of internal controls to be in compliance with the transfer pricing legislation.

Given the specifics of transfer pricing rules, the impact of any challenge to the Company's transfer prices cannot be reliably estimated, however, it may be significant to the financial conditions and/or the overall operations of the Company.

(b) Legal proceedings

The Company is subject of, or party to a number of court proceedings arising in the ordinary course of business. In the opinion of management, there are no current legal proceedings or other claims outstanding, which could have a material effect on the result of operations or financial position of the Company and which have not been accrued or disclosed in the financial statement.

(c) Capital commitments

The total investment utilisation with the investment program for 2020 is RUB 33,555,600 thousand.

(d) Environmental matters

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Company periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately. Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage that have not already been provided for.

27. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 Related Party Disclosures. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Related parties may enter into transactions, which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

Transactions with shareholders and its related parties

The Company is under the control of PJSC Gazprom and is included in the Gazprom Group. PJSC Gazprom is the Immediate and Ultimate Parent entity of the Company. The Government of the Russian Federation is the ultimate controlling party of the Company. At the same time Wintershall Dea GmbH (before 1 of MAY 2019 - Wintershall Holding GmbH), which is part of Wintershall Dea Group and OMV Exploration & Production GmbH, which is part of the OMV Group have significant influence on the Company (Note 1).

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

Transactions of the Company with related parties for the periods ended 30 September 2020 and 31 December 2019 are presented below:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Sales of gas to PJSC Gazprom (Gazprom Group)	19	3,724,323	4,629,074	13,407,747	15,219,327
Sales of gas to CJSC Gazprom YRGM Trading (Wintershall Dea Group)	19	3,258,703	4,050,439	11,731,779	13,316,911
Sales of gas to JSC Gazprom YRGM Development (OMV Group)	19	2,327,645	2,893,170	8,379,842	9,512,079
Other sales		126	158	624	650
Transaction with Gazprom Groups Companies		98,420	76,348	412,783	306,325

Information on significant transactions concerning cash and cash equivalents with related parties:

Cash and cash equivalents	Note	30 September 2020	31 December 2019
Bank GPB (JSC)	6	3,913,368	9,150,682
Total cash and cash equivalents		3,913,368	9,150,682

Information on significant transactions concerning interest income with related parties:

Interest income	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Bank GPB (JSC)	24	42,661	114,442	245,260	301,989
Total interest income		42,661	114,442	245,260	301,989

Significant balances with related parties are summarised as follows:

Accounts receivable	Note	30 September 2020	31 December 2019
PJSC Gazprom		2,606,356	2,219,341
CJSC Gazprom YRGM Trading		2,226,635	,941,923
JSC Gazprom Development		1,590,454	1,387,088
Bank GPB (JSC)		-	1,195
Gazprom Group companies		1,948	1,967
Total accounts receivable	7	6,425,393	5,551,514

As at 30 September 2020 and 31 December 2019 short-term accounts receivable of related parties were non-interest bearing, had maturity within one year and were denominated in Russian Rubbles.

Accounts payable	Note	30 September 2020	31 December 2019
Accounts payable to Gazprom Group companies	12	100,300	57,706
Total accounts payable		100,300	57,706

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020

(In thousands of Russian Roubles, unless otherwise stated)

Transactions with parties under control of the Government

Information on significant transactions with parties under control of the Government:

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
Interest income					
VTB Bank (PJSC)	24	-	-	-	7,615
Total interest income		-	-	-	7,615

	Note	30 September 2020	31 December 2019
Cash and cash equivalents			
VTB Bank (PJSC)	6	297	-
Total cash and cash equivalents		297	-

	Note	30 September 2020	31 December 2019
Accounts payable			
JSC United Engine Corporation	12	-	546,325
VTB Bank (PJSC)	12	57,460	-
Total accounts payable		57,460	546,325

The Company hadn't significant transactions with state-controlled organisations except for transactions with the Gazprom Group Companies and their related parties.

Transactions with Key Management Personnel

Key management personnel of the Company consists of the Board of directors, the General Director and his ten deputies.

The General Director and his ten deputies compensation is presented below:

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
Short-term benefits	117,523	109,750	273,383	292,849
Other long-term benefits	24,491	5,340	73,473	20,347
Total compensation	142,014	115,090	346,856	313,196

28. SUBSEQUENT EVENTS

Since the beginning of 2020, the uncertainty and volatility of the world currency, trade and financial markets caused by the spread of coronavirus infection (COVID-19) has increased. The combined impact of several factors has resulted in a sharp depreciation of the Russian Rouble against the other foreign currencies and a decrease in world oil prices. Due to the uncertainty and duration of these events, the Company cannot accurately and reliably assess the quantitative effect of these events on its financial position. The Company's management monitors the situation and takes the necessary measures.