Tatneft Group

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

30 JUNE 2020

Contents

Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC Tatneft:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Tatneft and its subsidiaries (together – the "Group") as at 30 June 2020 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".

AO PricewaterhouseCoopers Audit

28 August 2020

Moscow, Russian Federation

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

Audited entity: PJSC Tatneft

Record made in the Unified State Register of Legal Entities on 18 July 2002 under State Registration Number 1021601623702

Taxpayer Identification Number 1644003838

423450, Russian Federation, Republic of Tatarstan, Almetievsk, Lenina str., 75

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

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

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

TATNEFT
Consolidated Interim Condensed Statement of Financial Position (Unaudited)
(In million of Russian Rubles)

	Note	30 June 2020	31 December 2019
Assets			
Cash and cash equivalents	4	26,776	25,157
Banking: Mandatory reserve deposits with the Bank of Russia		1,508	1,572
Short-term accounts receivable, net	5	67,767	84,706
Banking: Loans to customers	6	25,642	33,880
Other short-term financial assets	7	24,317	27,713
Inventories	8	44,137	53,379
Prepaid expenses and other current assets	9	18,022	20,770
Prepaid income tax		650	4,838
Banking: Non-current assets held for sale		1,122	1,112
Total current assets		**209,941**	**253,127**
Long-term accounts receivable, net	5	9,491	7,861
Banking: Loans to customers	6	100,428	102,572
Other long-term financial assets	7	72,715	80,578
Investments in associates and joint ventures		2,363	774
Property, plant and equipment, net	10	800,018	768,735
Right-of-use assets		12,867	13,658
Deferred income tax assets		2,935	2,712
Other long-term assets		8,166	8,622
Total non-current assets		**1,008,983**	**985,512**
Total assets		**1,218,924**	**1,238,639**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	12	23,612	19,592
Accounts payable and accrued liabilities	13	61,494	60,289
Dividends payable	14	1,073	55,865
Banking: Other financial liabilities at fair value through profit and loss		118	4,451
Banking: Due to banks and the Bank of Russia		14,395	20,293
Banking: Customer accounts		151,569	158,671
Taxes payable	11	27,696	37,465
Income tax payable		3,726	598
Other short-term liabilities		876	869
Total current liabilities		**284,559**	**358,093**
Long-term debt, net of current portion	12	27,896	21,657
Banking: Due to banks and the Bank of Russia		1,047	2,522
Banking: Customer accounts		2,145	1,381
Decommissioning provision, net of current portion	10	57,961	50,347
Lease liabilities, net of current portion		11,045	11,578
Deferred income tax liability		32,543	33,419
Other long-term liabilities		7,467	7,512
Total non-current liabilities		**140,104**	**128,416**
Total liabilities		**424,663**	**486,509**
Shareholders' equity			
Preferred shares (authorised and issued at 30 June 2020 and at 31 December 2019 – 147,508,500 shares; nominal value at 30 June 2020 and at 31 December 2019 – RR1.00)		746	746
Ordinary shares (authorised and issued at 30 June 2020 and at 31 December 2019 – 2,178,690,700 shares; nominal value at 30 June 2020 and at 31 December 2019 – RR1.00)		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		2,543	1,073
Retained earnings		701,373	658,614
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 30 June 2020 and 31 December 2019)		(10,359)	(10,359)
Total Group shareholders' equity		**789,761**	**745,532**
Non-controlling interest		**4,500**	**6,598**
Total shareholders' equity		**794,261**	**752,130**
Total liabilities and equity		**1,218,924**	**1,238,639**

Approved for issue and signed on behalf of the Board of Directors on 28 August 2020.

CEO Maganov N.U.

Chief Accountant Matveev O.M.

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

TATNEFT
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(In million of Russian Rubles)

		Three months ended 30 June:		Six months ended 30 June:	
	Note	2020	2019	2020	2019
Sales and other operating revenues on non-banking activities, net	17	**136,269**	**222,330**	**334,553**	**449,656**
Costs and other deductions on non-banking activities					
Operating expenses		(34,996)	(32,290)	(73,131)	(64,210)
Purchased oil and refined products		(17,226)	(16,040)	(39,101)	(26,490)
Exploration		(271)	(297)	(535)	(379)
Transportation		(8,351)	(8,126)	(18,396)	(17,811)
Selling, general and administrative		(12,070)	(12,788)	(25,313)	(24,083)
Depreciation, depletion and amortization	17	(8,513)	(7,108)	(16,826)	(14,558)
Impairment losses on financial assets net of reversal		23	564	357	2,039
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	(508)	(91)	(7,514)	(237)
Taxes other than income taxes	11	(25,664)	(75,468)	(93,543)	(152,055)
Maintenance of social infrastructure and transfer of social assets		(2,369)	(1,227)	(4,779)	(2,572)
Total costs and other deductions on non-banking activities		**(109,945)**	**(152,871)**	**(278,781)**	**(300,356)**
(Loss)/gain on disposals of interests in subsidiaries and associates, net		(56)	1	(57)	1
Other operating (loss)/gain, net		(103)	327	811	(372)
Operating profit on non-banking activities		**26,165**	**69,787**	**56,526**	**148,929**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities					
Interest, fee and commission income	15	4,170	5,930	9,276	11,381
Interest, fee and commission expense	15	(2,359)	(2,710)	(5,234)	(5,482)
Net expense on creating provision for credit losses associated with debt financial assets	6	(482)	(613)	(1,643)	(124)
Operating expenses		(2,191)	(2,797)	(3,399)	(5,508)
Loss arising from dealing in foreign currencies, net		(282)	(36)	(263)	(566)
Other operating income, net		675	621	721	822
Total net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities		**(469)**	**395**	**(542)**	**523**
Other income/(expenses)					
Foreign exchange gain/(loss), net	16	101	(568)	5,308	(2,912)
Interest income on non-banking activities	16	184	352	373	794
Interest expense on non-banking activities, net of amounts capitalised	16	(1,805)	(1,238)	(3,997)	(2,496)
Share of results of associates and joint ventures, net		(19)	87	(181)	156
Total other (expenses)/income, net		**(1,539)**	**(1,367)**	**1,503**	**(4,458)**
Profit before income tax		**24,157**	**68,815**	**57,487**	**144,994**

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

TATNEFT
Consolidated Interim Condensed Statement of Profit or Loss and Other Comprehensive Income (Unaudited)
(In million of Russian Rubles)

	Note	Three months ended 30 June: 2020	Three months ended 30 June: 2019	Six months ended 30 June: 2020	Six months ended 30 June: 2019
Income tax					
Current income tax expense		(5,532)	(11,563)	(16,056)	(26,025)
Deferred income tax (expense)/income		(929)	(2,993)	1,046	(4,475)
Total income tax expense		**(6,461)**	**(14,556)**	**(15,010)**	**(30,500)**
Profit for the period		**17,696**	**54,259**	**42,477**	**114,494**
Other comprehensive income/(loss) net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		(999)	168	1,762	20
Gain/(loss) on debt financial assets at fair value through other comprehensive income, net		347	-	(164)	-
Items that will not be reclassified to profit or loss:					
(Loss)/gain on equity financial assets at fair value through other comprehensive income, net		(31)	17	(171)	1,225
Actuarial gain on employee benefit plans		-	21	-	21
Other comprehensive (loss)/income		**(683)**	**206**	**1,427**	**1,266**
Total comprehensive income for the period		**17,013**	**54,465**	**43,904**	**115,760**
Profit/(loss) attributable to:					
- Group shareholders		17,600	54,135	42,852	114,286
- Non-controlling interest		96	124	(375)	208
		17,696	**54,259**	**42,477**	**114,494**
Total comprehensive income/(loss) attributable to:					
- Group shareholders		16,819	54,341	44,322	115,552
- Non-controlling interest		194	124	(418)	208
		17,013	**54,465**	**43,904**	**115,760**
Basic and diluted earnings per share (RR)					
Ordinary		7.75	24.05	18.97	50.78
Preferred		8.75	23.95	19.97	50.67
Weighted average shares outstanding (million of shares)					
Ordinary		2,103	2,103	2,103	2,103
Preferred		148	148	148	148

