

“SURGUTNEFTEGAS” PJSC

**INTERIM CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS
(UNAUDITED)
PREPARED IN ACCORDANCE WITH IAS 34**

30 JUNE 2020

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“Surgutneftegas” PJSC
Interim condensed consolidated statement of financial position
(in millions of Russian rubles, unless otherwise stated)

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Notes		
ASSETS		
Current assets		
7 Cash and cash equivalents	294,468	396,234
7 Restricted cash	2,426	2,451
8 Deposits placed	1,009,337	820,532
14 Loans granted	13,731	11,542
Other financial assets	2,230	1,199
9 Receivables	65,254	96,565
11 Inventories	87,568	97,736
10 Advances issued	5,736	14,351
VAT recoverable	12,969	8,138
Income tax receivable	56,720	17,078
Other taxes recoverable	108	3,164
Total current assets	1,550,547	1,468,990
Non-current assets		
12 Property, plant and equipment	1,625,811	1,591,986
13 Right-of-use assets	17,851	19,027
Intangible assets	9,463	9,302
8 Deposits placed	2,422,622	2,145,616
Other financial assets	3,862	2,171
Deferred tax assets	31	55
14 Loans granted	27,016	28,468
9 Receivables	1,198	1,164
Other non-current assets	1,089	1,117
Total non-current assets	4,108,943	3,798,906
Total assets	5,659,490	5,267,896
LIABILITIES AND EQUITY		
Current liabilities		
15 Payables and liabilities accrued	81,611	54,636
18 Other financial liabilities	260,770	236,174
Advances received	12,481	24,834
16 Other tax liabilities	39,540	81,536
Income tax liabilities	12	6
17 Provisions	1,381	1,558
Total current liabilities	395,795	398,744
Non-current liabilities		
18 Other financial liabilities	2,898	13,069
Deferred tax liabilities	202,312	199,722
17 Provisions	190,149	193,523
Other non-current liabilities	11,347	13,460
Total non-current liabilities	406,706	419,774
Equity		
Share capital	154,666	154,666
Additional paid-in capital	4	4
Treasury shares	(30)	(30)
Share premium	57,809	57,809
Retained earnings	4,643,337	4,235,364
Other reserves	883	1,251
Total equity attributable to shareholders	4,856,669	4,449,064
Non-controlling interests	320	314
Total equity	4,856,989	4,449,378
Total liabilities and equity	5,659,490	5,267,896

A.N.Bulanov

Acting Director General
“Surgutneftegas” PJSC

11 December 2020

A.V.Druchinin

Chief Accountant
“Surgutneftegas” PJSC

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

“Surgutneftegas” PJSC

Interim condensed consolidated statement of profit and loss and other comprehensive income

(in millions of Russian rubles, unless otherwise stated)

Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
	Sales	
19	less export duties	
	(62,083)	(126,300)
5	Total sales revenue:	807,368
	sales of oil	502,967
	sales of oil products	284,775
	sales of gas and gas products	12,719
	sales of other products and finished goods	3,258
	other sales	3,649
20	Operating expenses	(584,931)
	Operating profit	222,437
21	Finance income	73,495
21	Finance expenses	(11,514)
22	Exchange differences, net	(304,689)
	Gain on sale and other disposal of financial assets	1,933
	Other income / (expenses)	(19)
	Profit / (loss) before tax	(18,357)
	Income tax	
	Current income tax	(295)
	Changes in deferred income tax	3,132
	Total income / (expense) on income tax	2,837
	Net profit / (loss)	(15,520)
	Other comprehensive income / (expense) that may be reclassified subsequently to profit / (loss), net of income tax	
	Changes in fair value of financial assets	5
	Other comprehensive income / (expense) that may not be reclassified subsequently to profit / (loss), net of income tax	
	Changes in fair value of financial assets	42
	Remeasurements of post-employment benefit obligations	(577)
	Total other comprehensive income / (expense), net of income tax	(530)
	Total comprehensive income / (expense)	(16,050)
	Net profit / (loss)	
	attributable to shareholders	(15,544)
	attributable to non-controlling interests	24
	Total comprehensive income / (expense)	
	attributable to shareholders	(16,074)
	attributable to non-controlling interests	24
24	Net earnings / (loss) attributable to shareholders per one ordinary share (in rubles)	
	basic and diluted	(0.44)

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

“Surgutneftegas” PJSC
Interim condensed consolidated statement of cash flows
(in millions of Russian rubles, unless otherwise stated)

