

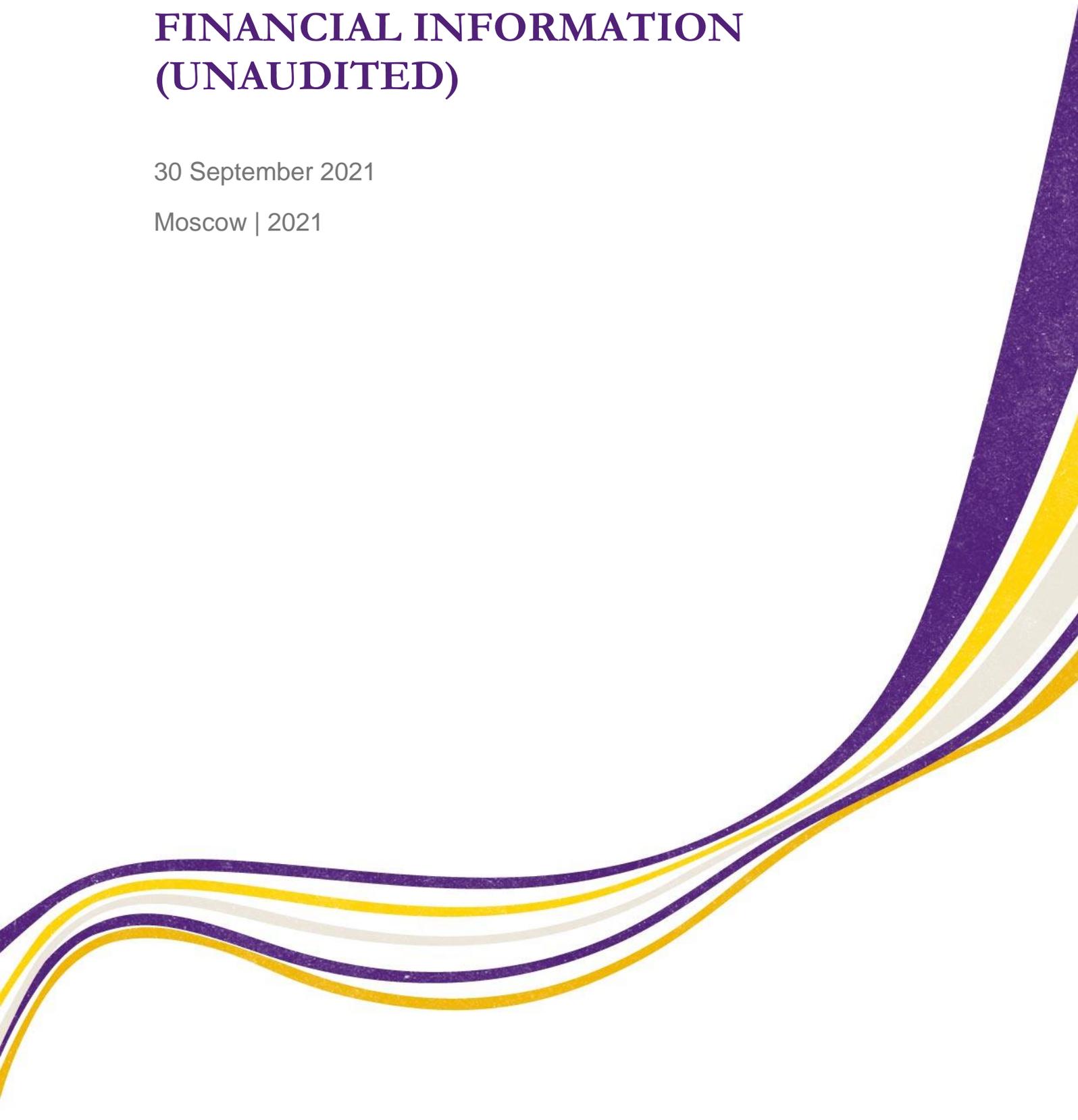
# ФБК

OJSC SEVERNEFTEGAZPROM

## IFRS CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)

30 September 2021

Moscow | 2021



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# Report on Review of Condensed Interim Financial Information

To the Shareholders  
of Open Joint Stock Company Severneftegazprom

## Introduction

We have reviewed the accompanying condensed interim statement of financial position of Open Joint Stock Company Severneftegazprom ("OJSC Severneftegazprom") as at 30 September 2021 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 2021, 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



A.A. Fedulova  
(audit qualification certificate 06-000560)

Date of the Report on Review:

9 November 2021

### 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**  
**AS AT 30 SEPTEMBER 2021**  
*(in thousands of Russian Roubles)*

	Note	30 September 2021 (unaudited)	31 December 2020
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	10,072,939	8,189,975
Trade and other accounts receivable	7	8,331,948	4,843,368
Inventories	8	979,999	784,248
Current income tax prepayment		309,150	633,727
<b>Total current assets</b>		<b>19,694,036</b>	<b>14,451,318</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	95,638,624	86,436,189
Intangible assets	10	16,035	-
Long-term accounts receivable	11	166	2,255
Other non-current assets		102,164	109,025
<b>Total non-current assets</b>		<b>95,756,989</b>	<b>86,547,469</b>
<b>TOTAL assets</b>		<b>115,451,025</b>	<b>100,998,787</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Accounts payable, provisions and other liabilities	12	7,004,379	6,155,818
Current portion of long-term borrowings	15	518,370	21,662
Taxes payable other than income tax	13	2,865,365	2,119,757
<b>Total current liabilities</b>		<b>10,388,114</b>	<b>8,297,237</b>
<b>Non-current liabilities</b>			
Provisions	14	13,852,922	12,600,597
Long-term borrowings	15	28,254,685	14,676,744
Deferred tax liabilities	16	7,253,455	6,994,531
Long-term accounts payable and other liabilities	17	819,933	939,924
<b>Total non-current liabilities</b>		<b>50,180,995</b>	<b>35,211,796</b>
<b>Total liabilities</b>		<b>60,569,109</b>	<b>43,509,033</b>
<b>Equity</b>			
Share capital	18	40,000	40,000
Share premium	18	25,099,045	25,099,045
Other reserves	18	493,041	252,413
Retained earnings		29,249,830	32,098,296
<b>Total equity</b>		<b>54,881,916</b>	<b>57,489,754</b>
<b>TOTAL liabilities and equity</b>		<b>115,451,025</b>	<b>100,998,787</b>

