

OJSC SEVERNEFTEGAZPROM

**INTERNATIONAL FINANCIAL REPORTING STANDARDS
CONDENSED INTERIM FINANCIAL INFORMATION
(UNAUDITED)**

30 JUNE 2022

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OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022
(in thousands of Russian Roubles)

	Note	30 June 2022 (unaudited)	31 December 2021
Assets			
Current assets			
Cash and cash equivalents	6	11,696,930	15,115,142
Trade and other accounts receivable	7	9,939,635	4,897,101
Inventories	8	682,896	509,051
Current income tax prepayment		340,429	366,695
Total current assets		22,659,890	20,887,989
Non-current assets			
Property, plant and equipment	9	98,139,932	99,438,732
Intangible assets	10	61,394	64,349
Long-term accounts receivable	11	-	59
Other non-current assets		178,193	155,544
Total non-current assets		98,379,519	99,658,684
TOTAL assets		121,039,409	120,546,673
Liabilities and equity			
Current liabilities			
Accounts payable and provisions	12	3,420,755	5,079,407
Current portion of long-term borrowings	15	91,688	91,086
Taxes payable other than income tax	13	5,114,318	4,597,177
Total current liabilities		8,626,761	9,767,670
Non-current liabilities			
Long-term provisions	14	13,728,007	13,260,692
Long-term borrowings	15	30,906,231	30,898,861
Deferred income tax liabilities	16	8,221,755	7,888,236
Long-term accounts payable and other provisions	17	922,558	899,952
Total non-current liabilities		53,778,551	52,947,741
Total liabilities		62,405,312	62,715,411
Equity			
Share capital	18	40,000	40,000
Share premium	18	25,099,045	25,099,045
Other reserves	18	463,764	418,448
Retained earnings		33,031,288	32,273,769
Total equity		58,634,097	57,831,262
TOTAL liabilities and equity		121,039,409	120,546,673

Approved for issue and signed on 29 July 2022 on behalf of:

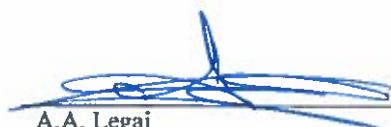

A.A. Legai
Acting General Director

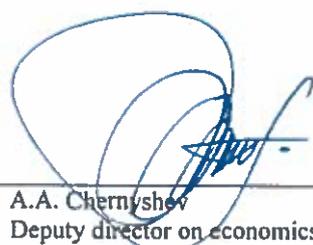

A.A. Chernyshev
Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME (UNAUDITED)
FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2022
(in thousands of Russian Roubles)

	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Revenue	19	11,985,347	10,764,828	25,041,705	21,866,129
Cost of sales	20	(11,920,540)	(8,730,150)	(23,627,508)	(17,085,878)
Gross profit		64,807	2,034,678	1,414,197	4,780,251
General and administrative expenses	21	(272,947)	(292,812)	(615,177)	(618,758)
Exploration costs		(24,846)	(19,040)	(46,712)	(21,364)
Other operating income	22	58,984	50,776	72,469	91,370
Other operating expenses	23	(61,604)	(31,066)	(208,820)	(117,767)
Operating profit		(235,606)	1,742,536	615,957	4,113,732
Finance income	24	555,446	125,346	985,097	194,149
Finance expense	25	(238,990)	(222,481)	(482,968)	(439,637)
Profit before income tax		80,850	1,645,401	1,118,086	3,868,244
Income tax	16	(208,829)	(452,345)	(360,567)	(901,711)
Profit for the period		(127,979)	1,193,056	757,519	2,966,533
Other comprehensive income / (loss):					
Items that will not be reclassified to profit or loss:					
Remeasurements of provision for post-employment benefits	14	(567,983)	(58,662)	56,645	272,148
Related income tax	16	113,597	11,732	(11,329)	(54,430)
Total other comprehensive income/ (loss) that will not be reclassified to profit or loss		(454,386)	(46,930)	45,316	217,718
Other comprehensive income/ (loss) for the period		(454,386)	(46,930)	45,316	217,718
Comprehensive income for the period		(582,365)	1,146,126	802,835	3,184,251

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Acting General Director


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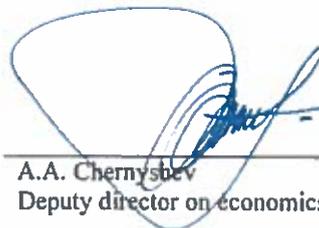
OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF CASH FLOWS (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(In thousands of Russian Roubles)