	Attributable to Group shareholders									Non-controlling interest	Total equity
	Number of shares (thousands)	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Actuarial (loss)/gain on employee benefit plans**	**Foreign currency translation adjustments**	**Gain/(loss) on financial assets at fair value through other comprehensive income, net**	**Retained earnings/ (loss)**	**Total shareholders' equity**		
Balance at 1 January 2019	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,537)**	**1,601**	**1,740**	**683,508**	**771,265**	**5,516**	**776,781**
Profit for the six months	-	-	-	-	-	-	-	114,286	114,286	208	114,494
Other comprehensive income for the six months	-	-	-	-	21	20	1,225	-	1,266	-	1,266
Total comprehensive income for the six months	**-**	**-**	**-**	**-**	**21**	**20**	**1,225**	**114,286**	**115,552**	**208**	**115,760**
Treasury shares	2	-	-	1	-	-	-	-	1	-	1
- Disposals	2	-	-	1	-	-	-	-	1	-	1
Dividends declared (Note 14)	-	-	-	-	-	-	-	(72,878)	(72,878)	(1)	(72,879)
Disposal of equity financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(1,134)	1,134	-	-	-
Balance at 30 June 2019	**2,250,718**	**11,767**	**84,437**	**(10,250)**	**(1,516)**	**1,621**	**1,831**	**726,050**	**813,940**	**5,723**	**819,663**
Balance at 1 January 2020	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,914)**	**1,092**	**1,895**	**658,614**	**745,532**	**6,598**	**752,130**
Profit/(loss) for the six months	-	-	-	-	-	-	-	42,852	42,852	(375)	42,477
Other comprehensive income/(loss) for the six months	-	-	-	-	-	1,762	(292)	-	1,470	(43)	1,427
Total comprehensive income/(loss) for the six months	**-**	**-**	**-**	**-**	**-**	**1,762**	**(292)**	**42,852**	**44,322**	**(418)**	**43,904**
Disposal of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(55)	(55)
Dividends declared (Note 14)	-	-	-	-	-	-	-	(148)	(148)	(1)	(149)
Subsidiary's shares requested for the redemption (Note 13)	-	-	-	-	-	-	-	55	55	(1,624)	(1,569)
Balance at 30 June 2020	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,914)**	**2,854**	**1,603**	**701,373**	**789,761**	**4,500**	**794,261**

(In million of Russian Rubles)

	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Operating activities			
Profit for the period		42,477	114,494
Adjustments:			
Net interest, fee and commission and other operating expenses/(income) and losses/(gains) on banking activities		542	(523)
Depreciation, depletion and amortization	17	16,826	14,558
Income tax expense	11	15,010	30,500
Impairment losses on financial assets net of reversal		(357)	(2,039)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	7,514	237
Effects of foreign exchange		640	(651)
Equity investments gain net of dividends received		181	(156)
Interest income on non-banking activities	16	(373)	(794)
Interest expense on non-banking activities, net of amounts capitalised	16	3,997	2,496
Other		1,168	3,368
Changes in operational working capital, excluding cash:			
Accounts receivable		15,553	(6,268)
Inventories		9,015	(6,894)
Prepaid expenses and other current assets		2,748	(3,135)
Securities at fair value through profit or loss		19	(37)
Accounts payable and accrued liabilities		(4,646)	2,654
Taxes payable		(9,770)	6,655
Net cash provided by non-banking operating activities before income tax and interest		**100,544**	**154,465**
Net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities		(542)	523
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets	6	1,643	124
Provision/(reversal of provision) for losses on credit related commitments		26	(137)
Change in fair value of debt financial assets through profit or loss		(426)	(495)
Other		(2,385)	(1,069)
Changes in operational working capital on banking activities, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		64	112
Due from banks		3,771	(2,850)
Banking loans to customers		13,683	2,483
Due to banks and the Bank of Russia		(8,594)	(9,270)
Banking customers accounts		(9,080)	(15,837)
Debt securities issued		72	(213)
Securities at fair value through profit or loss		2,181	(4,049)
Net cash provided/(used) by banking operating activities before income tax		**413**	**(30,678)**
Income taxes paid		(8,740)	(24,957)
Interest paid on non-banking activities		(2,024)	(960)
Interest received on non-banking activities		313	720
Net cash provided by operating activities		**90,506**	**98,590**

(In million of Russian Rubles)

	Note	Six months ended 30 June 2020	Six months ended 30 June 2019
Investing activities			
Additions to property, plant and equipment		(49,424)	(39,433)
Proceeds from disposal of property, plant and equipment		159	650
Purchase and increase of an interest in subsidiaries and associates		(1 771)	-
Purchase of securities at fair value through other comprehensive income		(26 613)	(15,481)
Purchase of securities at amortised cost		(685)	(1,263)
Proceeds from disposal of securities at fair value through other comprehensive income		29,726	25,251
Proceeds from redemption of securities at amortised cost		3,269	7,526
Proceeds from sale of non-current assets held for sale		78	833
Proceeds from investments in associates and joint ventures		1	-
Proceeds from redemption of bank deposits		325	10
Placement of bank deposits		(13)	(27,762)
Proceeds from redemption of loans and notes receivable		1,293	994
Issuance of loans and notes receivable		(265)	(526)
Proceeds from sale /(purchase) of other non-current assets		554	(848)
Net cash used in investing activities		**(43,366)**	**(50,049)**
Financing activities			
Proceeds from issuance of debt from non-banking activities		151,011	16,179
Repayment of debt from non-banking activities		(144,014)	(16,868)
Repayment of principal portion of lease liabilities		(701)	(665)
Issuance of bonds		3,198	897
Redemption of bonds		(881)	(140)
Repayment of subordinated debt		-	(2,138)
Dividends paid to shareholders	14	(54,939)	(49,857)
Dividends paid to non-controlling shareholders		(1)	(1)
Net cash used in financing activities		**(46,327)**	**(52,593)**
Net change in cash and cash equivalents		**813**	**(4,052)**
Effect of foreign exchange on cash and cash equivalents		806	(1,661)
Cash and cash equivalents at the beginning of the year	4	25,157	65,489
Cash and cash equivalents at the end of the period	4	**26,776**	**59,776**

Note 1: Organisation

PJSC Tatneft (the "Company") and its subsidiaries (jointly referred to as the "Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining of crude oil and associated petroleum gas processing, marketing of crude oil and refined products as well as production and marketing of petrochemicals and banking activities.

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) effective 1 January 1994 (the "privatization date") pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan. All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree of the President of the Russian Federation No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Group does not have an ultimate controlling party.

As of 30 June 2020 and 31 December 2019 the government of Tatarstan controls about 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group's suppliers and contractors.

The Company is domiciled in the Russian Federation. The address of its registered office is Lenina St., 75, Almetyevsk, Republic of Tatarstan, Russian Federation.