Approved for issue and signed on 9 November 2021 on behalf of:

A.G. Lesnichenko  
Acting General Director

A.A. Sultanova  
Acting 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 2021**  
*(in thousands of Russian Roubles)*

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
Revenue	19	10,252,526	9,310,581	32,118,655	33,519,369
Cost of sales	20	(9,778,479)	(8,713,104)	(26,864,357)	(29,180,139)
<b>Gross profit</b>		<b>474,047</b>	<b>597,477</b>	<b>5,254,298</b>	<b>4,339,230</b>
General and administrative expenses	21	(327,833)	(286,027)	(946,591)	(828,325)
Exploration costs		(20,640)	(16,277)	(42,004)	(34,399)
Other operating income	22	306,221	15,283	397,591	67,015
Other operating expenses	23	(44,982)	(44,969)	(162,749)	(184,857)
<b>Operating profit</b>		<b>386,813</b>	<b>265,487</b>	<b>4,500,545</b>	<b>3,358,664</b>
Finance income	24	171,363	42,661	365,512	245,640
Finance expenses	25	(236,542)	(189,660)	(676,179)	(567,051)
<b>Profit before income tax</b>		<b>321,634</b>	<b>118,488</b>	<b>4,189,878</b>	<b>3,037,253</b>
Income tax	16	(186,256)	(94,370)	(1,087,967)	(767,330)
<b>Profit for the period</b>		<b>135,378</b>	<b>24,118</b>	<b>3,101,911</b>	<b>2,269,923</b>
<b>Other comprehensive income:</b>					
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of provision for post-employment benefits	14	28,637	139,122	300,785	92,839
Related income tax		(5,727)	(27,825)	(60,157)	(18,568)
<b>Total other comprehensive income that will not be reclassified subsequently to profit or loss</b>		<b>22,910</b>	<b>111,297</b>	<b>240,628</b>	<b>74,271</b>
<b>Other comprehensive income for the period</b>		<b>22,910</b>	<b>111,297</b>	<b>240,628</b>	<b>74,271</b>
<b>Comprehensive income for the period</b>		<b>158,288</b>	<b>135,415</b>	<b>3,342,539</b>	<b>2,344,194</b>

Approved for issue and signed on 9 November 2021 on behalf of:

A.G. Lesnichenko  
Acting General Director



A.A. Sultanova  
Acting Deputy director on economics and finance



**OJSC SEVERNEFTEGAZPROM**  
**CONDENSED INTERIM FINANCIAL STATEMENT OF CASH FLOWS (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**  
*(in thousands of Russian Roubles)*

	Note	Nine months ended 30 September	
		2021	2020
<b>Profit before income tax</b>		<b>4,189,878</b>	<b>3,037,253</b>
<b>Adjustments for:</b>			
Interest income	24	(364,796)	(245,260)
Finance expenses excluding foreign exchange loss	25	675,598	566,717
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets	20, 21	7,541,157	6,057,173
Loss on disposal of property, plant and equipment and assets held for sale	22, 23	8,074	1,543
Net foreign exchange gain	24, 25	(135)	(46)
Change in provision for post-employment benefits		(10,642)	(70,160)
Other non-cash transactions		28,491	19,168
<b>Operating cash flows before changes in working capital</b>		<b>12,067,625</b>	<b>9,366,388</b>
Change in inventories		(195,751)	29,728
Change in trade and other accounts receivable		(3,407,584)	(190,946)
Change in accounts payable, provisions, other liabilities and taxes payable other than income tax		2,058,918	(1,286,516)
Change in other current and non-current assets		(11,503)	1,207
Income tax paid		(564,623)	(1,785,822)
<b>Net cash from operating activities</b>		<b>9,947,082</b>	<b>6,134,039</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets		(15,721,493)	(13,086,493)
Interest capitalised and paid		(270,340)	-
Interest received on deposits		365,542	253,799
Proceeds from sale of property, plant and equipment		8,737	6,090
<b>Net cash used in investing activities</b>		<b>(15,617,554)</b>	<b>(12,826,604)</b>
<b>Cash flows from financing activities</b>			
Proceeds from long-term borrowings		13,566,886	5,914,136
Dividends paid	18	(5,950,377)	(4,408,462)
Repayment of interest expense on lease liability	25	(14,500)	(5,370)
Repayment of lease liabilities		(48,573)	(44,756)
<b>Net cash used in financing activities</b>		<b>7,553,436</b>	<b>1,455,548</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,882,964</b>	<b>(5,237,017)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	6	<b>8,189,975</b>	<b>9,150,682</b>
<b>Cash and cash equivalents at the end of the period</b>	6	<b>10,072,939</b>	<b>3,913,665</b>

Approved for issue and signed on 9 November 2021 on behalf of:

A.G. Lesnichenko  
Acting General Director



A.A. Sultanova  
Acting Deputy director on economics and finance



**OJSC SEVERNEFTEGAZPROM**  
**CONDENSED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**  
*(in thousands of Russian Roubles, unless otherwise stated)*

	Note	Number of shares outstanding	Share capital	Share premium	Other reserves	Retained earnings	Total equity
<b>Balance as at 1 January 2020</b>		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
<b>Comprehensive income for the period</b>		-	-	-	74,271	2,269,923	2,344,194
<b>Dividends</b>	18	-	-	-	-	(4,408,462)	(4,408,462)
<b>Balance as at 30 September 2020</b>		533,330	40,000	25,099,045	374,081	29,791,098	55,304,224
<b>Balance as at 1 January 2021</b>		533,330	40,000	25,099,045	252,413	32,098,296	57,489,754
Profit for the period		-	-	-	-	3,101,911	3,101,911
Other comprehensive income for the period		-	-	-	240,628	-	240,628
<b>Comprehensive income for the period</b>		-	-	-	240,628	3,101,911	3,342,539
<b>Dividends</b>	18	-	-	-	-	(5,950,377)	(5,950,377)
<b>Balance as at 30 September 2021</b>		533,330	40,000	25,099,045	493,041	29,249,830	54,881,916

Approved for issue and signed on 9 November 2021 on behalf of:

A.G. Lesnichenko  
Acting General Director

A.A. Sultanova  
Acting Deputy director on economics and  
finance

The accompanying notes are an integral part of this interim condensed financial information.

