

**EURASIA DRILLING COMPANY
LIMITED**

**Condensed Consolidated Interim
Financial Statements
for the six months ended 30 June 2020
(unaudited)**

Contents

Independent Auditors' Report on Review of Condensed Consolidated Interim Financial Information	3
Interim Consolidated Statement of Financial Position	5
Interim Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Interim Consolidated Statement of Changes in Equity	7
Interim Consolidated Statement of Cash Flows	8
Notes to the Condensed Consolidated Interim Financial Statements	9



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INDEPENDENT AUDITORS' REPORT

ON REVIEW OF CONDENSED CONSOLIDATED INTERIM

FINANCIAL STATEMENTS TO

EURASIA DRILLING COMPANY LIMITED

Introduction

We have reviewed the condensed consolidated interim financial statements of Eurasia Drilling Company Limited (the “Company”) and its subsidiaries (the “Group”) on pages 5 to 21, which comprise the condensed consolidated interim statement of financial position as at 30 June 2020, and the related condensed consolidated interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and notes to the condensed consolidated interim financial statements. The Board of Directors is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim 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.

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INDEPENDENT AUDITORS' REPORT

ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS TO

EURASIA DRILLING COMPANY LIMITED

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements as at 30 June 2020 and for the six-month period then ended are not prepared, in all material respects, in accordance with IAS 34. This report, including the conclusion, has been prepared for and only for the Company's members as a body. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

KPMG Limited

Certified Public Accountants and Registered Auditors
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1087 Nicosia
Cyprus

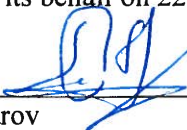
22 October 2020


Interim Consolidated Statement of Financial Position

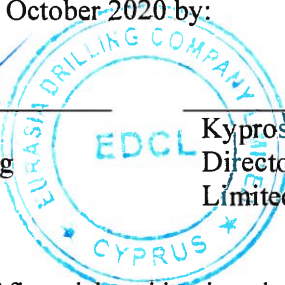
‘mln RUB	Note	30 June 2020 (unaudited)	31 December 2019*
Assets			
Cash and cash equivalents	9	23,102	26,761
Trade and other receivables	8	15,664	16,209
Contract assets	4	4,838	3,197
Inventories		7,070	6,514
Taxes receivable		147	78
Other current assets		874	1,741
Total current assets		51,695	54,500
Property, plant and equipment	7	93,153	89,847
Advances given for property, plant and equipment		410	657
Goodwill		2,391	2,391
Deferred tax assets		13	32
Other non-current assets		172	163
Total non-current assets		96,139	93,090
Total assets		147,834	147,590
Liabilities			
Trade and other payables	12	12,507	13,833
Loans and borrowings	11	13,562	10,820
Taxes payable		3,877	3,786
Total current liabilities		29,946	28,439
Loans and borrowings	11	32,725	36,648
Employee benefits		662	631
Deferred tax liabilities		9,319	9,103
Total non-current liabilities		42,706	46,382
Total liabilities		72,652	74,821
Equity			
Share capital	10(a)	11	11
Retained earnings		79,631	75,716
Reserves		(4,852)	(3,368)
Equity attributable to owners of the Company		74,790	72,359
Non-controlling interests	14	392	410
Total equity		75,182	72,769
Total equity and liabilities		147,834	147,590

*These amounts reflect adjustments made in connection with the completion of purchase price allocation (see Note 14).

These condensed consolidated interim financial statements were approved by the Board of Directors and were signed on its behalf on 22 October 2020 by:


Taleh M. Alasgarov
Director, CFO of Eurasia Drilling
Company Limited


Kypros Chrysostomides
Director of Eurasia Drilling Company
Limited



**Interim Consolidated Statement of Profit or Loss
and Other Comprehensive Income
For the six months ended 30 June**

‘mln RUB	Note	2020 (unaudited)	2019 (unaudited)
Revenue	4	48,861	46,926
Cost of services		(38,073)	(37,128)
Gross profit		10,788	9,798
General and administrative expenses		(3,303)	(3,242)
Gain on disposal of property, plant and equipment		109	65
Gain on disposal of materials		17	11
Other expense		(4)	(2)
Results from operating activities		7,607	6,630
Finance income		407	536
Finance costs		(1,797)	(2,254)
Foreign currency exchange gain/(loss)		7,185	(5,895)
Net finance income/(costs)		5,795	(7,613)
Profit/(loss) before income tax		13,402	(983)
Income tax expense	5	(2,057)	(791)
Profit/(loss) for the period		11,345	(1,774)
Loss attributable to non-controlling interests		18	-
Profit/(loss) attributable to Owners of the Company		11,363	(1,774)
Other comprehensive (loss)/income			
<i>Items that will never be reclassified to profit or loss</i>			
Foreign currency translation differences		(1,484)	4,724
Other comprehensive (loss)/income, net of income tax		(1,484)	4,724
Total comprehensive income for the period		9,861	2,950

The interim consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the condensed consolidated interim financial statements set out on pages 9 to 21.