Note 2: Basis of preparation

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting". The consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2019 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the disclosures are adequate to make the information presented not misleading if these consolidated interim condensed financial statements are read in conjunction with the Group's 2019 audited consolidated financial statements and the notes related thereto. In the opinion of the Group's management, the unaudited consolidated interim condensed financial statements and notes thereto reflect the known adjustments, all of which are of a normal and recurring nature, necessary to fairly state the Group's financial position, results of operations and cash flows for the interim periods.

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated interim financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS.

The accounting policies used in preparing these consolidated interim financial statements were the same as those that applied to the consolidated financial statements for the previous financial year.

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Note 2: Basis of preparation (continued)

Judgements that have the most significant effect on the amounts recognised in the consolidated interim condensed financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC “National Non-State Pension Fund”;
- Presentation of Revenue net of excise tax, including reverse excise;
- Sale and purchase of oil under counter oil supply agreement;
- Financial assets impairment;
- Financial assets classification;
- Financial instruments fair value estimation.

In preparing these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2019, except for sale and purchase of crude oil under counter supply agreement and Impairment of property, plant and equipment.

Sale and purchase of crude oil under counter supply agreement. For the six months ended 30 June 2020, the sale and purchase of crude oil under a counter supply agreement in the amount of RR 32,257 million are presented net in the consolidated interim condensed statement of profit and loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for the similar quality products exchange. In 2019, no such operations were carried out.

Impairment of property, plant and equipment. As at 31 March 2020 management assessed whether there is any indication of impairment of non-current assets. Due to indications of possible impairment, the Group performed impairment tests. There were no changes in valuations for the three months ended 30 June 2020 (Note 10).

Functional and Presentation Currency. The presentation currency of the Group is the Russian Ruble.

Management has determined the functional currency for each consolidated subsidiary of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

For operations of major subsidiaries located outside of the Russian Federation, that primarily use US Dollar as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Rubles are recorded in a separate component of shareholders’ equity entitled foreign currency translation adjustments. Revenues, expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rate of exchange, as published by the Central Bank of Russian Federation (“CB RF”), of the Russian Ruble (“RR”) to the US Dollar (“US $”) at 30 June 2020 and 31 December 2019 was RR 69.95 and RR 61.91 to US $, respectively. Average rate of exchange for the six months ended 30 June 2020 and 30 June 2019 were RR 69.37 and RR 65.34 per US $, respectively.

(In million of Russian Rubles)

Note 3: Adoption of new or revised standards and interpretations

The following amended standards became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business.
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved.
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2021 or later, and which the Group has not early adopted. The full list of such standards, interpretations and amendments to standards was disclosed in the consolidated financial statements as of and for the year ended 31 December 2019. The following amendments to existing standards have been issues since the Group published its last annual consolidated financial statements:

- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

The Group does not expect that these amendments will have any material impact on its consolidated financial statements.

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2020	At 31 December 2019
Cash on hand and in banks	26,077	24,730
Term deposits with original maturity of less than three months	583	350
Due from banks	116	77
Total cash and cash equivalents	**26,776**	**25,157**

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The estimated fair value of cash and cash equivalents approximates their carrying value (Note 20).

(In million of Russian Rubles)

Note 5: Accounts receivable

Short-term and long-term accounts receivable comprise the following:

	At 30 June 2020	At 31 December 2019
Short-term accounts receivable:		
Trade receivables	65,209	81,950
Other financial receivables	9,078	9,516
Other non-financial receivables	156	161
Less credit loss allowance	(6,676)	(6,921)
Total short-term accounts receivable	**67,767**	**84,706**
Long-term accounts receivable:		
Trade receivables	950	333
Other financial receivables	11,381	10,301
Less credit loss allowance	(2,840)	(2,773)
Total long-term accounts receivable	**9,491**	**7,861**
Total trade and other receivables	**77,258**	**92,567**

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 20).

Note 6: Banking: Loans to customers

	At 30 June 2020	At 31 December 2019
Loans to legal entities	30,165	38,201
Loans to individuals	1,778	1,617
Short-term loans to customers measured at amortised cost before credit loss allowance	**31,943**	**39,818**
Credit loss allowance	(7,155)	(6,145)
Total short-term loans to customers measured at amortised cost	**24,788**	**33,673**
Short-term loans to legal entities measured at fair value through profit and loss	854	207
Total short-term loans to customers	**25,642**	**33,880**

	At 30 June 2020	At 31 December 2019
Loans to legal entities	52,043	53,946
Loans to individuals	41,234	40,219
Long-term loans to customers measured at amortised cost before credit loss allowance	**93,277**	**94,165**
Credit loss allowance	(4,966)	(4,333)
Total long-term loans to customers measured at amortised cost	**88,311**	**89,832**
Long-term loans to legal entities measured at fair value through profit and loss	12,117	12,740
Total long-term loans to customers	**100,428**	**102,572**

As at 30 June 2020 and at 31 December 2019 the Group granted loans to 20 and 19 customers totalling RR 58,449 million and RR 57,435 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

(In million of Russian Rubles)

Note 6: Banking: Loans to customers (continued)

Movements in the provision for credit loss allowance during the six months ended 30 June 2020 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2020	**(7,791)**	**(2,687)**	**(10,478)**
Net provision for credit loss allowance during the period	(939)	(704)	(1,643)
Credit loss allowance as at 30 June 2020	**(8,730)**	**(3,391)**	**(12,121)**

Movements in the provision for loan impairment during the six months ended 30 June 2019 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2019	**(11,533)**	**(1,536)**	**(13,069)**
(Net provision)/reversal of provision for credit loss allowance during the period	(132)	8	(124)
Reclassification to the credit loss allowance for other long-term loan impairment	1,624	-	1,624
Other changes	179	-	179
Credit loss allowance as at 30 June 2019	**(9,862)**	**(1,528)**	**(11,390)**

(In million of Russian Rubles)

Note 7: Other financial assets

Other short-term financial assets comprise the following:

	At 30 June 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 240 million at 30 June 2020 and at 31 December 2019)	-	112
Other loans (net of credit loss allowance of RR 3,720 million and 3,615 million as at 30 June 2020 and at 31 December 2019 respectively)	287	227
Bank deposits (net of credit loss allowance of RR 5,547 million at 30 June 2020 and at 31 December 2019)	346	659
Due from banks	3,608	1,222
REPO with banks	-	4,081
Securities held by the Group (net of credit loss allowance of RR 12 million and 9 million as at 30 June 2020 and at 31 December 2019 respectively):	1,590	1,562
Russian government and municipal debt securities	29	30
Corporate debt securities	1,561	1,532
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 37 million and RR 22 million as at 30 June 2020 and at 31 December 2019 respectively):	8,815	9,044
Russian government and municipal debt securities	-	2,609
Corporate debt securities	8,815	6,435
Financial assets measured at fair value through profit and loss		
Due from banks	1,395	1,238
Securities held by the Group:	5,877	7,658
Russian government and municipal debt securities	699	460
Corporate debt securities	5,133	6,865
Corporate shares	15	165
Derivatives	30	168
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	936	1,910
Russian government and municipal debt securities	223	695
Corporate debt securities	523	1,000
Corporate shares	190	215
Securities pledged under sale and repurchase agreements:	1,463	-
Russian government and municipal debt securities	600	-
Corporate debt securities	863	-
Total short-term financial assets	**24,317**	**27,713**

(In million of Russian Rubles)

Note 7: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 30 June 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 318 million as at 30 June 2020 and 31 December 2019)	-	-
Loans to employees (net of credit loss allowance of RR 1,919 million and 1,804 million as at 30 June 2020 and 31 December 2019 respectively)	818	928
Other loans (net of credit loss allowance of RR 22,301 million and 22,392 million as at 30 June 2020 and 31 December 2019 respectively)	20,438	21,281
Due from banks	-	2,027
Securities held by the Group (net of credit loss allowance of RR 34 million and 31 million as at 30 June 2020 and 31 December 2019):	11,802	13,132
Russian government and municipal debt securities	1,272	1,272
Corporate debt securities	10,530	11,860
Financial assets measured at fair value through profit and loss		
Securities held by the Group:	364	293
Corporate debt securities	254	293
Corporate shares	110	-
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	39,293	42,917
Russian government and municipal debt securities	9,234	15,236
Corporate shares	12,361	12,440
Corporate debt securities	4,633	2,176
Investment fund units	13,065	13,065
Total long-term financial assets	**72,715**	**80,578**

The fair value of financial assets and valuation techniques used are disclosed in Note 20.