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

*(in thousands of Russian Roubles, unless otherwise stated)*

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## **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 2021 shareholders of the Company were represented by PJSC Gazprom which holds 50 % of ordinary shares plus 6 ordinary shares, Wintershall Dea AG 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.

The Yuzhno-Russkoye oil and gas field consists of two deposits - the Cenomanian and the Turonian. In October 2007, the Company began commercial exploitation of the Cenomanian deposit, and in 2018 - the Turonian one.

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 72.7608 and 73.8757 as at 30 September and 31 December 2020, respectively. The official Russian Rouble to Euro (“EUR”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 84.8755 and 90.6824 as at 30 September 2021 and 31 December 2020, 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 2020 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 2020.

For the period ended 30 September 2021 Intangible assets was taken to account. Intangible assets, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses (where necessary).

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**  
*(in thousands of Russian Roubles, unless otherwise stated)*

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Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use.

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 starting 1 January 2021 or after this date*

- 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 amendments to IFRS 16 Leases (issued in March 2021 and effective for annual reporting periods beginning on or after 1 April 2021). The amendments extend the previously effective COVID-19 related rent concessions.

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 February 2021 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 costs 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 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.
- Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments replace the definition of changes in accounting estimates with the definition of accounting estimates.
- The amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify that the recognition exemption does not apply to transactions in which equal deductible and taxable temporary differences arise on initial recognition.

**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).

**OJSC SEVERNEFTEGAZPROM**  
**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**  
*(in thousands of Russian Roubles, unless otherwise stated)*

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***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.

***Depreciation of PPE***

For assets depreciated using the units-of-production method, there are three depreciation rates calculated separately (Note 9):

- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Cenomanian deposits;
- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Turonian deposits;
- for general field facilities used for gas production from both deposits.

***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.

***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

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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 2021	31 December 2020
<b>Current assets</b>			
Accounts receivable from related parties	6	10,072,939	8,189,975
Cash and cash equivalents	7	7,781,357	4,280,060
Other accounts receivable	7	342,368	147,869
<b>Non-current assets</b>			
Other long-term accounts receivable	11	166	2,255
<b>Total financial assets at amortised cost</b>		<b>18,196,830</b>	<b>12,620,159</b>
<b>Current liabilities</b>			
Trade accounts payable	12	6,056,366	5,187,509
Accounts payable to related parties	12	238,715	273,802
Current portion of long-term borrowings	12	67,225	64,808
Other accounts payable	15	518,370	21,662
Current portion of long-term lease liabilities	12	5,369	6,343
<b>Non-current liabilities</b>			
Long-term borrowings	15	28,254,685	14,676,744
Trade accounts payable	17	720,431	790,479
Long-term lease liabilities	17	99,502	149,445
<b>Total financial liabilities at amortised cost</b>		<b>35,960,663</b>	<b>21,170,792</b>

The fair value of financial instruments as at 30 September 2021 and as at 31 December 2020 approximates their carrying value.

**6. CASH AND CASH EQUIVALENTS**

	30 September 2021	31 December 2020
Deposit accounts	10,071,400	8,189,700
Current accounts	1,539	275
<b>Total cash and cash equivalents</b>	<b>10,072,939</b>	<b>8,189,975</b>

As at 30 September 2021 and as at 31 December 2020 cash was placed on deposit accounts for the period less than three months.

As at 30 September 2021 the weighted average interest rate on the deposit accounts of the Company was 6.20 % for Russian Roubles.

As at 31 December 2020 the weighted average interest rate on the deposit accounts of the Company was 3.58 % for Russian Roubles.

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**7. TRADE AND OTHER ACCOUNTS RECEIVABLE**

	Note	30 September 2021	31 December 2020
<b>Financial assets</b>			
Accounts receivable from related parties	27	7,781,357	4,280,060
Other accounts receivable		359,736	165,237
Allowance for expected credit losses on other trade receivables		(17,368)	(17,368)
<b>Total financial accounts receivable</b>		<b>8,123,725</b>	<b>4,427,929</b>
<b>Non-financial assets</b>			
VAT recoverable		97,467	396,338
Advances to suppliers		109,437	17,702
Prepaid taxes, other than income tax		1,319	1,399
<b>Total non-financial accounts receivable</b>		<b>208,223</b>	<b>415,439</b>
<b>Total trade and other accounts receivable</b>		<b>8,331,948</b>	<b>4,843,368</b>

As at 30 September 2021 and as at 31 December 2020 accounts receivable from related parties are related to gas sales in the Russian Federation.

The Technical Committee of the Company, held on 24 September 2021, approved and recommended to the Board of directors to change the Annual Program of activities and the Budget for 2021, as a result gas sales prices are expected to decrease in the second half of 2021 by 5.10%. Accordingly, the revenue for the period from 1 July to 30 September 2021 under contracts with PJSC Gazprom, CJSC Gazprom YRGM Trading and JSC Gazprom YRGM Development and accounts receivable of these counterparties as at 30 September was determined based on the specified revised gas sales price, which reflects the best estimate of the management.

Allowance for expected credit losses has been charged for the sum of overdue accounts receivable as at 30 September 2021 and as at 31 December 2020.

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

<b>Allowance for expected credit losses as at 1 January 2020</b>	<b>(16,489)</b>
Accrual of allowance	(934)
Write-off of accounts receivable against allowance	55
<b>Allowance for expected credit losses as at 31 December 2020</b>	<b>(17,368)</b>
<b>Allowance for expected credit losses as at 30 September 2021</b>	<b>(17,368)</b>

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 2021 and as at 31 December 2020.

