

“SURGUTNEFTEGAS” PJSC

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

30 JUNE 2021

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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 2021 (unaudited)	As of 31 December 2020
Notes			
ASSETS			
Current assets			
7	Cash and cash equivalents	350,896	178,811
7	Restricted cash	1,048	823
8	Deposits placed	1,179,082	1,236,219
14	Loans granted	5,906	11,175
	Other financial assets	1,933	1,305
9	Receivables	121,402	82,372
11	Inventories	96,537	92,450
10	Advances issued	8,885	10,429
	VAT recoverable	6,959	7,043
	Income tax receivable	18,290	37,219
	Other taxes recoverable	5,110	1,609
	Total current assets	1,796,048	1,659,455
Non-current assets			
12	Property, plant and equipment	1,761,836	1,726,984
13	Right-of-use assets	31,098	29,222
	Intangible assets	9,747	9,332
8	Deposits placed	2,459,396	2,413,760
	Other financial assets	5,407	6,048
	Deferred tax assets	14	14
14	Loans granted	37,284	28,538
9	Receivables	1,057	1,149
	Other non-current assets	1,343	1,185
	Total non-current assets	4,307,182	4,216,232
	Total assets	6,103,230	5,875,687
LIABILITIES AND EQUITY			
Current liabilities			
15	Payables and liabilities accrued	129,810	57,970
18	Other financial liabilities	82,735	81,792
	Advances received	20,972	26,645
16	Other tax liabilities	140,911	65,738
	Income tax liabilities	16	74
17	Provisions	1,045	1,493
	Total current liabilities	375,489	233,712
Non-current liabilities			
18	Other financial liabilities	4,726	2,790
	Deferred tax liabilities	211,884	205,508
17	Provisions	261,906	262,199
	Other non-current liabilities	12,135	11,070
	Total non-current liabilities	490,651	481,567
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	5,023,202	4,946,566
	Other reserves	1,086	1,055
	Total equity attributable to shareholders	5,236,737	5,160,070
	Non-controlling interests	353	338
	Total equity	5,237,090	5,160,408
	Total liabilities and equity	6,103,230	5,875,687

A.N.Bulanov

Acting Director General
“Surgutneftegas” PJSC

14 August 2021

P.V.Shevelev

First Deputy 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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
	Sales	
19	less export duties	915,204
		(59,897)
5	Total sales revenue:	855,307
	sales of oil	499,455
	sales of oil products	531,426
	sales of gas and gas products	290,184
	sales of other products and finished goods	301,630
	other sales	14,364
		11,333
		4,626
		3,083
		3,261
		2,995
20	Operating expenses	(653,199)
	Operating profit	(450,676)
		202,108
21	Finance income	48,779
21	Finance expenses	65,745
22	Exchange differences, net	(6,549)
	Other income	(81,509)
		414,916
		3,899
		6,162
	Profit before tax	183,694
		527,052
	Income tax	
	Current income tax	(24,367)
	Changes in deferred income tax	(85,541)
	Total expense on income tax	(6,290)
		(2,732)
	Net profit	(30,657)
		(88,273)
	Net profit	153,037
		438,779
	Other comprehensive expense that may be reclassified subsequently to loss, net of income tax	
	Changes in fair value of financial assets	(22)
	Other comprehensive income / (expense) that may not be reclassified subsequently to profit / (loss), net of income tax	(2)
	Changes in fair value of financial assets	53
	Remeasurements of post-employment benefit obligations	(366)
	Total other comprehensive income / (expense), net of income tax	391
		(95)
	Total other comprehensive income	422
		(463)
	Total comprehensive income	153,459
		438,316
	Net profit	
	attributable to shareholders	153,010
	attributable to non-controlling interests	438,760
		27
		19
	Total comprehensive income	
	attributable to shareholders	153,432
	attributable to non-controlling interests	438,297
		27
		19
24	Net earnings attributable to shareholders per one ordinary share (in rubles) basic and diluted	4.28
		12.28