In December 2018 the Group entered into a transaction to acquire from a number of Russian government-controlled banks their rights of claim under the credit facilities with NEFIS Group. Total rights in the amount of RR 18,826 million and RR 19,861 million were accounted as other loans in other long-term financial assets carried at amortised cost at 30 June 2020 and 31 December 2019 respectively.

Corporate bonds consist of Russian Ruble and US Dollar denominated bonds and Eurobonds issued by Russian banks and companies.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as “OFZ” and Russian Federation Eurobonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares at FVTPL include quoted and unquoted shares of Russian companies and banks. As at 30 June 2020 and 31 December 2019 unquoted securities measured at fair value through other comprehensive income include investment in AK BARS Bank ordinary shares (17.24%) in the amount of RR 7,300 million.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount a shares). The main assets of this fund are the land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial asset measured at fair value through other comprehensive income.

(In million of Russian Rubles)

Note 8: Inventories

	At 30 June 2020	At 31 December 2019
Materials and supplies	15,151	14,743
Crude oil	3,304	9,905
Refined oil products	10,183	13,197
Petrochemical supplies and finished products	12,410	10,798
Other finished products and goods	3,089	4,736
Total inventories	**44,137**	**53,379**

Note 9: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 30 June 2020	At 31 December 2019
Prepaid export duties	983	2,233
VAT recoverable	4,635	6,006
Advances	7,343	6,176
Prepaid transportation expenses	1,334	1,465
Reverse excise	294	1,942
Other	3,433	2,948
Prepaid expenses and other current assets	**18,022**	**20,770**

(In million of Russian Rubles)

Note 10: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
Cost					
As at 31 December 2018	**397,390**	**220,862**	**157,529**	**219,916**	**995,697**
Additions	-	-	-	39,420	39,420
Disposals	(683)	(821)	(847)	-	(2,351)
Transfers	9,967	19,532	15,996	(45,495)	-
As at 30 June 2019	**406,674**	**239,573**	**172,678**	**213,841**	**1,032,766**
Depreciation, depletion and amortisation					
As at 31 December 2018	**179,359**	**43,576**	**70,840**	**-**	**293,775**
Depreciation charge	6,777	3,082	4,570	-	14,429
Disposals	(202)	(231)	(534)	-	(967)
Transfers	(1,150)	403	747	-	-
As at 30 June 2019	**184,784**	**46,830**	**75,623**	**-**	**307,237**
Net book value					
As at 31 December 2018	**218,031**	**177,286**	**86,689**	**219,916**	**701,922**
As at 30 June 2019	**221,890**	**192,743**	**97,055**	**213,841**	**725,529**
Cost					
As at 31 December 2019	**450,768**	**269,656**	**204,928**	**190,650**	**1,116,002**
Additions	-	-	113	49,656	49,769
Disposals	(199)	(137)	(549)	(761)	(1,646)
Changes in Group structure	-	84	-	-	84
Transfers	11,348	11,433	1,509	(24,290)	-
Changes in decommissioning provision	5,927	-	-	-	5,927
As at 30 June 2020	**467,844**	**281,036**	**206,001**	**215,255**	**1,170,136**
Depreciation, depletion and amortisation					
As at 31 December 2019	**189,560**	**53,706**	**79,610**	**24,391**	**347,267**
Depreciation charge	6,536	3,963	5,624	-	16,123
Impairment	-	1,621	1,447	4,253	7,321
Disposals	(176)	(101)	(316)	-	(593)
Changes in Group structure	745	592	(1,337)	-	-
As at 30 June 2020	**196,665**	**59,781**	**85,028**	**28,644**	**370,118**
Net book value					
As at 31 December 2019	**261,208**	**215,950**	**125,318**	**166,259**	**768,735**
As at 30 June 2020	**271,179**	**221,255**	**120,973**	**186,611**	**800,018**

Due to indications of possible impairment during three month ended 31 March 2020 the Group conducted impairment testing for the main groups of assets. There were no changes in valuations for the three months ended 30 June 2020. According accounting policy, individual assets are grouped for impairment purposes to the cash generating units (CGU) at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets:

- field-by-field basis for exploration and production assets;
- entire complex level for refining assets;
- individual petrol station level;
- entire factory level for tire production assets;
- complex level for the energy production assets.

(In million of Russian Rubles)

Note 10: Property, plant and equipment (continued)

The macroeconomic factors, including but not limited to the reduction in oil production, crude oil and oil products prices fall, the volatility of the Russian Ruble to the US dollar and a decrease in the level of business activity were taken into account when preparing models, which are the main source of information for measuring the value in use of non-current assets, including forecasts of oil production and refining volumes, oil and oil products price dynamics, petrochemical production forecast, as well as when determining the discount rate.

In assessing impairment, the recorded value of assets was compared with the estimated value in use of the CGUs. The value in use is determined as the discounted net cash flows based on the forecasts of Revenue, production costs and changes in working capital based on confirmed long-term strategic plans of the Group, taking into account the impact of the pandemic and accepted restrictions on the uncertainty in the period of recovery in demand and profitability The forecasting period for determining the value in use is in line with the management assumptions used for long-term strategy and does not exceed the useful life of assets included in the CGUs.

In six months ended 30 June 2020 the Group recognised impairment of the following assets:

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 3,457 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 2,040 million, due to adverse conditions in the oil market affecting the current assessment of respective projects, for these projects, an impairment loss was previously recognized as at 31 December 2019;
- other assets, including social assets, in the total amount of RR 1,824 million, which are not providing future economic benefits.

An impairment loss is included in the corresponding line of the consolidated interim condensed statement of profit or loss and other comprehensive income.

Key assumptions applied to the calculation of value in use are follows:

- the discount rate set as 11.83% calculated based on the Company’s weighted average cost of capital adjusted for asset specific risks;
- oil prices, oil product spreads and US dollar / Russian ruble exchange rates are based on available forecasts from globally recognized research institutions;
- Estimated production and refining volumes were based on detailed information for the production and refining plans approved by management as part of the long-term strategy, considering the decrease in business activity as a result of the COVID-19 pandemic and the OPEC + agreement terms.

A reasonably justified change in key assumptions, taken into account by management for the purpose of preparing models as at the reporting date, does not necessitate the recognition of an additional impairment other than the above.

