

PJSC "RussNeft"

Interim Condensed Consolidated
Financial Statements (Unaudited)

*for the six months ended 30 June 2021
and report on review*

PJSC "RussNeft"

Interim Condensed Consolidated Financial Statements (Unaudited)

for the six months ended 30 June 2021

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Report on Review of the Interim Financial Information

To the Shareholders and the Board of Directors of
PJSC "RussNeft"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC "RussNeft" and its subsidiaries (hereinafter, "the Group"), which comprise the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2021, interim condensed consolidated statement of financial position as at 30 June 2021, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six months then ended, and selected explanatory notes (the "interim financial information"). Management of PJSC "RussNeft" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting* ("IAS 34"). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



Совершенство бизнеса,
улучшаем мир

Emphasis of matter

We draw attention to Note 2 to the interim condensed consolidated financial statements which indicates that as at 30 June 2021 the Group's short-term liabilities exceeded its current assets by RUB 36,828 million. According to Note 2 to the interim condensed consolidated financial statements, this condition, along with other disclosed circumstances indicate the existence of a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

K.I. Petrov
Partner
Ernst & Young LLC

25 August 2021

Details of the entity

Name: PJSC "RussNeff"
Record made in the State Register of Legal Entities on 17 September 2002; State Registration Number 1027717003467.
Address: Russia 115054, Moscow, Pyatnitskaya street, 69.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo."
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

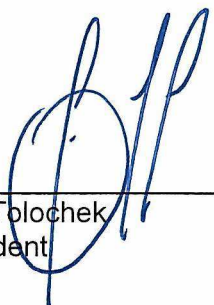
PJSC "RussNeft"

Interim Condensed Consolidated Statement of Profit or Loss and
Other Comprehensive Income (Unaudited)


for the six months ended 30 June 2021

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020
Revenue	9	123,880	60,134
Cost of sales	10	(90,653)	(52,937)
Gross profit		33,227	7,197
Exploration expenses		(174)	(710)
Selling expenses	11	(5,750)	(5,159)
General and administrative expenses	11	(1,937)	(2,260)
Other operating expenses, net	13	(3,124)	(18,931)
Operating profit/(loss)		22,242	(19,863)
Finance income	12	2,081	2,720
Finance expense	12	(5,067)	(4,250)
Foreign exchange differences, net		(2,192)	5,533
Profit/(Loss) before tax		17,064	(15,860)
Income tax (expense)/benefit	25	(4,160)	2,253
Profit/(Loss) for the period		12,904	(13,607)
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss			
Foreign currency translation gain/(loss)		335	(3,789)
Total comprehensive income/(loss), net of tax		13,239	(17,396)
Profit/(Loss) attributable to:			
Shareholders of the Parent		13,637	(13,223)
Non-controlling interests		(733)	(384)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent		14,182	(18,689)
Non-controlling interests		(943)	1,293
Basic and diluted earnings/(loss) per share (RUB)	21	32	(45)
Weighted average number of common shares (millions)		294	294



E.V. Tplochek
President



O.E. Prozorovskaya
Senior Vice President
for Economics and Finance

Authorized for issue on 25 August 2021

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

as at 30 June 2021

(in millions of Russian rubles)

	Notes	30 June 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	14	147,741	146,191
Right-of-use assets	15	637	689
Exploration and evaluation assets		1,329	1,329
Goodwill	16	11,796	11,812
Other long-term financial assets	17	77,314	78,093
Deferred tax assets		8,737	10,855
Other non-current assets	19	990	1,256
Total non-current assets		248,544	250,225
Current assets			
Inventories	18	7,472	5,741
Trade and other receivables	19	21,653	5,572
Other short-term financial assets	17	2,036	1,230
VAT receivable		751	569
Income tax receivable		35	56
Cash and cash equivalents	20	21,954	4,231
Prepayments and other current assets		4,160	7,671
Total current assets		58,061	25,070
Total assets		306,605	275,295
Equity and liabilities			
Equity attributable to shareholders of the Parent			
Share capital		196	196
Share premium		60,289	60,289
Forward to purchase treasury shares		(21,123)	(21,123)
Foreign currency translation reserve		(2,445)	(2,990)
Retained earnings		9,296	16
Total equity attributable to shareholders of the Parent		46,213	36,388
Non-controlling interests	7	11,701	12,615
Total equity		57,914	49,003
Long-term liabilities			
Long-term loans and borrowings	22	81,524	86,897
Decommissioning liability	23	15,651	14,301
Deferred tax liabilities		6,721	6,798
Long-term lease liabilities	15	388	272
Long-term financial and other liabilities	24	49,518	46,368
Total long-term liabilities		153,802	154,636
Short-term liabilities			
Short-term loans and borrowings	22	6,745	6,906
Trade and other payables and accrued liabilities	24	24,885	10,469
Taxes and levies payable (excluding income tax)	24	15,569	12,419
Short-term lease liabilities	15	344	550
Income tax payable		321	78
Advances received and other short-term liabilities	24	47,025	41,234
Total short-term liabilities		94,889	71,656
Total liabilities and equity		306,605	275,295

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2021

(in millions of Russian rubles)

Notes	Equity attributable to shareholders of the Parent						Non-controlling interests	Total equity
	Share capital	Share premium	Forward to purchase treasury shares	Foreign currency translation reserve	Retained earnings/ (Accumulated loss)	Total equity of PJSC "RussNeft"		
1 January 2020	196	60,289	(21,123)	1,084	21,672	62,118	14,451	76,569
Loss for the period	-	-	-	-	(13,223)	(13,223)	(384)	(13,607)
Foreign currency translation reserve	-	-	-	(5,466)	-	(5,466)	1,677	(3,789)
Total comprehensive (loss)/income for the period	-	-	-	(5,466)	(13,223)	(18,689)	1,293	(17,396)
Dividends	-	-	-	-	-	-	(3)	(3)
Dividends refund	-	-	-	-	-	-	1	1
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(68)	(68)	68	-
Changes in non-controlling interests in subsidiaries due to purchase of treasury shares by subsidiaries	-	-	-	-	1	1	(12)	(11)
Other transactions	-	-	-	-	9	9	(9)	-
30 June 2020	196	60,289	(21,123)	(4,382)	8,391	43,371	15,789	59,160
31 December 2020	196	60,289	(21,123)	(2,990)	16	36,388	12,615	49,003
Profit/(Loss) for the period	-	-	-	-	13,637	13,637	(733)	12,904
Foreign currency translation reserve	-	-	-	545	-	545	(210)	335
Total comprehensive income/(loss) for the period	-	-	-	545	13,637	14,182	(943)	13,239
Dividends	-	-	-	-	(4,330)	(4,330)	(2)	(4,332)
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(87)	(87)	87	-
Other transactions	-	-	-	-	60	60	(56)	4
30 June 2021	196	60,289	(21,123)	(2,445)	9,296	46,213	11,701	57,914

