

**PAO NOVATEK**

**IFRS CONSOLIDATED INTERIM CONDENSED  
FINANCIAL STATEMENTS (UNAUDITED)**

**AS OF AND FOR THE THREE AND  
SIX MONTHS ENDED 30 JUNE 2021**

Report on Review of Consolidated Interim Condensed Financial Statements .....	3
Consolidated Interim Condensed Statement of Financial Position (unaudited) .....	4
Consolidated Interim Condensed Statement of Income (unaudited) .....	5
Consolidated Interim Condensed Statement of Comprehensive Income (unaudited) .....	6
Consolidated Interim Condensed Statement of Cash Flows (unaudited) .....	7
Consolidated Interim Condensed Statement of Changes in Equity (unaudited) .....	9
Notes to the Consolidated Interim Condensed Financial Statements (unaudited):	
Note 1. Organization and principal activities .....	10
Note 2. Basis of preparation .....	10
Note 3. Acquisitions and disposals .....	11
Note 4. Property, plant and equipment .....	12
Note 5. Investments in joint ventures .....	14
Note 6. Long-term loans and receivables .....	17
Note 7. Other non-current assets .....	18
Note 8. Trade and other receivables .....	18
Note 9. Prepayments and other current assets .....	19
Note 10. Long-term debt .....	19
Note 11. Trade payables and accrued liabilities .....	20
Note 12. Shareholders' equity .....	20
Note 13. Oil and gas sales .....	21
Note 14. Purchases of natural gas and liquid hydrocarbons .....	21
Note 15. Transportation expenses .....	22
Note 16. Taxes other than income tax .....	22
Note 17. Finance income (expense) .....	22
Note 18. Income tax .....	23
Note 19. Financial instruments and financial risk factors .....	24
Note 20. Contingencies and commitments .....	33
Note 21. Related party transactions .....	35
Note 22. Segment information .....	37
Note 23. Summary of significant accounting policies .....	38
Note 24. New accounting pronouncements .....	39
Contact Information .....	40



## Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PAO NOVATEK:

### Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PAO NOVATEK and its subsidiaries (together – the “Group”) as at 30 June 2021 and the related consolidated interim condensed statements of income and comprehensive income for the three-month and six-month periods then ended, cash flows and changes in equity for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”. A review of consolidated interim condensed financial statements 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 consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

*AO PricewaterhouseCoopers Audit*

27 July 2021

Moscow, Russian Federation



M.E. Timchenko, certified auditor (licence No. 01-000267), AO PricewaterhouseCoopers Audit

Audited entity: PAO NOVATEK

Record made in the Unified State Register of Legal Entities on 20 August 2002 under State Registration Number 1026303117642

Taxpayer Identification Number: 6316031581

Tarko-Sale, Purovsky District, Yamal-Nenets Autonomous District, Russian Federation

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

AO PricewaterhouseCoopers Audit  
White Square Office Center 10 Butyrsky Val Moscow, Russian Federation, 125047  
T: +7 (495) 967 6000, F: +7 (495) 967 6001, [www.pwc.ru](http://www.pwc.ru)

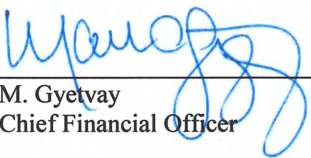
**PAO NOVATEK**
**Consolidated Interim Condensed Statement of Financial Position (unaudited)**

(in millions of Russian roubles)

	Notes	At 30 June 2021	At 31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	791,486	729,407
Investments in joint ventures	5	459,293	450,632
Long-term loans and receivables	6	337,755	391,053
Other non-current assets	7	123,473	125,152
<b>Total non-current assets</b>		<b>1,712,007</b>	<b>1,696,244</b>
<b>Current assets</b>			
Inventories		15,792	10,723
Current income tax prepayments		184	302
Trade and other receivables	8	65,829	71,255
Prepayments and other current assets	9	255,403	98,071
Short-term bank deposits			
with original maturity more than three months		65,106	62,876
Cash and cash equivalents		47,718	119,707
<b>Total current assets</b>		<b>450,032</b>	<b>362,934</b>
<b>Total assets</b>		<b>2,162,039</b>	<b>2,059,178</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Non-current liabilities</b>			
Long-term debt	10	153,330	168,988
Long-term lease liabilities	19	4,869	6,670
Deferred income tax liabilities		66,402	64,132
Asset retirement obligations		10,515	14,397
Other non-current liabilities		8,220	6,568
<b>Total non-current liabilities</b>		<b>243,336</b>	<b>260,755</b>
<b>Current liabilities</b>			
Current portion of long-term debt	10	13,657	53,152
Current portion of long-term lease liabilities	19	3,633	3,798
Trade payables and accrued liabilities	11	148,754	83,995
Current income tax payable		1,885	3,048
Other taxes payable		16,000	16,003
<b>Total current liabilities</b>		<b>183,929</b>	<b>159,996</b>
<b>Total liabilities</b>		<b>427,265</b>	<b>420,751</b>
<b>Equity attributable to PAO NOVATEK shareholders</b>			
Ordinary share capital		393	393
Treasury shares		(20,386)	(20,386)
Additional paid-in capital		31,297	31,297
Currency translation differences		7,227	2,652
Asset revaluation surplus on acquisitions		5,617	5,617
Retained earnings		1,693,340	1,600,391
<b>Total equity attributable to PAO NOVATEK shareholders</b>	12	<b>1,717,488</b>	<b>1,619,964</b>
<b>Non-controlling interest</b>		<b>17,286</b>	<b>18,463</b>
<b>Total equity</b>		<b>1,734,774</b>	<b>1,638,427</b>
<b>Total liabilities and equity</b>		<b>2,162,039</b>	<b>2,059,178</b>

The accompanying notes are an integral part of these consolidated interim condensed financial statements.

  
L. Mikhelson  
Chairman of the Management Committee

  
M. Gyetvay  
Chief Financial Officer

27 July 2021

**PAO NOVATEK**
**Consolidated Interim Condensed Statement of Income (unaudited)**

(in millions of Russian roubles, except for share and per share amounts)

	Notes	Three months ended 30 June:		Six months ended 30 June:	
		2021	2020	2021	2020
<b>Revenues</b>					
Oil and gas sales	13	260,552	140,641	501,301	323,236
Other revenues		3,900	3,298	7,734	5,265
<b>Total revenues</b>		<b>264,452</b>	<b>143,939</b>	<b>509,035</b>	<b>328,501</b>
<b>Operating expenses</b>					
Purchases of natural gas and liquid hydrocarbons	14	(104,531)	(45,240)	(197,508)	(110,302)
Transportation expenses	15	(38,879)	(35,903)	(82,198)	(75,409)
Taxes other than income tax	16	(21,926)	(9,865)	(41,830)	(24,395)
Depreciation, depletion and amortization		(13,012)	(8,975)	(25,432)	(17,846)
Materials, services and other		(8,443)	(7,176)	(16,707)	(13,988)
General and administrative expenses		(7,630)	(4,326)	(13,664)	(9,990)
Exploration expenses		(871)	(3,345)	(3,344)	(6,133)
Impairment (expenses) reversals, net		6	26	29	23
Changes in natural gas, liquid hydrocarbons and work-in-progress		122	(1,435)	6,671	(4,734)
<b>Total operating expenses</b>		<b>(195,164)</b>	<b>(116,239)</b>	<b>(373,983)</b>	<b>(262,774)</b>
Other operating income (loss), net	19	186	(14,077)	(436)	(47,313)
<b>Profit from operations</b>		<b>69,474</b>	<b>13,623</b>	<b>134,616</b>	<b>18,414</b>
<b>Finance income (expense)</b>					
Interest expense	17	(1,207)	(1,242)	(2,372)	(2,445)
Interest income	17	4,197	5,885	8,013	11,641
Change in fair value of non-commodity financial instruments	19	3,230	981	6,720	(4,926)
Foreign exchange gain (loss), net	17	(20,868)	(56,527)	(25,401)	86,280
<b>Total finance income (expense)</b>		<b>(14,648)</b>	<b>(50,903)</b>	<b>(13,040)</b>	<b>90,550</b>
Share of profit (loss) of joint ventures, net of income tax	5	58,364	72,007	73,211	(73,224)
<b>Profit before income tax</b>		<b>113,190</b>	<b>34,727</b>	<b>194,787</b>	<b>35,740</b>
<b>Income tax benefit (expense)</b>					
Current income tax benefit (expense)		(9,149)	3,552	(19,379)	(26,646)
Deferred income tax benefit (expense), net		84	4,617	(1,611)	6,190
<b>Total income tax benefit (expense)</b>	18	<b>(9,065)</b>	<b>8,169</b>	<b>(20,990)</b>	<b>(20,456)</b>
<b>Profit</b>		<b>104,125</b>	<b>42,896</b>	<b>173,797</b>	<b>15,284</b>
Profit attributable to:					
Non-controlling interest		4,838	1,332	9,358	4,400
Shareholders of PAO NOVATEK		99,287	41,564	164,439	10,884
Basic and diluted earnings per share (in Russian roubles)		33.07	13.84	54.76	3.62
Weighted average number of shares outstanding (in millions)		3,002.8	3,003.2	3,002.8	3,005.8

The accompanying notes are an integral part of these consolidated interim condensed financial statements.

**PAO NOVATEK****Consolidated Interim Condensed Statement of Comprehensive Income (unaudited)**

(in millions of Russian roubles)

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<b>Profit</b>	<b>104,125</b>	<b>42,896</b>	<b>173,797</b>	<b>15,284</b>
<b>Other comprehensive income (loss)</b>				
<b>Items that will not be     reclassified subsequently to profit (loss)</b>				
Remeasurement of pension obligations	12	(816)	(488)	(1,244)
Share of remeasurement of pension obligations of joint ventures	(20)	(52)	(40)	(103)
	<b>(8)</b>	<b>(868)</b>	<b>(528)</b>	<b>(1,347)</b>
<b>Items that may be     reclassified subsequently to profit (loss)</b>				
Currency translation differences	1,773	1,379	3,887	712
Share of currency translation differences of joint ventures	694	1,414	688	(797)
	<b>2,467</b>	<b>2,793</b>	<b>4,575</b>	<b>(85)</b>
<b>Other comprehensive income (loss)</b>	<b>2,459</b>	<b>1,925</b>	<b>4,047</b>	<b>(1,432)</b>
<b>Total comprehensive income</b>	<b>106,584</b>	<b>44,821</b>	<b>177,844</b>	<b>13,852</b>
Total comprehensive income attributable to:				
Non-controlling interest	4,838	1,332	9,358	4,400
Shareholders of PAO NOVATEK	101,746	43,489	168,486	9,452

The accompanying notes are an integral part of these consolidated interim condensed financial statements.