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 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Operating activities		
Profit before tax	183,694	527,052
Adjustments:		
20 Depreciation, depletion and amortisation	40,103	41,709
20 Losses from disposal of exploration and production properties	472	599
20 Loss allowance for expected credit losses accrual / (recovery)	(273)	1,949
Other provisions accrual / (recovery)	(916)	3,340
Exchange differences	77,854	(399,621)
21 Interest expenses from discounting, net	3,064	2,211
21 Interest receivable	(64,009)	(66,517)
21 Interest payable	1,301	6,492
Interest expense on lease liabilities	448	619
Loss from sale and disposal of property, plant and equipment, and intangible assets	735	1,587
Others, net	(8)	(6)
Cash flows from operating activities before changes in working capital and income tax	242,465	119,414
Change in receivables	(38,893)	31,377
Change in advances issued	1,545	8,615
Change in inventories	(2,565)	6,857
Change in other assets	(159)	30
Change in payables and liabilities accrued	(5,110)	(3,537)
Change in advances received	(5,673)	(12,352)
Change in restricted cash	(225)	25
Change in other taxes (other than income tax)	71,756	(43,772)
Change in other liabilities	(945)	(1,525)
Cash from operating activities before income tax	262,196	105,132
Income tax paid	(5,495)	(125,179)
Net cash from (used for) operating activities	256,701	(20,047)
Investing activities		
Capital expenditures	(79,020)	(82,628)
Deposits placed	(770,217)	(504,194)
Deposits refunded	709,261	438,677
Loans granted	(17,253)	(17,108)
Loans collected	14,416	16,008
Interest received	57,620	63,697
Proceeds from sale of financial assets	1,000	1,424
Acquisition of financial assets	(1,104)	(4,541)
Proceeds from sale of property, plant and equipment	315	162
Net cash used for investing activities	(84,982)	(88,503)
Financing activities		
Net acquisition of other financial liabilities	3,077	14,001
Dividends paid (incl. tax)	(30)	(38)
Interest paid	(1,668)	(7,258)
Lease liabilities settlement	(187)	(204)
Net cash from financing activities	1,192	6,501
Net change in balances of cash and cash equivalents	172,911	(102,049)
Effect of exchange rate changes against ruble on cash and cash equivalents	(826)	283
7 Cash and cash equivalents at the beginning of the period	178,811	396,234
7 Cash and cash equivalents at the end of the period	350,896	294,468

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 2020	154,666	4	(30)	57,809	4,235,364	1,251	4,449,064	314	4,449,378
Net profit for the period	-	-	-	-	438,760	-	438,760	19	438,779
Other comprehensive expense	-	-	-	-	(95)	(368)	(463)	-	(463)
Total comprehensive income / (expense)	-	-	-	-	438,665	(368)	438,297	19	438,316
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
Balance as of 31 December 2020	154,666	4	(30)	57,809	4,946,566	1,055	5,160,070	338	5,160,408
Net profit for the period	-	-	-	-	153,010	-	153,010	27	153,037
Other comprehensive income	-	-	-	-	391	31	422	-	422
Total comprehensive income	-	-	-	-	153,401	31	153,432	27	153,459
24 Dividends declared	-	-	-	-	(76,765)	-	(76,765)	(12)	(76,777)
Balance as of 30 June 2021 (unaudited)	154,666	4	(30)	57,809	5,023,202	1,086	5,236,737	353	5,237,090

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 2021 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 2020, 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 2020 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 2020.

Due to the pandemic of novel coronavirus infection (COVID-19) there were higher risks connected with the decline in economic activity and international trade volume, introduction of different restrictions, including: risk of the decrease 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 COVID-19 spread among the 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 2020, except for calculations of income tax and amendments to standards effective since 1 January 2021 represented below.

The revised amendments presented below have become obligatory for the Group since 1 January 2021 but they had no material impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16. These amendments provide temporary relief for financial statements preparers in connection with transitioning to risk-free interest rate.

There were published amendments which were not disclosed in the annual consolidated financial statements for 2020:

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

These amendments will have no material impact on the Group's consolidated financial statements.

“Surgutneftegas” PJSC

Notes to the interim condensed consolidated financial statements (unaudited)

(in millions of Russian rubles, unless otherwise stated)

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 and amended standards and interpretations” in the annual consolidated financial statements for 2020 and effective for reporting periods beginning on and after 1 January 2022.

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 2021, Ownership interest (%)	As of 31 December 2020, 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 2021, non-controlling interests in the amount of RUB 353 million (as of 31 December 2020: RUB 338 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.