	Note	Six months ended 30 June	
		2022	2021
Profit before income tax		1,118,086	3,868,244
Adjustments for:			
Interest income	24	(973,736)	(193,440)
Finance expense excluding foreign currency exchange losses	25	477,947	439,079
Depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets	20,21	5,259,572	4,658,393
Net loss on disposal of property, plant and equipment and assets held for sale	22,23	64,164	(2,744)
Net foreign currency exchange (profit) / loss	24,25	(6,339)	(151)
Change in provision for post-employment benefits		(39,149)	(29,422)
Other non-cash transactions		28,702	18,524
Operating cash flows before changes in working capital		5,929,247	8,758,483
Change in inventories		(207,600)	(107,222)
Change in trade and other accounts receivable		(4,995,751)	(4,264,635)
Change in accounts payable, provisions and taxes payable other than income tax		201,757	2,118,515
Change in other non-current assets		(22,649)	(4,964)
Income tax paid		(12,111)	(564,623)
Net cash from operating activities		892,893	5,935,554
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(3,095,590)	(10,556,625)
Interest capitalized and paid		(2,168,748)	(532,431)
Interest received on deposits		987,941	194,187
Proceeds from sale of property, plant and equipment and assets held for sale		7,825	6,634
Net cash used in investing activities		(4,268,572)	(10,888,235)
Cash flows from financing activities			
Proceeds from long-term borrowings	15	-	8,540,258
Repayment of lease liabilities	25	(34,937)	(32,544)
Repayment of lease interest expenses	25	(7,596)	(9,667)
Net cash from / (used in) financing activities		(42,533)	8,498,047
Net increase / (decrease) in cash and cash equivalents		(3,418,212)	3,545,366
Cash and cash equivalents at the beginning of the period	6	15,115,142	8,189,975
Cash and cash equivalents at the end of the period	6	11,696,930	11,735,341

Approved for issue and signed on 29 July 2022 on behalf of:



A.A. Legai
Acting General Director



A.A. Chernyshev
Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
CONDENSED INTERIM FINANCIAL STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(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 2021		533,330	40,000	25,099,045	252,413	32,098,296	57,489,754
Profit for the period		-	-	-	-	2,966,533	2,966,533
Other comprehensive income for the period		-	-	-	217,718	-	217,718
Comprehensive income for the period		-	-	-	217,718	2,966,533	3,184,251
Dividends	18	-	-	-	-	(5,950,377)	(5,950,377)
Balance as at 30 June 2021		533,330	40,000	25,099,045	470,131	29,114,452	54,723,628
Balance as at 1 January 2022		533,330	40,000	25,099,045	418,448	32,273,769	57,831,262
Profit for the period		-	-	-	-	757,519	757,519
Other comprehensive income for the period		-	-	-	45,316	-	45,316
Comprehensive income for the period		-	-	-	45,316	757,519	802,835
Balance as at 30 June 2022		533,330	40,000	25,099,045	463,764	33,031,288	58,634,097

Approved for issue and signed on 29 July 2022 on behalf of:


A.A. Legat
Acting General Director


A.A. Chernyshov
Deputy director on economics and finance

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(in thousands of Russian Roubles, unless otherwise stated)

1. MAIN ACTIVITY

The core 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 June 2022 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 financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. These events can have a significant impact on the Company's operations and financial position in the future, the consequences of which are difficult to predict. The future economic situation and regulatory environment may differ from the current expectations of the management.

The coronavirus pandemic (COVID-19), which occurred in the 2020, has had a significant negative impact on the world economy. As of 30 June 2022, the level of spread of coronavirus infection remains high and there is a risk of introducing additional restrictions in subsequent periods, including due to the emergence of new varieties of the virus. In 2021 the economy of the Russian Federation demonstrated positive dynamics of recovery from the pandemic. This was also facilitated by the recovery of the global economy and the increase in prices on world commodity markets. The scale and duration of these events remain uncertain and may affect the Company's financial position and results of operations. The Management believes that it is taking all necessary measures to support the sustainability and development of the Company's business in the current environment. In the process of spreading the pandemic, the company took prompt preventive measures to prevent the spread of coronavirus infection at the facilities, because of which it was possible to exclude the impact of the spread of the virus on the stability of the company's technological and functional processes. Currently, it is not possible to reliably estimate the duration and extent of the impact of the consequences of the pandemic on the Company's financial position and results of operations in subsequent reporting periods. The future economic situation in the Russian Federation depends on external factors and measures taken by the Government of the Russian Federation. 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 51.1580 and 74.2926 as at 30 June 2022 and 31 December 2021, respectively. The official Russian Rouble to Euro (“EUR”) foreign exchange rates as determined by the Central Bank of the Russian Federation were 53.8580 and 84.0695 as at 30 June 2022 and 31 December 2021, 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 2021 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 2021.

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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 Interpretations and Amendments to existing Standards

The following interpretation and amendments to current IFRS standards became effective for the periods beginning on or after 1 January 2022:

- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37 (issued in May 2020);
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 (issued in May 2020);
- Updating References to the Conceptual Framework – Amendments to IFRS 3 (issued in May 2020);
- Annual Improvements to IFRS Standards 2018-2020 Cycle (issued in May 2020):
 - Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities – Amendments to IFRS 9;
 - Subsidiary as a First-time Adopter – Amendment to IFRS 1;
 - Taxation in Fair Value Measurements – Amendment to IAS 41.

The Company has reviewed these interpretation and amendments to standards for the preparation of the financial statements. The interpretation and amendments to standards have no significant impact on the Company’s financial statements.

New Standards and Amendments to Existing Standards that are not yet:

- IFRS 17 – Insurance Contracts (issued on 18 May 2017 and amended in June 2020, effective for annual periods beginning on or after 1 January 2023);
- Classification of Liabilities as Current or Non-Current – Amendments to IAS 1 (issued in January 2020 and amended in July 2020, effective for annual periods beginning on or after January 2023);
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued in September 2014 and effective for annual periods beginning on or after a date to be determined by IASB);
- Disclosure of Accounting Policies – Amendments to IAS 1 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates – Amendments to IAS 8 (issued in February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12 (issued in May 2021 and effective for annual periods beginning on or after 1 January 2023).