**PAO NOVATEK**
**Consolidated Interim Condensed Statement of Cash Flows (unaudited)**

(in millions of Russian roubles)

	Notes	Six months ended 30 June:	
		2021	2020
<b>Profit before income tax</b>		<b>194,787</b>	<b>35,740</b>
<b>Adjustments to profit before income tax:</b>			
Depreciation, depletion and amortization		25,432	17,846
Impairment expenses (reversals), net		(29)	(23)
Foreign exchange loss (gain), net		25,401	(86,280)
Interest expense		2,372	2,445
Interest income		(8,013)	(11,641)
Share of loss (profit) of joint ventures, net of income tax	5	(73,211)	73,224
Change in fair value of non-commodity financial instruments		(6,720)	4,926
Revaluation of commodity derivatives and contingent consideration through profit or loss	19	(147)	46,801
Other adjustments		(45)	185
Decrease (increase) in long-term advances given		1,940	3,007
<b>Working capital changes</b>			
Decrease (increase) in trade and other receivables, prepayments and other current assets		(208)	18,795
Decrease (increase) in inventories		(7,360)	4,351
Increase (decrease) in trade payables and accrued liabilities, excluding interest and dividends payable		12,538	(21,352)
Increase (decrease) in taxes payable, other than income tax		43	(1,262)
<b>Total effect of working capital changes</b>		<b>5,013</b>	<b>532</b>
Dividends and cash received from joint ventures		67,786	660
Interest received		3,034	4,912
Income taxes paid		(12,817)	(28,950)
<b>Net cash provided by operating activities</b>		<b>224,783</b>	<b>63,384</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	4	(79,274)	(90,142)
Payments for mineral licenses	4	(968)	(317)
Purchases of materials for construction		(5,771)	(9,223)
Purchases of intangible assets		(314)	(736)
Capital contributions to joint ventures	5	(67)	-
Proceeds from disposal of interests in subsidiaries and joint ventures	5	434	46,021
Interest paid and capitalized	4	(3,782)	(3,118)
Net decrease (increase) in bank deposits with original maturity more than three months		(3,491)	78,796
Guarantee fees paid		-	(850)
Loans provided to joint ventures	6	(86,958)	(48,857)
Repayments of loans provided to joint ventures	6	20,462	14,095
<b>Net cash used for investing activities</b>		<b>(159,729)</b>	<b>(14,331)</b>

**PAO NOVATEK****Consolidated Interim Condensed Statement of Cash Flows (unaudited)**

(in millions of Russian roubles)

	Notes	Six months ended 30 June:	
		2021	2020
<b>Cash flows from financing activities</b>			
Repayments of long-term debt	10	(51,844)	(3,407)
Proceeds from short-term debt			
with original maturity more than three months		-	441
Repayments of short-term debt			
with original maturity more than three months		-	(441)
Increase (decrease) in short-term debt			
with original maturity three months or less, net		244	-
Loan commitment fee		-	(534)
Interest on debt paid		(1,137)	(1,033)
Dividends paid to shareholders of PAO NOVATEK	12	(71,286)	(54,359)
Dividends paid to non-controlling interest		(10,241)	(4,802)
Payments of lease liabilities		(1,777)	(1,719)
Purchases of treasury shares	12	-	(7,806)
<b>Net cash used for financing activities</b>		<b>(136,041)</b>	<b>(73,660)</b>
Net effect of exchange rate changes on cash and cash equivalents		58	17,457
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(70,929)</b>	<b>(7,150)</b>
Cash and cash equivalents reclassified			
to assets held for sale at the end of the period		(1,060)	-
Cash and cash equivalents at the beginning of the period		119,707	53,240
<b>Cash and cash equivalents at the end of the period</b>		<b>47,718</b>	<b>46,090</b>

The accompanying notes are an integral part of these consolidated interim condensed financial statements.



**PAO NOVATEK**
**Consolidated Interim Condensed Statement of Changes in Equity (unaudited)**

(in millions of Russian roubles, except for number of shares)

<i>For the six months ended 30 June 2020</i>	<i>Number of ordinary shares (in millions)</i>	<i>Ordinary share capital</i>	<i>Treasury shares</i>	<i>Additional paid-in capital</i>	<i>Currency translation differences</i>	<i>Asset revaluation surplus on acquisitions</i>	<i>Retained earnings</i>	<i>Equity attributable to PAO NOVATEK shareholders</i>	<i>Non- controlling interest</i>	<i>Total equity</i>
<b>At 1 January 2020</b>	<b>3,011.2</b>	<b>393</b>	<b>(12,308)</b>	<b>31,297</b>	<b>3,814</b>	<b>5,617</b>	<b>1,618,696</b>	<b>1,647,509</b>	<b>19,567</b>	<b>1,667,076</b>
Profit	-	-	-	-	-	-	10,884	10,884	4,400	15,284
Other comprehensive loss	-	-	-	-	(85)	-	(1,347)	(1,432)	-	(1,432)
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(85)</b>	<b>-</b>	<b>9,537</b>	<b>9,452</b>	<b>4,400</b>	<b>13,852</b>
Dividends (Note 12)	-	-	-	-	-	-	(54,359)	(54,359)	(5,145)	(59,504)
Effect from other changes in joint ventures' net assets (Note 5)	-	-	-	-	-	-	838	838	-	838
Purchase of treasury shares (Note 12)	(8.0)	-	(7,615)	-	-	-	-	(7,615)	-	(7,615)
<b>At 30 June 2020</b>	<b>3,003.2</b>	<b>393</b>	<b>(19,923)</b>	<b>31,297</b>	<b>3,729</b>	<b>5,617</b>	<b>1,574,712</b>	<b>1,595,825</b>	<b>18,822</b>	<b>1,614,647</b>
<i>For the six months ended 30 June 2021</i>										
<b>At 1 January 2021</b>	<b>3,002.8</b>	<b>393</b>	<b>(20,386)</b>	<b>31,297</b>	<b>2,652</b>	<b>5,617</b>	<b>1,600,391</b>	<b>1,619,964</b>	<b>18,463</b>	<b>1,638,427</b>
Profit	-	-	-	-	-	-	164,439	164,439	9,358	173,797
Other comprehensive income (loss)	-	-	-	-	4,575	-	(528)	4,047	-	4,047
<b>Total comprehensive income (loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,575</b>	<b>-</b>	<b>163,911</b>	<b>168,486</b>	<b>9,358</b>	<b>177,844</b>
Dividends (Note 12)	-	-	-	-	-	-	(71,286)	(71,286)	(10,535)	(81,821)
Effect from other changes in joint ventures' net assets (Note 5)	-	-	-	-	-	-	324	324	-	324
<b>At 30 June 2021</b>	<b>3,002.8</b>	<b>393</b>	<b>(20,386)</b>	<b>31,297</b>	<b>7,227</b>	<b>5,617</b>	<b>1,693,340</b>	<b>1,717,488</b>	<b>17,286</b>	<b>1,734,774</b>

The accompanying notes are an integral part of these consolidated interim condensed financial statements.

**1 ORGANIZATION AND PRINCIPAL ACTIVITIES**

PAO NOVATEK (hereinafter referred to as “NOVATEK” or the “Company”) and its subsidiaries (hereinafter jointly referred to as the “Group”) is an independent oil and gas company engaged in the acquisition, exploration, development, production, processing, and marketing of hydrocarbons with its oil and gas operations located mainly in the Yamal-Nenets Autonomous District (hereinafter referred to as “YNAO”) of the Russian Federation. The Group delivers its natural gas and its liquid hydrocarbons on both the Russian domestic and international markets.

The Group sells its natural gas on the Russian domestic market mainly through trunk pipelines and regional distribution networks, as well as sells liquefied natural gas (“LNG”) produced at the Group’s small-scale LNG plant in the Chelyabinsk region through its refueling complexes.

The Group sells natural gas in Russia at unregulated market prices (except for deliveries to residential customers); however, the majority of natural gas sold on the Russian domestic market by all producers is sold at prices regulated by the governmental agency of the Russian Federation that carries out state regulation of prices and tariffs for goods and services of natural monopolies in energy, utilities and transportation. The Group’s natural gas sales volumes on the domestic market fluctuate on a seasonal basis mostly due to Russian weather conditions, with sales peaking in the winter months of December and January and troughing in the summer months of July and August.

The Group’s joint ventures OAO Yamal LNG and OOO Cryogas-Vysotsk produce liquefied natural gas at their LNG plants. The Group purchases a portion of the LNG produced by Yamal LNG and Cryogas-Vysotsk and sells it primarily on the international markets. The Group’s LNG sales volumes are not subject to significant seasonal fluctuations.

The Group also purchases and sells natural gas on the European market under long- and short-term supply contracts to carry out its foreign commercial trading activities, as well as conducts LNG regasification in Poland.

The Group processes unstable gas condensate at its Purovsky Gas Condensate Processing Plant located in close proximity to its fields into stable gas condensate and liquefied petroleum gas. The majority of stable gas condensate is further processed at the Group’s Gas Condensate Fractionation and Transshipment Complex located at the port of Ust-Luga on the Baltic Sea into higher-value refined products (naphtha, jet fuel, gasoil and fuel oil). The remaining stable gas condensate volumes are sold on domestic and international markets. The Group sells its liquid hydrocarbons at prices that are subject to fluctuations in underlying benchmark crude oil, naphtha and other gas condensate refined products prices. The Group’s liquids sales volumes are not subject to significant seasonal fluctuations.

**2 BASIS OF PREPARATION**

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020 prepared in accordance with International Financial Reporting Standards (“IFRS”).

**Use of estimates and judgments.** The critical accounting estimates and judgments followed by the Group in the preparation of consolidated interim condensed financial statements are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2020. Estimates have principally been made in respect to fair values of assets and liabilities, deferred income taxes, estimation of oil and gas reserves, impairment provisions, pension obligations and asset retirement obligations.

Management reviews these estimates and assumptions on a continuous basis, by reference to past experience and other factors considered as reasonable which form the basis for assessing the book values of assets and liabilities. Adjustments to accounting estimates and assumptions are recognized in the period in which the estimate is revised if the change affects only that period or in the period of the revision and subsequent periods, if both are affected. Management also makes certain judgments, apart from those involving estimations, in the process of applying the Group’s accounting policies. Actual results may differ from such estimates if different assumptions or circumstances apply.

**Functional and presentation currency.** The consolidated interim condensed financial statements are presented in Russian roubles, the Group’s presentation currency and the functional currency for the majority of the Group’s entities.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**2 BASIS OF PREPARATION (CONTINUED)**

Exchange rates for foreign currencies in which the Group conducted significant transactions or had significant monetary assets and/or liabilities in the reporting period were as follows:

<i>Russian roubles to one currency unit</i>	Average rate for the three months ended 30 June:		Average rate for the six months ended 30 June:	
	2021	2020	2021	2020
US dollar (USD)	74.22	72.36	74.28	69.37
Euro (EUR)	89.39	79.65	89.55	76.44
Polish zloty (PLN)	19.72	17.68	19.72	17.31

<i>Russian roubles to one currency unit</i>	At 30 June:		At 31 December:	
	2021	2020	2020	2019
US dollar (USD)	72.37	69.95	73.88	61.91
Euro (EUR)	86.20	78.68	90.68	69.34
Polish zloty (PLN)	19.09	17.61	20.01	16.24

**3 ACQUISITIONS AND DISPOSALS*****Acquisition of a participation interest in OOO Gazpromneft-Sakhalin***

In June 2021, the Group entered into an agreement for acquisition from PAO Gazprom Neft of a 49 percent participation interest in OOO Gazpromneft-Sakhalin for a cash consideration of RR 1,655 million. The transaction was closed after the reporting date in July 2021. OOO Gazpromneft-Sakhalin holds the license for exploration and development of the Severo-Wrangelevskiy license area located in the eastern part of the East Siberian Sea and the western part of the Chukchi Sea.

The Charter of Gazpromneft-Sakhalin stipulates that key financial and operating decisions regarding its business activities require effectively the unanimous approval by both participants. Therefore, the voting mechanism effectively establishes joint control over OOO Gazpromneft-Sakhalin and the Group will account for the investment in this entity under the equity method.

***Assets held for sale***

In June 2021, the Group and TOTAL E&P Transshipment SAS, a subsidiary of TotalEnergies SE, entered into an agreement for acquisition by TOTAL E&P Transshipment SAS of a 10 percent participation interest in OOO Arctic Transshipment, that will operate two LNG transshipment terminals currently under construction in the Kamchatka and Murmansk regions. The transaction was closed after the reporting date in July 2021.

Consideration to be paid by TOTAL E&P Transshipment SAS comprises the cash payment in the amount of RR 368 million (equivalent of USD 5 million) received in July 2021, as well as potential payments in the amount of up to USD 20 million equivalent subject to certain events in the future.

The Group retained a 90 percent participation interest in OOO Arctic Transshipment after closing the transaction; at the same time, the terms of the transaction stipulate that key strategic, operational and financial decisions are subject to unanimous approval by participants. Management believes that upon closing of this transaction, the Group will exercise the joint control over OOO Arctic Transshipment.