Interim Consolidated Statement of Changes in Equity For the six months ended 30 June 2020

‘mln RUB	Equity attributable to owners of the Company				Total	Non- controlling interests	Total equity
	Share capital	Translation reserve	Actuarial gain/(loss)	Retained earnings			
Balance at 1 January 2019	11	(8,228)	51	71,798	63,632	-	63,632
Loss for the period	-	-	-	(1,774)	(1,774)	-	(1,774)
Other comprehensive income:							
Foreign currency translation differences	-	4,722	2	-	4,724	-	4,724
Total other comprehensive income	-	4,722	2	-	4,724	-	4,724
Total comprehensive income for the period	-	4,722	2	(1,774)	2,950	-	2,950
Balance at 30 June 2019 (unaudited)	11	(3,506)	53	70,024	66,582	-	66,582
Balance at 1 January 2020*	11	(3,427)	59	75,716	72,359	410	72,769
Profit/(loss) for the period	-	-	-	11,363	11,363	(18)	11,345
Other comprehensive loss:							
Foreign currency translation differences	-	(1,483)	(1)	-	(1,484)	-	(1,484)
Total other comprehensive loss	-	(1,483)	(1)	-	(1,484)	-	(1,484)
Total comprehensive income/(loss) for the period	-	(1,483)	(1)	11,363	9,879	(18)	9,861
Transactions with owners of the Company							
Dividends (Note 10 (b))	-	-	-	(7,448)	(7,448)	-	(7,448)
Total transactions with owners of the Company	-	-	-	(7,448)	(7,448)	-	(7,448)
Balance at 30 June 2020 (unaudited)	11	(4,910)	58	79,631	74,790	392	75,182

*These amounts reflect adjustments made in connection with the completion of purchase price allocation (see Note 14).

Interim Consolidated Statement of Cash Flows For the six months ended 30 June

‘mln RUB	Note	2020 (unaudited)	2019 (unaudited)
Cash flows from operating activities:			
Profit/(loss) for the period		11,345	(1,774)
<i>Adjustments for:</i>			
Depreciation and amortisation	7	6,436	6,434
Gain on disposal of property, plant and equipment		(109)	(65)
Net finance (income)/costs		(5,795)	7,613
Income tax expense	5	2,057	791
<i>Changes in:</i>			
Inventories		(381)	(70)
Trade and other receivables		686	(2,934)
Contract assets		(1,641)	1,162
Trade and other payables		(619)	(764)
Employee benefits		26	26
Other current assets and liabilities		68	419
Cash flows from operations before income taxes and interest paid		12,073	10,838
Income tax paid		(1,938)	(1,573)
Interest paid		(1,797)	(1,592)
Interest received		390	286
Net cash from operating activities		8,728	7,959
Cash flows from investing activities:			
Acquisition of property, plant and equipment		(5,332)	(4,434)
Proceeds from sale of property, plant and equipment		77	79
Repayment of loans made		934	-
Loans made		-	(818)
Net cash used in investing activities		(4,321)	(5,173)
Cash flows from financing activities:			
Proceeds from long-term borrowings		-	31,471
Repayment of long-term borrowings		(7,473)	(37,131)
Proceeds from short-term borrowings (net)		5,132	4,895
Payment of lease liabilities		(72)	(70)
Dividends paid		(8,217)	-
Net cash used in financing activities		(10,630)	(835)
Net (decrease)/increase in cash and cash equivalents		(6,223)	1,951
Cash and cash equivalents at 1 January		26,761	20,969
Effect of movements in exchange rates on cash and cash equivalents		2,564	(495)
Cash and cash equivalents at 30 June	9	23,102	22,425

Contents of Notes to the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2020

Note	Page	Note	Page
1. Reporting entity	10	12. Trade and other payables	16
2. Basis of accounting	11	13. Fair values and risk management	16
3. Use of estimates and judgements	11	14. Acquisition of subsidiary	18
4. Revenue	12	15. Related parties	19
5. Income tax expense	12	16. Subsequent events	19
6. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)	13	17. Reconciliation of the condensed consolidated interim statement of profit or loss with the previous generally accepted accounting principles	19
7. Property, plant and equipment	14		
8. Trade and other receivables	14		
9. Cash and cash equivalents	14		
10. Capital and reserves	14		
11. Loans and borrowings	15		

1. Reporting entity

(a) Organisation and operations

Eurasia Drilling Company Limited (the “Company”) was registered on 25 November 2002 as a private liability company under the Law of the Cayman Islands. The Company was established for the purpose of acquiring OOO LUKOIL Burenie (now OOO Burovaya Kompaniya Eurasia) and its subsidiaries. In 2016, the Company became a tax resident in the Republic of Cyprus and in 2018 it was registered as a company continuing in the Republic of Cyprus. In September 2020 the Company became a tax resident in the Russian Federation.