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

for the six months ended 30 June 2021

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2021	Six months ended 30 June 2020
Cash flows – operating activities			
Profit/(Loss) before tax		17,064	(15,860)
Profit/(Loss) before tax		17,064	(15,860)
Adjustments to reconcile profit/(loss) before tax to net cash flows			
Depreciation, depletion and amortization	10	8,146	7,582
Result from disposal of property, plant and equipment and right-of-use assets, net	13	118	642
(Reversal of impairment)/Impairment of financial investments	13	(155)	15,359
Derivative financial instruments at fair value	13	328	3,899
Financial guarantee	13	(20)	98
Impairment of property, plant and equipment	13	-	1
Impairment of goodwill	13	-	1,659
(Reversal)/Charge of benefit obligations, allowances for expected credit losses and other provisions	13	(673)	1,018
Change in fair value and exercise of options	13	2,468	(2,709)
Result from dissolution of subsidiaries	13	16	(1)
Finance income	12	(2,081)	(2,720)
Finance expense	12	5,067	4,250
Foreign exchange differences, net		2,192	(5,533)
Other adjustments		180	(46)
Net operating cash flows before working capital changes		32,650	7,639
Working capital adjustments			
(Increase)/Decrease in inventories		(1,730)	1,606
Increase in trade and other receivables and prepayments		(13,004)	(1,807)
Increase in trade and other payables and advances received		15,921	7,684
Decrease in other current assets		1	7
Interest paid		(746)	(725)
Interest received		43	-
Income tax paid		(1,870)	(798)
Net cash – operating activities		31,265	13,606
Cash flows – investing activities			
Purchase of property, plant and equipment and other non-current assets		(6,115)	(7,234)
Proceeds from disposal of property, plant and equipment		77	32
Loans issued		(1,798)	(760)
Proceeds from loans issued		904	420
Interest received		335	80
Net cash – investing activities		(6,597)	(7,462)
Cash flows – financing activities			
Acquisition of treasury shares by subsidiaries from non-controlling shareholders		-	(12)
Proceeds from loans and borrowings received		181	184
Repayment of loans and borrowings received	22	(3,932)	(625)
Repayment of lease liabilities	15	(268)	(241)
Interest paid	22	(2,465)	(2,761)
Exercise of options	27	-	(340)
Net cash – financing activities		(6,484)	(3,795)
Effect of foreign exchange rate changes on balances of cash and cash equivalents		(461)	703
Change in cash and cash equivalents		17,723	3,052
Cash and cash equivalents at the beginning of the period		4,231	2,929
Cash and cash equivalents at the end of the period		21,954	5,981

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

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the six months ended 30 June 2021

(in millions of Russian rubles)

1. Corporate information

The interim condensed consolidated financial statements of Public Joint Stock Company "RussNeft" (the "Parent", or the "Company") and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2021 were authorized for issue in accordance with a resolution of management on 25 August 2021.

The Group comprises joint stock companies and limited liability companies as defined in the Civil Code of the Russian Federation. In addition, the Group includes limited liability companies registered in the Azerbaijani Republic, the United Kingdom of Great Britain and Northern Ireland, the Republic of Cyprus, the Islamic Republic of Mauritania, the British Virgin Islands and the Cayman Islands.

The principal activities of the Group are prospecting, exploration, development, production and marketing of oil, gas and oil products. Principal subsidiaries included in the interim condensed consolidated financial statements and respective ownership interests of the Company as at 30 June 2021 and 31 December 2020 are presented in Note 6.

The Parent was incorporated on 17 September 2002. In November 2016, the Parent made a public placement of common shares on the Moscow Exchange.

The average number of employees of the Group's companies as at 30 June 2021 was 7,404 people (30 June 2020: 8,703 people, 31 December 2020: 8,594 people).

The Parent is located at 69 Pyatnitskaya street, Moscow, Russian Federation, tel.: +7 (495) 411-63-09, e-mail: russneft@russneft.ru, www.russneft.ru.

2. Basis of preparation

Statement of compliance with IFRS

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for 2020 prepared in accordance with International Financial Reporting Standards ("IFRS"). Any differences between comparative amounts and amounts recorded in the interim condensed consolidated financial statements for the six months ended 30 June 2021 represent only the result of reclassification for comparative purposes.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Basis of accounting

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. The Group omitted disclosures which would duplicate the information contained in its 2020 audited consolidated financial statements, such as accounting policies, significant estimates and judgments, financial risk disclosures and other disclosures that have not been changed significantly in the amount or composition. Management believes that these interim condensed consolidated financial statements reflect all adjustments required to present fairly the Group's financial position, performance results, and statements of changes in equity and cash flows for the interim reporting periods. The principal adjustments relate to the consolidation of subsidiaries, goodwill recognition and its impairment assessment, accounting for jointly controlled operations and investments in associates, expense and revenue recognition, allowances for unrecoverable assets, depreciation and valuation of property, plant and equipment, use of fair values, impairment of assets, foreign currency translation, financial instruments, deferred taxes, right-of-use assets, decommissioning liability and land restoration liability.

The Group's interim condensed consolidated financial statements are presented in millions of Russian rubles ("RUB million"), unless otherwise indicated.

Functional currency and foreign currency translation

The financial statements of each of the Group's companies are measured using the currency of the primary economic environment in which the company operates (the "functional currency"). The functional currency of the Group's subsidiaries operating in Russia, the Parent and foreign subsidiaries of the Group incorporated due to the extension of the Parent's operations is the Russian ruble. The functional currency of other foreign subsidiaries is the US dollar.

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate set by the Central Bank of Russia (the "CBR") at the reporting date. All resulting exchange differences are included in the interim condensed consolidated statement of profit or loss and other comprehensive income. Non-monetary assets and liabilities that are measured at historical cost and denominated in a foreign currency are translated into the functional currency using the rates of exchange as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

As at the reporting date, assets and liabilities (including related goodwill) of non-RUB functional currency subsidiaries, joint ventures and associates are translated in these interim condensed consolidated financial statements into the presentation currency of the Group using the rate of exchange effective at the reporting date. The performance results and cash flows of non-RUB functional currency subsidiaries, joint ventures and associates are translated into Russian rubles using the average rates of exchange for the reporting period; in case of significant exchange rate fluctuations, certain significant transactions are translated at the exchange rate ruling at the date of the transaction. The exchange differences arising on such translation are recorded as a separate equity component. On disposal of a company whose functional currency is different from the presentation currency, the cumulative amount of the foreign currency translation reserve recorded within equity and related to that particular company is recognized in the interim condensed consolidated statement of profit or loss and other comprehensive income.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Functional currency and foreign currency translation (continued)

As at 30 June 2021 and 31 December 2020, the exchange rates used for the translation of USD-denominated transactions and balances were equal to the official CBR exchange rate of RUB 72.3723 and RUB 73.8757 per one US dollar, respectively. As at 25 August 2021, the official CBR exchange rate was RUB 73.9465 per one US dollar.

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the sale of assets and the settlement of any liabilities (including contractual) in the normal course of business. This statement was made based on the assessment of Group's ability to continue as a going concern for at least twelve months after the end of the reporting period.

As at 30 June 2021, the Group's short-term liabilities exceeded its current assets by RUB 36,828 million (31 December 2020: RUB 46,586 million). This circumstance, along with possible negative influence of oil price and demand volatility, may affect the Group's ability to discharge its liabilities and cause a significant uncertainty, which may cast significant doubt in the Group's ability to continue as a going concern.

At the same time, during the six months ended 30 June 2021, the Group decreased the excess of short-term liabilities over current assets by RUB 9,758 million; key performance indicators demonstrate a significant growth. The Group's management continues to regular analyze liquidity risk based on the analysis of cash flows from operating activities, existing arrangements with major lenders and an opportunity to receive advances from major customers, thus taking into account current situation on the energy and financial markets and treating relative stabilization of hydrocarbon prices at the end of 2020 and during the six months ended 30 June 2021 as a key factor for implementing capital expenditures program planned by the Group for 2021.

The Group's management examines different budget scenarios in various price ranges to evaluate business risks and takes certain measures to mitigate the liquidity risk, namely:

- ▶ Revising the capital investment program (if necessary);
- ▶ Raising long-term advances to cover cash shortages;
- ▶ Negotiating with the major creditor to restructure the debt.

The above measures of the Group's management are aimed at ensuring the Group's ability to continue as a concern going.