At 30 June 2021, in accordance with IFRS 5, *Non-current assets held for sale and discontinued operations*, the conditions for recognition of OOO Arctic Transshipment as an asset held for sale have been met. Therefore, assets and liabilities related to OOO Arctic Transshipment, excluding intercompany balances, have been classified as assets and liabilities held for sale and presented within the line items "Prepayments and other current assets" and "Trade payables and accrued liabilities", respectively. No impairment of assets was identified as a result of the decision to sell an interest in this entity.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**3 ACQUISITIONS AND DISPOSALS (CONTINUED)**

Below is a breakdown of major classes of assets and liabilities for assets classified as held for sale:

	<b>At 30 June 2021</b>
Property, plant and equipment	3,128
Other non-current assets	57
Current assets	1,418
<b>Total assets classified as held for sale</b>	<b>4,603</b>
Non-current liabilities	108
Current liabilities	186
<b>Total liabilities associated with assets held for sale</b>	<b>294</b>

**4 PROPERTY, PLANT AND EQUIPMENT**

Movements in property, plant and equipment are as follows:

<i>For the six months ended 30 June 2020</i>	<b>Oil and gas properties and equipment</b>	<b>Assets under construction and advances for construction</b>	<b>Other</b>	<b>Total</b>
Cost	609,958	168,743	22,294	800,995
Accumulated depreciation, depletion and amortization	(238,633)	-	(5,564)	(244,197)
<b>Net book value at 1 January 2020</b>	<b>371,325</b>	<b>168,743</b>	<b>16,730</b>	<b>556,798</b>
Additions	1,457	103,014	-	104,471
Transfers	29,265	(33,758)	4,493	-
Change in asset retirement costs	28	-	-	28
Depreciation, depletion and amortization	(16,737)	-	(779)	(17,516)
Disposals, net	(87)	(195)	(89)	(371)
Currency translation differences	1,339	78	46	1,463
Cost	641,682	237,882	26,756	906,320
Accumulated depreciation, depletion and amortization	(255,092)	-	(6,355)	(261,447)
<b>Net book value at 30 June 2020</b>	<b>386,590</b>	<b>237,882</b>	<b>20,401</b>	<b>644,873</b>

**PAO NOVATEK**
**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<i>For the six months ended 30 June 2021</i>	<b>Oil and gas properties and equipment</b>	<b>Assets under construction and advances for construction</b>	<b>Other</b>	<b>Total</b>
Cost	737,953	243,616	28,107	1,009,676
Accumulated depreciation, depletion and amortization	(273,013)	-	(7,256)	(280,269)
<b>Net book value at 1 January 2021</b>	<b>464,940</b>	<b>243,616</b>	<b>20,851</b>	<b>729,407</b>
Additions	2,329	93,216	-	95,545
Transfers	47,523	(48,626)	1,103	-
Change in asset retirement costs	(4,288)	-	-	(4,288)
Depreciation, depletion and amortization	(24,003)	-	(1,096)	(25,099)
Reclassification to assets held for sale (see Note 3)	(1,263)	(1,854)	(11)	(3,128)
Disposals, net	(240)	(169)	(49)	(458)
Currency translation differences	(356)	(118)	(19)	(493)
Cost	781,390	286,065	29,069	1,096,524
Accumulated depreciation, depletion and amortization	(296,748)	-	(8,290)	(305,038)
<b>Net book value at 30 June 2021</b>	<b>484,642</b>	<b>286,065</b>	<b>20,779</b>	<b>791,486</b>

Included in additions to property, plant and equipment for the six months ended 30 June 2021 and 2020 are capitalized interest and foreign exchange differences of RR 4,279 million and RR 4,750 million, respectively.

Included within assets under construction and advances for construction are advances to suppliers for construction and equipment of RR 66,577 million and RR 66,415 million at 30 June 2021 and 31 December 2020, respectively.

Included in property, plant and equipment at 30 June 2021 and 31 December 2020 are right-of-use assets with carrying value of RR 7,718 million and RR 9,839 million, respectively, primarily related to long-term agreements on time chartering of marine tankers. Depreciation charge for right-of-use assets for the six months ended 30 June 2021 and 2020 amounted to RR 1,715 million and RR 1,457 million, respectively.

In March 2021, the Group won an auction for an oil and gas exploration and production license for the North-Gydanskiy license area located on the Gydan peninsula in the YNAO for a payment of RR 775 million, which was included within oil and gas properties and equipment.

The table below summarizes the Group's carrying values of total acquisition costs of proved and unproved properties included in oil and gas properties and equipment:

	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
Proved properties acquisition costs	104,536	103,002
Less: accumulated depreciation, depletion and amortization of proved properties acquisition costs	(22,671)	(21,856)
Unproved properties acquisition costs	11,760	10,924
<b>Total acquisition costs</b>	<b>93,625</b>	<b>92,070</b>

The Group's management believes these costs are recoverable as the Group has plans to explore and develop the respective fields.

No impairment was recognized in respect of oil and gas properties and equipment for the six months ended 30 June 2021 and 2020.

Capital commitments are disclosed in Note 20.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**5 INVESTMENTS IN JOINT VENTURES**

	At 30 June 2021	At 31 December 2020
<i>Joint ventures:</i>		
OOO Arctic LNG 2	261,307	250,470
AO Arcticgas	114,535	151,886
ZAO Nortgas	44,170	43,805
OAo Yamal LNG	33,111	-
ZAO Terneftegas	5,802	4,157
Rostock LNG GmbH	275	286
OOO SMART LNG	93	28
OOO Cryogas-Vysotsk	-	-
<b>Total investments in joint ventures</b>	<b>459,293</b>	<b>450,632</b>

The Group considers that Arctic LNG 2, Arcticgas, Nortgas, Yamal LNG, Terneftegas, Rostock LNG GmbH, SMART LNG and Cryogas-Vysotsk constitute jointly controlled entities based on existing contractual arrangements. The charters and/or participants' agreements of these entities stipulate that strategic and/or key decisions of a financial, operating and capital nature require effectively the unanimous approval by all participants or by a group of participants. The Group accounts for its interests in joint ventures under the equity method.

**OOO Arctic LNG 2.** The Group holds a 60 percent ownership in OOO Arctic LNG 2, along with TotalEnergies SE (10 percent), CNPC (10 percent), CNOOC Limited (10 percent) and Japan Arctic LNG B.V. (10 percent). Arctic LNG 2 undertakes a project to construct a liquefied natural gas plant on the Gydan peninsula based on the hydrocarbon resources of the Salmanovskoye (Utrenneye) field (the "Arctic LNG 2 project"). The project will have an annual nameplate capacity of 19.8 million tons (three LNG trains of 6.6 million tons of LNG per annum each).

In the first quarter 2020, the Group received the second cash transfer in the amount of RR 46,021 million (the equivalent of USD 700 million) from the sale of a 10 percent participation interest in OOO Arctic LNG 2 in the first quarter 2019.

At 30 June 2021, the Group's 60 percent ownership in Arctic LNG 2 was pledged in connection with credit line facility agreements signed by Arctic LNG 2 to obtain external project financing.

**AO Arcticgas.** The Group holds a 50 percent ownership in Arcticgas, its joint venture with PAO Gazprom Neft. Arcticgas operates the Samburgskoye, Urengoykoye and Yaro-Yakhinskoye fields and the East-Urengoykoye+North-Esetinskoye field (within the Samburskiy license area), located in the YNAO.

**ZAO Nortgas.** The Group holds a 50 percent ownership in Nortgas, its joint venture with PAO Gazprom Neft. Nortgas operates the North-Urengoykoye field, located in the YNAO.

**OAo Yamal LNG.** The Group holds a 50.1 percent ownership in Yamal LNG, along with TotalEnergies SE (20 percent), CNPC (20 percent) and Silk Road Fund Co. Ltd. (9.9 percent). Yamal LNG undertakes a project on natural gas production, liquefaction and shipping based on the feedstock resources of the South-Tambeyskoye field located in YNAO (the "Yamal LNG project"). Annual nameplate capacity of the liquefaction plant after the launch of the fourth LNG train in May 2021 is 17.4 million tons of LNG (5.5 million tons for the first three trains and 0.9 million tons for the fourth train).

At 30 June 2021 and 31 December 2020, the Group's 50.1 percent ownership in Yamal LNG was pledged in connection with credit line facility agreements signed by Yamal LNG with a number of Russian and foreign banks to obtain external project financing.

The Group's investment in Yamal LNG at 31 December 2020 was valued at RR nil in the consolidated statement of financial position due to the Group's proportionate share of accumulated losses exceeding the Group's cost of investment in the amount of RR 27,763 million as a result of significant non-cash foreign exchange losses. For the six months ended 30 June 2021, the Group's share of profit of Yamal LNG amounted to RR 60,194 million of which RR 27,763 million were not recognized in the consolidated statement of income as were offset against the previously unrecognized share of losses.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**5 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

**ZAO Terneftegas.** The Group holds a 51 percent ownership in Terneftegas, its joint venture with TotalEnergies SE. Terneftegas operates the Termokarstovoye field, located in the YNAO.

**Rostock LNG GmbH.** The Group holds a 49 percent ownership interest in Rostock LNG GmbH, its joint venture with Fluxys Germany Holding GmbH. The joint venture plans to construct a mid-scale LNG transshipment terminal with capacity of approximately 300 thousand tons per annum located in the port of Rostock in Germany.

**OOO SMART LNG.** The Group holds a 50 percent participation interest in OOO SMART LNG, its joint venture with PAO Sovcomflot. SMART LNG will lease Arctic ice-class LNG tankers to transport LNG from the Arctic LNG 2 project.

At 30 June 2021, the Group's 50 percent participation interest in SMART LNG was pledged in connection with lease agreements for Arctic ice-class LNG tankers entered into by SMART LNG.

**OOO Cryogas-Vysotsk.** The Group holds a 51 percent participation interest in Cryogas-Vysotsk, its joint venture with AO Gazprombank group. Cryogas-Vysotsk operates a medium-scale LNG plant with annual capacity of 660 thousand tons, located at the port of Vysotsk on the Baltic Sea.

At 30 June 2021 and 31 December 2020, the Group's 51 percent participation interest in Cryogas-Vysotsk was pledged in connection with credit line facility agreements signed by the joint venture with a Russian bank to obtain external project financing.

The Group's investment in Cryogas-Vysotsk at 30 June 2021 and 31 December 2020 was valued at RR nil in the consolidated statement of financial position due to the Group's proportionate share of accumulated losses exceeding the Group's cost of investment. The accumulated unrecognized share of loss in Cryogas-Vysotsk at 30 June 2021 and 31 December 2020 was RR 987 million and RR 2,483 million, respectively, and resulted from significant non-cash foreign exchange losses. For the six months ended 30 June 2021, the Group's share of profit in Cryogas-Vysotsk amounted to RR 1,496 million; however, the share of profit was not recognized in the consolidated statement of income as it was offset against the previously unrecognized share of losses.

The table below summarizes the movements in the carrying amounts of the Group's joint ventures:

	Six months ended 30 June:	
	2021	2020
<b>At 1 January</b>	<b>450,632</b>	<b>585,340</b>
Share of profit from operations	109,087	50,802
Share of finance income (expense)	15,284	(145,374)
Share of total income tax benefit (expense)	(21,901)	21,348
Unrecognized share of loss (profit) of joint ventures	(29,259)	-
<b>Share of profit (loss) of joint ventures, net of income tax</b>	<b>73,211</b>	<b>(73,224)</b>
Share of other comprehensive income (loss) of joint ventures	648	(899)
Dividends and cash from joint ventures	(67,786)	(160)
Effect from other changes in joint ventures' net assets	324	838
Capital contributions	67	-
Effect from initial measurement of loans provided by the Group to joint ventures (see Note 19) net of deferred income tax	-	7,017
Group's costs capitalized in investments	-	805
Elimination of the Group's share in unrealized profits of joint ventures from balances of hydrocarbons purchased from joint ventures	2,197	(1,791)
<b>At 30 June</b>	<b>459,293</b>	<b>517,926</b>

For the six months ended 30 June 2021, Arcticgas declared and paid dividends in the total amount of RR 134 billion, of which RR 67 billion were attributable to NOVATEK.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**5 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

For the six months ended 30 June 2021 and 2020, Terneftegas transferred cash in the amount of RR 661 million and RR 160 million, respectively, distributed in favor of the Group.

For the six months ended 30 June 2021, the capital of OOO SMART LNG was increased through proportional contributions by its participants totaling RR 133 million, of which RR 67 million were contributed by the Group.

The Group eliminates its share in unrealized profits of joint ventures from the balances of natural gas and liquid hydrocarbons purchased from the joint ventures.