The Company is currently assessing the impact of the amendments on its financial position and results of operations.

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

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FOR THE SIX MONTHS ENDED 30 JUNE 2022
(in thousands of Russian Roubles, unless otherwise stated)

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.

Provision for decommissioning and site restoration and environmental restoration

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 15). 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 Right-of-Use Assets and Lease Liabilities

When calculating the present value of lease payments, the Company uses professional judgment to determine the rate of additional borrowing if the lease does not contain a discount rate. When determining the rate of attracting additional borrowed funds, the management of the Company analyzes the availability of borrowed funds attracted for a similar period in the same period. In the absence of borrowed funds with similar characteristics, the discount rate is determined based on the risk-free rate based on quoted government bonds. The estimation of the length of the non-terminating lease

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period is subject to management judgment, taking into account all relevant facts and circumstances that give the Company an economic incentive to exercise or not exercise the option to renew the lease. These facts and circumstances include the need to renew the lease to carry out production activities, the duration of construction and operation of facilities on leased land, the useful lives of the leased facilities, potential costs of dismantling and moving the asset.

5. FINANCIAL INSTRUMENTS

	Note	30 June 2022	31 December 2021
Current assets			
Cash and cash equivalents	6	11,696,930	15,115,142
Accounts receivable from related parties	7	9,646,828	4,448,310
Other accounts receivable	8	91,536	177,469
Non-current assets			
Other long-term accounts receivable	11	-	59
Other non-current assets		178,193	155,544
Total financial assets at amortised cost		21,613,487	19,896,524
Current liabilities			
Trade accounts payable	12	2,618,516	3,738,314
Accounts payable to related parties	12	61,534	236,992
Current portion of long-term lease liabilities	12	62,008	70,473
Current portion of long-term borrowings	15	91,688	91,086
Other accounts payable	12	16,525	5,764
Non-current liabilities			
Long-term borrowings	15	30,906,231	30,898,861
Long-term trade accounts payable	17	848,905	814,721
Long-term lease liabilities	17	73,653	85,231
Total financial liabilities at amortised cost		34,679,060	35,941,442

As at 30 June 2022 and 31 December 2021, the fair values of financial assets and financial liabilities approximate their carrying amounts.

6. CASH AND CASH EQUIVALENTS

	30 June 2022	31 December 2021
Deposit accounts	101,000	6,012,900
Current accounts	11,595,930	9,102,242
Total cash and cash equivalents	11,696,930	15,115,142

As at 30 June 2022 and as at 31 December 2021 cash was placed on deposit accounts for the period less than 3 months.

As at 30 June 2022 the weighted average interest rate on the deposit accounts of the Company was 8.20 % for Russian Roubles.

As at 31 December 2021 the weighted average interest rate on the deposit accounts of the Company was 9.59 % for Russian Roubles.

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NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(in thousands of Russian Roubles, unless otherwise stated)

7. TRADE AND OTHER ACCOUNTS RECEIVABLE

	Note	30 June 2022	31 December 2021
Financial assets			
Accounts receivable from related parties	27	9,646,828	4,448,310
Other accounts receivable		108,597	194,530
Allowance for expected credit losses for accounts receivable		(17,061)	(17,061)
Total financial accounts receivable		9,738,364	4,625,779
Non-financial assets			
Advances to suppliers		169,141	199,716
VAT recoverable		31,435	70,552
Prepaid taxes, other than income tax		695	1,054
Total non-financial accounts receivable		201,271	271,322
Total trade and other accounts receivable		9,939,635	4,897,101

As at 30 June 2022 and 31 December 2021 accounts receivable from related parties are related mainly to gas sales in the Russian Federation.

The allowance for expected credit losses has been accrued for all overdue doubtful receivables as at 30 June 2022 and December 31, 2021.

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

Allowance for expected credit losses as at 1 January 2021	(17,368),
Accrual of allowance	(14)
Write-off of accounts receivable against allowance	321
Allowance for expected credit losses as at 31 December 2021	(17,061)
Allowance for expected credit losses as at 30 June 2022	(17,061)

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 June 2022 and as at 31 December 2021.

8. INVENTORIES

	30 June 2022	31 December 2021
Materials for extraction	653,139	489,857
Other materials	29,757	19,194
Total inventories at the lower of cost of sales and net realizable value	682,896	509,051

As of 30 June 2022 the amount of the write-down of inventories to net realisable value amounted to 42,415 RUB thousand (31 December 2021: RUB 184,322 thousand).