**8. INVENTORIES**

	30 September 2021	31 December 2020
Materials for extraction	961,700	769,058
Other materials	18,299	15,190
<b>Total inventories</b>	<b>979,999</b>	<b>784,248</b>

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**9. PROPERTY, PLANT AND EQUIPMENT**

	Pipelines	Wells	Buildings and facilities	Machinery and equipment	Roads	Others	Right-of-use assets	Prepayments and assets under construction	Total
<b>Cost as at 1 January 2020</b>	<b>10,807,763</b>	<b>16,961,324</b>	<b>45,785,332</b>	<b>19,614,017</b>	<b>13,685,020</b>	<b>244,689</b>	<b>190,048</b>	<b>8,412,226</b>	<b>115,700,419</b>
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)
Disposals provision for decommissioning and site restoration (Note 14)	-	(284)	(114)	(27)	-	-	-	-	(425)
Modification of lease contracts	-	-	-	-	-	-	(30,508)	-	(30,508)
Transfer	-	2,525	762	213	26	-	-	14,972	18,498
Additions	-	7,556,757	789,461	408,150	117,220	-	-	(8,871,588)	-
<b>Cost as at 30 September 2020</b>	<b>10,807,763</b>	<b>24,792,834</b>	<b>46,601,909</b>	<b>20,074,045</b>	<b>13,806,532</b>	<b>247,275</b>	<b>159,540</b>	<b>15,653,075</b>	<b>132,142,973</b>
Additions	-	-	-	66,558	-	2,295	-	8,712,337	8,781,190
Additions provision for decommissioning and site restoration	-	(93,059)	425,772	(4,644)	47,148	-	-	-	375,217
Change in component for decommissioning and site restoration obligation	(108,723)	(107,110)	(429,166)	(45,432)	-	-	-	-	(690,431)
Disposals	-	-	-	(10,826)	-	(2,125)	-	-	(12,951)
Disposals provision for decommissioning and site restoration obligation	-	-	-	-	-	-	-	-	-
Modification of lease contracts	-	-	-	-	-	-	186,255	-	186,255
Capitalised borrowing cost	-	99,087	22,988	2,963	2,367	-	-	181,001	308,406
Transfer to inventories	-	-	-	-	-	-	-	(298,982)	(298,982)
Transfer	-	5,965,415	1,382,051	137,413	148,610	-	-	(7,633,489)	-
<b>Cost as at 31 December 2020</b>	<b>10,699,040</b>	<b>30,657,167</b>	<b>48,003,554</b>	<b>20,220,077</b>	<b>14,004,657</b>	<b>247,445</b>	<b>345,795</b>	<b>16,613,942</b>	<b>140,791,677</b>
Additions	-	-	-	75,086	-	2,401	-	14,636,083	14,713,570
Additions provision for decommissioning and site restoration (Note 14)	-	149,496	563,875	385	92,878	-	-	-	806,634
Disposals	-	(980)	-	(9,793)	-	-	-	-	(10,773)
Disposals provision for decommissioning and site restoration (Note 14)	-	(105)	-	-	-	-	-	-	(105)
Modification of lease contracts	-	-	-	-	-	-	1,046	-	1,046
Capitalised borrowing cost	-	286,916	161,517	7,643	9,561	-	-	783,310	1,248,947
Transfer	-	10,825,802	3,795,597	350,980	331,831	81	-	(15,304,291)	-
<b>Cost as at 30 September 2021</b>	<b>10,699,040</b>	<b>41,918,296</b>	<b>52,524,543</b>	<b>20,644,378</b>	<b>14,438,927</b>	<b>249,927</b>	<b>346,841</b>	<b>16,729,044</b>	<b>157,550,996</b>
<b>Accumulated depreciation as at 1 January 2020</b>	<b>(5,356,520)</b>	<b>(6,168,549)</b>	<b>(20,770,665)</b>	<b>(8,988,545)</b>	<b>(6,713,000)</b>	<b>(179,028)</b>	<b>(74,703)</b>	-	<b>(48,251,010)</b>
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
<b>Accumulated depreciation as at 30 September 2020</b>	<b>(5,881,389)</b>	<b>(7,470,677)</b>	<b>(23,185,684)</b>	<b>(10,073,800)</b>	<b>(7,385,797)</b>	<b>(195,068)</b>	<b>(120,336)</b>	-	<b>(54,312,751)</b>
Depreciation	(22,729)	-	(101,594)	(97,780)	(34,484)	(5,240)	(18,932)	-	(280,759)
Change in component for decommissioning and site restoration obligation	36,836	27,320	133,779	12,756	-	-	-	-	210,691
Disposals	-	14,708	4	10,494	-	2,125	-	-	27,331
<b>Accumulated depreciation as at 31 December 2020</b>	<b>(5,867,282)</b>	<b>(7,428,649)</b>	<b>(23,153,495)</b>	<b>(10,148,330)</b>	<b>(7,420,281)</b>	<b>(198,183)</b>	<b>(139,268)</b>	-	<b>(54,355,488)</b>
Depreciation	(391,581)	(3,304,216)	(2,299,197)	(937,734)	(571,662)	(14,471)	(48,458)	-	(7,567,319)
Disposals	-	642	-	9,793	-	-	-	-	10,435
<b>Accumulated depreciation as at 30 September 2021</b>	<b>(6,258,863)</b>	<b>(10,732,223)</b>	<b>(25,452,692)</b>	<b>(11,076,271)</b>	<b>(7,991,943)</b>	<b>(212,654)</b>	<b>(187,726)</b>	-	<b>(61,912,372)</b>
<b>Net book value as at 1 January 2020</b>	<b>5,451,243</b>	<b>10,792,775</b>	<b>25,014,667</b>	<b>10,625,472</b>	<b>6,972,020</b>	<b>65,661</b>	<b>115,345</b>	<b>8,412,226</b>	<b>67,449,409</b>
<b>Net book value as at 30 September 2020</b>	<b>4,926,374</b>	<b>17,322,157</b>	<b>23,416,225</b>	<b>10,000,245</b>	<b>6,420,735</b>	<b>52,207</b>	<b>39,204</b>	<b>15,653,075</b>	<b>77,830,222</b>
<b>Net book value as at 31 December 2020</b>	<b>4,831,758</b>	<b>23,228,518</b>	<b>24,850,059</b>	<b>10,071,747</b>	<b>6,584,376</b>	<b>49,262</b>	<b>206,527</b>	<b>16,613,942</b>	<b>86,436,189</b>
<b>Net book value as at 30 September 2021</b>	<b>4,440,177</b>	<b>31,186,073</b>	<b>27,071,851</b>	<b>9,568,107</b>	<b>6,446,984</b>	<b>37,273</b>	<b>159,115</b>	<b>16,729,044</b>	<b>95,638,624</b>

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In August 2020, the Company raised a long-term borrowing. For the nine months ended 30 September 2021, the amount of capitalised borrowing costs amounted to RUB 1,248,947 thousand (for the nine months ended 30 September 2020 - RUB 18,498 thousand).