For the six months ended 30 June 2021 and 2020, the summarized statements of income (loss) for the Group's principal joint ventures are as follows (100 percent base):

<i>For the six months ended 30 June 2021</i>	<b>Arctic LNG 2</b>	<b>Arcticgas</b>	<b>Yamal LNG</b>	<b>Nortgas</b>
Revenues	2,114	134,740	237,136	9,138
Depreciation, depletion and amortization	-	(13,010)	(57,366)	(3,491)
<b>Profit (loss) from operations</b>	<b>(199)</b>	<b>72,804</b>	<b>140,570</b>	<b>1,208</b>
Interest expense	(74)	(1,789)	(60,766)	(327)
Change in fair value of non-commodity financial instruments	451	-	(24,477)	-
Foreign exchange gain (loss), net	25,347	14	86,332	-
<b>Profit (loss) before income tax</b>	<b>25,580</b>	<b>71,296</b>	<b>141,650</b>	<b>898</b>
Income tax benefit (expense)	(7,512)	(11,709)	(21,451)	(167)
<b>Profit (loss), net of income tax</b>	<b>18,068</b>	<b>59,587</b>	<b>120,199</b>	<b>731</b>
Ownership	60%	50%	50.1%	50%
<b>Total based on ownership interest</b>	<b>10,841</b>	<b>29,794</b>	<b>60,187</b>	<b>366</b>
Elimination of the Group's share in unrealized profits of joint ventures from balances of hydrocarbons purchased from joint ventures	-	(1,853)	7	(111)
Unrecognized share of loss (profit) of joint ventures	-	-	(27,763)	-
<b>Share of profit (loss) of joint ventures, net of income tax</b>	<b>10,841</b>	<b>27,941</b>	<b>32,431</b>	<b>255</b>



**PAO NOVATEK**

**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**5 INVESTMENTS IN JOINT VENTURES (CONTINUED)**

<i>For the six months ended 30 June 2020</i>	<b>Arctic LNG 2</b>	<b>Arcticgas</b>	<b>Yamal LNG</b>	<b>Nortgas</b>
Revenues	-	72,216	161,487	7,316
Depreciation, depletion and amortization	-	(15,806)	(54,610)	(3,443)
<b>Profit (loss) from operations</b>	<b>(1,343)</b>	<b>25,830</b>	<b>74,619</b>	<b>(778)</b>
Interest expense	(25)	(1,915)	(77,072)	(582)
Change in fair value of non-commodity financial instruments	(587)	-	23,951	-
Foreign exchange gain (loss), net	(10,307)	(11)	(209,665)	-
<b>Profit (loss) before income tax</b>	<b>(12,237)</b>	<b>24,115</b>	<b>(188,133)</b>	<b>(1,306)</b>
Income tax benefit (expense)	2,453	(3,792)	41,182	256
<b>Profit (loss), net of income tax</b>	<b>(9,784)</b>	<b>20,323</b>	<b>(146,951)</b>	<b>(1,050)</b>
Ownership	60%	50%	50.1%	50%
<b>Total based on ownership interest</b>	<b>(5,870)</b>	<b>10,162</b>	<b>(73,583)</b>	<b>(525)</b>
Elimination of the Group's share in unrealized profits of joint ventures from balances of hydrocarbons purchased from joint ventures	-	1,444	41	153
<b>Share of profit (loss) of joint ventures, net of income tax</b>	<b>(5,870)</b>	<b>11,606</b>	<b>(73,542)</b>	<b>(372)</b>

**6 LONG-TERM LOANS AND RECEIVABLES**

The following table presents long-term loans (including interest accrued) and receivables:

	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
Long-term loans receivable	485,255	431,880
Other long-term receivables	554	426
<b>Total</b>	<b>485,809</b>	<b>432,306</b>
Less: current portion of long-term loans receivable	(148,054)	(41,253)
<b>Total long-term loans and receivables</b>	<b>337,755</b>	<b>391,053</b>

The Group's long-term loans receivable by borrowers are as follows:

	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
OOO Arctic LNG 2	293,074	215,336
OAQ Yamal LNG	185,095	209,637
OOO Cryogas-Vysotsk	7,086	6,907
<b>Total long-term loans receivable</b>	<b>485,255</b>	<b>431,880</b>

**OOO Arctic LNG 2.** The Group provided euro credit line facilities to Arctic LNG 2, the Group's joint venture. The loans interest rates are set based on market interest rates and interest rates on borrowings of participants. The repayment schedules are linked to free cash flows of the joint venture.

**OAQ Yamal LNG.** In prior years the Group provided US dollar and euro credit line facilities to Yamal LNG, the Group's joint venture. The loans interest rates are set based on market interest rates, interest rates on borrowings of shareholders and/or combination thereof. The repayment schedules are linked to free cash flows of the joint venture.

For the six months ended 30 June 2021 and 2020, Yamal LNG repaid to the Group a part of the loans and accrued interest in the total amount of RR 22,646 million and RR 17,696 million, respectively.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**6 LONG-TERM LOANS AND RECEIVABLES (CONTINUED)**

*OOO Cryogas-Vysotsk.* The Group provided Russian rouble denominated loans under agreed credit line facilities to Cryogas-Vysotsk, the Group's joint venture. The loans are repayable not later than 2033 and bear variable interest rates.

No provisions for impairment of long-term loans and receivables were recognized at 30 June 2021 and 31 December 2020. The carrying values of long-term loans and receivables approximate their respective fair values.

**7 OTHER NON-CURRENT ASSETS**

	At 30 June 2021	At 31 December 2020
<i>Financial assets</i>		
Contingent consideration (see Note 19)	76,517	76,918
Commodity derivatives	1,597	13
Other financial assets	37	13
<i>Non-financial assets</i>		
Deferred income tax assets	22,637	22,694
Materials for construction	17,346	18,341
Intangible assets, net	2,705	2,820
Long-term advances	1,596	3,536
Other non-financial assets	1,038	817
<b>Total other non-current assets</b>	<b>123,473</b>	<b>125,152</b>

**8 TRADE AND OTHER RECEIVABLES**

	At 30 June 2021	At 31 December 2020
Trade receivables (net of provision of RR 471 million and RR 506 million at 30 June 2021 and 31 December 2020, respectively)	59,163	64,073
Other receivables (net of provision of RR 297 million and RR 305 million at 30 June 2021 and 31 December 2020, respectively)	6,666	7,182
<b>Total trade and other receivables</b>	<b>65,829</b>	<b>71,255</b>

Trade receivables in the amount RR 14,201 million and RR 14,568 million at 30 June 2021 and 31 December 2020, respectively, are secured by letters of credit, issued by banks with investment grade ratings. The Group does not hold any other collateral as security for trade and other receivables (see Note 19 for credit risk disclosures).

The carrying values of trade and other receivables approximate their respective fair values. Trade and other receivables were categorized as Level 3 in the fair value measurement hierarchy described in Note 19.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**9 PREPAYMENTS AND OTHER CURRENT ASSETS**

	At 30 June 2021	At 31 December 2020
<b>Financial assets</b>		
Current portion of long-term loans receivable (see Note 6)	148,054	41,253
Commodity derivatives (see Note 19)	62,115	13,041
Financial assets held for sale (see Note 3)	1,225	-
Other financial assets	1,343	1,316
<b>Non-financial assets</b>		
Value-added tax receivable	18,030	15,703
Prepayments and advances to suppliers	7,090	9,088
Recoverable value-added tax	6,683	10,767
Non-financial assets held for sale (see Note 3)	3,378	-
Deferred transportation expenses for liquid hydrocarbons	2,385	1,996
Deferred transportation expenses for natural gas	1,574	1,779
Deferred export duties for liquid hydrocarbons	623	649
Prepaid customs duties	430	616
Other non-financial assets	2,473	1,863
<b>Total prepayments and other current assets</b>	<b>255,403</b>	<b>98,071</b>

**10 LONG-TERM DEBT**

	At 30 June 2021	At 31 December 2020
Eurobonds – Ten-Year Tenor (par value USD 1 billion, repayable in 2022)	72,331	73,820
Eurobonds – Ten-Year Tenor (par value USD 650 million, repaid in 2021)	-	48,012
Loan from Silk Road Fund	43,081	46,076
Bank loans	51,575	54,232
<b>Total</b>	<b>166,987</b>	<b>222,140</b>
Less: current portion of long-term debt	(13,657)	(53,152)
<b>Total long-term debt</b>	<b>153,330</b>	<b>168,988</b>

**Eurobonds.** In December 2012, the Group issued US dollar denominated Eurobonds in the amount of USD 1 billion. The US dollar denominated Eurobonds were issued with an annual coupon rate of 4.422 percent, payable semi-annually. The Eurobonds have a ten-year tenor and are repayable in December 2022.

In February 2011, the Group issued US dollar denominated Eurobonds in the amount of USD 650 million. The US dollar denominated Eurobonds were issued with an annual coupon rate of 6.604 percent, payable semi-annually. The Eurobonds have a ten-year tenor and were fully repaid according to their maturity schedule in February 2021.

**Loan from Silk Road Fund.** In December 2015, the Group obtained a loan from China's investment fund Silk Road Fund that is repayable until December 2030 by semi-annual equal installments starting from December 2019 and includes the maintenance of certain restrictive financial covenants.

**Bank loans.** In December 2016, the Group obtained EUR 100 million under a revolving credit line facility from the Russian subsidiary of a foreign bank. The loan was initially repayable until April 2020. In March 2020, it was extended to March 2022. The loan includes the maintenance of certain restrictive financial covenants.

In June 2020, the Group obtained a credit line facility from a Russian bank in the amount up to EUR 1.5 billion with a variable interest rate available to withdraw until March 2022. Interest is paid on a quarterly basis. At the reporting date, EUR 500 million were withdrawn under the credit line facility, repayable until September 2025. The credit line facility includes the maintenance of certain restrictive financial covenants.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**10 LONG-TERM DEBT (CONTINUED)**

The fair value of long-term debt including its current portion was RR 176,840 million and RR 235,473 million at 30 June 2021 and 31 December 2020, respectively. The fair value of the corporate bonds was determined based on market quote prices (Level 1 in the fair value measurement hierarchy described in Note 19). The fair value of other long-term loans was determined based on future cash flows discounted at the estimated risk-adjusted discount rate (Level 3 in the fair value measurement hierarchy described in Note 19).

Scheduled maturities of long-term debt are disclosed in Note 19.

**Available credit line facilities.** In addition to disclosed above, at 30 June 2021, the Group had available long-term bank credit line facilities with credit limits for the total amount of RR 159 billion, as well as a short-term bank credit line facility with credit limit of RR 20 billion. The facilities include the maintenance of certain restrictive financial covenants.

Furthermore, at 30 June 2021, the Group had available revolving credit line facilities under which the Group may obtain loans with original maturities of three months or less to finance trade activities, secured by cash revenues from specifically determined liquid hydrocarbons export sales contracts.

**11 TRADE PAYABLES AND ACCRUED LIABILITIES**

	At 30 June 2021	At 31 December 2020
<b>Financial liabilities</b>		
Trade payables	64,211	55,149
Commodity derivatives (see Note 19)	63,898	14,278
Dividends payable to non-controlling interest	294	-
Interest payable	220	1,529
Financial liabilities associated with assets held for sale (see Note 3)	145	-
Other payables	6,172	3,786
<b>Non-financial liabilities</b>		
Advances from customers	3,440	4,245
Salary payables	1,030	1,042
Non-financial liabilities associated with assets held for sale (see Note 3)	149	-
Other liabilities and accruals	9,195	3,966
<b>Total trade payables and accrued liabilities</b>	<b>148,754</b>	<b>83,995</b>

The carrying values of trade payables and accrued liabilities approximate their respective fair values. Trade and other payables were categorized as Level 3 in the fair value measurement hierarchy described in Note 19.

**12 SHAREHOLDERS' EQUITY**

**Treasury shares.** In accordance with the *Share Buyback Programs* authorized by the Board of Directors, the Group's wholly owned subsidiary, Novatek Equity (Cyprus) Limited, purchases ordinary shares of PAO NOVATEK in the form of Global Depositary Receipts (GDRs) on the London Stock Exchange (LSE) and ordinary shares on the Moscow Exchange through the use of independent brokers. NOVATEK also purchases its ordinary shares from shareholders where required by Russian legislation.