3. Changes in accounting policies

The accounting principles adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards and interpretations effective as at 1 January 2021 or after that date. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the standards listed below effective for the annual periods beginning from 1 January 2021 or after that date had no material impact on the interim condensed consolidated financial statements of the Group:

- ▶ *Interest Rate Benchmark Reform – Phase 2* Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

3. Changes in accounting policies (continued)

The amendments provide temporary exemptions that remove consequences for the financial statements of replacing the interbank offered rate (IBOR) with the alternative nearly risk-free interest rate (RFR). Currently, the Group examines changes in mechanisms of calculating interest rates to replace existing LIBOR rates for the certain financial instruments of the Group.

4. New standards and interpretations issued but not yet effective

The complete list of new standards, amendments to and interpretations of the existing standards that become effective after the annual reporting period ended 31 December 2020 is provided in the Group's consolidated financial statements for 2020. The Group intends to adopt these standards and interpretations when they become effective.

5. Segment information

Operations of the Group are represented by the exploration, production and related service segment comprising the Parent, production subsidiaries and subsidiaries providing operator and other services, including property lease services relating to oil and gas exploration, development, production and transportation. Operating results of other subsidiaries are generally insignificant and management of the Group does not use them for the purpose of taking financial and operational decisions.

Revenue from external customers broken down by key products, services and geographical segments as well as information about major customers are disclosed in Note 9 *Revenue*. Geographical distribution of the Group's non-current assets, except for financial instruments, deferred tax assets and other assets, is disclosed in Note 14 *Property, plant and equipment*.

6. Subsidiaries of the Group

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2021	31 December 2020
Russneft (UK) Limited	Marketing of crude oil and petroleum products	United Kingdom	100%	100%
Russneft Cyprus Limited ¹	Other	Republic of Cyprus	20%	20%
Russneft (BVI) Limited ¹	Other	BVI	20%	20%
Edmarnton Limited ¹	Other	BVI	20%	20%
International Petroleum Grouping S.A. ¹	Evaluation and exploration of oil and gas	Islamic Republic of Mauritania	11%	11%
LLC Alatau-6 (merger into LLC Belye Nochi)	Evaluation and exploration of oil and gas	Russian Federation	–	100%
LLC Torgovy Dom Russneft	Other	Russian Federation	100%	100%
LLC M-Trade	Other	Russian Federation	100%	100%
JSC Belkam-Trade	Other	Russian Federation	100%	100%
LLC Rustrade	Other	Russian Federation	100%	100%
PJSC Saratovneftegaz	Services relating to oil and gas production	Russian Federation	96%	96%
JSC Saratov-Burenie	Property management and leasing	Russian Federation	96%	96%
LLC Neftebytservis	Other	Russian Federation	96%	96%
JSC Geofizservis	Other	Russian Federation	97%	97%
LLC Saratovenergoneft	Other	Russian Federation	96%	96%

¹ Companies in which the Group holds interest directly and/or indirectly through its subsidiary, via Russneft Cyprus Limited. The Parent holds 100% voting shares in Russneft Cyprus Limited.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

6. Subsidiaries of the Group (continued)

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2021	31 December 2020
LLC Zavolzhskoe UTT	Transportation services	Russian Federation	96%	96%
LLC RedOil	Property management and leasing	Russian Federation	96%	96%
PI DOC Rovesnik	Other	Russian Federation	96%	96%
JSC ANGG ²	Property management and leasing	Russian Federation	98%	98%
OJSC Ulyanovskneft ³	Property management and leasing	Russian Federation	100%	100%
LLC KOLOS	Other	Russian Federation	100%	100%
JSC Mohtikneft	Property management and leasing	Russian Federation	100%	100%
PJSC Varyeganneft	Extraction and marketing of crude oil and gas	Russian Federation	95%	95%
LLC Valyuninskoe	Property management and leasing	Russian Federation	95%	95%
LLC Novo-Aganskoe	Property management and leasing	Russian Federation	95%	95%
LLC UAiENP (dissolution)	Other	Russian Federation	–	95%
LLC URONO (dissolution)	Other	Russian Federation	–	95%
LLC PBU (dissolution)	Other	Russian Federation	–	95%
ST JSC Goloil	Property management and leasing	Russian Federation	100%	100%
LLC Beye Nochi	Property management and leasing	Russian Federation	100%	100%
OJSC NAK Aki-Otyr	Property management and leasing	Russian Federation	100%	100%
JSC Nazymyskaya NGRE	Property management and leasing	Russian Federation	100%	100%
JSC KhMNK	Property management and leasing	Russian Federation	100%	100%
JSC Chernogorskoe	Property management and leasing	Russian Federation	100%	100%
LLC Tomskaya Neft	Services relating to oil production	Russian Federation	100%	100%
LLC NK Russneft-Bryansk	Transportation services	Russian Federation	51%	51%
Global Energy Cyprus Limited ¹	Other	Republic of Cyprus	20%	20%
GEA Holdings Limited ¹	Other	BVI	20%	20%
Kura Valley Holding Company ¹	Other	Cayman Islands	20%	20%
Karasu Petroleum Company ¹	Other	Cayman Islands	20%	20%
Karasu Development Company ^{1,4}	Extraction and marketing of crude oil under PSA	Cayman Islands	20%	20%

At the annual shareholders meetings, PJSC Varyeganneft and PJSC Saratovneftegaz decided to pay dividends to preference shareholders for 2020 within the time frame established by regulation, and these shares ceased to be voting at the reporting date. The dividends accrued on preference shares to non-controlling shareholders are recognized in the interim condensed consolidated statement of changes in equity.

² In accordance with the Charter registered on 28 June 2021, OJSC MPK Aganneftegazgeologiya changed its name to Joint Stock Company Aganneftegazgeologiya (JSC ANGG).

³ Since 8 July 2021, the legal form was changed to JSC Ulyanovskneft.

⁴ Jointly with Karasu Operating Company recognized in these interim condensed consolidated financial statements as joint operations under a production sharing agreement.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

7. Non-controlling interests

Non-controlling interests include:

	30 June 2021		Six months ended 30 June 2021		31 December 2020		Six months ended 30 June 2020	
	Non-controlling interest in share capital %	Non-controlling interest in net assets RUB million	Non-controlling interest in (loss)/profit RUB million	Non-controlling interest in share capital %	Non-controlling interest in net assets RUB million	Non-controlling interest in (loss) RUB million		
Russneft Cyprus Limited and its subsidiaries and joint ventures	80, 89%	10,292	(769)	80, 89%	11,184	(288)		
PJSC Varyeganneft and its subsidiaries	5%	1,495	82	5%	1,470	(62)		
PJSC Saratovneftegaz and its subsidiaries	4%	680	1	4%	679	(7)		
Other	0.4-49%	(766)	(47)	0.4-49%	(718)	(27)		
Non-controlling interests at the end of the period		11,701	(733)		12,615	(384)		

As at reporting date, non-controlling voting interests in PJSC Varyeganneft, JSC ANGG, PJSC Saratovneftegaz and OJSC Ulyanovskneft comprise 1.47%, 2.19%, 0.81% and 0.40%, respectively. The voting interest of PJSC "RussNeft" in Russneft Cyprus Limited is 100%.

8. Investments in associates and joint ventures

GEA Holdings Limited Group

The Group recognizes its participation in the production sharing agreements (the "PSA") in the interim condensed consolidated financial statements as joint operations involving subsidiaries and joint ventures of GEA Holdings Limited group ("GEA group"). GEA Holdings Limited through its subsidiaries and joint ventures participates in oil exploration and extraction projects in the Republic of Azerbaijan under the scheme of PSA with the State Oil Company of the Azerbaijani Republic (SOCAR) and SOCAR Oil Affiliate (SOA). Where the control is acquired or exercised jointly control, the companies within GEA group in these interim condensed consolidated financial statements are accounted for as subsidiaries of the Group (Note 6) or under the equity method or as joint operations.