Notes	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Operating activities		
Profit / (loss) before tax	527,052	(18,357)
Adjustments:		
20 Depreciation, depletion and amortisation	41,709	33,711
20 Losses from disposal of exploration and production properties	599	226
20 Loss allowance for expected credit losses accrual / (recovery)	1,949	(555)
Other provisions accrual	3,340	635
Exchange differences	(399,621)	293,521
Gain on sale and other disposal of financial assets	-	(1,933)
21 Interest expenses / (income) from discounting, net	2,211	(396)
21 Interest receivable	(66,517)	(69,358)
21 Interest payable	6,492	7,202
Interest expense on lease liabilities	619	571
Loss from sale and disposal of property, plant and equipment, and intangible assets	1,587	1,097
Others, net	(6)	(1)
Cash flows from operating activities before changes in working capital and income tax	119,414	246,363
Change in receivables	31,377	(15,012)
Change in advances issued	8,615	14,036
Change in inventories	6,857	(10,621)
Change in other assets	30	43
Change in payables and liabilities accrued	(3,537)	(166)
Change in advances received	(12,352)	(21,195)
Change in restricted cash	25	(94)
Change in other taxes (other than income tax)	(43,772)	100
Change in other liabilities	(1,525)	(1,807)
Cash from operating activities before income tax	105,132	211,647
Income tax paid	(125,179)	(26,603)
Net cash from operating activities	(20,047)	185,044
Investing activities		
Capital expenditures	(82,628)	(69,379)
Deposits placed	(504,194)	(386,634)
Deposits refunded	438,677	219,868
Loans granted	(17,108)	(17,995)
Loans collected	16,008	15,635
Interest received	63,697	54,929
Proceeds from sale of financial assets	1,424	3,000
Acquisition of financial assets	(4,541)	(1,296)
Proceeds from sale of property, plant and equipment	162	271
Net cash used for investing activities	(88,503)	(181,601)
Financing activities		
Net acquisition of other financial liabilities	14,001	1,862
Dividends paid (incl. tax)	(38)	(34)
Interest paid	(7,258)	(7,075)
Lease liabilities settlement	(204)	(18)
Net cash from / net cash (used for) financing activities	6,501	(5,265)
Net change in balances of cash and cash equivalents	(102,049)	(1,822)
Effect of exchange rate changes against ruble on cash and cash equivalents	283	(1,581)
7 Cash and cash equivalents at the beginning of the period	396,234	260,346
7 Cash and cash equivalents at the end of the period	294,468	256,943

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

“Surgutneftegas” PJSC

Interim condensed consolidated statement of changes in equity

(in millions of Russian rubles, unless otherwise stated)

Notes	Share capital	Additional paid-in capital	Treasury shares	Share premium	Retained earnings	Other reserves	Total equity attributable to shareholders	Non-controlling interest	Total equity
Balance as of 1 January 2019	154,666	4	(30)	57,809	4,214,571	(964)	4,426,056	288	4,426,344
Net profit / (loss) for the period	-	-	-	-	(15,544)	-	(15,544)	24	(15,520)
Other comprehensive income / (expense)	-	-	-	-	(577)	47	(530)	-	(530)
Total comprehensive income	-	-	-	-	(16,121)	47	(16,074)	24	(16,050)
Dividends declared	-	-	-	-	(81,911)	-	(81,911)	(10)	(81,921)
Reclassification of the accumulated profit / (loss) from remeasurement of disposed financial assets	-	-	-	-	(1,956)	1,567	(389)	-	(389)
Balance as of 30 June 2019 (unaudited)	154,666	4	(30)	57,809	4,114,583	650	4,327,682	302	4,327,984
Balance as of 31 December 2019	154,666	4	(30)	57,809	4,235,364	1,251	4,449,064	314	4,449,378
Net profit / (loss) for the period	-	-	-	-	438,760	-	438,760	19	438,779
Other comprehensive income / (expense)	-	-	-	-	(95)	(368)	(463)	-	(463)
Total comprehensive income / (expense)	-	-	-	-	438,665	(368)	438,297	19	438,316
24 Dividends declared	-	-	-	-	(30,692)	-	(30,692)	(13)	(30,705)
Balance as of 30 June 2020 (unaudited)	154,666	4	(30)	57,809	4,643,337	883	4,856,669	320	4,856,989

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

1 General information

“Surgutneftegas” Public Joint Stock Company (the Company) is one of the leading Russian oil companies in terms of hydrocarbon production.