“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 2021 (unaudited):

	Exploration and production	Refining and sale	Other activities	Intersegment sales	Total
Sales revenue, including:					
<i>revenues from oil sales</i>	531,426	-	-	-	531,426
<i>revenues from oil products sales</i>	-	337,359	-	(35,729)	301,630
<i>revenues from gas and gas products sales</i>	7,398	6,972	-	(6)	14,364
<i>sales of other products and finished goods</i>	3,192	1,248	868	(682)	4,626
<i>other sales</i>	1,746	540	1,471	(496)	3,261
Total sales revenue	543,762	346,119	2,339	(36,913)	855,307
Operating expenses	(435,612)	(251,059)	(2,823)	36,295	(653,199)
Operating profit / (loss)	108,150	95,060	(484)	(618)	202,108
Finance income					65,745
Finance expenses					(6,549)
Exchange differences, net					(81,509)
Other income					3,899
Profit before tax					183,694
Income tax					(30,657)
Net profit					153,037

“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 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

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 2021 and 2020, the Group entered into transactions with JSC “NPF “Surgutneftegas” to provide post-employment benefits to employees retired within the six months ended 30 June 2021 and 2020, and other related parties.

For the six months ended 30 June 2021, the Group contributed to JSC “NPF “Surgutneftegas” RUB 746 million (for the six months ended 30 June 2020: RUB 697 million).

As of 30 June 2021, the Group had RUB 19,044 million (as of 31 December 2020: RUB 17,893 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 2021.

“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 2021 (unaudited)	As of 31 December 2020
Cash in hand and at settlement accounts	30,774	23,519
Deposits and other cash equivalents with original contractual maturity less than three months	320,122	155,292
Total cash and cash equivalents	350,896	178,811

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 2021 (unaudited)	As of 31 December 2020
Short-term deposits	1,180,634	1,237,872
loss allowance for expected credit losses	(1,552)	(1,653)
Long-term deposits	2,465,915	2,420,232
loss allowance for expected credit losses	(6,519)	(6,472)
Total deposits placed, including:	3,638,478	3,649,979
short-term	1,179,082	1,236,219
long-term	2,459,396	2,413,760

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

9 Receivables

Accounts receivable include:

	As of 30 June 2021 (unaudited)	As of 31 December 2020
Trade receivables	116,190	80,831
loss allowance for expected credit losses	(210)	(206)
Other receivables	6,704	3,109
loss allowance for expected credit losses	(225)	(213)
Total receivables, including:	122,459	83,521
short-term	121,402	82,372
long-term	1,057	1,149

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 2021 (unaudited)	As of 31 December 2020
Export customs duties	4,774	3,376
Oil transport	2,794	5,230
Other advances issued	1,317	1,823
Total advances issued	8,885	10,429

“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 2021 (unaudited)	As of 31 December 2020
Oil and oil products	21,385	16,987
<i>impairment provision</i>	(11)	(4)
Materials and supplies	62,809	63,359
<i>impairment provision</i>	(3,064)	(2,923)
Other reserves	8,403	9,451
<i>impairment provision</i>	(138)	(152)
Goods for resale	2,359	1,568
<i>impairment provision</i>	(1)	(4)
Work in progress	4,724	4,130
<i>impairment provision</i>	(12)	-
Gas and gas products	83	38
Total inventories	96,537	92,450

12 Property, plant and equipment

Flow of property, plant and equipment during the six months ended 30 June 2021 (unaudited):

	Oil and gas exploration and production	Refining and sale	Other properties	Construction in progress	Total
Historical cost as of 31 December 2020	2,003,379	309,839	220,805	13,164	2,547,187
Construction and acquisition	74,574	1,603	5,539	6,686	88,402
Reclassifications	-	479	903	(1,382)	-
Internal movements	145	71	(216)	-	-
Changes in asset retirement (decommissioning) obligations	(3,482)	-	-	-	(3,482)
Disposals, retirements and other movements	(6,467)	(449)	(1,824)	(183)	(8,923)
Historical cost as of 30 June 2021 (unaudited)	2,068,149	311,543	225,207	18,285	2,623,184
Accumulated depletion, depreciation and amortisation as of 31 December 2020	(580,275)	(152,485)	(87,443)	-	(820,203)
Accrual for the period	(35,389)	(6,452)	(5,502)	-	(47,343)
Internal movements	(57)	(33)	90	-	-
Disposals, retirements and other movements	4,336	262	1,600	-	6,198
Accumulated depletion, depreciation and amortisation as of 30 June 2021 (unaudited)	(611,385)	(158,708)	(91,255)	-	(861,348)
Carrying amount as of 31 December 2020	1,423,104	157,354	133,362	13,164	1,726,984
Carrying amount as of 30 June 2021 (unaudited)	1,456,764	152,835	133,952	18,285	1,761,836