The following table summarizes changes in the Group’s decommissioning provision:

	Six months ended 30 June 2020	Six months ended 30 June 2019
Balance at the beginning of period	**50,474**	**34,457**
Unwinding of discount	1,688	1,502
Changes in estimates	5,927	-
Balance at the end of period	**58,089**	**35,959**
Less: current portion of decommissioning provisions (Note 13)	(128)	(119)
Long-term balance at the end of period	**57,961**	**35,840**

For the six months ended 30 June 2020 the Group recorded the change in estimate for oil and gas properties decommissioning primarily due to the change in discount rate (for the six months ended 30 June 2019: not applicable). In assessing the current portion of decommissioning provision the following key assumptions were applied.

	At 30 June 2020	At 31 December 2019
Discount rate	6.14%	6.69%
Inflation rate	4.00%	4.00%

(In million of Russian Rubles)

Note 11: Taxes

Effective annual income tax rate differs from the statutory tax rate primarily to non-deductible expenses, including social expenses, to profit before income tax.

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

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Mineral extraction tax	22,927	73,150	88,488	147,602
Property tax	2,102	1,689	4,027	3,448
Other	635	629	1,028	1,005
Total taxes other than income taxes	**25,664**	**75,468**	**93,543**	**152,055**

Taxes other than income taxes exclude the export duties paid on the sale of crude oil and refined products as the Group sales and other operating revenues are presented net of such export duties.

Taxes payable were as follows:

	At 30 June 2020	**At 31 December 2019**
Mineral extraction tax	10,173	21,172
Value Added Tax	7,073	8,369
Excise	5,768	2,863
Export duties	132	425
Property tax	2,471	1,975
Other	2,079	2,661
Total taxes payable	**27,696**	**37,465**

(In million of Russian Rubles)

Note 12: Debt

	At 30 June 2020	At 31 December 2019
Short-term debt		
Bonds issued	1,024	1,850
Subordinated debt	21	21
Debt securities issued	881	884
US $75 million 2011 credit facility	-	816
US $144.5 million 2011 credit facility	-	2,090
EUR 55 million 2013 credit facility	-	1,652
Russian Rubles credit facility	17,900	10,142
Other debt	921	938
Total short-term debt	**20,747**	**18,393**
Current portion of long-term debt	2,865	1,199
Total short-term debt, including current portion of long-term debt	**23,612**	**19,592**
Long-term debt		
Bonds issued	23,198	20,007
Subordinated debt	1,423	1,266
Debt securities issued	112	39
US $75 million 2011 credit facility	701	-
US $144.5 million 2011 credit facility	2,066	-
EUR 55 million 2013 credit facility	1,616	-
Other debt	1,645	1,544
Total long-term debt	**30,761**	**22,856**
Less: current portion	(2,865)	(1,199)
Total long-term debt, net of current portion	**27,896**	**21,657**

Fair value of debt is presented in Note 20. Debt received from to related parties is presented in Note 18.

Credit facilities. In November 2011, TANECO entered into a US $75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US $144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In May 2013, TANECO entered into a Euro 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. In accordance with credit facility terms repayment of the debt is performed in USD. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

In March 2020, the Group obtained the waiver from requirement of early repayment according to which the credit facilities of TANECO were recorded as long-term debt as at 30 June 2020.

In six months ended 30 June 2020 the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 150,050 million at rates ranging from 4.75% to 6.74%, most of which were repaid early. The debt at 30 June 2020 amounted of RR 17,900 million and was repaid in the third quarter 2020.

During 2019, the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 113,200 million at rates ranging from 6.33% to 8.54%, which were repaid early. The debt at 31 December 2019 amounted to RR 10,142 million and was repaid in January 2020.

Bonds issued. In December 2019 the Company issued Russian Ruble denominated bonds in the amount of RR 15,000 million with the maturity in 3 years at a rate of 6.45% per annum.

Note 12: Debt (continued)

At 30 June 2020 and at 31 December 2019 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT amounted RR 9,222 million and RR 6,857 million respectively, that mature between 2020 and 2025. At 30 June 2020 and at 31 December 2019 the annual coupon rates on these securities range from 6.1% to 7.96% and 7% to 8.85% respectively (excluding bonds issued on emission BO-13 at amount RR 1 million and coupon rate 0.1% as at 31 December 2019). The majority of bonds, issued by Bank ZENIT, allow early repurchase at the request of the bond holder as set in the respective offering documents.

Subordinated debt. At 30 June 2020 and 31 December 2019 subordinated debt is presented by one subordinated debt raised by Bank ZENIT respectively (excluding subordinated debt under the direct repurchase agreement with Deposit Insurance Agency (DIA). At 30 June 2020 and at 31 December 2019 the subordinated debt bears interest at the rate 7.42% and 8.9% respectively and matures in 2024.

As at 30 June 2020 and at 31 December 2019 Bank ZENIT was in compliance with all financial covenants respecting to the subordinated debt, except one (Cost-to-income ratio), which does not entail a requirement for early repayment of the subordinated debt, but may lead to a deterioration of the terms of the debt. Starting from 1 March 2020 Bank ZENIT paid a higher interest rate (9.9%), starting from June 2020, the interest rate was established by the lender at the standard level pending the decision to release from the performance of this obligation.

In September 2015 Bank ZENIT received five subordinated loans totalling RR 9,933 million from DIA within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements DIA paid these loans by securities (OFZ of five series), that should be returned upon maturity of the subordinated loans. These subordinated loans mature from January 2025 to November 2034 and bear interest equal to OFZ coupon rate plus 1%. In accordance with IFRS 9 and IAS 39 if securities are loaned under an agreement to return them to the transferor, they are not derecognised because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised. Therefore, OFZ and the subordinated loan received from DIA are not recognised within assets and liabilities in the consolidated statement of financial position. These subordinated loans are accounted for in capital adequacy ratio calculation in accordance with Bank of Russia’s Regulation No. 395-P.

Debt securities issued. At 30 June 2020 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles (at 31 December 2019: in Russian Rubles and US Dollars). Maturity dates of these promissory notes vary from 2020 to 2028.

At 30 June 2020 and at 31 December 2019 non-interest-bearing promissory notes of the aggregate nominal value of RR 563 million and RR 641 million respectively were issued by Bank ZENIT for settlement purposes and mature primarily on demand.

(In million of Russian Rubles)

Note 13: Accounts payable and accrued liabilities

	At 30 June 2020	At 31 December 2019
Trade payables	39,507	36,150
Current portion of lease liabilities	2,567	2,613
Other payables	2,650	1,809
Total financial liabilities within trade and other payables	**44,724**	**40,572**
Salaries and wages payable	6,984	8,267
Advances received from customers	6,590	7,828
Current portion of decommissioning provisions	128	127
Other accounts payable and accrued liabilities	3,068	3,495
Total non-financial liabilities	**16,770**	**19,717**
Accounts payable and accrued liabilities	**61,494**	**60,289**

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 20.

As at 30 June 2020 other financial payables include an obligation to repurchase of 2,179,347,288 shares of Bank ZENIT at a price of RR 0.75 per share, requested for the redemption by minority shareholders and not paid by the Bank. The discounted amount of the liability is RR 1,569 million (as at 31 December: not applicable). Disposal of the carrying value of the non-controlling interest (in the amount of RR 1,624 million) and the difference between the accrued liability and the disposed non-controlling interest (in the amount of RR 55 million) recognised as a result of the transaction are reflected in the line “Subsidiary's shares requested for the redemption” of the interim condensed statement of changes in equity.