As at 30 September 2021 capitalised borrowing costs included in assets under construction amounted RUB 979,283 thousand (RUB 195,973 thousand as at 31 December 2020)

As at 30 September 2021 property, plant and equipment included prepayments for assets under construction in the amount of RUB 474,790 thousand (RUB 1,969,729 thousand as at 31 December 2020).

Property, plant and equipment of the Company are not burdened with collateral obligations.

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 for the period ended 30 September 2021 was:

- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Cenomanian deposits 7.07% (for the nine months ended 30 September 2020 – 9.63%);

- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Turonian deposits 13.44% (for the nine months ended 30 September 2020 – 9.63%);

- for general field facilities used for gas production from both deposits 8.10% (for the nine months ended 30 September 2020 – 9.63%);.

As at 30 September 2021 property, plant and equipment included right-of-use assets in the amount of RUB 159,115 thousand (RUB 206,527 thousand as at 31 December 2020). 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 2021 is provided below:

	<b>Buildings and facilities</b>	<b>Others (land lease)</b>	<b>Total</b>
<b>Cost as at 1 January 2021</b>	<b>316,435</b>	<b>29,360</b>	<b>345,795</b>
Leases agreements modification	-	1,046	<b>1,046</b>
<b>Cost as at 30 September 2021</b>	<b>316,435</b>	<b>30,406</b>	<b>346,841</b>
<b>Accumulated depreciation as at 1 January 2021</b>	<b>(136,203)</b>	<b>(3,065)</b>	<b>(139,268)</b>
Depreciation	(47,561)	(897)	<b>(48,458)</b>
<b>Accumulated depreciation as at 30 September 2021</b>	<b>(183,764)</b>	<b>(3,962)</b>	<b>(187,726)</b>
<b>Net book value as at 30 September 2021</b>	<b>132,671</b>	<b>26,444</b>	<b>159,115</b>

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

	<b>Buildings and facilities</b>	<b>Others (land lease)</b>	<b>Total</b>
<b>Cost as at 1 January 2020</b>	<b>142,207</b>	<b>47,841</b>	<b>190,048</b>
Leases agreements modification	(12,027)	(18,481)	<b>(30,508)</b>
<b>Cost as at 30 September 2020</b>	<b>130,180</b>	<b>29,360</b>	<b>159,540</b>
Leases agreements modification	186,255	-	<b>186,255</b>
<b>Cost as at 31 December 2020</b>	<b>316,435</b>	<b>29,360</b>	<b>345,795</b>
<b>Accumulated depreciation as at 1 January 2020</b>	<b>(72,788)</b>	<b>(1,915)</b>	<b>(74,703)</b>
Depreciation	(44,770)	(863)	<b>(45,633)</b>
<b>Accumulated depreciation as at 30 September 2020</b>	<b>(117,558)</b>	<b>(2,778)</b>	<b>(120,336)</b>
Depreciation	(18,645)	(287)	<b>(18,932)</b>
<b>Accumulated depreciation as at 31 December 2020</b>	<b>(136,203)</b>	<b>(3,065)</b>	<b>(139,268)</b>
<b>Net book value as at 1 January 2020</b>	<b>69,419</b>	<b>45,926</b>	<b>115,345</b>
<b>Net book value as at 30 September 2020</b>	<b>12,622</b>	<b>26,582</b>	<b>39,204</b>
<b>Net book value as at 31 December 2020</b>	<b>180,232</b>	<b>26,295</b>	<b>206,527</b>

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**10. INTANGIBLE ASSETS**

	Software	Total
Costs as at 1 January 2020	-	-
Cost as at 30 September 2020	-	-
Cost as at 31 December 2020	-	-
Additions	18,364	18,364
<b>Cost as at 30 September 2021</b>	<b>18,364</b>	<b>18,364</b>
Accumulated amortisation as at 1 January 2020	-	-
Accumulated amortisation as at 30 September 2020	-	-
Accumulated amortisation as at 31 December 2020	-	-
Amortisation	(2,329)	(2,329)
<b>Accumulated amortisation as at 30 September 2021</b>	<b>(2,329)</b>	<b>(2,329)</b>
Net book value as at 1 January 2020	-	-
Net book value as at 30 September 2020	-	-
Net book value as at 31 December 2020	-	-
<b>Net book value as 30 September 2021</b>	<b>16,035</b>	<b>16,035</b>

**11. LONG-TERM ACCOUNTS RECEIVABLE**

	30 September 2021	31 December 2020
<b>Financial assets</b>		
Other accounts receivable	166	2,255
<b>Total long-term accounts receivable</b>	<b>166</b>	<b>2,255</b>

**12. ACCOUNTS PAYABLE, PROVISIONS AND OTHER LIABILITIES**

	Note	30 September 2021	31 December 2020
<b>Financial liabilities</b>			
Trade accounts payable		6,056,366	5,187,509
Accounts payable to related parties	27	238,715	273,802
Current portion of long-term lease liabilities		67,225	64,808
Other accounts payable		5,369	6,343
<b>Total financial liabilities</b>		<b>6,367,675</b>	<b>5,532,462</b>
<b>Non-financial liabilities</b>			
Wages and salaries		316,129	312,169
Provision for employee bonuses		219,044	233,832
Estimated expenses for seasonal works and equipment installation		63,478	74,125
Provision for revegetation		36,612	2,962
Advances received		1,441	268
<b>Total non-financial liabilities</b>		<b>636,704</b>	<b>623,356</b>
<b>Total accounts payable and provisions</b>		<b>7,004,379</b>	<b>6,155,818</b>

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**13. TAXES PAYABLE OTHER THAN INCOME TAX**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Mineral extraction tax	1,631,352	1,698,437
Value added tax	873,403	79,520
Property tax	256,138	234,199
Insurance contributions for employees	85,786	94,346
Personal income tax	18,156	12,564
Other taxes and accruals	530	691
<b>Total taxes payable other than income tax</b>	<b>2,865,365</b>	<b>2,119,757</b>