Summarized financial information of the joint ventures of the GEA group and carrying amounts of investments in joint ventures accounted for under the equity method are provided below:

The statement of financial position as at 30 June 2021 and 31 December 2020:

	30 June 2021	31 December 2020
	RUB million	RUB million
Non-current assets	45,643	46,644
Current assets	3,865	2,293
<i>including cash and cash equivalents</i>	65	34
Long-term liabilities	(71,488)	(72,441)
<i>including long-term financial liabilities</i>	(69,793)	(70,615)
Short-term liabilities	(3,585)	(3,139)
<i>including short-term financial liabilities</i>	(32)	(86)
Total equity	(25,565)	(26,643)

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

8. Investments in associates and joint ventures (continued)

The statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 and 30 June 2020:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Revenue	4,672	1,768
Cost of sales	(2,887)	(2,539)
<i>including depreciation, depletion and amortization</i>	(1,208)	(1,137)
Other operating (expenses)/income, net ⁵	(87)	(366)
Operating profit/(loss)	1,698	(1,137)
Finance income	-	-
Finance expense	(1,055)	(1,142)
Profit/(Loss) before tax	643	(2,279)
Income tax expense	(93)	(152)
Profit/(Loss) for the period	550	(2,431)
Group's share in profit/(loss) for the period	275	(1,216)
Unrecognized share in profit/(loss) for the period	(275)	1,216
Share in profit/(loss) of associates and joint ventures	-	-
	30 June 2021	31 December 2020
	RUB million	RUB million
Total unrecognized share in loss at the beginning of the period	(13,321)	(8,795)
Unrecognized share in profit/(loss) for the period	275	(2,760)
<i>including in other movements in equity</i>	-	(260)
Foreign currency translation reserve for the period	263	(1,766)
Total unrecognized share in loss at the end of the period	(12,783)	(13,321)

As at 30 June 2021 and 31 December 2020, the carrying amount of investments in associates and joint ventures equaled to zero.

9. Revenue

Revenue from external customers broken down by geographical segments is presented based on the location of customers.

The Group operates in three principal geographical areas: Europe and other export, the Commonwealth of Independent States (the "CIS") and the Russian Federation (Russia). The Group's non-current assets are located primarily in the Russian Federation except for those disclosed in Note 8.

⁵ Exploration expenses, selling expenses, general and administrative expenses and other operating expenses/income, net are recorded in aggregate.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

9. Revenue (continued)

The information on revenue is presented in the table below:

	Europe and other export		CIS (other than Russia)		Russia		Total	
	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Revenue from external customers								
Crude oil sales	52,076	14,581	3,452	8,930	66,755	34,882	122,283	58,393
Petroleum product sales	-	-	-	-	120	89	120	89
Gas sales	-	-	-	-	1,243	1,355	1,243	1,355
Other sales	-	-	-	-	234	297	234	297
Total revenue	52,076	14,581	3,452	8,930	68,352	36,623	123,880	60,134

Revenue includes revenue from customers for the reporting period (whereby the revenue from each customer exceeds 10% of the total revenue in the respective reporting period), net of export duty.

	Geographical location	Six months ended 30 June 2021	Six months ended 30 June 2020
		RUB million	RUB million
Major customer 1	Crude oil sales Russian Federation	36,359	7,134
Major customer 2	Crude oil sales Europe and other export	18,706	3,172
Major customer 3	Crude oil sales Europe and other export	15,334	7,536
Major customer 4	Crude oil sales Russian Federation	4,505	6,105
Major customer 5	Crude oil sales CIS	3,452	8,930
Total revenue from sales to major customers		78,356	32,877

10. Cost of sales

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Mineral extraction tax	41,186	21,196
Cost of crude oil and petroleum products sold	28,242	11,650
Depreciation, depletion and amortization	7,882	7,379
Payroll and related taxes	3,677	3,808
Utilities	2,537	2,751
Additional income tax	1,984	17
Production services	1,077	1,541
Raw materials and supplies used in production	724	842
Transportation expenses	567	637
Equipment repair, operation and maintenance	398	773
Depreciation of right-of-use assets	264	203
Processing fees	61	9
Other expenses	2,054	2,131
Total cost of sales	90,653	52,937

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

11. Selling, general and administrative expenses

Selling expenses comprise:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Pipeline tariffs and transportation expenses	5,639	5,140
Other selling expenses	111	19
Total selling expenses	5,750	5,159

General and administrative expenses comprise the following:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Payroll and related taxes	1,176	985
Allowance for expected credit losses	194	749
Entertainment and business travel	132	52
Consulting services	114	72
Software	80	119
Taxes other than income tax, including fines and penalties	78	34
Bank services	36	37
Repair and maintenance	20	30
Utilities	9	30
Environmental activities	9	2
Other expenses	89	150
Total general and administrative expenses	1,937	2,260

12. Finance income and expense

Finance income comprises the following:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Interest income on loans	2,017	1,849
Interest income for early payments	57	41
Other finance income	7	830
Total finance income	2,081	2,720

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

12. Finance income and expense (continued)

Finance expense comprises the following:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Interest expense on loans and borrowings	2,581	2,684
Interest expense for early payments	1,093	981
Accretion expense (Note 23)	483	522
Interest expense on lease liabilities	34	50
Other finance expense	876	13
Total finance expense	5,067	4,250

13. Other operating income and expenses

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Change in fair value – options (Note 27)	2,468	(2,619)
Change in fair value – swaps (Note 27)	328	3,899
Charity and other gratuitous expenses	310	69
Fines and penalties for contractual breaches, net	116	52
Result from disposal of property, plant and equipment and right-of-use assets, net	118	642
Other expenses	49	86
Result from dissolution of subsidiaries	16	(1)
Financial guarantee	(20)	98
(Reversal of impairment) / Impairment of financial investments	(155)	15,359
Impairment of goodwill	-	1,659
Exercise of options (Note 27)	-	(90)
Other income	(106)	(223)
Total other operating expenses, net	3,124	18,931

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

14. Property, plant and equipment

	Oil and gas properties	Other property, plant and equipment	Construction in progress	Total
	RUB million	RUB million	RUB million	RUB million
1 January 2020				
Cost	260,630	3,129	–	263,759
Accumulated depreciation and impairment	(110,171)	(2,657)	–	(112,828)
Net book value as at 1 January 2020	150,459	472	–	150,931
Additions	13,236	66	8	13,310
Decommissioning liability	(2,633)	–	–	(2,633)
Transfer from construction in progress	–	8	(8)	–
Depreciation	(14,262)	(27)	–	(14,289)
Impairment	(3,328)	(3)	–	(3,331)
Reversal of impairment	269	–	–	269
Disposals, net	(672)	(2)	–	(674)
Foreign currency translation, net	2,608	–	–	2,608
31 December 2020				
Cost	272,937	3,189	–	276,126
Accumulated depreciation and impairment	(127,260)	(2,675)	–	(129,935)
Net book value as at 31 December 2020	145,677	514	–	146,191
Additions	10,013	–	–	10,013
Decommissioning liability	875	–	–	875
Depreciation	(7,875)	(7)	–	(7,882)
Disposals, net	(1,139)	–	–	(1,139)
Foreign currency translation, net	(317)	–	–	(317)
30 June 2021				
Cost	281,649	3,082	–	284,731
Accumulated depreciation and impairment	(134,415)	(2,575)	–	(136,990)
Net book value as at 30 June 2021	147,234	507	–	147,741

The Group's non-current assets are located primarily in the Russian Federation, except for assets located in the Azerbaijani Republic in accordance with the Group's participation in PSA (Note 8).