Note 14: Dividends payable

In June 2020, the shareholders of the Company approved dividends for the year ended 31 December 2019 in the amount of RR 1 per each preferred share, excluding the previously approved interim dividends for the six and nine months of 2019 in the amount of RR 64.47 per each preferred and one ordinary share. Dividends will be paid in the third quarter of 2020.

In December 2019, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2019, in the amount of RR 64.47 per preferred and ordinary share (the “9 months 2019 Dividends”), including previously paid interim dividends for the six months ended 30 June 2019, in the amount of RR 40.11 per preferred and ordinary share. The 9 months 2019 Dividends are reported as dividends payable as at 31 December 2019 and were paid in the beginning of 2020.

In September 2019, the shareholders of the Company approved interim dividends for the six months ended 30 June 2019 in the amount of RR 40.11 per each preferred and ordinary share. The dividends were paid in the fourth quarter of 2019.

In June 2019, the shareholders of the Company approved dividends for the year ended 31 December 2018 in the amount of RR 84.91 per each preferred and ordinary share with the consideration of earlier paid interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preferred and ordinary share. The dividends were paid in the third quarter of 2019.

In December 2018, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preferred and ordinary share including previously paid interim dividends for the six months ended 30 June 2018 in the amount of RR 30.27 per each preferred and ordinary share. Dividends were paid in the beginning of 2019.

(In million of Russian Rubles)

Note 15: Interest, fee and commission income and expense on banking activities

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Interest income	3,348	4,701	7,413	9,221
Loans to customers	2,566	3,894	5,709	7,301
Other	782	807	1,704	1,920
Fee and commission income	822	1,229	1,863	2,160
Settlement transactions	534	547	1,205	1,148
Other	288	682	658	1,012
Total interest, fee and commission income on banking activities	**4,170**	**5,930**	**9,276**	**11,381**
Interest expense	(1,956)	(2,321)	(4,322)	(4,861)
Term deposits	(1,472)	(2,081)	(3,241)	(4,335)
Other	(484)	(240)	(1,081)	(526)
Fee and commission expense	(403)	(389)	(912)	(621)
Settlement transactions	(378)	(268)	(856)	(468)
Other	(25)	(121)	(56)	(153)
Total interest, fee and commission expence on banking activities	**(2,359)**	**(2,710)**	**(5,234)**	**(5,482)**

Note 16: Other income and expenses

Interest income on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Interest income from financial assets at AC	154	316	343	722
Unwinding of the present value discount of long-term financial assets	30	36	30	72
Total interest income on non-banking activities	**184**	**352**	**373**	**794**

Interest expense on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Bank loans	(606)	(87)	(1,304)	(192)
Unwinding of the present value discount of decommissioning provision	(844)	(751)	(1,688)	(1,502)
Interest expense on lease liabilities	(355)	(382)	(702)	(768)
Unwinding of the present value discount of long-term financial assets and liabilities	-	(18)	(18)	(34)
Discount on long-term financial assets	-	-	(285)	-
Total interest expenses on non-banking activities	**(1,805)**	**(1,238)**	**(3,997)**	**(2,496)**

For the six months ended 30 June 2020 the Group recognised RR 11,451 million and RR 6,143 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the six months ended 30 June 2019: RR 3,806 million and RR 6,718 million, respectively).

For the three months ended 30 June 2020 the Group recognised RR 326 million and RR 225 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the three months ended 30 June 2019: RR 1,661 million and RR 2,229 million, respectively).

Note 17: Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors and the Management Committee and for which discrete financial information is available.

Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

The Group's business activities are conducted predominantly through four main operating segments:

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments;
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, as well as crude oil and gas processing and the sale of oil and gas products in bulk and through its own petrol stations network;
- Petrochemical products include production and sales of tires, technical carbon;
- Banking segment includes operations of Banking Group ZENIT.

Other sales include revenues from ancillary services provided by the specialised subdivisions and subsidiaries of the Group, such as sales of oilfield equipment, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income tax not including interest income, expense on non-banking activities, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Effective the current reporting period, the Group uses an export netback calculated based on average Urals quotes less export duty, freight and transportation costs to calculate the cost of its own oil for refining. The calculation based on the export netback, used by the Group to make operational decisions, meets the criteria of relevant information. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the three months ended 30 June 2020, revenues of RR 18,519 million or 13% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2020, revenue of RR 46,820 million or 14% of the Group's total sales and operating revenues are derived from one external customers.

For the three months ended 30 June 2019, revenues of RR 28,074 million or 12% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2019, revenue of RR 53,836 million or 12% and RR 48,014 million or 10% of the Group's total sales and operating revenues are derived from two external customers.

These revenues represent sales of crude oil and are attributable to the exploration and production segment.

Management does not believe the Group is dependent on any particular customer.

(In million of Russian Rubles)

Note 17: Segment information (continued)

Segment sales and other operating revenues. Reportable operating segment sales and other operating revenues are stated in the following table:

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Exploration and production				
Domestic own crude oil	19,868	47,793	57,571	90,288
CIS own crude oil	5,245	4,184	5,245	11,619
Non – CIS own crude oil	22,655	53,456	67,117	129,842
Other	562	726	1,875	1,557
Intersegment sales	27,205	55,210	66,437	98,183
Total exploration and production	**75,535**	**161,369**	**198,245**	**331,489**
Refining and marketing				
Domestic sales				
Refined products	42,642	60,024	93,764	107,824
Total Domestic sales	42,642	60,024	93,764	107,824
CIS sales				
Refined products	3,556	2,425	7,065	6,516
Total CIS sales(1)	3,556	2,425	7,065	6,516
Non – CIS sales				
Crude oil purchased for resale	1,283	2,744	2,251	4,368
Refined products	17,452	32,430	52,122	61,495
Total Non – CIS sales(2)	18,735	35,174	54,373	65,863
Other	3,580	2,541	6,937	5,203
Intersegment sales	560	258	1,238	535
Total refining and marketing	**69,073**	**100,422**	**163,377**	**185,941**
Petrochemicals				
Tires - domestic sales	8,194	7,437	14,863	11,710
Tires - CIS sales	2,714	3,252	4,875	5,211
Tires - non-CIS sales	726	1,147	1,532	2,007
Other	667	897	1,569	1,967
Intersegment sales	76	126	172	214
Total petrochemicals	**12,377**	**12,859**	**23,011**	**21,109**
Banking				
Interest income	3,348	4,701	7,413	9,221
Fee and commission income	822	1,229	1,863	2,160
Total banking	**4,170**	**5,930**	**9,276**	**11,381**
Total segment sales	**161,155**	**280,580**	**393,909**	**549,920**
Corporate and other sales	7,125	3,274	17,767	10,049
Elimination of intersegment sales	(27,841)	(55,594)	(67,847)	(98,932)
Total sales and other operating revenues	**140,439**	**228,260**	**343,829**	**461,037**

(1) - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).
(2) - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Poland based refineries.

(In million of Russian Rubles)

Note 17: Segment information (continued)

Segment earnings

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Segment earnings				
Exploration and production	30,150	65,137	59,474	134,605
Refining and marketing	3,800	11,166	14,592	27,065
Petrochemicals	275	270	(1,408)	(549)
Banking	(629)	94	(820)	(110)
Total segment earnings	**33,596**	**76,667**	**71,838**	**161,011**
Corporate and other	(7,900)	(6,485)	(15,854)	(11,559)
Other (expense)/income, net	(1,539)	(1,367)	1,503	(4,458)
Profit before income tax	**24,157**	**68,815**	**57,487**	**144,994**

"Corporate and other" line includes Head Office administrative expenses, impairment losses on financial assets net of reversal, charity expenses, maintenance of social infrastructure and transfer of social assets.