The core activities of the Company and its subsidiaries (together referred to as the Group) are oil and gas exploration, production and processing, sale of hydrocarbons produced as well as sale of oil and gas products.

Other financial and business activities include banking activities and provision of other goods, works and services.

The Company's location: ul.Grigoriya Kukuyevitskogo, 1, bld. 1, Surgut, Khanty-Mansiysky Autonomous Okrug – Yugra, Tyumenskaya Oblast, Russian Federation.

2 Basis of preparation of the financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with IAS 34 “Interim Financial Reporting” and shall be considered together with the consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS).

These interim condensed consolidated financial statements are unaudited and do not include certain information and disclosures required for annual financial statements. Separate disclosures which duplicate the information contained in the annual consolidated financial statements for the year ended 31 December 2019 and as of that date have been deleted or condensed.

The preparation of interim condensed consolidated financial statements requires from the management to make judgements, estimates and assumptions which affect application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparation of the interim condensed consolidated financial statements the critical accounting judgements applied by the management when using the accounting policies and the key sources of estimation uncertainty coincided with those applied in consolidated financial statements for the year ended 31 December 2019.

Due to the pandemic of COVID-19 there were higher risks connected with the decline in economic activity and international trade, introduction of different restrictions, including: risk of the drop in hydrocarbons demand and prices; risk of possible interruptions in deliveries of raw materials and supplies, machinery and equipment; risk of decline in purchasing power of partners. In order to mitigate the risks of the coronavirus spread among its employees, the Group strictly adheres to the requirements and recommendations of the respective state authorities.

3 Summary of significant accounting policies and new financial reporting standards

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied and described in the Group's IFRS annual consolidated financial statements for 2019, except for calculations of income tax, new standards, amendments thereto and interpretations effective since 1 January 2020 represented below.

The revised standards and interpretations presented below have become obligatory for the Group since 1 January 2020, but they had no material impact on the Group's consolidated financial statements.

Amendments to the Conceptual Framework for Financial Reporting. The revised Conceptual Framework for financial reporting contains a chapter on measurement, guidances on recording financial performance in the statements, updated definitions and guidances (in particular, the definition of liabilities) and explanations of key matters such as the objective of management, prudence and measurement uncertainty in preparation of the financial statements.

Definition of a Business – Amendments to IFRS 3. These amendments specify the definition of a business and simplify the evaluation of whether the acquired business composition and assets are the group of assets or a business.

Definition of Materiality – Amendments to IAS 1 and IAS 8. These amendments specify the definition

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Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

of materiality and use of this term by including the recommendations for the term which were previously presented in other IFRS.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7. The adopted amendments provide relief from performance of some requirements to hedging relationships.

There was published a number of new standards and interpretations which were not disclosed in the annual consolidated financial statements for 2019:

Annual improvements to IFRSs, 2018–2020 – Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41, and clarifying amendments to IAS 16, IAS 37 and IFRS 3 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2022).

COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued in May 2020 and effective for annual periods beginning on or after 1 January 2020).

The Group’s management is currently analysing the impact of these amendments and improvements on the Group’s consolidated financial statements.

For interim periods income tax is calculated based on the expected weighted average tax rate to be applied to annual profit or loss.

The Group did not accept ahead of schedule new standards and interpretations which are disclosed in Note “New interpretations and standards” in the annual consolidated financial statements for 2019 and effective for reporting periods beginning on and after 1 January 2021.

Seasonality of operations

The Group’s operations are not seasonal. Income and expenses are recognised evenly during the year.

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)***4 Subsidiaries**

The Company has the following subsidiaries registered and doing business in the Russian Federation:

Description	Area of activity	As of 30 June 2020, ownership interest (%)	As of 31 December 2019, ownership interest (%)
<i>Oil and gas exploration and production</i>			
“Surgutneftegas” PJSC	Oil and gas exploration and production	Parent company	Parent company
<i>Oil refining</i>			
LLC “KINEF”	Oil refining	100%	100%
<i>Oil products sales</i>			
LLC “Novgorodnefteproduct”	Oil products sales	100%	100%
LLC “Pskovnefteproduct”	Oil products sales	100%	100%
LLC “Kaliningradnefteproduct”	Oil products sales	100%	100%
LLC “MA “Tvernefteproduct”	Oil products sales	100%	100%
LLC “KIRISHIAVTOSERVIS”	Oil products sales	100%	100%
<i>Other companies</i>			
Joint Stock Company “Surgutneftegasbank”	Banking operations	97.7591%	97.7591%
LLC “Surgutmebel”	Manufacture of wood construction items	100%	100%
LLC “Media-Invest”	Regional and corporate television and radio broadcasting	100%	100%
LLC “Lengiproneftekhim”	Engineering	100%	100%
LLC “DmitrovMontazhGrupp”	Construction of buildings and structures	97.7591%	97.7591%
LLC “Rion”	Securities management	100%	100%

This list of subsidiaries is complete; the Group has no subsidiaries outside the Russian Federation.