**14. PROVISIONS**

	<b>30 September 2021</b>	<b>31 December 2020</b>
Provision for decommissioning and site restoration	12,644,997	11,146,851
Provision for employee benefits	1,207,925	1,453,746
<b>Total provisions</b>	<b>13,852,922</b>	<b>12,600,597</b>

*Provision for decommissioning and site restoration*

		<b>Nine months ended 30 September</b>	
	<b>Note</b>	<b>2021</b>	<b>2020</b>
<b>Provision for decommissioning and site restoration at the beginning of the period</b>		<b>11,146,851</b>	<b>10,174,748</b>
Accrual provision for decommissioning and site restoration	9	962,339	361,063
Addition of decommissioning provision		806,634	313,809
Disposal of decommissioning provision		(105)	(425)
Accrual of a site restoration provision		155,810	47,679
Transfer to another category		(59,685)	-
Increase in discounted value for the period	25	595,492	503,144
<b>Provision for decommissioning and site restoration at the end of the period</b>		<b>12,644,997</b>	<b>11,038,955</b>

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 2021 was 6.85 % (as at 31 December 2020 – 6.85 %), which represents the pre-tax rate which reflects market assessment of time value of money at the end of the reporting period.

*Provisions for post-employment 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 post-employment benefits recognised in the balance sheet is provided below:

	<b>Provision for employee benefits as at</b>	
	<b>30 September 2021</b>	<b>31 December 2020</b>
Present value of benefit obligations	2,125,045	2,321,364
Fair value of plan assets	(917,120)	(867,618)
<b>Total net liabilities</b>	<b>1,207,925</b>	<b>1,453,746</b>

The principal assumptions used for the measurement of post-employment and other long-term benefit obligations for the nine months ended 30 September 2021 were the same as those applied for the year ended 31 December 2020 with

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exception of the discount rate determined by reference to market yields on government securities. The increase in the discount rate from 6.30 % to 7.55 % resulted in recognition of an actuarial gain of RUB 300,785 thousand in other comprehensive income for the nine months ended 30 September 2021 (for the nine months ended 30 September 2020 - RUB 92,839 thousand).

Changes in the present value of the defined benefit obligations and fair value of plan assets for the periods ended 30 September 2021 and 30 September 2020 are provided below:

	<b>Provision for employee benefits (post- employment benefits)</b>	<b>Provision for employee benefits (other long-term benefits)</b>	<b>Fair value of plan assets</b>	<b>Net liability / (asset)</b>
<b>As at 31 December 2020</b>	<b>2,270,233</b>	<b>51,131</b>	<b>(867,618)</b>	<b>1,453,746</b>
Current service cost	177,796	5,054	-	182,850
Interest expense / (income) (Note 25)	104,319	2,282	(40,995)	65,606
Gain from remeasurements of other long-term benefit obligations	-	(7,956)	-	(7,956)
<b>Total expenses included in staff costs</b>	<b>282,115</b>	<b>(620)</b>	<b>(40,995)</b>	<b>240,500</b>
Gain from remeasurements of post-employment benefit obligations	(347,319)	-	-	(347,319)
Loss on plan assets excluding amounts included in net interest expense	-	-	46,534	46,534
<b>Total recognised in the other comprehensive income</b>	<b>(347,319)</b>	<b>-</b>	<b>46,534</b>	<b>(300,785)</b>
Benefits paid	(124,839)	(5,656)	86,528	(43,967)
Contributions by employer	-	-	(141,569)	(141,569)
<b>Closing balance as at 30 September 2021</b>	<b>2,080,190</b>	<b>44,855</b>	<b>(917,120)</b>	<b>1,207,925</b>

	<b>Provision for employee benefits (post- employment benefits)</b>	<b>Provision for employee benefits (other long-term benefits)</b>	<b>Fair value of plan assets</b>	<b>Net liability / (asset)</b>
<b>As at 31 December 2019</b>	<b>2,041,549</b>	<b>46,433</b>	<b>(768,462)</b>	<b>1,319,520</b>
Current service cost	124,057	14,848	-	138,905
Interest expense / (income) (Note 25)	92,433	2,081	(36,310)	58,204
Gain from remeasurements of other long-term benefit obligations	-	(2,080)	-	(2,080)
<b>Total expenses included in staff costs</b>	<b>216,490</b>	<b>14,849</b>	<b>(36,310)</b>	<b>195,029</b>
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)
<b>Total recognised in the other comprehensive income</b>	<b>(74,109)</b>	<b>-</b>	<b>(18,730)</b>	<b>(92,839)</b>
Benefits paid	(170,588)	(4,785)	128,214	(47,159)
Contributions by employer	-	-	(159,826)	(159,826)
<b>Closing balance as at 30 September 2020</b>	<b>2,013,342</b>	<b>56,497</b>	<b>(855,114)</b>	<b>1,214,725</b>

## 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 2028.

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	<b>30 September 2021</b>	<b>31 December 2020</b>
Bank borrowing	28,254,685	14,676,744
<b>Total long-term borrowings</b>	<b>28,254,685</b>	<b>14,676,744</b>
Current portion of long-term borrowing	518,370	21,662
<b>Total current portion of long-term borrowings</b>	<b>518,370</b>	<b>21,662</b>

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:

	<b>Currency</b>	<b>Interest rate</b>	<b>Maturity date</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
VTB Bank (PJSC)	RUB	Keyrate Bank of Russia +1.3 %	2026	28,254,685	14,676,744
<b>Total</b>				<b>28,254,685</b>	<b>14,676,744</b>

The key rate of the Bank of Russia as at 30 September 2021 amounted to 6.75 % (4.75% as at 31 December 2020). The commission rate charged on the unused amount of the credit line amounted to 1.45 %. As at 30 September 2021 and 31 December 2020 the Company was in compliance with all financial covenants.

## 16. INCOME TAX

Income tax expense comprises the following:

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Current tax expense	59,126	265,899	889,200	1,548,178
Deferred tax expense	127,130	(171,529)	198,767	(780,848)
<b>Total income tax expense</b>	<b>186,256</b>	<b>94,370</b>	<b>1,087,967</b>	<b>767,330</b>

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 income tax purposes. The tax effect of the movement in these temporary differences is recorded at the rate of 20 %.

As at 30 September 2021, 30 September 2020 and 31 of December 2020 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).