OJSC SEVERNEFTEGAZPROM
NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE SIX MONTHS ENDED 30 JUNE 2022
(in thousands of Russian Roubles, unless otherwise stated)

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
Cost as at 1 January 2021	10,699,040	30,657,167	48,003,554	20,220,077	14,004,657	247,445	345,795	16,613,942	140,791,677
Additions	-	-	-	48,640	-	1,911	-	9,480,637	9,531,188
Accrual of decommissioning and site and environmental restoration obligation (Note 14)	-	77,482	261,700	-	73,145	-	-	-	412,327
Disposal	-	-	-	(8,077)	-	-	-	-	(8,077)
Leases modification	-	-	-	-	-	-	1,046	-	1,046
Capitalized borrowings costs	-	-	-	-	-	-	-	982,899	982,899
Transfer	-	5,789,882	1,605,411	146,948	236,541	81	-	(7,778,863)	-
Cost as at 30 June 2021	10,699,040	36,524,531	49,870,665	20,407,588	14,314,343	249,437	346,841	19,298,615	151,711,060
Additions	-	-	779	104,391	-	15,066	-	8,918,902	9,039,138
Accrual of component for decommissioning and site restoration obligation (Note 14)	-	130,150	779,121	361,768	21,253	-	-	-	1,292,292
Change in component for decommissioning and site and environmental restoration obligation (Note 14)	(397,014)	(461,020)	(1,743,649)	(168,243)	(19,373)	-	-	-	(2,789,299)
Disposal	-	(1,429)	(1,780)	(37,314)	-	(537)	-	-	(41,060)
Disposal of decommissioning and site and environmental restoration obligation (Note 14)	-	(153)	(427)	(80)	-	-	-	-	(660)
Leases modification	-	-	-	-	-	-	5,230	-	5,230
Capitalized borrowings costs	-	-	-	-	-	-	-	953,694	953,694
Transfer to inventories	-	-	-	-	-	-	-	(49,007)	(49,007)
Transfer	-	9,608,107	9,171,764	6,263,334	622,940	223	-	(25,666,368)	-
Cost as at 31 December 2021	10,302,026	45,800,186	58,076,473	26,931,444	14,939,163	264,189	352,071	3,455,836	160,121,388
Additions	-	7,496	2	20,803	-	1,236	14,424	1,723,186	1,767,147
Accrual of component for decommissioning and site restoration obligation (Note 14)	-	422	31,072	206	61,604	-	-	-	93,304
Disposal	-	(2,963)	(1,771)	(278,943)	-	(69,827)	-	-	(353,504)
Disposal of decommissioning and site and environmental restoration obligation (Note 14)	-	(249)	(41)	(255)	-	-	-	-	(545)
Leases modification	-	-	-	-	-	-	469	-	469
Capitalized borrowings costs	-	-	-	-	-	-	-	2,278,394	2,278,394
Transfer to inventories	-	-	-	-	-	-	-	(33,755)	(33,755)
Transfer	-	423,496	905,899	27,041	64,354	-	-	(1,420,790)	-
Cost as at 30 June 2022	10,302,026	46,228,388	59,011,634	26,700,296	15,065,121	195,598	366,964	6,002,870	163,872,897
Accumulated depreciation as at 1 January 2021	(5,867,282)	(7,428,649)	(23,153,495)	(10,148,330)	(7,420,281)	(198,183)	(139,268)	-	(54,355,488)
Depreciation	(263,919)	(1,904,717)	(1,482,109)	(618,001)	(364,684)	(9,770)	(32,306)	-	(4,675,506)
Disposals	-	-	-	8,077	-	-	-	-	8,077
Accumulated depreciation as at 30 June 2021	(6,131,201)	(9,333,366)	(24,635,604)	(10,758,254)	(7,784,965)	(207,953)	(171,574)	-	(59,022,917)
Depreciation	(182,357)	(528,627)	(1,013,739)	(457,743)	(303,585)	(9,211)	(32,305)	-	(2,527,567)
Change in component for decommissioning and site restoration obligation (Note 14)	142,519	112,466	534,105	52,187	774	-	-	-	842,051
Disposals	-	963	1,351	22,926	-	537	-	-	25,777
Accumulated depreciation as at 31 December 2021	(6,171,039)	(9,748,564)	(25,113,887)	(11,140,884)	(8,087,776)	(216,627)	(203,879)	-	(60,682,656)
Depreciation	(220,271)	(2,113,586)	(1,748,386)	(799,568)	(369,690)	(1,127)	(32,691)	-	(5,285,319)
Disposals	-	2,052	848	171,527	-	60,583	-	-	235,010
Accumulated depreciation as at 30 June 2022	(6,391,310)	(11,860,098)	(26,861,425)	(11,768,925)	(8,457,466)	(157,171)	(236,570)	-	(65,732,965)
Net book value as at 1 January 2021	4,831,758	23,228,518	24,850,059	10,071,747	6,584,376	49,262	206,527	16,613,942	86,436,189
Net book value as at 30 June 2021	4,567,839	27,191,165	25,235,061	9,649,334	6,529,378	41,484	175,267	19,298,615	92,688,143
Net book value as at 31 December 2021	4,130,987	36,051,622	32,962,586	15,790,560	6,851,387	47,562	148,192	3,455,836	99,438,732
Net book value as at 30 June 2022	3,910,716	34,368,290	32,150,209	14,931,371	6,607,655	38,427	130,394	6,002,870	98,139,932

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In August 2020, the Company raised a long-term borrowing. As at 30 June 2022 capitalised borrowing costs included in assets under construction amounted RUB 1,869,669 thousands (RUB 114,060 thousand as at 31 December 2021).