In 2020, the Company signed an agreement for the pledge of immovable properties for the total amount of monetary liabilities of RUB 8,170 million with Russian FTS Interregional Inspectorate for Major Taxpayers No. 2. The total value of the pledged property was RUB 12,252 million. At the same time, PJSC Varyeganneft signed a similar agreement for the pledge of immovable properties for the total amount of liabilities of RUB 1,002 million with a total collateral value of RUB 1,632 million. Both agreements were signed as part of the decision to grant an MET payment installment plan to PJSC "RussNeft" and PJSC Varyeganneft. In July 2021, PJSC "RussNeft" and PJSC Varyeganneft fully discharged their obligations to pay the MET, penalties and interest in accordance with decisions about the deferrals; however, as at the reporting date, the pledge of immovable property remains (Note 29).

Impairment losses

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. No impairment indicators were identified in the reporting period. As at 30 June 2021 and 31 December 2020, the allowance amounts to RUB 7,824 million and RUB 7,936 million, respectively.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15. Right-of-use assets and lease liabilities

Right-of-use assets

	Oil and gas right-of-use assets	Other right-of-use assets	Total right-of-use assets
	RUB million	RUB million	RUB million
1 January 2020			
Cost	370	1,359	1,729
Accumulated depreciation and impairment	(94)	(394)	(488)
Net book value as at 1 January 2020	276	965	1,241
Additions	91	-	91
Depreciation	(63)	(140)	(203)
Modification and revaluation	(9)	(18)	(27)
Foreign currency translation, net	-	4	4
Disposals, net	(33)	-	(33)
30 June 2020			
Cost	417	1,346	1,763
Accumulated depreciation and impairment	(155)	(535)	(690)
Net book value as at 30 June 2020	262	811	1,073
1 January 2021			
Cost	398	1,333	1,731
Accumulated depreciation and impairment	(257)	(785)	(1,042)
Net book value as at 1 January 2021	141	548	689
Additions	245	-	245
Depreciation	(62)	(202)	(264)
Modification and revaluation	1	10	11
Disposals, net	(44)	-	(44)
30 June 2021			
Cost	356	1,343	1,699
Accumulated depreciation and impairment	(75)	(987)	(1,062)
Net book value as at 30 June 2021	281	356	637

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

15. Right-of-use assets and lease liabilities (continued)

Right-of-use assets (continued)

Lease liabilities	30 June 2021	31 December 2020
	RUB million	RUB million
At the beginning of the period	822	1,278
<i>including short-term lease liabilities</i>	550	406
Recognition of lease liabilities	245	102
Disposals	(110)	(70)
Modification and revaluation	9	(17)
Interest on lease liability	34	93
Payments on lease liability	(268)	(571)
Foreign currency translation, net	-	7
At the end of the period	732	822
<i>including short-term lease liabilities</i>	344	550

16. Goodwill

	RUB million
1 January 2020	13,468
Impairment	(1,659)
Foreign currency translation	3
31 December 2020	11,812
Disposal of subsidiaries	(16)
30 June 2021	11,796

The carrying amount of goodwill is allocated to each of the Group's cash-generating units (CGU) as follows:

Segment ⁶	30 June 2021	31 December 2020
	RUB million	RUB million
PJSC Saratovneftegaz	9,024	9,024
JSC ANGG	1,459	1,459
PJSC Varyeganneft	598	614
OJSC Ulyanovskneft	228	228
OJSC NAK Aki-Otyr	95	95
Other	392	392
	11,796	11,812

⁶ The segment is defined in Note 5.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

17. Other long-term and short-term financial assets

	Currency	30 June 2021	31 December 2020
		RUB million	RUB million
Long-term loans issued to related parties	USD	83,045	83,995
Long-term loans issued to related parties	EUR	18,106	18,568
Long-term loans issued to related parties	RUB	2,263	1,839
Long-term loans issued to other companies	RUB	2,675	2,348
Allowances for expected credit losses on long-term loans issued		(28,775)	(28,657)
		77,314	78,093
Short-term loans issued to related parties	USD	1,244	1,231
Short-term loans issued to other companies	RUB	-	284
Short-term loans issued to related parties	EUR	792	-
Allowances for expected credit losses on short-term loans issued		-	(285)
		2,036	1,230

Loans issued and repaid are recorded within investing activities in the interim condensed consolidated statement of cash flows and within other long-term and short-term financial assets in the interim condensed consolidated statement of financial position. The loans issued are recognized in these interim condensed consolidated financial statements at amortized cost. The Group assesses loans issued using IFRS 9, including the expected credit loss model.

The Parent records loans issued to related parties of GEA group companies under the equity method as long-term financial assets in these interim condensed consolidated financial statements (Note 8). As at 30 June 2021 and 31 December 2020, the loans receivable (including accumulated interest and allowance for expected credit losses) are USD 600 million and USD 593 million (RUB 43,436 million and RUB 43,800 million at the exchange rate as at the respective reporting dates), respectively.

18. Inventories

	30 June 2021	31 December 2020
	RUB million	RUB million
Crude oil	4,282	2,848
Raw materials and components	3,513	3,204
Petroleum products	82	106
Allowance for inventory obsolescence	(405)	(417)
Total inventories	7,472	5,741

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

19. Other non-current assets, trade and other receivables

	30 June 2021	31 December 2020
	RUB million	RUB million
Other long-term receivables	1,311	191
Allowance for expected credit losses	(1,255)	(3)
Long-term prepayments	762	755
Allowance for prepayments	(226)	(151)
Other non-current assets	398	464
Total other non-current assets	990	1,256

	30 June 2021	31 December 2020
	RUB million	RUB million
Trade receivables	21,361	5,261
Other receivables	815	2,137
Allowance for expected credit losses	(523)	(1,826)
Total trade and other receivables	21,653	5,572

	30 June 2021	31 December 2020
	RUB million	RUB million
Prepayments	4,566	7,940
Other current assets	4	4
Allowance for prepayments	(410)	(273)
Total prepayments and other current assets	4,160	7,671

Analysis of movements in allowance for expected credit losses on other long-term receivables, trade and other receivables and allowance for prepayments is as follows:

	30 June 2021	31 December 2020
	RUB million	RUB million
At the beginning of the period	(2,253)	(1,036)
Charge	(194)	(1,191)
Allowance used	2	15
Foreign currency translation	31	(41)
At the end of the period	(2,414)	(2,253)

20. Cash and cash equivalents

	30 June 2021	31 December 2020
	RUB million	RUB million
Foreign currency-denominated cash at bank and on hand	18,707	3,551
RUB-denominated cash at bank and on hand	3,144	678
Deposits and other cash equivalents	103	2
Total cash and cash equivalents	21,954	4,231

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

21. Share capital

	30 June 2021	30 June 2021	31 December 2020	31 December 2020
	thousands of shares	RUB million	thousands of shares	RUB million
Common shares (issued and paid) with a nominal value of RUB 0.5 each	294,120	147	294,120	147
Non-cumulative preference shares with a nominal value of RUB 0.5 each	98,032	49	98,032	49
Total share capital	392,152	196	392,152	196

Interests in the share capital of the Parent as at the reporting date are represented by shareholders owning at least 5 percent of share capital or at least 5 percent of common shares:

Name	Percentage of share capital, %	Percentage of common shares, %
RAMBERO HOLDING AG	23.46	31.28
PJSC TRUST Bank	19.23	3.61
BRADINAR HOLDINGS LIMITED	12.05	16.07
PJSC VTB Bank	8.48	-
CJSC Mlada	7.70	10.27
WERIDGE INVESTMENTS LIMITED	7.21	9.61
OJSC IC Nadezhnost	4.95	6.60
Other shareholders, holding each less than 5%	16.92	22.56

The 2020 year-end annual general shareholders meeting of the Company held in June 2021 made a decision to allocate USD 60 million (RUB 4,330 million at the exchange rate established by the CBR at the date of payment), or USD 0.6120450465 per one preference share of the Company, to pay dividends to preference shareholders of PJSC "RussNeft" (Note 29). No dividends were declared or paid on the Parent's common shares.