As of 30 June 2020, non-controlling interests in the amount of RUB 320 million (as of 31 December 2019: RUB 314 million) are not material for the Group.

5 Segment information

Individual executive body represented by director general of the Company and deputies of director general covering different operations (the Management) act as a manager making operational decisions and consider the information about the Group to comprise the following operating segments:

Exploration and production segment is part of the Company's activity related to exploration, evaluation, production of oil and gas, and oil and gas sales;

Refining and sale segment is part of the Company's activity related to oil and gas processing, and sales of refined products, and the activity of the Group's subsidiaries involved in oil refining and refined products sales;

Other activities segment represents other non-significant activities and segments having no similar economic performance and includes banking operations and production of other goods, works and services.

On a monthly basis the Management estimates performance results of the segments based on the analysis of the revenue, profit and operating expenses to resolve on resource distribution and operating efficiency.

Results of separate significant operations and a number of adjustments required to bring accounting (financial) statements of the Company prepared in accordance with Russian Accounting Standards (RAS) in line with the relevant IFRS amounts are considered by the Management across the whole Group without breakdown by operational segments.

Sales operations among operational segments recorded as intersegment sales are performed based on market prices.

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Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

Performance results of operational segments for the six months ended 30 June 2020 (unaudited):

	Exploration and production	Refining and sale	Other activities	Intersegment sales	Total
Sales revenue, including:					
<i>revenues from oil sales</i>	290,184	-	-	-	290,184
<i>revenues from oil products sales</i>	-	224,815	-	(32,955)	191,860
<i>revenues from gas and gas products sales</i>	7,326	4,011	-	(4)	11,333
<i>sales of other products and finished goods</i>	1,552	1,604	937	(1,010)	3,083
<i>other sales</i>	1,974	469	907	(355)	2,995
Total sales revenue	301,036	230,899	1,844	(34,324)	499,455
Operating expenses	(269,003)	(212,866)	(3,336)	34,529	(450,676)
Operating profit / (loss)	32,033	18,033	(1,492)	205	48,779
Finance income					68,460
Finance expenses					(11,265)
Exchange differences, net					414,916
Other income					6,162
Profit before tax					527,052
Income tax					(88,273)
Net profit					438,779

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)*

Performance results of operational segments for the six months ended 30 June 2019 (unaudited):

	Exploration and production	Refining and sale	Other activities	Intersegment sales	Total
Sales revenue					
<i>revenues from oil sales</i>	502,967	-	-	-	502,967
<i>revenues from oil products sales</i>	-	318,486	-	(33,711)	284,775
<i>revenues from gas and gas products sales</i>	7,757	4,967	-	(5)	12,719
<i>sales of other products and finished goods</i>	1,742	1,333	705	(522)	3,258
<i>other sales</i>	2,586	560	786	(283)	3,649
Total sales revenue	515,052	325,346	1,491	(34,521)	807,368
Operating expenses	(359,606)	(257,122)	(2,984)	34,781	(584,931)
Operating profit / (loss)	155,446	68,224	(1,493)	260	222,437
Finance income					73,495
Finance expenses					(11,514)
Exchange differences, net					(304,689)
Gain on sale and other disposal of financial assets					1,933
Other expenses					(19)
Loss before tax					(18,357)
Income tax					2,837
Net loss					(15,520)

6 Related party transactions

Parties are generally considered to be related if one party has the ability to control the other party or can exercise significant influence over the other party in its financial and business activities as well as in making financial and operational decisions. While considering each possible related party's relationship, the economic essence of such relationship, not merely the legal form, is taken into account.

The related parties may enter into transactions, which unrelated parties might not exercise, and transactions between the related parties may not be affected on the same terms and conditions as transactions between unrelated parties.