“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 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

As of 30 June 2021, 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 1,385 million (as of 31 December 2020 – RUB 1,681 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 2021, 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 2021, in the amount of RUB 9,165 million (for the six months ended 30 June 2020: RUB 3,486 million).

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

	2021	2020
Historical cost as of 1 January	68,651	68,597
Impairment	-	(366)
Depreciation accrued	(6,618)	(4,884)
Carrying amount as of 1 January	62,033	63,347
Acquisition	728	-
Depreciation accrual	(818)	(855)
Carrying amount as of 30 June (unaudited)	61,943	62,492

Exploration and evaluation assets included in the cost of property, plant and equipment as of 30 June 2021 equalled RUB 82,352 million (as of 31 December 2020: RUB 75,160 million).

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13 Right-of-use assets

	Oil and gas exploration and production	Refining and sale	Other properties	Total
Carrying amount as of 31 December 2020	27,275	1,143	804	29,222
Acquisition	3,287	-	51	3,338
Depreciation	(1,379)	(17)	(36)	(1,432)
Disposal	(295)	(6)	(26)	(327)
Other movements	298	81	(82)	297
Carrying amount as of 30 June 2021	29,186	1,201	711	31,098
	Oil and gas exploration and production	Refining and sale	Other properties	Total
Carrying amount as of 31 December 2019	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 2021, the amount of the credits and loans granted was RUB 43,190 million (as of 31 December 2020: RUB 39,713 million). Including the loss allowance for expected credit losses which as of 30 June 2021 equalled RUB 9,733 million (as of 31 December 2020: RUB 10,198 million).

15 Payables and liabilities accrued

Accounts payable and accrued liabilities include:

	As of 30 June 2021 (unaudited)	As of 31 December 2020
Accounts payable to employees of the Company	26,041	33,299
Trade payables	17,648	16,395
Accounts payable for acquired property, plant and equipment	6,106	4,559
Dividends payable	77,429	795
Other accounts payable	1,698	1,746
Lease liabilities	888	1,176
Total payables and liabilities accrued	129,810	57,970
Including the financial part of the accounts payable	103,677	23,461

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	As of 30 June 2021 (unaudited)	As of 31 December 2020
Mineral extraction tax	60,424	40,826
Tax on additional income from production of hydrocarbons	61,093	6,749
Value added tax	6,629	4,769
Property tax	4,198	4,256
Other	8,567	9,138
Total other tax liabilities	140,911	65,738

17 Provisions

	As of 30 June 2021 (unaudited)	As of 31 December 2020
Asset retirement (decommissioning) obligations	248,605	248,535
Post-employment benefit obligations	14,122	15,006
Other obligations	224	151
Total provisions	262,951	263,692
including:		
current	1,045	1,493
non-current	261,906	262,199

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 2021, the amount of the liabilities was RUB 87,461 million (as of 31 December 2020: RUB 84,582 million).

19 Export duties

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Export duty on oil sales	43,070	46,791
Export duty on oil products sales	16,827	15,292
Total export duties	59,897	62,083

20 Operating expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Taxes, excluding income tax	424,198	214,222
Employee benefits	60,497	55,480
Sales and storage expenses	49,476	51,011
Depreciation, depletion and amortisation	40,103	41,709
Supplies	37,419	39,212
Production services	27,606	26,535
Utility and electricity expenses	13,573	12,497
Goods for resale	5,078	3,865
Loss allowances for expected credit losses	(273)	1,949
Losses from disposal of exploration and production properties	472	599
Changes in inventory and work in progress	(9,849)	(782)
Other expenses	4,899	4,379
Total operating expenses	653,199	450,676

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Taxes, excluding income tax, include:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Mineral extraction tax	315,200	191,722
Property tax	8,428	7,728
Excise	(13,496)	7,338
Tax on additional income from production of hydrocarbons	113,599	6,944
Other taxes	467	490
Total taxes, excluding income tax	424,198	214,222