Pursuant to the Russian legislation, basis for the dividend distribution is net profit calculated in accordance with the Russian Accounting Standards ("RAS").

Earnings per share

The average weighted number of the Company's outstanding common shares did not change in the reporting period. The Group did not place securities, which may have a potential diluting effect, therefore basic and diluted earnings per share are the same.

		Six months ended 30 June 2021	Six months ended 30 June 2020
Profit/(Loss) attributable to shareholders of the Parent	RUB million	13,637	(13,223)
Dividends on non-cumulative preference shares	RUB million	(4,330)	-
Profit/(Loss) attributable to shareholders of the Parent, as adjusted	RUB million	9,307	(13,223)
Weighted average number of common shares outstanding	million	294	294
Effect of dilution		-	-
Basic and diluted earnings/(loss) per share	RUB per share	32	(45)

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

22. Loans and borrowings

	Currency	Weighted average interest rate by type of liability as at 30 June 2021 %	30 June 2021 RUB million
Long-term loans and borrowings			
Bank loans	USD	5.65%	74,929
Loans and bank loans received	USD	6.29%	6,595
Total long-term loans and borrowings			81,524
Short-term loans and borrowings			
Bank loans	USD	5.65%	6,698
Loans received	RUB	6.53%	47
Total short-term loans and borrowings			6,745

	Currency	Weighted average interest rate by type of liability as at 31 December 2020 %	31 December 2020 RUB million
Long-term loans and borrowings			
Bank loans	USD	5.74%	79,854
Loans and bank loans received	USD	6.63%	7,043
Total long-term loans and borrowings			86,897
Short-term loans and borrowings			
Bank loans	USD	5.74%	6,859
Loans received	RUB	6.53%	47
Total short-term loans and borrowings			6,906

The Company's major lender is CQUR Bank LLC (Qatar), terms of the loan agreement are as follows: the interest rate is 3M LIBOR + margin 5.5% p.a., with stage-by-stage repayment of principal maturing in March 2026.

The Company repays accrued interest on a quarterly basis, in accordance with the schedule and the interest rate set for the date of payment. In the reporting period, the Company paid the total interest under this loan agreement in the amount of RUB 2,413 million at the exchange rate as at the date of payment (USD 32.8 million). In the reporting period, principal payments under this loan agreement amounted to RUB 3,359 million at the exchange rate as at the day of payment (USD 45.6 million).

Outstanding principal payable to CQUR Bank LLC amounts to RUB 81,529 million or USD 1,126 million at the exchange rate as at the reporting date, including a short-term portion payable in the amount of USD 91 million or RUB 6,600 million. Current interest payable amounts to RUB 98.3 million or USD 1.4 million at the exchange rate as at the reporting date.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

22. Loans and borrowings (continued)

The loan from CQUR Bank LLC is secured by pledge of the common shares of the Parent and the equity interests that the Parent holds in certain subsidiaries. At the same time, certain subsidiaries of the Group and other related parties are joint guarantors to the creditor with regard to the Parent's liabilities.

The loan agreement contains a number of financial and operational covenants that the Company shall comply with during the term of the agreement. Non-fulfillment of some of the agreed covenants makes the creditor entitled to claim early repayment of principal amount and accrued interest, including interest penalties.

23. Decommissioning liability

	30 June 2021		31 December 2020	
	Decommissioning liability	Land restoration liability	Decommissioning liability	Land restoration liability
	RUB million	RUB million	RUB million	RUB million
At the beginning of the period	10,807	3,494	12,069	3,762
Acquisitions	48	37	110	231
Disposals	(83)	(80)	(59)	(120)
Change in estimate	857	96	(2,168)	(627)
Accretion expense	362	121	798	248
Foreign currency translation	(8)	-	57	-
At the end of the period	11,983	3,668	10,807	3,494

The Group makes provision for the future cost of decommissioning oil production facilities and restoring disturbed land on a discounted basis as the facilities are put into operation or sites are damaged. The Group estimated the provision subject to existing oil extraction technologies and current estimates of decommissioning costs (adjusted for inflation projections) and discounted the provision at the rate of 7.30% (2020: 6.96%).

24. Long-term financial and other liabilities, trade and other payables and accrued liabilities, advances received and other short-term liabilities

Long-term financial and other liabilities	30 June 2021	31 December 2020
	RUB million	RUB million
Derivative financial instruments (Note 27)	26,836	25,146
Long-term advances received	21,176	19,569
Long-term trade payables	676	791
Finance guarantee (Note 28)	237	257
Other long-term payables and accrued liabilities	593	605
Total long-term financial and other liabilities	49,518	46,368
	30 June 2021	31 December 2020
Trade and other payables and accrued liabilities	RUB million	RUB million
Trade payables	19,493	6,431
Other short-term payables and accrued liabilities	2,887	2,733
Derivative financial instruments (Note 27)	2,505	1,305
Total trade and other payables and accrued liabilities	24,885	10,469

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

24. Long-term financial and other liabilities, trade and other payables and accrued liabilities, advances received and other short-term liabilities (continued)

Taxes and levies payable (excluding income tax)	30 June 2021	31 December 2020
	RUB million	RUB million
Mineral extraction tax	8,496	9,591
Value added tax	5,433	2,157
Additional income tax	1,047	1
Property tax	380	338
Other taxes and levies (excluding income tax)	213	332
Total taxes and levies payable (excluding income tax)	15,569	12,419

Advances received and other short-term liabilities	30 June 2021	31 December 2020
	RUB million	RUB million
Advances received	40,179	39,060
Other short-term liabilities	6,846	2,174
Total advances received and other short-term liabilities	47,025	41,234

25. Income tax

The major components of income tax benefit and income tax expense are:

	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Current income tax		
Current income tax expense	2,122	488
Income tax relating to previous years	(3)	1
Deferred income tax,		
Relating to origination and reversal of temporary differences	2,045	(2,738)
Change in deferred income tax relating to previous periods	(4)	(4)
Income tax expense/(benefit) reported in the interim condensed consolidated statement of profit or loss and other comprehensive income	4,160	(2,253)

26. Transactions with related parties

The Group's transactions with its subsidiaries that are also related parties are excluded from the interim condensed consolidated financial statements and are not disclosed in this note. Transactions with joint ventures before consolidation adjustments are fully disclosed herein.

The nature of the related party relations for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2021 and 30 June 2020 or had significant balances outstanding as at 30 June 2021 and 31 December 2020 is detailed below.