As at 30 June 2022 property, plant and equipment included prepayments for assets under construction in the amount of RUB 155,693 thousand (RUB 340,799 thousand as at 31 December 2021).

As at 30 June 2022 property, plant and equipment included right-of-use assets in the amount of RUB 130,394 thousand (RUB 148,192 thousand as at 31 December 2021). Right-to-use assets are mainly represented by leases of real estate and land.

Change of right-of-use assets for the period ended 30 June 2022 is provided below:

	Buildings and facilities	Others (land lease)	Total
Cost as at 1 January 2022	321,665	30,406	352,071
Additions	14,424	-	14,424
Leases agreements modification	2,314	(1,845)	469
Cost as at 30 June 2022	338,403	28,561	366,964
Accumulated depreciation as at 1 January 2022	(199,618)	(4,261)	(203,879)
Depreciation	(32,139)	(552)	(32,691)
Accumulated depreciation as at 30 June 2022	(231,757)	(4,813)	(236,570)
Net book value as at 30 June 2022	106,646	23,748	130,394

Change of right-of-use assets for the year ended 31 December 2021 is provided below:

	Buildings and facilities	Others (land lease)	Total
Cost as at 1 January 2021	316,435	29,360	345,795
Leases agreements modification	-	1,046	1,046
Cost as at 30 June 2021	316,435	30,406	346,841
Accumulated depreciation as at 1 January 2021	(136,203)	(3,065)	(139,268)
Depreciation	(31,708)	(598)	(32,306)
Accumulated depreciation as at 30 June 2021	(167,911)	(3,663)	(171,574)
Net book value as at 30 June 2021	148,524	26,743	175,267

Unit-of-production depreciation, depletion and amortisation charged are principally measured based on Company's estimation of proved developed gas reserves. Proved developed reserves are estimated by independent international reservoir engineers, by 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 six months ended 30 June 2022 was:

- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Cenomanian deposits 5.02% (for the six months ended 30 June 2021 – 4.89%);

- for pipelines, wells, buildings, plant and equipment used in the production of gas from the Turonian deposits 5.95% (for the six months ended 30 June 2021 – 8.39%);

- for general field facilities used for gas production from both deposits 5.33% (for the six months ended 30 June 2021 – 5.46%);.

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.

The Company has revised the useful lives of property, plant and equipment as at 1 January 2022.

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10. INTANGIBLE ASSETS

	Software	Total
Costs as at 1 January 2021	-	-
Additions	18,364	18,364
Cost as at 30 June 2021	18,364	18,364
Additions	49,232	49,232
Cost as at 31 December 2021	67,596	67,596
Additions	-	-
Cost as at 30 June 2022	67,596	67,596
Accumulated amortisation as at 1 January 2021	-	-
Amortisation	(1,411)	(1,411)
Accumulated amortisation as at 30 June 2021	(1,411)	(1,411)
Amortisation	(1,836)	(1,836)
Accumulated amortisation as at 31 December 2021	(3,247)	(3,247)
Amortisation	(2,955)	(2,955)
Accumulated amortisation as at 30 June 2022	(6,202)	(6,202)
Net book value as at 1 January 2021	-	-
Net book value as at 30 June 2021	16,953	16,953
Net book value as at 31 December 2021	64,349	64,349
Net book value as 30 June 2022	61,394	61,394

11. LONG-TERM ACCOUNTS RECEIVABLE

	30 June 2022	31 December 2021
Financial assets		
Other accounts receivable	-	59
Total long-term accounts receivable	-	59

12. ACCOUNTS PAYABLE, PROVISIONS AND OTHER LIABILITIES

	Note	30 June 2022	31 December 2021
Financial liabilities			
Trade accounts payable		2,618,516	3,738,314
Accounts payable to related parties	27	61,534	236,992
Current portion of long-term lease liabilities		62,008	70,473
Other accounts payable		16,525	5,764
Total financial liabilities		2,758,583	4,051,543
Non-financial liabilities			
Wages and salaries		376,314	331,299
Provision for employee bonuses		84,549	397,314
Provisions for seasonal work and equipment installation		196,185	240,700
Provision for environmental restoration		4,563	50,968
Advances received		561	7,583
Total non-financial liabilities		662,172	1,027,864
Total accounts payable and provisions		3,420,755	5,079,407

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13. TAXES PAYABLE OTHER THAN INCOME TAX

	30 June 2022	31 December 2021
Mineral extraction tax	2,146,658	2,371,330
Value added tax	2,184,082	1,708,425
Property tax	584,560	390,182
Insurance contributions for employees	178,477	107,471
Personal income tax	19,970	19,253
Other taxes and accruals	571	516
Total taxes payable other than income tax	5,114,318	4,597,177

14. LONG-TERM PROVISIONS

	30 June 2022	31 December 2021
Provision for decommissioning and site restoration and environmental restoration	12,464,053	11,954,597
Provision for post-employment benefits	1,263,954	1,306,095
Total provisions	13,728,007	13,260,692