At 30 June 2021 and 31 December 2020, the Group held in total 33.5 million ordinary shares at total cost of RR 20,386 million. The Group has decided that these shares do not vote.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**12 SHAREHOLDERS' EQUITY (CONTINUED)***Dividends.* The Group declares and pays dividends in Russian roubles (amounts include tax on dividends):

	Six months ended 30 June:	
	2021	2020
Dividends payable at 1 January	-	-
Dividends declared (*)	71,286	54,359
Dividends paid (*)	(71,286)	(54,359)
<b>Dividends payable at 30 June</b>	<b>-</b>	<b>-</b>
Dividends per share declared during the period (in Russian roubles)	23.74	18.10
Dividends per GDR declared during the period (in Russian roubles)	237.40	181.00

(\*) – excluding treasury shares.

**13 OIL AND GAS SALES**

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Natural gas	112,990	76,372	223,792	175,166
Naphtha	59,538	27,337	101,891	52,823
Crude oil	31,323	13,326	59,384	34,894
Other gas and gas condensate refined products	24,881	10,976	46,093	28,448
Liquefied petroleum gas	19,320	6,509	41,315	17,059
Stable gas condensate	12,500	6,121	28,826	14,846
<b>Total oil and gas sales</b>	<b>260,552</b>	<b>140,641</b>	<b>501,301</b>	<b>323,236</b>

**14 PURCHASES OF NATURAL GAS AND LIQUID HYDROCARBONS**

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Unstable gas condensate	54,166	14,225	105,580	38,421
Natural gas	51,347	28,115	93,282	67,691
Other liquid hydrocarbons	2,747	3,777	5,618	6,633
Reverse excise	(3,729)	(877)	(6,972)	(2,443)
<b>Total purchases of natural gas and liquid hydrocarbons</b>	<b>104,531</b>	<b>45,240</b>	<b>197,508</b>	<b>110,302</b>

The Group purchases not less than 50 percent of the natural gas volumes produced by its joint venture ZAO Nortgas, some volumes of natural gas produced by its joint venture AO Arcticgas, all volumes of natural gas produced by its joint venture ZAO Terneftegas and some volumes of liquefied natural gas produced by its joint ventures OAO Yamal LNG and OOO Cryogas-Vysotsk (see Note 21).

The Group purchases all volumes of unstable gas condensate produced by its joint ventures Nortgas, Arcticgas and Terneftegas at ex-field prices primarily based on benchmark reference crude oil prices, as well as some volumes of stable gas condensate produced by its joint venture Yamal LNG (see Note 21).

In accordance with tax legislation, the Group accrues excise tax on raw oil (blend of hydrocarbons comprised of one or more components of crude oil, stable gas condensate, vacuum gasoil, tar, and fuel oil sent by the owner for processing) and at the same time claims for deduction at a double rate. The net result from these operations is reported as a deduction to expense for purchases of natural gas and liquid hydrocarbons in the “Reverse excise” line item, as the Group obtains most of its raw oil from unstable gas condensate purchased from its joint ventures.

**PAO NOVATEK**
**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**15 TRANSPORTATION EXPENSES**

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Natural gas transportation by trunk and low-pressure pipelines	24,623	21,853	54,511	47,951
Stable gas condensate and liquefied petroleum gas transportation by rail	9,469	8,899	18,393	17,139
Stable gas condensate and refined products, crude oil and liquefied natural gas transportation by tankers	2,644	2,781	5,078	5,410
Crude oil transportation by trunk pipelines	1,751	1,994	3,461	4,195
Other	392	376	755	714
<b>Total transportation expenses</b>	<b>38,879</b>	<b>35,903</b>	<b>82,198</b>	<b>75,409</b>

**16 TAXES OTHER THAN INCOME TAX**

The Group is subject to a number of taxes other than income tax, which are detailed as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Unified natural resources production tax	20,766	8,950	39,346	22,419
Property tax	1,072	834	2,288	1,801
Other taxes	88	81	196	175
<b>Total taxes other than income tax</b>	<b>21,926</b>	<b>9,865</b>	<b>41,830</b>	<b>24,395</b>

**17 FINANCE INCOME (EXPENSE)**

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<i>Interest expense (including transaction costs)</i>				
Interest expense on fixed rate debt	1,672	2,476	3,630	4,783
Interest expense on variable rate debt	272	-	545	-
<b>Total</b>	<b>1,944</b>	<b>2,476</b>	<b>4,175</b>	<b>4,783</b>
Less: capitalized interest	(1,099)	(1,618)	(2,557)	(3,118)
<b>Interest expense on debt</b>	<b>845</b>	<b>858</b>	<b>1,618</b>	<b>1,665</b>
Provisions for asset retirement obligations: effect of the present value discount unwinding	222	239	464	495
Interest expense on lease liabilities	112	145	234	285
Other interest expense	28	-	56	-
<b>Total interest expense</b>	<b>1,207</b>	<b>1,242</b>	<b>2,372</b>	<b>2,445</b>

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**17 FINANCE INCOME (EXPENSE) (CONTINUED)**

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<i>Interest income</i>				
Interest income on loans receivable classified as at amortised cost	238	230	469	472
Interest income on loans receivable classified as at fair value through profit or loss	2,906	4,689	5,574	8,700
Interest income on cash, cash equivalents, deposits and other assets	1,053	966	1,970	2,469
<b>Total interest income</b>	<b>4,197</b>	<b>5,885</b>	<b>8,013</b>	<b>11,641</b>
	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<i>Foreign exchange gain (loss)</i>				
Gains	8,182	20,468	16,086	195,930
Losses	(29,050)	(76,995)	(41,487)	(109,650)
<b>Total foreign exchange gain (loss), net</b>	<b>(20,868)</b>	<b>(56,527)</b>	<b>(25,401)</b>	<b>86,280</b>

**18 INCOME TAX**

**Effective income tax rate.** The Group's Russian statutory income tax rate for 2021 and 2020 was 20 percent.

The Group recognizes in profit before income tax its share of net profit (loss) from joint ventures, which influences the consolidated profit of the Group but does not result in additional income tax expense (benefit) at the Group's level. Net profit (loss) of joint ventures was recorded in their financial statements on an after-tax basis. The dividend income received from the joint ventures in which the Group holds at least a 50 percent interest is subject to a zero withholding tax rate according to the Russian tax legislation.

For the six months ended 30 June 2021, the Group made cash payments for income tax in the amount of RR 12.8 billion and offset other taxes by applying a refund in the amount of RR 7.0 billion against income tax.

Without the effect of net profit (loss) from joint ventures and effects from disposal of interests in subsidiaries and joint ventures (initial recognition of gain on disposal and subsequent non-monetary revaluation of contingent consideration), the effective income tax rate for the three months ended 30 June 2021 and 2020 was 16.4 percent and 23.7 percent, respectively, and the effective income tax rate for the six months ended 30 June 2021 and 2020 was 17.6 percent and 18.9 percent, respectively.

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS**

The accounting policies and disclosure requirements for the Group's financial instruments have been applied to the line items below:

<i>Financial assets</i>	At 30 June 2021		At 31 December 2020	
	Non-current	Current	Non-current	Current
<i>At amortised cost</i>				
Long-term loans receivable	11,203	6,272	11,558	6,017
Trade and other receivables	554	65,829	426	71,255
Short-term bank deposits				
with original maturity more than three months	-	65,106	-	62,876
Cash and cash equivalents	-	47,718	-	119,707
Financial assets held for sale	-	1,225	-	-
Other	37	1,343	13	1,316
<i>At fair value through profit or loss</i>				
Long-term loans receivable	325,998	141,782	379,069	35,236
Contingent consideration	76,517	-	76,918	-
Commodity derivatives	1,597	62,115	13	13,041
<b>Total financial assets</b>	<b>415,906</b>	<b>391,390</b>	<b>467,997</b>	<b>309,448</b>
<i>Financial liabilities</i>				
<i>At amortised cost</i>				
Long-term debt	153,330	13,657	168,988	53,152
Long-term lease liabilities	4,869	3,633	6,670	3,798
Interest payable	-	220	-	1,529
Trade and other payables	-	70,383	-	58,935
Dividends payable to non-controlling interest	-	294	-	-
Financial liabilities associated with assets held for sale	-	145	-	-
<i>At fair value through profit or loss</i>				
Commodity derivatives	1,771	63,898	880	14,278
<b>Total financial liabilities</b>	<b>159,970</b>	<b>152,230</b>	<b>176,538</b>	<b>131,692</b>

**Fair value measurement.** The Group evaluates the quality and reliability of the assumptions and data used to measure fair value in accordance with IFRS 13, *Fair Value Measurement*, in the three hierarchy levels as follows:

- i. quoted prices in active markets (Level 1);
- ii. inputs other than quoted prices included in Level 1 that are directly or indirectly observable in the market (externally verifiable inputs) (Level 2); or
- iii. inputs that are not based on observable market data (unobservable inputs) and require applying judgment by the Group (Level 3).

**Commodity derivative instruments.** The Group conducts natural gas foreign trading in active markets under long-term and short-term purchase and sales contracts, as well as purchases and sells various derivative instruments (with reference to the European natural gas hubs) for delivery optimization and to decrease exposure to the risk of negative changes in natural gas prices. In addition, from time to time, the Group enters into commodity derivative contracts to manage price risks relating to the Group's own use liquid hydrocarbons purchase agreements.

These contracts include pricing terms that are based on a variety of commodities and indices, and/or volume flexibility options that collectively qualify them under the scope of IFRS 9, *Financial Instruments*, although the activity surrounding certain contracts involves the physical delivery of hydrocarbons. All contracts mentioned above are recognized in the consolidated statement of financial position at fair value with movements in fair value recognized in the consolidated statement of income.



**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The fair value of long-term commodity derivative contracts involving the physical delivery of hydrocarbons is determined using internal models and other valuation techniques (the mark-to-market and mark-to-model analysis) due to the absence of quoted prices or other observable, market-corroborated data, for the duration of the contracts. Due to the assumptions underlying their fair value, the commodity derivative contracts are categorized as Level 3 in the fair value hierarchy, described above.

The fair value of short-term commodity derivative contracts involving the physical delivery and likewise contracts used for the price risk management and delivery optimization is determined based on available futures quotes in the active market (mark-to-market analysis) (Level 1).

The amounts recognized by the Group in respect of the commodity derivative contracts measured in accordance with IFRS 9, *Financial Instruments*, are as follows:

<i>Commodity derivatives</i>	<b>At 30 June 2021</b>		<b>At 31 December 2020</b>	
Within other non-current and current assets	63,712		13,054	
Within other non-current and current liabilities	(65,669)		(15,158)	

	<b>Three months ended 30 June:</b>		<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<i>Included in other operating income (loss)</i>				
Operating realized income (loss)	854	907	(782)	(929)
Change in fair value	(767)	(1,370)	147	1,022

The table below represents the effect on the fair value estimation of commodity derivative contracts that would occur from hydrocarbon prices changes by ten percent:

<i>Effect on the fair value</i>	<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>
Increase by ten percent	892	(226)
Decrease by ten percent	(892)	226

**Recognition and remeasurement of the shareholders' loans to joint ventures.** Terms and conditions of certain shareholders' loans provided by the Group to its joint ventures OAO Yamal LNG and OOO Arctic LNG 2 contain certain financial (benchmark interest rates adjusted for the borrower credit risk) and non-financial (actual interest rates on the borrowings of shareholders, expected free cash flows of the borrower and expected maturities) variables and in accordance with the Group's accounting policy were classified as financial assets at fair value through profit or loss.

The following table summarizes the movements in the carrying amounts of shareholders' loans provided to joint ventures, which are accounted for at fair value through profit or loss:

	<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>
<b>At 1 January</b>	<b>414,305</b>	<b>268,024</b>
Loans provided	86,931	48,638
Repayment of loans and accrued interest	(22,646)	(17,780)
Initial measurement at fair value allocated to increase the Group's investments in joint ventures (see Note 5)	-	(8,019)
Subsequent remeasurement at fair value recognized in profit or loss as follows:		
– Interest income (using the effective interest rate method)	5,574	8,700
– Foreign exchange gain (loss), net	(23,104)	35,845
– Remaining effect from changes in fair value (attributable to free cash flows of the borrowers and interest rates)	6,720	(4,926)
<b>At 30 June</b>	<b>467,780</b>	<b>330,482</b>

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

Fair value measurement of shareholders' loans to joint ventures is determined using benchmark interest rates adjusted for the borrower credit risk and internal free cash flows models based on the borrower's strategic plans approved by the shareholders of the joint ventures. Due to the assumptions underlying fair value estimation, shareholders' loans are categorized as Level 3 in the fair value hierarchy, described above.