Employee benefits include:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Salary and social charges	60,236	55,220
Contributions to post-employment benefit funds	261	260
Total employee benefits	60,497	55,480

21 Finance income and expenses

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest receivable	64,009	66,517
Interest income from discounting	1,736	1,943
Total finance income	65,745	68,460

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest payable	(1,301)	(6,492)
Interest expense from discounting	(4,800)	(4,154)
Interest expense on lease liabilities	(448)	(619)
Total finance expenses	(6,549)	(11,265)

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 2021	As of 31 December 2020
Australian Dollar	54.53	56.52
Danish Crown	11.59	12.18
US Dollar	72.37	73.88
Euro	86.20	90.68
Canadian Dollar	58.51	57.73
Chinese Yuan	11.21	11.31
Norwegian Krone	8.44	8.61
British Pound	100.20	100.04
Swedish Crown	8.48	9.03
Swiss Franc	78.59	83.51
Japanese Yen	0.65	0.71

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

Average exchange rates for the six months ended 30 June 2021 and 2020 equalled:

	Six months ended 30 June 2021	Six months ended 30 June 2020
Australian Dollar	57.28	45.57
Danish Crown	12.04	10.24
US Dollar	74.28	69.37
Euro	89.55	76.44
Canadian Dollar	59.53	50.83
Chinese Yuan	11.47	9.86
Norwegian Krone	8.79	7.11
British Pound	103.11	87.30
Swedish Crown	8.84	7.17
Swiss Franc	81.82	71.84
Japanese Yen	0.69	0.64

Exchange differences include:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Income from exchange differences	203,105	822,431
Expense from exchange differences	(284,614)	(407,515)
Total exchange differences	(81,509)	414,916

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 2020.

24 Net earnings per share

Basic earnings per share were calculated based on profit, 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.

	2021	2020
Weighted average number of shares for the six months ended 30 June, thousand	35,725,345	35,724,999
Net profit for the reporting period attributable to shareholders	153,010	438,760
Dividends on preference shares	-	-
Basic and diluted earnings per share, rubles	4.28	12.28

“Surgutneftegas” PJSC**Notes to the interim condensed consolidated financial statements (unaudited)***(in millions of Russian rubles, unless otherwise stated)***25 Dividends**

On 30 June 2021, the annual general shareholders' meeting of the Company declared dividends for the year ended 31 December 2020 in the amount of RUB 0.70 per one ordinary share and RUB 6.72 per one preference share.

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.

For the six months ended 30 June 2021 and 2020, the Company did not declare and did not pay dividends.

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 2021 (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	-	3,638,478	-
Financial assets measured at amortised cost	4,878	-	-
Financial assets measured at fair value through other comprehensive income	531	-	1,931
Total financial assets measured at fair value on a recurring basis	5,409	3,638,478	1,931
As of 31 December 2020	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	-	3,649,979	-
Financial assets measured at amortised cost	5,073	-	-
Financial assets measured at fair value through other comprehensive income	386	-	1,894
Total financial assets measured at fair value on a recurring basis	5,459	3,649,979	1,894

As of 30 June 2021 and 31 December 2020, 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.

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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 2021, 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 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 2021 (unaudited)		As of 31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
Deposits placed	3,638,478	3,768,195	3,649,979	3,792,040
Financial assets measured at amortised cost	4,878	4,885	5,073	5,105

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

As of 30 June 2021 (unaudited)	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Total
Cash and cash equivalents	-	350,896	350,896
Restricted cash	-	1,048	1,048
Deposits placed	-	3,638,478	3,638,478
Loans granted	-	43,190	43,190
Other financial assets	2,462	4,878	7,340
Receivables	-	122,459	122,459
Total financial assets	2,462	4,160,949	4,163,411

As of 31 December 2020	Financial assets measured at fair value through other comprehensive income	Financial assets measured at amortised cost	Total
Cash and cash equivalents	-	178,811	178,811
Restricted cash	-	823	823
Deposits placed	-	3,649,979	3,649,979
Loans granted	-	39,713	39,713
Other financial assets	2,280	5,073	7,353
Receivables	-	83,521	83,521
Total financial assets	2,280	3,957,920	3,960,200

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

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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.