Segment assets

	At 30 June 2020	**At 31 December 2019**
Assets		
Exploration and production	379,385	384,022
Refining and marketing	451,898	450,191
Petrochemicals	35,935	34,324
Banking	212,859	232,101
Corporate and other	138,847	138,001
Total assets	**1,218,924**	**1,238,639**

As of 30 June 2020 corporate and other includes RR 55,427 million of property, plant and equipment, RR 24,324 million of securities measured at fair value through other comprehensive income, RR 19,783 million loans receivable, RR 399 million of bank deposits measured at amortised cost, RR 2,919 million of cash .

As at 31 December 2019 corporate and other includes RR 50,102 million of property, plant and equipment, RR 24,413 million of securities measured at fair value through other comprehensive income, RR 20,626 million of loans receivable, RR 331 million of bank deposits measured at amortised cost, RR 3,277 million of cash.

The Group's assets and operations are primarily located and conducted in the Russian Federation.

In respect to the banking segment the Group has a certain concentration of funding sources. Within due to banks and the Bank of Russia as at 30 June 2020 and 31 December 2019 there are RR 13,081 million and RR 18,778 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from one and three Russian banks respectively, which individually exceeded 5% of the Bank ZENIT equity. Within customer accounts as at 30 June 2020 and 31 December 2019 there are RR 41,501 million and RR 38,557 million of current/settlement accounts and term deposits from 14 and 12 customers respectively, which individually exceeded 5% of the Bank ZENIT equity.

(In million of Russian Rubles)

Note 17: Segment information (continued)

Segment depreciation, depletion and amortisation and additions to property, plant and equipment

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Depreciation, depletion and amortization				
Exploration and production	4,417	4,089	8,957	8,510
Refining and marketing	3,136	2,237	5,723	4,750
Petrochemicals	179	346	551	720
Banking	83	76	174	166
Corporate and other	698	360	1,421	412
Total segment depreciation, depletion and amortization	**8,513**	**7,108**	**16,826**	**14,558**
Additions to property, plant and equipment				
Exploration and production	22,896	9,606	23,657	19,293
Refining and marketing	12,854	8,399	24,876	14,355
Petrochemicals	1,311	546	2,652	861
Banking	85	-	346	317
Corporate and other	2,023	2,708	4,249	4,594
Total additions to property, plant and equipment	**39,169**	**21,259**	**55,780**	**39,420**

For the six months ended 30 June 2020 additions to property, plant and equipment of exploration and production segment were adjusted upward to the amount of RUB 5,927 million (for the six months ended 30 June 2019: not applicable), due to the change in decommissioning provisions related with an decrease of 0.55 percentage points in the discount rate used for the calculation (Note 10).

Note 18: Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with associates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions. The Group enters into transactions with related parties based on market or regulated prices.

Associates, joint ventures and other related parties

The amounts of transactions for each period with associates, joint ventures and other related parties are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Revenues and income				
Sales of refined products	3	5	8	9
Other sales	7	28	49	57
Interest income	5	16	12	28
Costs and expenses				
Other services	228	216	381	367
Other purchases	119	180	228	309

(In million of Russian Rubles)

Note 18: Related party transactions (continued)

The outstanding balances with associates, joint ventures and other related parties were as follows:

	At 30 June 2020	At 31 December 2019
Assets		
Accounts receivable, net	194	231
Banking: Loans to customers	248	293
Other financial assets		
Securities measured at fair value through profit and loss	-	42
Other loans receivable	113	51
Prepaid expenses and other current assets	707	268
Due from related parties short-term	**1,262**	**885**
Long-term accounts receivable	135	198
Banking: Loans to customers	-	50
Other financial assets		
Securities measured at fair value through other comprehensive income	4,070	4,070
Other loans receivable	899	978
Due from related parties long-term	**5,104**	**5,296**
Liabilities		
Accounts payable and accrued liabilities	(83)	(37)
Banking: Customer accounts	(1,308)	(910)
Due to related parties short-term	**(1,391)**	**(947)**

At 30 June 2020 and at 31 December 2019 key management personnel customer accounts in Bank ZENIT amounted to RR 23,879 million and RR 31,738 million, respectively.

Government related companies

The amounts of transactions for each period with Government related companies are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2020	**2019**	**2020**	**2019**
Sales of refined products	4,574	8,929	9,738	14,457
Other sales	1,211	1,040	2,563	2,414
Interest income	688	676	1,460	1,456
Interest expense	221	230	544	403
Purchases of refined products	4,711	5,801	11,745	11,039
Purchases of electricity	3,500	4,449	8,421	9,158
Purchases of transportation services and compounding	6,542	5,783	13,516	13,252
Other services	1,967	1,123	3,388	2,246
Other purchases	102	412	195	501

(In million of Russian Rubles)

Note 18: Related party transactions (continued)

Government related companies

The outstanding balances with Government related companies were as follows:

	At 30 June 2020	At 31 December 2019
Assets		
Cash and cash equivalents	9,093	10,044
Banking: Mandatory reserve deposits with the Bank of Russia	1,508	1,572
Accounts receivable	3,768	4,416
Banking: Loans to customers	7,835	6,563
Other financial assets		
Notes receivable	-	4
Bank deposits	22	310
Securities measured at fair value through other comprehensive income	710	505
Securities measured at amortised cost	1,630	3,325
Securities measured at fair value through profit and loss	4,083	3,915
Other loans receivable	41	41
Prepaid expenses and other current assets	2,970	3,185
Due from related parties short-term	**31,660**	**33,880**
Banking: Loans to customers	5,066	4,994
Other financial assets		
Securities measured at fair value through other comprehensive income	18,187	24,193
Securities measured at amortised cost	7,998	7,898
Other loans receivable	126	148
Advances for construction	14	14
Due from related parties long-term	**31,391**	**37,247**
Liabilities		
Accounts payable and accrued liabilities	(828)	(1,519)
Banking: Due to banks and the Bank of Russia	(1,525)	(2,445)
Banking: Customer accounts	(147)	(2,959)
Debt		
RR credit facilities	(12,900)	(10,142)
Debt securities issued	(522)	(404)
Other debt	(469)	(477)
Due to related parties short-term	**(16,391)**	**(17,946)**
Banking: Due to banks and the Bank of Russia	(1,047)	(2,763)
Other debt	(101)	-
Government grants	(3,231)	(3,231)
Due to related parties long-term	**(4,379)**	**(5,994)**

Note 19: Contingencies and commitments

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices and subject to significant negative impact of continuous decrease in crude oil prices.

In March 2020 the World Health Organization announced a pandemic due to the rapid spread of COVID-19. The measures taken around the world to combat the spread of COVID-19 resulted in limitation of business activity, which caused significant decrease in world demand for energy resources. The expiration of prior arrangement of OPEC+ on April 1, 2020 raised the risks of substantial oversupply of crude oil and refined products in the market. These events led to significant drop in stock markets, fall in crude oil prices, the Russian Ruble weakened against the US dollar and the Euro. In April 2020, the OPEC + countries reached a new agreement, under which the Russian Federation assumed obligations to reduce oil production in the period from May 1, 2020 to April 30, 2022. In accordance with the agreements reached, the Group began to fulfill its obligations to reduce oil production. Despite the new production restrictions agreed by OPEC+, the recovery in oil prices may take a long time and may be accompanied by a significant reduction in oil production. These events can have a significant impact on the operations, financial position and financial results of the Group in the future, the consequences of which are difficult to predict. Management created reserves for impairment considering the economic situation and prospects at the end of the reporting period.