The fair value of the shareholders' loans is sensitive to benchmark interest rates changes. The table below represents the effect on fair value of the shareholders' loans that would occur from one percent changes in the benchmark interest rates.

<i>Effect on the fair value</i>	<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>
Increase by one percent	(13,096)	(12,102)
Decrease by one percent	13,792	12,795

**Contingent consideration.** According to the terms of the transactions on the sale in 2019 of a 40 percent participation interest in OOO Arctic LNG 2, total consideration comprises, inter alia, contingent cash payments in total of up to USD 3,200 million equivalent depending on average crude oil benchmark prices level for the year preceding each payment. The contingent payments dates are linked to the dates of launching the Arctic LNG 2 project's LNG trains.

Under IFRS 9, *Financial Instruments*, this contingent consideration contains a commodity based embedded derivative and was classified as a financial asset measured at fair value through profit or loss. Interest income, foreign exchange differences and the remaining effect from fair value remeasurement of the contingent consideration (included in "Other operating income (loss)" line item) are disclosed separately in the consolidated statement of income.

The following table summarizes the movements in the carrying amounts of the contingent consideration:

	<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>
<b>At 1 January</b>	<b>76,918</b>	<b>101,391</b>
Subsequent remeasurement		
at fair value recognized in profit or loss as follows:		
– Interest income (using the effective interest rate method)	1,195	1,523
– Foreign exchange gain (loss), net	(1,596)	16,614
– Remaining effect from changes in fair value (attributable to crude oil benchmark prices forecast)	-	(47,823)
<b>At 30 June</b>	<b>76,517</b>	<b>71,705</b>

Fair value measurement of the contingent consideration is determined based on cash flow model using a discount rate, internal projections of the crude oil benchmark price dynamics and the Arctic LNG 2 project's realization schedule. Due to the assumptions underlying fair value estimation, the contingent consideration is categorized as Level 3 in the fair value hierarchy, described above.

The table below represents the effect on the fair value estimation of the contingent consideration that would occur from crude oil price changes throughout the valuation period:

<i>Effect on the fair value</i>	<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>
Increase by one percent	5,023	4,705
Decrease by one percent	(5,295)	(4,959)

**Financial risk management objectives and policies.** In the ordinary course of business, the Group is exposed to market risks from fluctuating prices on commodities purchased and sold, prices of other raw materials, currency exchange rates and interest rates. Depending on the degree of price volatility, such fluctuations in market prices may create volatility in the Group's financial results. To effectively manage the variety of exposures that may impact financial results, the Group's overriding strategy is to maintain a strong financial position.

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The Group's principal risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to these limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

**Market risk.** Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and commodity and equity prices, will affect the Group's financial results or the value of its holdings of financial instruments. The primary objective of mitigating these market risks is to manage and control market risk exposures, while optimizing the return on risk.

The Group is exposed to market price movements relating to changes in commodity prices such as crude oil, oil and gas condensate refined products and natural gas (commodity price risk), foreign currency exchange rates, interest rates, equity prices and other indices that could adversely affect the value of the Group's financial assets, liabilities or expected future cash flows.

*(a) Foreign exchange risk*

The Group is exposed to foreign exchange risk arising from various exposures in the normal course of business, primarily with respect to the US dollar and euro. Foreign exchange risk arises primarily from future commercial transactions, recognized assets and liabilities when assets and liabilities are denominated in a currency other than the functional currency.

The Group's overall strategy is to have no significant net exposure in currencies other than the Russian rouble, the US dollar and euro. The Group may utilize foreign currency derivative instruments to manage the risk exposures associated with fluctuations on certain firm commitments for sales and purchases, debt instruments and other transactions that are denominated in currencies other than the Russian rouble, and certain non-Russian rouble assets and liabilities.

**PAO NOVATEK**
**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The carrying amounts of the Group's financial instruments are denominated in the following currencies:

<i>At 30 June 2021</i>	<b>Russian rouble</b>	<b>US dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
<i>Financial assets</i>					
<i>Non-current</i>					
Long-term loans receivable	7,086	-	330,115	-	337,201
Trade and other receivables	366	-	3	185	554
Contingent consideration	-	76,517	-	-	76,517
Commodity derivatives	-	-	1,597	-	1,597
Other	-	-	-	37	37
<i>Current</i>					
Current portion					
of long-term loans receivable	-	28,128	119,926	-	148,054
Trade and other receivables	29,909	20,423	13,913	1,584	65,829
Commodity derivatives	-	-	62,115	-	62,115
Short-term bank deposits with original maturity more than three months	-	65,106	-	-	65,106
Cash and cash equivalents	8,124	16,750	21,972	872	47,718
Financial assets held for sale	166	-	1,059	-	1,225
Other	955	-	388	-	1,343
<i>Financial liabilities</i>					
<i>Non-current</i>					
Long-term debt	-	(110,374)	(42,956)	-	(153,330)
Long-term lease liabilities	(209)	(2,628)	(1,776)	(256)	(4,869)
Commodity derivatives	-	-	(1,771)	-	(1,771)
<i>Current</i>					
Current portion of long-term debt	-	(5,037)	(8,620)	-	(13,657)
Current portion					
of long-term lease liabilities	(195)	(2,172)	(1,113)	(153)	(3,633)
Interest payable	-	(219)	(1)	-	(220)
Trade and other payables	(53,890)	(979)	(15,163)	(351)	(70,383)
Dividends payable					
to non-controlling interest	(294)	-	-	-	(294)
Commodity derivatives	-	-	(63,898)	-	(63,898)
Financial liabilities					
associated with assets held for sale	(21)	(64)	(60)	-	(145)
<b>Net exposure</b>	<b>(8,003)</b>	<b>85,451</b>	<b>415,730</b>	<b>1,918</b>	<b>495,096</b>

**PAO NOVATEK**
**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

<i>At 31 December 2020</i>	<b>Russian rouble</b>	<b>US dollar</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
<b>Financial assets</b>					
<i>Non-current</i>					
Long-term loans receivable	6,907	14,227	369,493	-	390,627
Trade and other receivables	348	-	-	78	426
Contingent consideration	-	76,918	-	-	76,918
Commodity derivatives	-	-	13	-	13
Other	-	-	-	13	13
<i>Current</i>					
Trade and other receivables	33,089	26,963	9,758	1,445	71,255
Current portion of long-term loans receivable	-	35,166	6,087	-	41,253
Commodity derivatives	-	-	13,041	-	13,041
Short-term bank deposits with original maturity more than three months	-	62,876	-	-	62,876
Cash and cash equivalents	13,056	78,812	26,519	1,320	119,707
Other	908	-	408	-	1,316
<b>Financial liabilities</b>					
<i>Non-current</i>					
Long-term debt	-	(114,755)	(54,233)	-	(168,988)
Long-term lease liabilities	(276)	(3,706)	(2,367)	(321)	(6,670)
Commodity derivatives	-	-	(880)	-	(880)
<i>Current</i>					
Current portion of long-term debt	-	(53,152)	-	-	(53,152)
Current portion of long-term lease liabilities	(260)	(2,220)	(1,162)	(156)	(3,798)
Interest payable	-	(1,528)	(1)	-	(1,529)
Trade and other payables	(47,568)	(4,487)	(6,500)	(380)	(58,935)
Commodity derivatives	-	-	(14,278)	-	(14,278)
<b>Net exposure</b>	<b>6,204</b>	<b>115,114</b>	<b>345,898</b>	<b>1,999</b>	<b>469,215</b>

**(b) Commodity price risk**

The Group's overall commercial trading strategy in natural gas and liquid hydrocarbons is centrally managed. Changes in commodity prices could negatively or positively affect the Group's results of operations. The Group manages the exposure to commodity price risk by optimizing its core activities to achieve stable price margins.

**Natural gas supplies on the Russian domestic market through the Unified Gas Supply System.** As an independent natural gas producer, the Group is not subject to the Government's regulation of natural gas prices, except for those volumes sold to residential customers. Nevertheless, the Group's prices for natural gas sold are strongly influenced by the prices regulated by the governmental agency of the Russian Federation that carries out state regulation of prices and tariffs for goods and services of natural monopolies in energy, utilities and transportation.

Wholesale natural gas prices for sales to all customer categories on the domestic market were increased by the Federal Anti-Monopoly Service by 3 percent effective 1 August 2020 and remained unchanged through the end of the second quarter 2021. Effective 1 July 2021, the wholesale prices were increased by 3 percent.

Management believes it has limited downside commodity price risk for natural gas in the Russian Federation and does not use commodity derivative instruments for trading purposes. The Group's natural gas purchase and sales contracts in the domestic market are not considered to meet the definition of a derivative and are not within the scope of IFRS 9, *Financial Instruments*. However, to effectively manage the margins achieved through its natural gas trading activities, management has established targets for volumes sold to wholesale traders and end-customers.

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

**LNG supplies.** The Group sells liquefied natural gas purchased primarily from its joint ventures Yamal LNG and Cryogas-Vysotsk on international markets under short- and long-term contracts at prices based on benchmark natural gas prices at the major natural gas hubs and benchmark crude oil prices. The Group sells liquefied natural gas produced at the small-scale LNG plant in the Chelyabinsk region on domestic market under short-term contracts at prices depending on oil products prices on the domestic market. The Group's LNG purchase and sales contracts are not considered to meet the definition of a derivative and are not within the scope of IFRS 9, *Financial Instruments*.

**LNG regasification activity in Europe.** The Group purchases and sells regasified LNG in Europe primarily at prices linked to natural gas prices at major European natural gas hubs. Regasified LNG purchase and sales contracts are not considered to meet the definition of a derivative and are not within the scope of IFRS 9, *Financial Instruments*.

**Natural gas trading activities on the European markets.** The Group purchases and sells natural gas on the European markets under short- and long-term supply contracts, as well as purchases and sells different derivative instruments based on formulas with reference to benchmark natural gas prices quoted for the North-Western European natural gas hubs, crude oil and oil products prices and/or a combination thereof. Therefore, the Group's results from natural gas foreign trading and derivative instruments foreign trading are subject to commodity price volatility based on fluctuations or changes in the respective benchmark prices.

**Liquid hydrocarbons supplies.** The Group sells its crude oil, stable gas condensate and gas condensate refined products under short-term contracts. Stable gas condensate and naphtha volumes sold to the Asian-Pacific Region, European and North American markets are primarily based on benchmark crude oil prices of Brent and/or naphtha prices, mainly of Naphtha Japan or Naphtha CIF NWE, plus a margin or a discount, depending on current market situation. Other gas condensate refined products volumes sold mainly to the European market are based on benchmark jet fuel prices of Jet CIF NWE and gasoil prices of Gasoil 0.1 percent CIF NWE plus a margin or a discount, depending on current market situation. Crude oil sold internationally is based on benchmark crude oil prices of Brent or Dubai, plus a premium or a discount, and on a transaction-by-transaction basis or based on benchmark crude oil prices of Brent or Urals or a combination thereof for volumes sold domestically.

As a result, the Group's revenues from the sales of liquid hydrocarbons are subject to fluctuations in the crude oil and gas condensate refined products benchmark prices. The Group's liquid hydrocarbons purchase and sales contracts are mainly concluded to meet supply requirements to fulfill contract obligations or for own consumption and are not within the scope of IFRS 9, *Financial Instruments*. From time to time, the Group also enters into commodity derivative contracts to manage price risks relating to the Group's own use liquid hydrocarbons purchase agreements. Such commodity derivative contracts are accounted for in accordance with IFRS 9, *Financial Instruments*.

*(c) Cash flow and fair value interest rate risk*

The Group is subject to interest rate risk on financial liabilities with variable interest rates. Changes in interest rates impact primarily debt by changing either their fair value (fixed rate debt) or their future cash flows (variable rate debt). To mitigate this risk, the Group's treasury function performs periodic analysis of the current interest rate environment and depending on that analysis management makes decisions whether it would be more beneficial to obtain financing on a fixed-rate or variable-rate basis. In cases where the change in the current market fixed or variable interest rates is considered significant management may consider refinancing a particular debt on more favorable interest rate terms.