For the six months ended 30 June 2020 and 2019, the Group entered into transactions with JSC “NPF “Surgutneftegas” to provide post-employment benefits to employees retired within the six months ended 30 June 2020 and 2019, and other related parties.

For the six months ended 30 June 2020, the Group contributed to JSC “NPF “Surgutneftegas” RUB 697 million (for the six months ended 30 June 2019: RUB 718 million).

As of 30 June 2020, the Group had RUB 14,218 million (as of 31 December 2019: RUB 12,701 million) of loans received from the related parties (funds of the customers of the Group's bank).

Information on remuneration to the key management personnel will be disclosed in the consolidated financial statements for 2020.

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)***7 Cash and cash equivalents, restricted cash**

Cash and cash equivalents represent the following:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Cash in hand and at settlement accounts	23,420	25,252
Deposits and other cash equivalents with original contractual maturity less than three months	271,048	370,982
Total cash and cash equivalents	294,468	396,234

Restricted cash represents obligatory reserves of the Group's bank at the accounts of the Central Bank of the Russian Federation.

8 Deposits placed

Placed deposits comprise the following:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Short-term deposits	1,010,686	821,641
loss allowance for expected credit losses	(1,349)	(1,109)
Long-term deposits	2,428,976	2,150,932
loss allowance for expected credit losses	(6,354)	(5,316)
Total deposits placed, including:	3,431,959	2,966,148
short-term	1,009,337	820,532
long-term	2,422,622	2,145,616

Information on the fair value of deposits is presented in Note 26.

9 Receivables

Accounts receivable include:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Trade receivables	63,901	95,301
loss allowance for expected credit losses	(195)	(196)
Other receivables	2,996	2,877
loss allowance for expected credit losses	(250)	(253)
Total receivables, including:	66,452	97,729
short-term	65,254	96,565
long-term	1,198	1,164

The greater part of trade receivables is mainly formed by receivables due from large Russian and foreign buyers of oil and oil products.

10 Advances issued

Advances issued include:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Export customs duties	839	7,204
Oil transport	3,340	5,422
Other advances issued	1,557	1,725
Total advances issued	5,736	14,351

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)***11 Inventories**

Inventories include:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Oil and oil products	13,752	21,258
<i>impairment provision</i>	(1)	(1)
Materials and supplies	66,243	67,866
<i>impairment provision</i>	(6,941)	(5,029)
Other reserves	9,773	8,443
<i>impairment provision</i>	(180)	(135)
Goods for resale	1,503	994
Work in progress	3,384	4,307
Gas and gas products	35	33
Total inventories	87,568	97,736

“Surgutneftegas” PJSC

Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

12 Property, plant and equipment

Flow of property, plant and equipment during the six months ended 30 June 2020 (unaudited):

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 31 December 2019	1,803,100	305,521	205,644	13,802	2,328,067
Construction and acquisition	76,444	771	5,024	4,325	86,564
Reclassifications	-	359	1,886	(2,245)	-
Internal movements	2	5	(7)	-	-
Changes in asset retirement (decommissioning) obligations	(6,155)	-	-	-	(6,155)
Disposals, retirements and other movements	(5,970)	(256)	(1,148)	(139)	(7,513)
Historical cost as of 30 June 2020 (unaudited)	1,867,421	306,400	211,399	15,743	2,400,963
Accumulated depletion, depreciation and amortisation as of 31 December 2019	(516,869)	(140,298)	(78,914)	-	(736,081)
Accrual for the period	(32,138)	(6,759)	(5,013)	-	(43,910)
Internal movements	(7)	2	5	-	-
Disposals, retirements and other movements	3,778	211	850	-	4,839
Accumulated depletion, depreciation and amortisation as of 30 June 2020 (unaudited)	(545,236)	(146,844)	(83,072)	-	(775,152)
Carrying amount as of 31 December 2019	1,286,231	165,223	126,730	13,802	1,591,986
Carrying amount as of 30 June 2020 (unaudited)	1,322,185	159,556	128,327	15,743	1,625,811

“Surgutneftegas” PJSC

Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

Flow of property, plant and equipment during the six months ended 30 June 2019 (unaudited):