Provision for decommissioning and site restoration and environmental restoration

		Six months ended	
		30 June	
	Note	2022	2021
Provision for decommissioning and site restoration and environmental restoration at the beginning of the period		11,954,597	11,146,851
Change in provision estimate	9	92,759	565,777
Increase in discounted value for the period	25	416,697	384,989
Provision for decommissioning and site restoration and environmental restoration at the end of the period		12,464,053	12,097,617

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 June 2022 was 8.43 % (as at 31 December 2021 – 8.43 %), 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 June 2022	31 December 2021
Present value of benefit obligations	2,266,202	2,190,095
Fair value of plan assets	(1,002,248)	(884,000)
Total net liabilities	1,263,954	1,306,095

The principal assumptions used for the measurement of post-employment and other long-term benefit obligations for the six months ended 30 June 2022 were the same as those applied for the year ended 31 December 2021 with exception of the discount rate determined by reference to market yields on government securities. The increase in the discount rate

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from 8.40 % to 8.76 % resulted in recognition of an actuarial gain of RUB 81,890 thousand in other comprehensive income for the six months ended 30 June 2022.

Changes in the present value of the defined benefit obligations and fair value of plan assets for the periods ended 30 June 2022 and 30 June 2021 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 2021	2,143,296	46,799	(884,000)	1,306,095
Current service cost	122,808	3,484	-	126,292
Interest expense / (income) (Note 25)	88,912	1,869	(37,128)	53,653
Gain from remeasurements of other long-term benefit obligations (Note 20, 21)	-	(1,813)	-	(1,813)
Total expenses / (gains) included in staff costs	211,720	3,540	(37,128)	178,132
Gain from remeasurements of post-employment benefit obligations	(81,890)	-	-	(81,890)
Gain on plan assets excluding amounts included in net interest expense	-	-	25,245	25,245
Total recognised in the other comprehensive income	(81,890)	-	25,245	(56,645)
Benefits paid	(52,686)	(4,577)	17,949	(39,314)
Contributions by employer	-	-	(124,314)	(124,314)
Closing balance as at 30 June 2022	2,220,440	45,762	(1,002,248)	1,263,954
	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 2020	2,270,233	51,131	(867,618)	1,453,746
Current service cost	118,531	3,370	-	121,901
Interest expense / (income)	70,202	1,551	(27,330)	44,423
Gain from remeasurements of other long-term benefit obligations	-	(510)	-	(510)
Total expenses included in staff costs	188,733	4,411	(27,330)	165,814
Gain from remeasurements of post-employment benefit obligations	(249,430)	-	-	(249,430)
Gain on plan assets excluding amounts included in net interest expense	-	-	(22,718)	(22,718)
Total recognised in the other comprehensive income	(249,430)	-	(22,718)	(272,148)
Benefits paid	(83,226)	(3,771)	57,685	(29,312)
Contributions by employer	-	-	(121,501)	(121,501)
Closing balance as at 30 June 2021	2,126,310	51,771	(981,482)	1,196,599

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.

	30 June 2022	31 December 2021
Bank borrowing	30,906,231	30,898,861
Total long-term borrowings	30,906,231	30,898,861
Current portion of long-term borrowing	91,688	91,086
Total current portion of long-term borrowings	91,688	91,086

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

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

	Currency	Interest rate	Maturity date	30 June 2022	31 December 2021
VTB Bank (PJSC)	RUB	Key rate Bank of Russia +1.3 %	2026	30,906,231	30,898,861
Total				30,906,231	30,898,861

The key rate of the Bank of Russia as at 30 June 2022 amounted to 9.50 % (as at 31 December 2021 – 8.50%). The commission rate charged on the unused amount of the credit line amounted to 1.45 % (as at 31 December 2021 – 1.45%). As at 30 June 2022 and 31 December 2021 the Company was in compliance with all financial covenants.

16. INCOME TAX

Income tax expense comprises the following:

	Six months ended 30 June	
	2022	2021
Current tax expense	38,377	830,074
Deferred tax expense	322,190	71,637
Total tax expense	360,567	901,711

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 June 2022, 30 June 2021 and 31 of December 2021 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 3 % to the Federal budget).

	1 January 2022	Tax effect of movement in temporary differences	Recognised in other comprehensive income	30 June 2022
Tax effect of taxable temporary differences:				
Property, plant and equipment	(8,579,450)	(187,226)	-	(8,766,676)
Other temporary differences	(17,688)	1,474	-	(16,214)
Borrowings	(79,311)	51,009	-	(28,302)
Total	(8,676,449)	(134,743)	-	(8,811,192)
Tax effect of deductible temporary differences:				
Inventories	30,747	(23,838)	-	6,909
Trade accounts receivable	384,026	(53,062)	-	330,964
Accounts payable and provisions	240,538	(98,226)	-	142,312
Long-term provisions	132,902	(12,321)	(11,329)	109,252
Total	788,213	(187,447)	(11,329)	589,437
Total net deferred tax (liabilities)/ assets	(7,888,236)	(322,190)	(11,329)	(8,221,755)

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	1 January 2021	Recognised in profit or loss	Tax effect of movement in temporary differences Recognised in other comprehensive income	30 June 2021
Tax effect of taxable temporary differences:				
Property, plant and equipment	(7,583,786)	(127,935)	-	(7,711,721)
Borrowings	(20,636)	1,474	-	(19,162)
Total	(7,604,422)	(126,461)	-	(7,730,883)
Tax effect of deductible temporary differences:				
Inventories	28,959	(821)	-	28,138
Trade accounts receivable	394,110	(12,220)	-	381,890
Long-term provisions	186,822	67,865	(54,430)	200,257
Total	609,891	54,824	(54,430)	610,285
Total net deferred tax (liabilities)/ assets	(6,994,531)	(71,637)	(54,430)	(7,120,598)

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.