The interest rate profiles of the Group's interest-bearing financial instruments are as follows:

	At 30 June 2021		At 31 December 2020	
	RR million	Percentage	RR million	Percentage
At fixed rate	124,061	74%	176,623	80%
At variable rate	42,926	26%	45,517	20%
<b>Total</b>	<b>166,987</b>	<b>100 %</b>	<b>222,140</b>	<b>100 %</b>

---

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The Group centralizes the cash requirements and surpluses of controlled subsidiaries and the majority of their external financing requirements, and applies, on its consolidated net debt position, a funding policy to optimize its financing costs and manage the impact of interest rate changes on its financial results in line with market conditions. In this way, the Group is able to ensure that the balance between the floating rate portion of its debt and its cash surpluses has a low level of exposure to any changes in interest rates over the short-term. This policy makes it possible to significantly limit the Group's sensitivity to interest rate volatility.

**Credit risk.** Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations.

Credit risk is managed on a Group level and arises from cash and cash equivalents, other bank deposits, as well as credit exposures to customers, including outstanding trade receivables and committed transactions. Cash, cash equivalents and deposits are placed only with banks that are considered by the Group during the whole deposit period to have minimal risk of default.

The Group's trade and other receivables consist of a large number of customers, spread across diverse industries and geographical areas. The Group has developed standard credit payment terms and constantly monitors the status of trade and other receivables and the creditworthiness of the customers.

Most of the Group's international natural gas and liquid hydrocarbons sales are made to customers with independent external ratings; however, if the customer has a credit rating below BBB-, the Group requires the collateral for the trade receivable to be in the form of letters of credit from banks with an investment grade rating. Most of domestic sales of liquid hydrocarbons are made on a 100 percent prepayment basis.

As a result of the domestic regional natural gas trading activities, the Group is exposed to the risk of payment defaults of small and medium-sized industrial users and individuals. To minimize credit risk the Group monitors the recoverability of these debtors by analyzing ageing of receivables by type of customers and their respective prior payment history.

In addition, the Group provides long-term loans receivable to its joint ventures for development, construction and acquisitions of oil and gas assets. Required amount of loans and their maturity schedules are based on the budgets and strategic plans approved by the shareholders of the joint ventures.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

**Liquidity risk.** Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In managing its liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The Group prepares various financial plans (monthly, quarterly and annually) which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities for a period of 30 days or more. The Group has entered into a number of short-term credit facilities. Such credit lines and overdraft facilities can be drawn down to meet short-term financing needs. To fund cash requirements of a more permanent nature, the Group will normally raise long-term debt in available international and domestic markets.

**PAO NOVATEK**

**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The following tables summarize the maturity profile of the Group's financial liabilities, except for derivative commodity contracts, based on contractual undiscounted payments, including interest payments:

<i>At 30 June 2021</i>	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	More than 5 years	Total
Debt					
<i>Principal</i>	13,657	77,409	58,211	22,665	171,942
<i>Interest</i>	6,401	4,496	6,548	2,562	20,007
Lease liabilities	3,781	3,656	1,535	69	9,041
Trade and other payables	70,383	-	-	-	70,383
Dividends payable to non-controlling interest	294	-	-	-	294
Financial liabilities associated with assets held for sale	145	-	-	-	145
<b>Total financial liabilities</b>	<b>94,661</b>	<b>85,561</b>	<b>66,294</b>	<b>25,296</b>	<b>271,812</b>
<i>At 31 December 2020</i>					
Debt					
<i>Principal</i>	53,159	88,083	60,758	25,696	227,696
<i>Interest</i>	8,322	6,416	7,690	3,194	25,622
Lease liabilities	3,949	3,819	3,436	71	11,275
Trade and other payables	58,935	-	-	-	58,935
<b>Total financial liabilities</b>	<b>124,365</b>	<b>98,318</b>	<b>71,884</b>	<b>28,961</b>	<b>323,528</b>

The following tables represent the maturity profile of the Group's derivative commodity contracts based on undiscounted cash flows:

<i>At 30 June 2021</i>	Less than 1 year	Between 1 and 2 years	Total
Cash inflow	281,032	19,161	300,193
Cash outflow	(282,809)	(19,334)	(302,143)
<b>Net cash flows</b>	<b>(1,777)</b>	<b>(173)</b>	<b>(1,950)</b>
<i>At 31 December 2020</i>			
Cash inflow	155,732	18,975	174,707
Cash outflow	(156,944)	(19,843)	(176,787)
<b>Net cash flows</b>	<b>(1,212)</b>	<b>(868)</b>	<b>(2,080)</b>

**Capital management.** The primary objectives of the Group's capital management policy are to ensure a strong capital base to fund and sustain its business operations through prudent investment decisions and to maintain investor, market and creditor confidence to support its business activities.

At 30 June 2021, the Group had investment grade ratings of BBB by Standard & Poor's, BBB by Fitch Ratings and Baa2 by Moody's Investors Service. The Group has established certain financial targets and coverage ratios that it monitors on a quarterly and annual basis to maintain its credit ratings.

The Group manages its capital on a corporate-wide basis to ensure adequate funding to sufficiently meet the Group's operational requirements. The majority of external debts raised to finance NOVATEK's wholly owned subsidiaries are centralized at the parent level, and financing to Group entities is facilitated through inter-company loan arrangements or additional contributions to share capital.



**19 FINANCIAL INSTRUMENTS AND FINANCIAL RISK FACTORS (CONTINUED)**

The Group has a stated dividend policy that distributes not less than 50 percent of the Group's consolidated net profit determined according to IFRS, adjusted for one-off profits or losses (until December 2020, the minimum dividend payout level was set at 30 percent of the Group's adjusted consolidated net profit). The dividend payment for a specific year is determined after taking into consideration the Group's development strategy. Dividends are recommended by the Board of Directors of NOVATEK and approved by the NOVATEK's shareholders.

The Group defines the term "capital" as equity attributable to PAO NOVATEK shareholders plus net debt (total debt less cash and cash equivalents and bank deposits with maturity more than three months). There were no changes to the Group's approach to capital management during the six months ended 30 June 2021. At 30 June 2021 and 31 December 2020, the Group's capital totaled RR 1,772 billion and RR 1,660 billion, respectively.

**20 CONTINGENCIES AND COMMITMENTS**

**Operating environment.** The Russian Federation continues to display some characteristics of an emerging market. In addition, the Russian economy is particularly sensitive to world oil and gas prices. The tax, currency and customs legislation is subject to varying interpretations and frequent changes. The Group's business operations are primarily located in the Russian Federation and are thus exposed to the economic and financial markets of the Russian Federation.

The spread of the COVID-19 virus in 2020 has caused financial and economic stress to the global markets that is out of the Group's management control. In particular, the COVID-19 pandemic has led to lower demand for crude oil, natural gas and oil products, which combined with the increase in the supply of crude oil due to the cancellation of the OPEC+ production agreement in March 2020 has led to a fall in global hydrocarbon commodity prices. From the second quarter and through the end of 2020, global economic activity had begun a gradual recovery following the partial removals of restrictions aimed at preventing the epidemic spread, as well as a partial recovery in benchmark crude oil prices following the new OPEC+ production agreement reached in April 2020 and the compliance to the target cuts.

In the beginning of 2021, the OPEC+ participants continued to restrict their production targets due to the ongoing instability caused by the spread of the COVID-19 virus and stricter quarantine measures enforced by some countries. The maintenance of the restricted production targets as well as an increase in hydrocarbons consumption due to the severe cold weather in Europe, Asia and North America has led to a significant increase in benchmark hydrocarbons prices in the first quarter 2021. In the second quarter 2021, the benchmark hydrocarbons prices continued to rise despite the decision of the OPEC+ participants made in April 2021 to increase crude oil production starting from May 2021 due to the increased mobility of population and crude oil demand recovery in the major consumer countries. In July 2021, the OPEC+ participants made a decision to further increase crude oil production volumes and extended the agreement on production restrictions until the end of 2022.

Further developments surrounding the COVID-19 virus spread remain uncertain and may continue to influence our future earnings, cash flows and financial position.

The Group's management is taking necessary precautions to protect the safety and well-being of employees, contractors and their families against the infectious spread of COVID-19, while maintaining commitment to meet the energy needs of customers domestically and internationally. The Group's management continues to work closely with federal, regional and local authorities, as well as partners, to contain the spread of the coronavirus and to take appropriate actions, where necessary, to minimize the possible disruptions of the Group's business operations.

**Sectoral sanctions imposed by the U.S. government.** On 16 July 2014, the Office of Foreign Assets Control (OFAC) of the U.S. Treasury included PAO NOVATEK on the Sectoral Sanctions Identification List (the "List"), which prohibits U.S. persons or persons within the United States from providing new financing to the Group for longer than 60 days. Whereas all other transactions, including financial, carried out by U.S. persons or within the United States with the Group are permitted. The inclusion on the List has not impacted the Group's business activities, in any jurisdiction, nor does it affect the Group's assets and debt.

Management has reviewed the Group's capital expenditure programs and existing debt portfolio and has concluded that the Group has sufficient liquidity, through internally generated (operating) cash flows, to adequately fund its core oil and gas business operations including finance of planned capital expenditure programs of its subsidiaries, as well as to repay and service Group's short-term and long-term debt existing at the current reporting date and, therefore, inclusion on the List does not adversely impact the Group's operational activities.

**20 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

The Group together with its foreign partners currently raises necessary financing for our joint ventures from non-US debt markets and lenders.

**Contractual commitments.** At 30 June 2021, the Group had contractual capital expenditures commitments aggregating approximately RR 240 billion (at 31 December 2020: RR 248 billion) mainly for development of LNG projects (through 2025), and for development at the Geofizicheskoye (through 2022) and Kharbeyskoye (through 2023) fields, the Yevo-Yakhinskiy (through 2024) and the North-Russkiy (through 2022) license areas all in accordance with duly signed agreements as well as for construction of a hydrocracker unit at the Gas Condensate Fractionation and Transshipment Complex located at the port of Ust-Luga on the Baltic Sea (through 2022).

At 30 June 2021 and 31 December 2020, the Group was a participant of joint operations on exploration and production in Montenegro (50 percent participation interest) and in Republic of Lebanon (20 percent participation interest) under the agreements concluded with the State of Montenegro and the Ministry of Energy and Water of Republic of Lebanon, respectively. Jointly with other participants of these agreements, the Group committed to conduct mandatory work program exploration activities during the established periods, as stipulated by these agreements. The maximum amount to be paid by the Group in case of non-performance of work program exploration activities at 30 June 2021 is EUR 42.5 million to the State of Montenegro and EUR 5.8 million to the Republic of Lebanon (at 31 December 2020: EUR 42.5 million and EUR 5.8 million, respectively). The Group expects that mandatory exploration work programs under its joint operations will be performed and, therefore, no provision for these contingent liabilities was recognized in the consolidated interim condensed financial statements.

The Group has entered into a number of marine tankers time charter agreements for the period from 20 to 29 years, under which provision of the services has not yet commenced. At 30 June 2021, the Group's future minimum payments under these charter agreements amounted to RR 36 billion (at 31 December 2020: RR 135 billion). At 31 December 2020, RR 97 billion related to an LNG ice-class tanker charter agreement transferred to the Group's joint venture OOO Arctic LNG 2 under a novation agreement in the second quarter 2021.

At 31 December 2020, OOO Arctic Transshipment, which was a Group's subsidiary at that time and starting from July 2021 became a Group's joint venture (see Note 3), entered into floating gas storage units bareboat charter agreements for the period of 20 years, under which provision of the services has not yet commenced. These floating gas storage units will become a part of the two LNG transshipment terminals currently under construction in the Kamchatka and Murmansk regions. In the second quarter 2021, OOO Arctic Transshipment signed a long-term take-or-pay agreement with the Group's joint venture OOO Arctic LNG 2 on the usage of these LNG terminals. At 30 June 2021, future minimum payments of OOO Arctic Transshipment under these bareboat charter agreements amounted to RR 95 billion (31 December 2020: RR 99 billion).