	<b>30 September 2021</b>	<b>Tax effect of movement in temporary differences</b>		<b>1 January 2021</b>
		<b>Recognised in profit or loss</b>	<b>Recognised in other comprehensive income</b>	
<b>Tax effect of taxable temporary differences:</b>				
Property, plant and equipment	(7,944,581)	(360,795)	-	(7,583,786)
Borrowing	(18,425)	2,211	-	(20,636)
<b>Total</b>	<b>(7,963,006)</b>	<b>(358,584)</b>	<b>-</b>	<b>(7,604,422)</b>
<b>Tax effect of deductible temporary differences:</b>				
Inventories	29,881	922	-	28,959
Trade and other accounts receivable	510,027	115,917	-	394,110
Other deductible temporary differences	169,643	42,978	(60,157)	186,822
<b>Total</b>	<b>709,551</b>	<b>159,817</b>	<b>(60,157)</b>	<b>609,891</b>
<b>Total net deferred tax (liabilities) / assets</b>	<b>(7,253,455)</b>	<b>(198,767)</b>	<b>(60,157)</b>	<b>(6,994,531)</b>

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The tax effect of the movement in these temporary differences for the same period of 2020 are provided below.

	30 September 2020	Tax effect of movement in temporary differences		
		Recognised in profit or loss	Recognised in other comprehensive income	1 January 2020
<b>Tax effect of taxable temporary differences:</b>				
Property, plant and equipment	(7,033,086)	411,355	-	(7,444,441)
Other temporary differences	(31,661)	(31,661)	-	-
<b>Total</b>	<b>(7,064,747)</b>	<b>379,694</b>	<b>-</b>	<b>(7,444,441)</b>
<b>Tax effect of deductible temporary differences:</b>				
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
<b>Total</b>	<b>872,841</b>	<b>401,154</b>	<b>(18,568)</b>	<b>490,255</b>
<b>Total net deferred tax (liabilities) / assets</b>	<b>(6,191,906)</b>	<b>780,848</b>	<b>(18,568)</b>	<b>(6,954,186)</b>

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 AND OTHER LIABILITIES

	30 September 2021	31 December 2020
<b>Financial liabilities</b>		
Trade accounts payable	720,431	790,479
<b>Total financial liabilities</b>	<b>720,431</b>	<b>790,479</b>
<b>Non-financial liabilities</b>		
Long-term lease liabilities	99,502	149,445
<b>Total non-financial liabilities</b>	<b>99,502</b>	<b>149,445</b>
<b>Total accounts payable and other liabilities</b>	<b>819,933</b>	<b>939,924</b>

## 18. EQUITY

### Share capital

Share capital of the Company authorised, issued and paid totals RUB 40,000 thousand as at 30 September 2021 and 31 December 2020 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 2021 and 31 December 2020 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

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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 2021 decided to pay dividends in the amount of RUB 5,950,377 thousand for the year ended 31 December 2020.

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.

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 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Revenue from gas sales	10,252,526	9,310,581	32,118,655	33,519,369
<b>Total revenue</b>	<b>10,252,526</b>	<b>9,310,581</b>	<b>32,118,655</b>	<b>33,519,369</b>

All customers of the Company are related parties (Note 27). Revenue was determined based on the revised gas sales price, which reflects management's best estimate (Note 7).

**20. COST OF SALES**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Mineral extraction tax (MET)	5,346,663	5,454,764	15,344,756	19,728,014
Depreciation of property, plant and equipment, right-of-use assets and intangible assets	2,867,365	1,935,840	7,494,960	6,013,779
Staff costs	709,309	700,769	2,131,239	1,935,889
Property tax	262,189	185,071	754,755	538,619
Repairment and technical maintenance	351,537	165,722	499,158	354,352
Materials	96,627	56,773	232,050	156,086
Insurance	50,584	36,997	135,979	110,520
Fire safety and security services	17,033	16,069	49,603	48,729
Transportation costs	18,339	10,986	39,661	33,233
Geophysical services	11,137	13,315	34,974	30,162
Other outsourced production services	16,373	92,771	31,522	114,409
Fuel costs	9,246	8,616	29,582	28,571
Software support costs	2,200	5,240	29,230	29,309
Rent expenses	8,900	6,248	24,846	19,088
Other	10,977	23,923	32,042	39,379
<b>Total cost of sales</b>	<b>9,778,479</b>	<b>8,713,104</b>	<b>26,864,357</b>	<b>29,180,139</b>

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Depreciation of property, plant and equipment in the amount of RUB 28,491 thousand for the nine months ended 30 September 2021 was capitalised into assets under construction (for the period ended 30 September 2020: RUB 19,168 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 2021 was approximately RUB 1,116 per 1,000 cubic meters for the Cenomanian gas and RUB 238 per 1,000 cubic meters for the Turonian gas.

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.

**21. GENERAL AND ADMINISTRATIVE EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Administrative staff costs	260,653	235,448	710,221	624,073
Depreciation of right-of-use assets	15,399	7,929	46,197	43,394
Advertising	1,070	681	31,795	10,123
Insurance	8,938	10,820	25,235	32,178
Overhaul of other objects	9,909	556	24,738	20,522
Industrial safety and security services	6,852	6,734	20,027	20,176
Heat and electricity	3,155	2,909	14,250	12,059
Materials and spare parts	4,108	4,200	12,530	11,425
Maintenance	5,536	2,579	11,376	8,142
Communication services	2,661	2,839	8,034	8,437
Software support	2,738	2,677	7,859	8,035
Consulting services	1,022	-	2,528	-
Rent expenses	508	474	1,524	1,486
Other general and administrative expenses	5,284	8,181	30,277	28,275
<b>Total general and administrative expenses</b>	<b>327,833</b>	<b>286,027</b>	<b>946,591</b>	<b>828,325</b>

**22. OTHER OPERATING INCOME**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Fees and penalties due to violation of contract covenants	272,284	2,556	331,430	44,863
Reimbursement of the road maintenance costs	3,445	1	14,584	1,443
Revenues from electricity sales	469	-	12,412	-
Remeasurement of other long-term benefit obligations	7,446	4,740	7,982	2,080
Rent income on property, plant and equipment	599	939	3,685	2,557
Gain on disposal of property, plant and equipment	390	3,210	3,134	4,280
Gain on disposal of assets held for sale	-	-	-	3,613
Other operating income	21,588	3,837	24,364	8,179
<b>Total other operating income</b>	<b>306,221</b>	<b>15,283</b>	<b>397,591</b>	<b>67,015</b>