The deductible temporary difference on accounts receivable includes the difference in the part of the debt of Vnesheprombank written off in 2015 for the purposes of preparing financial statements.

17. LONG-TERM ACCOUNTS PAYABLE AND OTHER LIABILITIES

	30 June 2022	31 December 2021
Financial liabilities		
Trade accounts payable	848,905	814,721
Total financial liabilities	848,905	814,721
Non-financial liabilities		
Long-term lease liabilities	73,653	85,231
Total non-financial liabilities	73,653	85,231
Total accounts payable and other provisions	922,558	899,952

18. EQUITY

Share capital

Share capital of the Company authorised, issued and paid totals RUB 40,000 thousand as at 30 June 2022 and 31 December 2021 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 June 2022 and 31 December 2021 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

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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 thousand, 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 22 June 2022 decided not to distribute dividends based on the results for the year ended 31 December 2021.

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. All dividends are declared and paid in 2021 in Russian Roubles in full. The amount of paid dividends, net of tax, amounted to RUB 5,462,442 thousand.

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		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
Revenue from gas sales	11,985,347	10,764,828	25,041,705	21,866,129
Total revenue	11,985,347	10,764,828	25,041,705	21,866,129

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

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20. COST OF SALES

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Mineral extraction tax (MET)	7,553,070	5,051,767	14,889,131	9,998,093
Depreciation of property, plant and equipment and right-of-use assets	2,607,850	2,428,572	5,228,463	4,627,595
Staff costs	700,591	676,751	1,443,034	1,421,930
Property tax	600,060	249,685	1,200,962	492,566
Repairment and technical maintenance	157,123	100,472	366,635	147,621
Materials	104,010	87,346	114,660	135,423
Insurance	52,994	46,098	105,133	85,395
Other outsourced production services	41,239	3,551	60,676	15,149
Transportation costs	19,929	5,486	34,831	21,322
Fire safety and security services	18,283	23,853	33,982	32,570
Fuel costs	14,532	8,866	28,404	20,336
Software support costs	4,189	5,297	28,000	27,030
Rent expenses	9,941	8,177	19,747	15,946
Geophysical services	4,062	17,073	19,739	23,837
Other	32,667	17,156	54,111	21,065
Total cost of sales	11,920,540	8,730,150	23,627,508	17,085,878

Depreciation of property, plant and equipment in the amount of RUB 28,702 thousand for the six months ended 30 June 2022 was capitalised into assets under construction (for the six months ended 30 June 2021: RUB 18,524 thousand).

Average MET rate for the six months ended 30 June 2022 was approximately RUB 1,625 per 1,000 cubic meters for the Cenomanian gas and RUB 434 per 1,000 cubic meters for the Turonian gas.

Average MET rate for the six months ended 30 June 2021 was approximately RUB 1,058 per 1,000 cubic meters for the Cenomanian gas and RUB 224 per 1,000 cubic meters for the Turonian gas.

21. GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Administrative staff costs	221,225	212,880	449,569	449,568
Depreciation of right-of-use assets	15,715	15,399	31,109	30,798
Advertising	1,002	804	38,712	30,725
Industrial safety and security services	7,094	6,826	13,968	13,175
Insurance	6,279	7,474	12,587	16,297
Heat and electricity	4,379	3,987	11,007	11,095
Maintenance	5,999	3,545	10,007	5,840
Materials and spare parts	3,943	4,927	7,959	8,422
Software support	2,050	3,152	4,146	5,121
Communication services	2,034	2,656	4,135	5,373
Consulting services	1,029	1,059	1,641	1,506
Overhaul of other objects	388	13,524	388	14,829
Other general and administrative expenses	1,810	16,579	29,949	26,009
Total general and administrative expenses	272,947	292,812	615,177	618,758

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22. OTHER OPERATING INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Insurance compensation	29,109	-	29,109	-
Gain on disposal of property, plant and equipment	14,287	2,744	15,065	2,744
Fees and penalties due to violation of contract covenants	7,961	39,424	10,639	59,146
Revenues from electricity sales	1,618	1,650	6,172	11,943
Reimbursement of the road maintenance costs	1,966	4,917	4,476	11,139
Remeasurement of other long- term benefit obligations	-	-	-	536
Rent income on property, plant and equipment	-	519	-	3,086
Income from materials capitalization	-	211	-	359
Other operating income	4,043	1,311	7,008	2,417
Total other operating income	58,984	50,776	72,469	91,370

23. OTHER OPERATING EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Loss on disposal of property, plant and equipment	-	-	79,229	-
Social costs	21,898	943	64,421	64,265
Expenses for the maintenance of mothballed facilities	11,420	-	22,061	-
Registration of rights for real estate and land	15,078	2,562	15,078	2,562
Loss for installation and dismantling of PPE	18	-	10,712	-
Non-refundable VAT	610	587	1,174	1,002
Additional payment for property tax, penalties and fines	-	-	11	-
Other operating expenses	12,580	26,974	16,134	49,938
Total other operating expenses	61,604	31,066	208,820	117,767