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Notes to the Interim Condensed Consolidated Financial Statements (continued)

26. Transactions with related parties (continued)

Transactions with related parties for the six months ended 30 June 2021 and 30 June 2020:

Six months ended 30 June 2021	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	-	-	-	332
Associates and joint ventures	-	215	13	1,036	-
Other related parties	36,864	43	22,084	1,007	15
Total	36,864	258	22,097	2,043	347

Six months ended 30 June 2020	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	-	-	-	460
Associates and joint ventures	-	14,585	47	1,123	-
Other related parties	11,621	406	4,162	344	43
Total	11,621	14,991	4,209	1,467	503

As at 30 June 2021 and 31 December 2020, amounts due to and due from related parties are as follows:

30 June 2021	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	-	19,497	-	21,541	-
Associates and joint ventures	133	50,745	42	1,219	-	-
Other related parties	7,935	28,605	9,704	-	59	49,153
Total	8,068	79,350	29,243	1,219	21,600	49,153

31 December 2020	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	-	19,197	-	21,659	-
Associates and joint ventures	212	51,473	130	1,063	-	-
Other related parties	7,057	27,850	780	-	59	51,759
Total	7,269	79,323	20,107	1,063	21,718	51,759

Pricing policy

The Group determines prices for related party transactions within the range of market prices. In addition, the Group's management performs control envisaged by the regulation governing transactions between related parties.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

26. Transactions with related parties (continued)

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly, including directors (executive and other directors) of the Group. There were no significant transactions carried out during the reporting period with directors and key management personnel.

In the first half of 2021, key management personnel compensation expense, consisting of salaries, bonuses and payroll taxes totaled RUB 396 million (the first half of 2020: RUB 376 million).

In 2020, the Company adopted another three-year long-term motivation program for senior and medium management for the period of 2020-2022. The program recognizes the phantom shares to be paid off in cash as a liability expensed to bonuses during the period of rendering services. Planned payments are calculated upon reaching the target program criteria in each reporting period. In the reporting period, the Company accrued RUB 105 million (including insurance contributions) for time actually worked in the second year of the program. In May 2021, the Company made payments for the first year of the program in the amount of RUB 47 million (including insurance contributions).

27. Fair value measurement

All financial instruments are measured at fair value using a valuation model based on Level 3 non-observable inputs that require additional estimations and corrections. There have been no transfers between the levels of the fair value hierarchy during the reporting period.

Management believes that the fair value of the Group's cash, current financial assets, short-term trade payables and short-term loans and borrowings is equal to their carrying amount. The fair value of long-term loans and borrowings received by the Group, long-term trade payables and long-term loans issued is determined using a discounted cash flow model based on the discount rates that are equal to the market rates effective at the reporting date.

The accounting classification of each category of financial instruments, their carrying amounts and fair values are as follows below. The fair value of lease liabilities as well as other financial liabilities at fair value through profit or loss and financial guarantees approximates their carrying amount. These items are not included in the disclosure below as the information on their fair values is presented in Notes 15 and 28.

	30 June 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	RUB million		RUB million	
Financial assets				
Loans issued	79,350	90,317	79,323	77,541
Trade and other receivables	21,502	21,473	5,550	5,394
Cash and cash equivalents	21,954	21,954	4,231	4,231
Financial liabilities at amortized cost				
Trade and other payables	21,554	21,434	8,096	8,007
Loans and borrowings	88,269	86,697	93,803	88,468

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

27. Fair value measurement (continued)

In order to hedge the adverse oil price fluctuations, in April 2021, the Company entered into an agreement to hedge future cash flows: non-deliverable put options (in Russian rubles) and call options (in Russian rubles). Fair values of derivative financial instruments (options) were measured using designated mathematical models at the reporting date; the revaluation effect (loss) of RUB 2,468 million was recognized in the "Change in fair value – options" line within other operating income and expenses in the interim consolidated statement of profit or loss and other comprehensive income (Note 13).

In December 2019, the Group acted as a party of the derivative contracts measured at fair value (currency interest rate swap) and at amortized cost through profit or loss (forward to purchase preference shares of the Parent).

The measurement of the Group's derivative financial instruments broken down by measured fair value and amortized cost is presented in the following table.

Derivative financial instruments	30 June 2021	31 December 2020
	RUB million	RUB million
Long-term derivative financial assets – options	2,038	–
Short-term derivative financial assets – options	439	–
Long-term derivative financial liabilities – options	(3,629)	–
Short-term derivative financial liabilities – options	(1,316)	–
Long-term derivative financial liabilities – swaps	(6,268)	(6,072)
Long-term derivative financial liabilities – forward	(18,977)	(19,074)
Short-term derivative financial liabilities – forward	(1,628)	(1,305)
Long-term derivative financial instruments, net (Note 24)	(26,836)	(25,146)
Short-term derivative financial instruments, net (Note 24)	(2,505)	(1,305)
Total⁷	(29,341)	(26,451)
	Six months ended 30 June 2021	Six months ended 30 June 2020
	RUB million	RUB million
Change in fair value – options	2,468	(2,619)
Exercise – options	–	(90)
Change in fair value – swaps	328	3,899
Change in amortized cost – forward	876	(830)
Loss on derivative financial instruments, net (Notes 12 and 13)	3,672	360

⁷ The fair value of derivative financial instruments is recorded on a net basis in other long-term financial and other liabilities and payables (Note 24).

28. Contingencies, commitments and operating risks

Operating environment of the Group

The Group's principal activities are performed in the Russian Federation. Business operations in the Russian Federation involve risks that typically do not exist in other markets. Russian economy is characterized by significant vulnerability to the world price for crude oil, fluctuations of commodity and financial markets, and economic slowdowns elsewhere in the world that became evident during the 2020 global crisis. The pertaining sanctions imposed against the Russian Federation induce reduced capital availability, higher costs of capital and uncertainty regarding economic growth, thus giving rise to the risk of an adverse effect on the Group's financial position, performance and business prospects. The above trends can persist for an indefinite period of time. In the reporting period, oil production restrictions in accordance with OPEC+ arrangements were effective. In July 2021, OPEC+ participants agreed an incremental increase of oil production; the agreement will be in effect until December 2022. Oil production forecast for the Russian Federation was revised upwards. At the same time, global hydrocarbon prices continue to grow in the second quarter of 2021.

The Company believes that sanction risks are minimal as there are no sanctions against the Company and no restrictions to deal with international companies.

Due to the rapid spread of the COVID-19 pandemic in 2020-2021, many countries, including Russia, have imposed quarantine measures that have had a major impact on the level and scope of business activity of global and domestic market players. The current economic situation reflects the consequences of the pandemic as well as measures aimed at mitigating its impact on the business of companies from various industries and geographical regions. The possibility of recurring cyclic waves of new strains of the coronavirus or other virus with similar effects still remains. Management of the Group takes all measures to ensure the security and health protection of its employees and their families, as well as employees of organizations engaged under joint contracts in all the regions where the Group is present.

The interim condensed consolidated financial statements reflect management's assessment of the impact of the Russian and global business environment on the financial position and performance of the Group. The future business environment may differ from the current management assessments. The Company's management regularly monitors the potential risks, including the analysis of country risks. Should any risk occur, the Company will develop measures to minimize potential adverse effects on the Group.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations, and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Group's entities may be challenged by the relevant regional and federal authorities. The tax authorities can take a more assertive position in their interpretation of the legislation and tax assessments. It is therefore possible that transactions and accounting methods that have not been challenged in the past may be challenged by the tax authorities. As such, additional taxes, penalties and interest may be assessed.

Fiscal periods remain open to review by the tax authorities for a period of three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

28. Contingencies, commitments and operating risks (continued)

Taxation (continued)

For taxes where uncertainty exists, the Group has accrued tax liabilities based on management's best estimate of the probable outflow of resources embodying economic benefits which will be required to settle these liabilities.

Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market price. The list of controlled transactions with related parties resident in Russia was considerably shortened in 2019 following certain legislative changes. A transaction will be deemed controlled if it yields annual income of over RUB 1 billion subject to certain conditions related to the application of exemptions or special tax regimes, for example, where parties to a transaction apply different income tax rates, or at least one party pays tax on additional income from hydrocarbon extraction (AIT) and includes income (expenses) from the transaction in the AIT base. Controlled transactions also include transactions with related non-Russian residents and transactions involving the external trade of goods as part of global exchange trading, and transaction in which one of the parties is an entity or individual with a place of registration, address or tax residency in a country or a territory, which the Russian Ministry of Finance included in the offshore list, provided that income from those transactions exceeds RUB 60 million. In case domestic transaction results in an accrual of additional income tax liabilities for one party, the other party may correspondingly adjust its income tax liabilities.

There are control procedures applied to all types of controlled transactions of the Company to ensure consistency between the prices used in the controlled transactions and the level of market prices for the purposes of taxation, which are updated on an annual basis taking into account current legal requirements. When the Company concludes transactions with related parties, it applies control procedures to ensure consistency between the prices used in the controlled transactions and the level of market prices for the purposes of taxation, while establishing the transaction price. The activities performed focus on minimizing tax risks of the Group.

In October 2020, amendments to the Russian Tax Code were adopted (Federal Law No. 342-FZ dated 15 October 2020), whereby from 1 January 2021 tax incentives for fields with a high depletion rate were abolished, however, these fields may be transferred to the AIT regime (payment of additional income tax from hydrocarbon extraction). The Company notified the tax authority of the exercise of the right to perform the taxpayer's obligations to pay the additional income tax from hydrocarbon extraction with respect to its 34 license areas from 1 January 2021 in addition to two license areas to which the Company previously applied additional income tax from hydrocarbon extraction due to other reasons.

The Company is the Parent of a multinational corporation (MNC). In 2020, the Parent submitted a notification of its participation in the MNC and Country-by-country (CbC) report for the stated period to the tax authorities within a time frame established by regulation. In 2021, the Company, as the Parent of the MNC, will submit the CbC report and a notification of its participation in the MNC to the tax authorities within a time frame established by regulation.

To ensure compliance with the legislation governing taxation of controlled foreign companies and to mitigate related tax risks, the Group's management developed a set of internal routine procedures. The legislation governing taxation of controlled foreign companies requires that the Company's income tax calculation for 2020 should include financial results of certain controlled foreign companies of the Group, whose income is subject to taxation as part of income of the Parent.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

28. Contingencies, commitments and operating risks (continued)

Taxation (continued)

PJSC "RussNeft" discharged the obligation to pay the amounts payable and penalties assessed, as well as interest in installments, in accordance with decisions of the Russian Federal Tax Service on permitting to pay the full amount of tax in installments in 2020 as stipulated by the established schedule till July 2021. PJSC Varyeganneft discharged its obligation to pay the entire amounts of taxes payable, penalties and interest in installments, as stipulated by the installment schedule prepared in 2020 to pay the entire amount of tax (Note 29).

The Group takes measures to reduce its tax risks on a regular basis. Management believes that the Group has complied with all regulations, and paid and accrued all taxes that are applicable.

Compliance with the terms and conditions for subsoil use

Licenses for subsoil use are issued by the Russian Federal Subsoil Use Agency. Management believes that under current legislation, the Group is entitled to renew the licenses for all available fields after expiry of the initially stated periods.

Authorized state agencies regularly review the Group's activity for compliance with the terms and conditions for subsoil use. Failure to meet the terms and conditions for subsoil use may result in penalty accruals and sanctions, including license suspension or revocation. Management takes appropriate measures to comply with the terms and conditions for subsoil use, including rectification of all shortcomings identified in reviews and instructions from the authorized state agencies within the established timeframes.

Liabilities concerning environmental and safety matters

In recent years, Russian environmental and safety legislation has been rapidly developing, taking into account general requirements and international law enforcement practice in this field.

Management of the Group understands its responsibilities concerning environmental and safety matters and undertakes to comply with the requirements of federal, regional and industry regulations concerning environmental protection, rational use of mineral resources and safety, including international environmental and labor safety management standards. The Group implements the corporate policy concerning environmental protection and safety matters in accordance with the requirements of the Russian legislation and international standards related to environmental and safety matters. Management believes that, considering existing controls and current legislation, the Group is not exposed to significant risks or liabilities except for those that are recognized in these interim condensed consolidated financial statements and relate to ordinary business operations.

Insurance

The Group applies the Insurance Policy, which describes the Company's key insurance principles and procedures. In accordance with the Insurance Policy applied, the Group insures its major oil and gas extraction facilities. The Group's subsidiaries and the Parent insure especially hazardous facilities pursuant to Federal Law No. 225-FZ *On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Facility for Damages Caused by an Accident at a Hazardous Facility* dated 27 July 2010. The Group also provides selective car insurance for vehicles. In addition, the Group purchases mandatory car liability insurance policies for all automobiles, special purpose equipment, trailers and other vehicles.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

28. Contingencies, commitments and operating risks (continued)

Insurance (continued)

The Group does not have full coverage for its plant facilities, business interruption, or third-party liability in respect of property or environmental damage arising from accidents at the Group's facilities or relating to the Group's operations.

Retirement and post-retirement benefit obligations

The Group makes contributions to the Pension Fund of the Russian Federation. Regulation on Non-state Pension Benefits for the Group's employees was developed. The Group's subsidiaries act as the parties of pension insurance agreements with JSC Non-state Pension Fund Otkrytiye. These payments are calculated by the employer as a percentage from gross salary expense and are expensed as accrued.

Litigations

Management believes that there are no current cases or claims outstanding which could have a material effect on performance or financial position of the Group and which have not been accrued or disclosed in these interim condensed consolidated financial statements.

Guarantees issued

The Group's subsidiaries are joint guarantors to CQUR Bank LLC (Qatar) with regard to the Parent's liabilities under the loan agreement with an outstanding balance (including interest) of RUB 81,627 million or USD 1,127.4 million at the exchange rate at the reporting date (Note 22).

The Parent is a guarantor for its subsidiary's liabilities to a related party in the amount of RUB 21,541 million or USD 298 million at the exchange rate at the reporting date.

The Parent issued additional guarantees to secure the obligations of a related party for prepayments received under oil supply contracts for the total amount of RUB 3,125 million.

The Parent issued a financial guarantee for a related party to PJSC VTB Bank in the total amount of EUR 267 million or RUB 23,028 million at the exchange rate at the reporting date (the underlying liability is to be repaid by 2027). This financial guarantee is recorded in these interim condensed consolidated financial statements within long-term financial and other liabilities in the amount of RUB 237 million (Note 24).

The Parent together with its several subsidiaries issued a RUB 72,000 million guarantee for Russneft Cyprus Limited (a subsidiary) to JSC VTB Capital under the forward contract to purchase preference shares of PJSC "RussNeft" in 2026. Simultaneously, the Parent issued a guarantee to LLC Business-Finance to pay, upon its request, RUB 23,000 million (within a guarantee limit) for a related party.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (continued)

29. Subsequent events

In July 2021, the Parent fully paid dividends for 2020 declared on preference shares in the amount of USD 60 million or RUB 4,391 million at the exchange rate at the date of payment (Note 21), in accordance with the minutes of the annual general shareholders' meeting.

In August 2021, the Group received from the Russian FTS Interregional Inspectorate for Major Taxpayers No. 2 a notification of discharging by PJSC "RussNeft" and PJSC Varyeganneft their total obligations to pay the tax payable, penalties and interest for paying tax in installments (RUB 7,970 million and RUB 1,002 million, respectively). As the above companies discharged their obligations in full, pledge of immovable property with collateral value of RUB 12,252 million and RUB 1,632 million, provided as a collateral for paying tax and interest, ceased to be effective. Currently, the Group is in the process of releasing immovable properties from pledge (Notes 14, 28).