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**23. OTHER OPERATING EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Social costs	1,232	3,084	65,497	66,180
Loss on disposal of materials	963	15,990	27,061	54,264
Loss on disposal of PPE	11,208	695	11,208	8,229
House renting to employees	1,123	1,219	3,483	3,568
Loss from disposal assets held for sale	-	27	2,562	4,132
Non-refundable VAT	716	924	1,718	1,976
Souvenirs	451	603	1,169	1,050
Evaluation and expert service	150	350	960	1,010
Administrative fines	-	-	700	600
Remeasurement of other long-term benefit obligations	-	1,397	26	-
Loss from disposal assets held for sale	-	-	-	1,207
Other operating expenses	29,139	20,680	48,365	42,641
<b>Total other operating expenses</b>	<b>44,982</b>	<b>44,969</b>	<b>162,749</b>	<b>184,857</b>

**24. FINANCE INCOME**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Interest income	171,356	42,661	364,796	245,260
Foreign exchange gains	7	-	716	380
<b>Total finance income</b>	<b>171,363</b>	<b>42,661</b>	<b>365,512</b>	<b>245,640</b>

**25. FINANCE EXPENSES**

	Three months ended 30 September		Nine months ended 30 September	
	2021	2020	2021	2020
Unwinding of discount cost of provision for decommissioning and site restoration (Note 14)	210,503	169,973	595,492	503,144
Interest expense on provision for post-employment benefits (Note 14)	21,183	18,470	65,606	58,204
Interest expense on long-term lease liability	4,833	1,200	14,500	5,369
Foreign exchange losses	23	17	581	334
<b>Total finance expenses</b>	<b>236,542</b>	<b>189,660</b>	<b>676,179</b>	<b>567,051</b>

The total amount of interest paid for the nine months ended 30 September 2021 amounted to RUB 284,870 thousand, of which RUB 14,500 thousand accounted for rental interest expenses and RUB 270,370 thousand for repayment of capitalised interest (for the nine months ended 30 September 2020: RUB 5,369 thousand, of which RUB 5,369 thousand accounted for rental interest expenses and RUB zero thousand for repayment of capitalised interest)

**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

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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.

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 sum of capital commitments of the Company was RUB 5,198,354 thousand and RUB 22,320,946 thousand (excluding VAT) as at 30 September 2021 and 31 December 2020, respectively.

**(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 AG (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).

Transactions of the Company with related parties for the periods ended 30 September 2021 and 31 December 2020 are presented below:

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	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
Sales of gas to PJSC Gazprom (Gazprom Group)	19	4,101,010	3,724,233	12,847,461	13,407,748
Sales of gas to CJSC Gazprom YRGM Trading (Wintershall Dea Group)	19	3,588,384	3,258,703	11,241,529	11,731,779
Sales of gas to JSC Gazprom YRGM Development (OMV Group)	19	2,563,131	2,327,646	8,029,664	8,379,843
Other sales		285,910	98,420	704,034	412,783
Transaction with Gazprom Groups Companies		63	126	339	624

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

Cash and cash equivalents	Note	30 September 2021	31 December 2020
Bank GPB (JSC)	6	10,072,936	8,189,948
<b>Total cash and cash equivalents</b>		<b>10,072,936</b>	<b>8,189,948</b>

Information on significant transactions concerning interest income with related parties:

Interest income	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
Bank GPB (JSC)	24	239,535	42,661	364,796	245,260
<b>Total interest income</b>		<b>239,535</b>	<b>42,661</b>	<b>364,796</b>	<b>245,260</b>

Significant balances with related parties are summarised as follows:

Accounts receivable	Note	30 September 2021	31 December 2020
PJSC Gazprom		3,136,349	1,709,261
CJSC Gazprom YRGM Trading		2,708,310	1,495,603
JSC Gazprom Development		1,934,508	1,068,288
Bank GPB (JSC)		-	746
Gazprom Group companies		2,190	6,162
<b>Total accounts receivable</b>	<b>7</b>	<b>7,781,357</b>	<b>4,280,060</b>

As at 30 September 2021 and 31 December 2020 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 2021	31 December 2020
Accounts payable to Gazprom Group companies	12	238,715	263,614
<b>Total accounts payable</b>		<b>238,715</b>	<b>263,614</b>

**Transactions with parties under control of the Government**

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

Cash and cash equivalents	Note	30 September 2021	31 December 2020
VTB Bank (PJSC)	6	-	27
Sberbank (PJSC)	6	3	-
<b>Total cash and cash equivalents</b>		<b>3</b>	<b>27</b>

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<b>Accounts payable</b>	<b>Note</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
VTB Bank (PJSC)	12	-	10,188
<b>Total accounts payable</b>		<b>-</b>	<b>10,188</b>

<b>Borrowings</b>	<b>Note</b>	<b>30 September 2021</b>	<b>31 December 2020</b>
VTB Bank (PJSC)	15	28,254,685	14,676,744
<b>Total borrowings</b>		<b>28,254,685</b>	<b>14,676,744</b>

Information on significant transactions concerning capitalised borrowing cost with related parties under control of the Government:

<b>Capitalised borrowing cost</b>	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Bank GPB (JSC)	539,656	47,833	1,248,950	47,833
<b>Capitalised borrowing cost</b>	<b>539,656</b>	<b>47,833</b>	<b>1,248,950</b>	<b>47,833</b>

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:

	<b>Three months ended 30 September</b>		<b>Nine months ended 30 September</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Short-term benefits	158,799	117,523	363,317	273,383
Other long-term benefits	2,773	24,491	43,461	73,473
<b>Total compensation</b>	<b>161,572</b>	<b>142,014</b>	<b>406,778</b>	<b>346,856</b>

As at 30 September 2021 and 30 September 2020, there is no outstanding payments to key management personnel.

**28.SUBSEQUENT EVENTS**

As at 22 October 2021, the Board of Directors of the Bank of Russia took a decision to increase the key rate of the Bank of Russia to 7.50%, which entails an increase in borrowing costs in subsequent periods.