24. FINANCE INCOME

	Three months ended 30 June		Six months ended 30 June	
	2022	2021	2022	2021
Interest income	547,371	125,261	973,736	193,440
Foreign currency exchange gains	8,075	85	11,361	709
Total finance income	555,446	125,346	985,097	194,149

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25. FINANCE EXPENSE

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
Unwinding of discount cost of provision for decommissioning and site restoration (Note 14)	208,370	195,468	416,697	384,989
Interest expense on provision for post-employment benefits (Note 14)	26,525	21,870	53,653	44,423
Interest expense on long-term lease liability	4,095	4,834	7,596	9,667
Foreign currency exchange losses	-	309	5,022	558
Total finance expense	238,990	222,481	482,968	439,637

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.

Russian transfer pricing legislation was amended with effect from 1 January 2019 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 2021 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 1,532 million RUB 2,841 million (excluding VAT) as at 30 June 2022 and 31 December 2021, 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.

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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 party with ultimate control. At the same time Wintershall Dea AG, which is part of the 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 June 2022 and 31 December 2021 are presented below:

	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Sales of gas to PJSC Gazprom (Gazprom Group)	19	4,794,139	4,305,931	10,016,682	8,746,451
Sales of gas to CJSC Gazprom YRGM Trading (Wintershall Dea Group)	19	4,194,871	3,767,690	8,764,597	7,653,145
Sales of gas to JSC Gazprom YRGM Development (OMV Group)	19	2,996,337	2,691,208	6,260,426	5,466,533
Transaction with Gazprom Groups Companies		144,453	264,595	256,790	418,124
Other sales		69	81	213	276

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

Cash and cash equivalents	Note	30 June 2022	31 December 2021
Bank GPB (JSC)	6	101,748	6,013,061
Total cash and cash equivalents		101,748	6,013,061

Information on significant transactions concerning interest income with related parties:

Interest income	Note	Three months ended 30 June		Six months ended 30 June	
		2022	2021	2022	2021
Bank GPB (JSC)	24	2,607	125,261	74,555	193,440
Total interest income		2,607	125,261	74,555	193,440

Significant balances with related parties are summarised as follows:

Accounts receivable	Note	30 June 2022	31 December 2021
CJSC Gazprom YRGM Trading		3,854,765	1,475,308
PJSC Gazprom		3,372,919	1,724,096
JSC Gazprom Development		2,409,228	1,231,497
Bank GPB (JSC)		-	14,205
Gazprom Group companies		9,916	3,204
Total accounts receivable	8	9,646,828	4,448,310

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As at 30 June 2022 and 31 December 2021 short-term accounts receivable of related parties were non-interest bearing, had maturity within one year and were denominated in Russian Roubles.

Accounts payable	Note	30 June 2022	31 December 2021
Accounts payable to Gazprom Group companies	13	61,534	232,990
Total accounts payable		61,534	232,990

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 June 2022	31 December 2021
VTB Bank (PJSC)	6	11,595,182	9,102,081
Total cash and cash equivalents		11,595,182	9,102,081

Interest income	Note	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
Bank VTB (PJSC)	24	544,764	-	899,180	-
Total interest income		544,764	-	899,180	-

Borrowings	Note	30 June 2022	31 December 2021
VTB Bank (PJSC)	15	30,997,919	30,989,947
Total borrowings		30,997,919	30,989,947

Accounts payable	Note	30 June 2022	31 December 2021
VTB Bank (PJSC)	12	-	4,002
Total accounts payable		-	4,002

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

Capitalised borrowing cost	Note	Three months ended		Six months ended	
		30 June		30 June	
		2022	2021	2022	2021
Bank VTB (PJSC)		1,184,429	666,931	2,278,394	982,899
Capitalised borrowing cost		1,184,429	666,931	2,278,394	982,899

Transactions with Key Management Personnel

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

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
Short-term benefits	103,910	112,876	171,445	204,518
Other long-term benefits (contributions to the non-state pension fund NPF GAZFOND JSC)	3,517	19,979	26,742	40,688
Total compensation	107,427	132,855	198,187	245,206

As at 30 June 2022 and December 31, 2021 there is no outstanding payments to key management personnel.

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28.SUBSEQUENT EVENTS

In February 2022 the United States of America, the European Union and some other countries imposed additional sanctions against the Russia Federation.

These circumstances led to the depreciation of the Russian rouble, increased volatility in financial market and significantly increased the level of economic uncertainty in the conditions of doing business in the Russia Federation. The Company's management is currently analyzing the current economic conditions and their possible impact on the Company's operations. At the time of signing these financial statements, according to the estimates of the Company's Management, the described circumstances do not cast doubt on the going concern of the organization. The management of the Company treats these events as non-adjusting events after the balance sheet date.

As at 22 July 2022, the Board of Directors of the Bank of Russia took a decision to decrease the key rate of the Bank of Russia to 8.00%, which entails a decrease in borrowing costs in subsequent periods.