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 1 January 2019 (unaudited)	1,598,802	302,024	209,200	13,255	2,123,281
Construction and acquisition	75,206	1,441	4,552	4,440	85,639
Reclassifications	-	58	548	(606)	-
Internal movements	73	(70)	(3)	-	-
Changes in asset retirement (decommissioning) obligations	435	-	-	-	435
Disposals, retirements and other movements	(5,054)	(514)	(968)	(124)	(6,660)
Historical cost as of 30 June 2019 (unaudited)	1,669,462	302,939	213,329	16,965	2,202,695
Accumulated depletion, depreciation and amortisation as of 31 December 2018	(436,407)	(128,884)	(72,676)	-	(637,967)
Accrual for the period	(29,866)	(7,200)	(6,084)	-	(43,150)
Internal movements	-	-	-	-	-
Disposals, retirements and other movements	3,063	231	828	-	4,122
Accumulated depletion, depreciation and amortisation as of 30 June 2019 (unaudited)	(463,210)	(135,853)	(77,932)	-	(676,995)
Carrying amount as of 31 December 2018	1,155,655	168,158	135,033	13,255	1,472,101
Carrying amount as of 30 June 2019 (unaudited)	1,206,252	167,086	135,397	16,965	1,525,700

As of 30 June 2020, property, plant and equipment included advances for acquisition of property, plant and equipment directly related to construction projects and construction of property, plant and equipment in the amount of RUB 319 million (as of 31 December 2019 – RUB 96 million).

At each date of the consolidated financial statements, the Management estimates a decline in the recoverable value of assets below their carrying amount. As of 30 June 2020, no impairment has been identified.

Depreciation on property, plant and equipment includes the amount capitalised in construction in progress for the six months ended 30 June 2020, in the amount of RUB 3,486 million (for the six months ended 30 June 2019: RUB 9,941 million).

The cost of oil and gas exploration and production licences included in exploration and production properties changed as follows:

	2020	2019
Historical cost as of 1 January	68,597	67,037
Impairment	(366)	(17)
Depreciation accrued	(4,884)	(4,205)
Carrying amount as of 1 January	63,347	62,815
Acquisition	-	1,469
Depreciation accrual	(855)	(335)
Carrying amount as of 30 June (unaudited)	62,492	63,949

Exploration and evaluation assets included in the cost of property, plant and equipment as of 30 June 2020 equalled RUB 74,516 million (as of 31 December 2019: RUB 71,571 million).

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)***13 Right-of-use assets**

	Oil and gas exploration and production	Refining and sale	Other properties	Total
Carrying amount as of 1 January 2020	12,810	4,832	1,385	19,027
Acquisition	3,385	7	155	3,547
Depreciation	(745)	(14)	(64)	(823)
Disposal	(261)	2	(45)	(304)
Other movements	601	(3,627)	(570)	(3,596)
Carrying amount as of 30 June 2020	15,790	1,200	861	17,851

14 Loans granted

Short-term and long-term loans granted are represented by credits of the Group's bank and other loans. As of 30 June 2020, the amount of the credits and loans granted was RUB 40,747 million (as of 31 December 2019: RUB 40,010 million). Including the loss allowance for expected credit losses which as of 30 June 2020 equalled RUB 10,314 million (as of 31 December 2019: RUB 10,622 million).

15 Payables and liabilities accrued

Accounts payable and accrued liabilities include:

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Accounts payable to employees of the Company	25,952	30,351
Trade payables	16,665	13,636
Accounts payable for acquired property, plant and equipment	5,005	7,204
Dividends payable	31,462	793
Other accounts payable	1,321	1,363
Lease liabilities	1,206	1,289
Total payables and liabilities accrued	81,611	54,636
Including the financial part of the accounts payable	55,630	24,262

16 Other tax liabilities

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Mineral extraction tax	24,788	58,696
Tax on additional income from production of hydrocarbons	1,242	3,002
Value added tax	2,157	7,003
Property tax	3,871	3,979
Other	7,482	8,856
Total other tax liabilities	39,540	81,536

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17 Provisions

	As of 30 June 2020 (unaudited)	As of 31 December 2019
Asset retirement (decommissioning) obligations	177,150	180,466
Post-employment benefit obligations	14,184	14,394
Other obligations	196	221
Total provisions		
including:	191,530	195,081
current	1,381	1,558
non-current	190,149	193,523

18 Other financial liabilities

Other current and non-current financial liabilities are settlement accounts and customer deposits of the Group's bank. As of 30 June 2020, the amount of the liabilities was RUB 263,668 million (as of 31 December 2019: RUB 249,243 million). The growth of financial liabilities is due to the changes in deposit balances of the customers of the Group's bank.