**Guarantees issued.** In accordance with the project financing agreements of OAO Yamal LNG, the Group issued guarantees, financial and non-financial, which cover only limited specific risks of the project. Non-financial guarantees represent undertakings to provide repayable funds to the project to the extent necessary for the project to fulfil its obligations to creditors, upon occurrence of limited events, and may not exceed USD 5.9 billion at 30 June 2021 and at 31 December 2020. Payments under financial guarantees may be claimed only upon Yamal LNG's default on its obligations to creditors, and the amount of these financial guarantees depends on macroeconomic factors (benchmark hydrocarbon prices and foreign exchange rates), but may not exceed USD 2.4 billion and EUR 1.0 billion at 30 June 2021 and at 31 December 2020. Based on the current estimations and long-term macroeconomic forecasts of the Group's management, the likelihood of claims under these financial guarantees is remote.

The aggregated amount of non-financial guarantees in respect of the Arctic LNG 2 project issued by the Group to a number of third parties (LNG-vessels owners and banks) in favor of the Group's joint venture OOO Arctic LNG 2 totaled EUR 0.4 billion and USD 2.1 billion at 30 June 2021 (at 31 December 2020: USD 2.0 billion). These non-financial guarantees have various terms depending mostly on the successful project completion (finalization of the LNG plant construction and achievement of its full production capacity).

The aggregated amount of non-financial guarantees issued by the Group to a Russian bank in respect of the Group's joint venture Cryogas-Vysotsk totaled EUR 259 million at 30 June 2021 (at 31 December 2020: EUR 276 million).

The Group also issued non-financial performance guarantees to OOO Arctic LNG 2 in respect of the obligations of the joint venture OOO SMART LNG relating to provision of services under LNG-tankers time charter agreements, to the extent of the Group's participation interest in OOO SMART LNG.

**20 CONTINGENCIES AND COMMITMENTS (CONTINUED)**

The outflow of resources embodying economic benefits required to settle the obligations under the aforementioned nonfinancial guarantees issued by the Group is not probable; therefore, no provision for these liabilities was recognized in the consolidated interim condensed financial statements.

**Taxation.** Russian tax, currency and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Correspondingly, the relevant regional and federal tax authorities may periodically challenge management's interpretation of such taxation legislation as applied to the Group's transactions and activities. Furthermore, events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in its interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, significant additional taxes, penalties and interest may be assessed. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances reviews may cover longer periods.

Management believes that its interpretation of the relevant legislation is appropriate and that it is probable that the Group's tax, currency and customs positions will be sustained. Where management believes it is probable that a position cannot be sustained, an appropriate amount has been accrued in the consolidated interim condensed financial statements.

**Mineral licenses.** The Group is subject to periodic reviews of its activities by governmental authorities with respect to the requirements of its mineral licenses. Management cooperates with governmental authorities to agree on remedial actions necessary to resolve any findings resulting from these reviews. Failure to comply with the terms of a license could result in fines, penalties or license limitation, suspension or revocation. The Group's management believes any issues of non-compliance will be resolved through negotiations or corrective actions without any material adverse effect on the Group's financial position, results of operations or cash flows.

The major of the Group's oil and gas fields and license areas are located in the YNAO. Licenses are issued by the Federal Agency for the Use of Natural Resources of the Russian Federation and the Group pays unified natural resources production tax to produce crude oil, natural gas and unstable gas condensate from these fields and contributions for exploration of license areas.

**Environmental liabilities.** The Group operates in the oil and gas industry in the Russian Federation and abroad. The enforcement of environmental regulation in the Russian Federation and other countries of operation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations and, as obligations are determined, they are recognized as an expense immediately if no future benefit is discernible. Potential liabilities arising as a result of a change in interpretation of existing regulations, civil litigation or changes in legislation cannot be estimated. Under existing system of control and current legislation, management believes that there are no probable liabilities, which will have a material adverse effect on the Group's financial position, results of operations or cash flows.

**Legal contingencies.** The Group is subject of, or party to a number of court proceedings (both as a plaintiff and a defendant) 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 Group, and which have not been accrued or disclosed in the consolidated interim condensed financial statements.

**21 RELATED PARTY TRANSACTIONS**

Transactions between NOVATEK and its subsidiaries, which are related parties of NOVATEK, have been eliminated on consolidation and are not disclosed in this Note.

For the purposes of these consolidated interim condensed financial statements, 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 or joint control over the other party in making financial and operational decisions. Management has used reasonable judgments in considering each possible related party relationship with attention 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 affected on the same terms, conditions and amounts as transactions between unrelated parties.

**PAO NOVATEK**
**Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**21 RELATED PARTY TRANSACTIONS (CONTINUED)**

<i>Related parties – joint ventures</i>	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<b>Transactions</b>				
Revenues from oil and gas sales	1,370	810	2,633	1,660
Other revenues	3,123	1,693	6,199	2,695
Purchases of natural gas and liquid hydrocarbons	(102,015)	(40,415)	(190,487)	(98,734)
Transportation expenses	(7)	(45)	(28)	(56)
Materials, services and other	(27)	(54)	(71)	(95)
Materials, services and other (capitalized within property, plant and equipment)	(22)	(109)	(27)	(145)
Purchases of property, plant and equipment and materials for construction	-	(10)	-	(146)
Interest income on loans receivable	3,121	4,898	5,995	9,121
Dividends declared and cash received	67,377	-	67,786	160

<i>Related parties – joint ventures</i>	At 30 June 2021	At 31 December 2020
<b>Balances</b>		
Long-term loans receivable	337,201	390,627
Current portion of long-term loans receivable	148,054	41,253
Trade and other receivables	2,214	2,974
Trade payables and accrued liabilities	33,591	27,532

The terms and conditions of the loans receivable from the joint ventures are disclosed in Note 6.

The Group issued guarantees in favor of its joint ventures as described in Note 20.

<i>Related parties – entities with significant influence and their subsidiaries</i>	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<b>Transactions</b>				
Revenues from oil and gas sales	21,446	3,922	30,589	12,725
Other revenues	118	-	118	-
Purchases of natural gas and liquid hydrocarbons	-	(443)	-	(443)
Other operating income (loss), net	78	(3,008)	(154)	(10,856)
Interest income	168	184	333	404

<i>Related parties – entities with significant influence and their subsidiaries</i>	At 30 June 2021	At 31 December 2020
<b>Balances</b>		
Trade and other receivables	5,214	8,943
Contingent consideration	21,358	21,470
Trade payables and accrued liabilities	133	114

<i>Related parties – parties under control of key management personnel</i>	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
<b>Transactions</b>				
Transportation expenses	(2,996)	(2,802)	(5,790)	(5,342)
Purchases of construction services (capitalized within property, plant and equipment)	(3,340)	(4,065)	(6,600)	(8,813)

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**21 RELATED PARTY TRANSACTIONS (CONTINUED)**

<i>Related parties – parties under control of key management personnel</i>	<b>At 30 June 2021</b>	<b>At 31 December 2020</b>
<b>Balances</b>		
Advances for construction	4,329	4,768
Prepayments and other current assets	634	585
Trade payables and accrued liabilities	1,957	2,126

**Key management personnel compensation.** The Group paid to key management personnel (members of the Board of Directors and the Management Committee) short-term compensation, including salary, bonuses and excluding dividends, in the following amounts:

<i>Related parties – members of the key management personnel</i>	<b>Three months ended 30 June:</b>		<b>Six months ended 30 June:</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
Board of Directors	91	91	121	129
Management Committee	760	1,568	946	3,305
<b>Total compensation</b>	<b>851</b>	<b>1,659</b>	<b>1,067</b>	<b>3,434</b>

Such amounts include personal income tax and are net of payments to non-budget funds made by the employer. Some members of key management personnel have direct and/or indirect interests in the Group and receive dividends under general conditions based on their respective shareholdings.

**22 SEGMENT INFORMATION**

The Group's activities are considered by the chief operating decision maker (hereinafter referred to as "CODM", represented by the Management Committee of NOVATEK) to comprise one operating segment: "exploration, production and marketing".

The Group's management reviews financial information on the results of operations of the reporting segment prepared based on IFRS. The CODM assesses reporting segment performance based on profit comprising among others revenues, depreciation, depletion and amortization, interest income and expense, income tax and other items as presented in the Group's consolidated statement of income. The CODM also reviews capital expenditures of the reporting segment for the period defined as additions to property, plant and equipment (see Note 4).

**Geographical information.** The Group operates in the following geographical areas:

- *Russian Federation* – exploration, development, production and processing of hydrocarbons, and sales of natural gas, stable gas condensate, other gas and gas condensate refined products, liquefied petroleum gas and crude oil;
- *Countries of Europe (primarily, France, the Netherlands, the United Kingdom, Belgium, Poland, Spain, Finland, Denmark, Latvia, Norway, Lithuania, Estonia, Germany, Sweden and Montenegro)* – sales of natural gas, naphtha, stable gas condensate, gas condensate refined products, liquefied petroleum gas and exploration activities within joint operations;
- *Countries of the Asia-Pacific region (primarily, China, including Taiwan, South Korea, Japan, Malaysia and Singapore)* – sales of naphtha, crude oil and stable gas condensate;
- *Countries of North America (primarily, the USA)* – sales of naphtha and stable gas condensate refined products;
- *Countries of the Middle East (primarily, Saudi Arabia, the United Arab Emirates and Lebanon)* – sales of naphtha, stable gas condensate, crude oil and exploration activities within joint operations.

**PAO NOVATEK****Notes to the Consolidated Interim Condensed Financial Statements (unaudited)**

(in Russian roubles [tabular amounts in millions], unless otherwise stated)

**22 SEGMENT INFORMATION (CONTINUED)**

Geographical information of the Group's oil and gas sales for the six months ended 30 June 2021 and 2020 is as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Russia	117,889	76,965	250,456	179,848
Europe	85,191	37,374	144,499	92,007
Asia-Pacific Region	44,386	24,607	85,494	48,584
North America	10,441	1,283	21,428	7,547
The Middle East	7,904	2,909	8,524	4,066
Other	5	-	16	-
Less: export duties	(5,264)	(2,497)	(9,116)	(8,816)
Total outside Russia	142,663	63,676	250,845	143,388
<b>Total oil and gas sales</b>	<b>260,552</b>	<b>140,641</b>	<b>501,301</b>	<b>323,236</b>

Revenues pertaining to geographical information are prepared based on the products geographical destination. For products transported by tankers, the geography is determined based on the location of the port of discharge/transshipment designated by the Group's customer. Substantially all of the Group's operating assets are located in the Russian Federation.

**Major customers.** For the six months ended 30 June 2021 and 2020, the Group had one major customer to whom individual revenue exceeded 10 percent of total external revenues, which represented 12.5 percent (RR 63.8 billion) and 15.6 percent (RR 51.2 billion) of total external revenues, respectively. The Group's major customer resides within the Russian Federation.

**23 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies and methods of computation followed by the Group are consistent with those disclosed in the audited consolidated financial statements for the year ended 31 December 2020, except for income tax expense and adoption of revised standard as described below.

Income tax expense is recognized based on management's estimate of the expected annual income tax rate for the full financial year.

The Group early adopted the following amendments to the standard starting from the annual period beginning on 1 January 2021:

Amendments to IAS 16, *Property, Plant and Equipment* (issued in May 2020 and effective for annual periods beginning on 1 January 2022, early adoption permitted). These amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognized in profit or loss. The Group assessed that the adoption of these amendments did not have a material impact on the Group's consolidated financial position as at the date of their initial application.

## **24 NEW ACCOUNTING PRONOUNCEMENTS**

The following amendments to standards have been issued, which the Group has not early adopted:

Amendments to IFRS 10, *Consolidated Financial Statements*, and IAS 28, *Investments in Associates and Joint Ventures* (issued in September 2014, in November 2015 the effective date was postponed indefinitely). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments stipulate that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary. The Group is considering the implications of these amendments for the Group's consolidated financial statements, and the timing of their adoption by the Group.

**PAO NOVATEK**  
**Contact Information**

---

PAO NOVATEK was incorporated as a joint stock company in accordance with the Russian law and is domiciled in the Russian Federation.

The Group's registered office is:

Ulitsa Pobedy 22a  
629850 Tarko-Sale  
Yamal-Nenets Autonomous District  
Russian Federation

The Group's office in Moscow is:

Ulitsa Udaltsova 2  
119415 Moscow  
Russian Federation

Telephone: 7 (495) 730-60-00  
Fax: 7 (495) 721-22-53

[www.novatek.ru](http://www.novatek.ru)