Tax, currency and customs legislation are sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The future economic development of the Russian Federation depends on external factors and internal measures taken by the government and changes in the tax, legal and regulatory framework.

Continued uncertainty regarding further economic growth, volatility in the financial markets, lower global oil prices, reduced oil production, as well as other risks, could have a significant negative impact on the financial and corporate sectors of the Russian economy in the future. Management believes it is taking all necessary measures to support the sustainability and development of the Group’s business in the current business and economic environment. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Capital commitments. As at 30 June 2020 and at 31 December 2019 the Group has outstanding capital commitments of RR 59,155 million and RR 46,804 million, respectively, mainly for the construction of the TANECO refinery complex, drilling and construction of wells, superviscous oil fields facilities construction and tire business development project. These commitments are expected to be paid between 2020 and 2024.

Management believes the Group’s current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company’s cash flow with the support of the bank facilities (Note 12).

Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the own projects, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

(In million of Russian Rubles)

Note 19: Contingencies and commitments (continued)

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual commitments represent the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, certain part of Group's import letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk.

Outstanding credit related commitments are as follows:

	At 30 June 2020	**At 31 December 2019**
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	35,086	28,973
Guarantees issued	13,019	12,739
Import letters of credit	183	129
Less: allowance for credit related commitment	(349)	(324)
Less: commitments collateralised by cash deposits under guarantees issued	(17)	(19)
Less: commitments collateralised by cash deposits under import letters of credit	(149)	(130)
Total credit related commitments	**47,773**	**41,368**

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities.

The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. Management believes that its pricing policy is arm's length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group's tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group's policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group. In addition, the Group is introducing and applying best health, safety and environmental protection practices and standards which might go beyond any existing and potential legal requirements in the Russian Federation.

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated financial statements.

Social commitments. The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

(In million of Russian Rubles)

Note 19: Contingencies and commitments (continued)

Transportation of crude oil. The Group transports substantially all of the crude oil that it sells in export and local markets through trunk pipelines in Russia that are controlled by PJSC "Transneft" (Transneft), the state-owned monopoly owner and operator of Russia's trunk crude oil pipelines. The Group's crude oil is blended in the Transneft pipeline system with other crude oil of varying qualities to produce an export blend commonly referred to as Urals. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme or the impact of it on the Group's business is not currently determinable.

Note 20: Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

				At 30 June 2020
			Fair value	
	Level 1	Level 2	Level 3	**Carrying value**
Banking: Loans to customers measured at fair value through profit and loss	-	-	12,971	**12,971**
Securities measured at fair value through profit and loss	4,082	1,905	254	**6,241**
Banking: Due from banks	-	1,395	-	**1,395**
Securities measured at fair value through other comprehensive income	16,279	9,291	16,122	**41,692**
Investment property	-	-	1,494	**1,494**
Banking: Other financial liabilities measured at fair value through profit and loss	-	(118)	-	**(118)**
Total	**20,361**	**12,473**	**30,841**	**63,675**

				At 31 December 2019
			Fair value	
	Level 1	Level 2	Level 3	**Carrying value**
Banking: Loans to customers measured at fair value through profit and loss	-	-	12,947	**12,947**
Securities measured at fair value through profit and loss	7,015	643	293	**7,951**
Banking: Due from banks	-	1,238	-	**1,238**
Securities measured at fair value through other comprehensive income	18,325	10,407	16,095	**44,827**
Investment property	-	-	1,323	**1,323**
Banking: Other financial liabilities measured at fair value through profit and loss	(4,425)	(26)	-	**(4,451)**
Total	**20,915**	**12,262**	**30,658**	**63,835**

Note 20: Fair values (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 30 June 2020 и 31 December 2019:

	Fair value hierarchy	**Valuation technique and key input data**
Banking: Loans to customers at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Securities at FVOCI	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices/ discounted cash flow models adjusted at credit risk
Securities at FVTPL	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices / discounted cash flow models adjusted at credit risk
Banking: Due from banks	Level 2	Quoted prices for similar investments in active markets adjusted at credit risk
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects
Banking: Other financial liabilities at FVTPL	Level 2	Discounted cash flow models adjusted at credit risk

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the six months ended 30 June 2020 and year ended 31 December 2019. There have been no transfers between Level 1, Level 2 and Level 3 during the period.

(In million of Russian Rubles)

Note 20: Fair values (continued)

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

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	At 30 June 2020				At 31 December 2019			
	Fair value			Carrying	Fair value			Carrying
	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3	value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	5,008	21,069	-	26,077	6,365	18,365	-	24,730
Term deposits	-	583	-	583	-	350	-	350
Due from banks	-	116	-	116	-	77	-	77
Banking: Mandatory reserve deposits with the Bank of Russia	1,508	-	-	1,508	1,572	-	-	1,572
Accounts receivable								
Trade receivables	-	-	63,722	63,722	-	-	79,724	79,724
Other financial receivables	-	681	12,699	13,380	-	1,176	11,506	12,682
Banking: Loans to customers measured at amortised cost	-	-	112,487	113,099	-	-	122,842	123,505
Other financial assets								
Bank deposits	-	346	-	346	-	659	-	659
Due from banks	-	3,628	-	3,608	-	3,283	-	3,249
REPO with banks	-	-	-	-	-	4,081	-	4,081
Notes receivable	-	-	-	-	-	-	112	112
Loans to employees	-	-	818	818	-	-	928	928
Other loans measured at amortised cost	-	-	20,725	20,725	-	-	21,508	21,508
Securities measured at amortised cost	17,330	5,903	-	22,207	24,777	-	-	23,738
Total financial assets	**23,846**	**32,326**	**210,451**	**266,189**	**32,714**	**27,991**	**236,620**	**296,915**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	39,507	39,507	-	350	35,800	36,150
Dividend payable	-	-	1,073	1,073	-	-	55,865	55,865
Current portion of lease liabilities	-	-	2,567	2,567	-	-	2,613	2,613
Other payables	-	-	2,650	2,650	-	332	1,477	1,809
Non-current lease liabilities	-	-	11,045	11,045	-	-	11,578	11,578
Debt								
Bonds issued	15,000	9,347	-	24,222	20,032	1,825	-	21,857
Subordinated debt	-	1,380	-	1,444	-	1,287	-	1,287
Debt securities issued	-	972	-	993	-	923	-	923
Credit facilities	-	-	22,283	22,283	-	-	14,700	14,700
Other debt	-	-	2,566	2,566	-	-	2,482	2,482
Banking: Due to banks and the Bank of Russia	1,058	14,432	-	15,442	1,527	21,288	-	22,815
Banking: Customer accounts	-	153,227	-	153,714	-	156,578	-	160,052
Total financial liabilities	**16,058**	**179,358**	**81,691**	**277,506**	**21,559**	**182,583**	**124,515**	**332,131**

Note 20: Fair values (continued)

The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to credit risk and maturity.

Note 21: Subsequent events

In 3 quarter 2020, to cover the cash gaps, the Group borrowed RR 33,900 million in total from Russian banks at the current market rates under existing lines of credit arrangements. The Group repaid RR 27,600 million of these loans by the date of this report.

In August 2020, the Board of Directors of the Company decided to convene an extraordinary general meeting of shareholders on 30 September 2020, and also recommended that shareholders approve the amount of interim dividends for the six months ended 30 June 2020, in the amount of RR 9.94 per one preferred and ordinary share.