19 Export duties

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Export duty on oil sales	46,791	98,309
Export duty on oil products sales	15,292	27,991
Total export duties	62,083	126,300

20 Operating expenses

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Taxes, excluding income tax	214,222	365,564
Employee benefits	55,480	53,434
Sales and storage expenses	51,011	55,026
Depreciation, depletion and amortisation	41,709	33,711
Supplies	39,212	29,690
Production services	26,535	27,096
Utility and electricity expenses	12,497	14,910
Goods for resale	3,865	4,606
Loss allowances for expected credit losses	1,949	(555)
Losses from disposal of exploration and production properties	599	226
Changes in inventory and work in progress	(782)	(3,516)
Other expenses	4,379	4,739
Total operating expenses	450,676	584,931

Taxes, excluding income tax, include:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Mineral extraction tax	191,722	349,483
Property tax	7,728	7,528
Excise	7,338	223
Tax on additional income from production of hydrocarbons	6,944	7,764
Other taxes	490	566

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Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

Total taxes, excluding income tax	214,222	365,564
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Employee benefits include:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Salary and social charges	55,220	52,892
Contributions to post-employment benefit funds	260	542
Total employee benefits	55,480	53,434

21 Finance income and expenses

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Interest receivable	66,517	69,358
Interest income from discounting	1,943	4,137
Total finance income	68,460	73,495

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Interest payable	(6,492)	(7,202)
Interest expense from discounting	(4,154)	(3,741)
Interest expense on lease liabilities	(619)	(571)
Total finance expenses	(11,265)	(11,514)

22 Exchange differences

Exchange differences arise mainly from accounting for trade receivables from buyers of oil and oil products and financial assets in a foreign currency.

The official exchange rates of the Central Bank of the Russian Federation for foreign currencies against ruble are presented in rubles below:

	As of 30 June 2020	As of 31 December 2019
Australian Dollar	48.05	43.26
Hungarian Forint	0.22	0.21
Danish Crown	10.56	9.28
US Dollar	69.95	61.91
Euro	78.68	69.34
Indian Rupee	0.93	0.87
Canadian Dollar	51.17	47.36
Chinese Yuan	9.88	8.86
Norwegian Krone	7.22	7.03
British Pound	86.36	81.15
Czech Koruna	2.94	2.72
Swedish Crown	7.49	6.64
Swiss Franc	73.90	63.60
Japanese Yen	0.65	0.57

Average exchange rates for the six months ended 30 June 2020 and 2019 equalled:

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)*

	Six months ended 30 June 2020	Six months ended 30 June 2019
Australian Dollar	45.57	46.15
Hungarian Forint	0.22	0.23
Danish Crown	10.24	9.89
US Dollar	69.37	65.34
Euro	76.44	73.84
Indian Rupee	0.94	0.94
Canadian Dollar	50.83	48.95
Chinese Yuan	9.86	9.63
Norwegian Krone	7.11	7.59
British Pound	87.30	84.51
Czech Koruna	2.90	2.87
Swedish Crown	7.17	7.03
Swiss Franc	71.84	65.36
Japanese Yen	0.64	0.59

Exchange differences include:

	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
Income from exchange differences	822,431	33,790
Expense from exchange differences	(407,515)	(338,479)
Total exchange differences	414,916	(304,689)

23 Financial risks factors

The Group's activity is exposed to different financial risks among which are market risk, credit risk and liquidity risk.

These interim condensed consolidated financial statements do not include information and comments to financial risks management which are disclosed in the annual consolidated financial statements, so these statements shall be considered together with the annual consolidated financial statements of the Group as of 31 December 2019.

24 Net earnings / (loss) per share

Basic earnings / (loss) per share were calculated based on profit / (loss), attributable to holders of the Company's ordinary shares and the weighted average number of outstanding ordinary shares. The Company has no potential ordinary shares that have a dilutive effect.

	2020	2019
Weighted average number of shares for the six months ended 30 June, thousand	35,724,999	35,725,345
Net profit / (loss) for the reporting period attributable to shareholders	438,760	(15,544)
Dividends on preference shares	-	-
Basic and diluted earnings / (loss) per share, rubles	12.28	(0.44)

25 Dividends

On 30 June 2020, the annual general shareholders' meeting of the Company declared dividends for the year ended 31 December 2019 in the amount of RUB 0.65 per one ordinary share and RUB 0.97 per one preference share.

On 28 June 2019, the annual general shareholders' meeting of the Company declared dividends for the year ended 31 December 2018 in the amount of RUB 0.65 per one ordinary share and RUB 7.62 per one preference share.

For the six months ended 30 June 2020 and 2019, the Company did not declare and did not pay dividends.

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26 Fair value of assets and liabilities

Fair value measurements are analysed and distributed by levels in the fair value hierarchy as follows: (a) Level 1 are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities; (b) Level 2 measurements are valuations techniques with all significant inputs observable for the asset or liability, either directly (e.g. price) or indirectly (e.g. calculated on the basis of the price); and (c) Level 3 measurements are valuations not based only on observable market data (i.e. a significant amount of non-observable data is required for assessment).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the financial reporting standards require or permit in the statement of financial position at the end of each reporting period.

The levels in the hierarchy of the fair value measurement for financial instruments recorded at fair value are given below:

As of 30 June 2020 (unaudited)	Quoted prices in active markets (Level 1)	Valuation technique based on observable data (Level 2)	Valuation technique based on a significant amount of non- observable data (Level 3)
Deposits placed	-	3,431,959	-
Financial assets measured at amortised cost	4,027	-	-
Financial assets measured at fair value through other comprehensive income	386	-	1,679
Total financial assets measured at fair value on a recurring basis	4,413	3,431,959	1,679
As of 31 December 2019	Quoted prices in active markets (Level 1)	Valuation technique based on observable data (Level 2)	Valuation technique based on a significant amount of non- observable data (Level 3)
Deposits placed	-	2,966,148	-
Financial assets measured at amortised cost	1,199	-	-
Financial assets measured at fair value through other comprehensive income	45	-	2,126
Total financial assets measured at fair value on a recurring basis	1,244	2,966,148	2,126

As of 30 June 2020 and 31 December 2019, the Group has no liabilities measured at fair value on a recurring basis.

The estimated fair value of a financial instrument is determined by the Group with reference to available market information (if any) and valuation techniques as considered appropriate. The Management has used all available market information in estimating the fair value of financial instruments.

Valuation techniques such as discounted cash flow models and also models based on the data of similar arm's length transactions or consideration of the financial data of the investees are used to measure the fair value of financial instruments for which external market pricing information is not available.

Within the six months ended 30 June 2020, there were no changes in valuation technique for Level 3 recurring fair value measurements.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Financial assets measured at amortised cost. The estimated fair value of instruments with the fixed interest rate is based on the method of discounting expected future cash flows coupled with applying current interest rates to new instruments with the similar credit risk and similar maturity period. The discount rate

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used depends on the credit risk of the counterparty. Fair value of financial assets measured at amortised cost has been determined by quotations of the demand.

The comparison of the fair value and carrying amount of deposits and other financial assets measured at amortised cost is presented below. The carrying amounts of the remaining financial assets are approximately equal to their fair value.

	As of 30 June 2020 (unaudited)		As of 31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits placed	3,431,959	3,497,944	2,966,148	3,046,682
Financial assets measured at amortised cost	4,027	4,061	1,199	1,024

A reconciliation of classes of financial assets with the estimated categories is presented below:

As of 30 June 2020 (unaudited)	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Total
Cash and cash equivalents	-	294,468	294,468
Restricted cash	-	2,426	2,426
Deposits placed	-	3,431,959	3,431,959
Loans granted	-	40,747	40,747
Other financial assets	2,065	4,027	6,092
Receivables	-	66,452	66,452
Total financial assets	2,065	3,840,079	3,842,144

As of 31 December 2019	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Total
Cash and cash equivalents	-	396,234	396,234
Restricted cash	-	2,451	2,451
Deposits placed	-	2,966,148	2,966,148
Loans granted	-	40,010	40,010
Other financial assets	2,171	1,199	3,370
Receivables	-	97,729	97,729
Total financial assets	2,171	3,503,771	3,505,942

Liabilities measured at amortised cost

All financial liabilities of the Group are measured at amortised cost. Financial liabilities are mainly funds of the Group's bank customers, accounts payable to suppliers and contractors and other accounts payable.

The fair value of liabilities is determined by using appropriate valuation techniques. The estimated fair value of instruments with the fixed interest rate and the fixed maturity period is based on expected discounted cash flows coupled with applying interest rates to new instruments with the similar credit risk and similar maturity period.

The carrying amount of liabilities measured at amortised cost is approximately equal to their fair value.

27 Subsequent events

Significant events, which have influenced or may influence the financial performance, the cash flow and operating results of the Group, did not take place in the period between the reporting date and the date these interim condensed consolidated financial statements of the Group were signed.