The Company’s registered office is 73 Metochiou, 2407 Nicosia, Cyprus.

From formation, the Company has expanded substantially through acquisition of new companies and establishment of new businesses.

The primary activities of the Company and its subsidiaries (together referred to as the “Group”) include providing exploratory and developmental drilling and oil and gas field services to companies operating within the Russian Federation, Iraq and the Caspian Sea region.

As at 30 June 2020 and 31 December 2019, the Group had on-shore operating branches in Kogalym, Nizhnevartovsk, Urai, Perm and Usinsk in the Russian Federation and in Kurdistan and off-shore operating branches in Astrakhan in the Russian Federation and Ashgabad in Turkmenistan.

(b) Business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display the characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop, but are subject to varying interpretations and frequent changes, which contribute together with other legal and fiscal impediments to the challenges faced by entities operating in the Russian Federation.

COVID-19

In December 2019, the emergence of a new strain of coronavirus (COVID-19) was reported in China and has subsequently spread globally. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. Mobility restrictions, quarantines and similar lockdown measures implemented in different countries to cope with the pandemic had a significant negative impact on the global economy. Deceleration of economic activity resulted in a substantial decrease in demand for hydrocarbons leading to oversupply on the international oil market and a sharp decline in oil prices. Failure of OPEC+ countries to reach a new agreement on crude oil production quotas in the beginning of March put an incremental pressure on oil prices. On 12 April 2020, OPEC+ countries entered into a new agreement to reduce their collective output starting from 1 May 2020. This coordinated production cut together with the negative impact of low oil prices on crude oil production in different countries resulted in lower supply of crude oil, reduction of surplus on the crude oil market and led to a gradual recovery of oil prices. This upward oil price trend was further supported by the start of gradual lifting of lockdowns in different countries, recovery in economic activity and respective growth in demand for hydrocarbons.

From the beginning of COVID-19 pandemic the Group has taken necessary measures to avoid direct impact of the pandemic on its operations with a special focus on protection of the health of employees and clients and uninterrupted production processes.

The Group’s major companies are the enterprises with uninterrupted business operations from the oilfield services sector that has not been severely affected by the outbreak of COVID-19.

1. Reporting entity (continued)

Management has considered the impact of COVID-19 and oil price decline on these condensed consolidated interim financial statements and believes that the Group is in a solid financial condition as at 30 June 2020. Taking into account the Group's current operating indicators along with other currently available public information, management expects no more than a 15% decrease in revenue during the third and fourth quarters of 2020 compared to the same period of 2019. The decrease is not considered significant and is not a trigger for impairment of assets. Management will continue monitoring the situation closely to ensure prompt reaction to the rapidly changing environment.

The accompanying condensed consolidated interim financial statements reflect management's assessment of the impact of the business environment in the countries in which the Group operates on the operations and the financial position of the Group. The future business environments may differ from management's assessment.

2. Basis of accounting

(a) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union ("EU"), and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2019 ("last annual consolidated financial statements"). Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual consolidated financial statements. These condensed consolidated interim financial statements do not include all the information required for full annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by EU.

(b) Significant accounting policies

The accounting policies applied in these condensed consolidated interim financial statements are the same as those applied in the Group's last annual consolidated financial statements. A number of new standards are effective from 1 January 2020 but they do not have a material effect on the Group's condensed consolidated interim financial statements.

(c) Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

3. Use of estimates and judgements

Preparing the condensed consolidated interim financial statements requires Management to make judgements, estimates and assumptions that affect the application of accounted policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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 described in the last annual consolidated financial statements.

4. Revenue

(a) Revenue streams and disaggregation of revenue

The Group generates revenue primarily from oil well drilling and related services. In the following table, revenue is disaggregated by primary geographical market.

‘mln RUB	For the six months ended 30 June	
	2020 (unaudited)	2019 (unaudited)
On-shore drilling services (Russia)	43,405	40,680
On-shore drilling services (Kurdistan)	133	405
Off-shore drilling services (Caspian Sea)	5,323	5,841
	48,861	46,926

Based on the definition of a lease under IFRS 16 *Leases*, drilling services provided by the Group contain a lease component in relation to drilling equipment used. The Group has applied IFRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component. Considering that stand-alone selling price for lease of drilling equipment is not directly observable, the Company has applied the expected cost plus a margin approach to determine the stand-alone selling price of the non-lease component and the residual approach for the lease component. As a result of this assessment, the consideration for the lease component in on-shore drilling services and other leases in six-month period ended 30 June 2020 amounts to RUB 7.0 bln (30 June 2019: RUB 6.6 bln) and in off-shore drilling services amounts to RUB 1.9 bln in six-month period ended 30 June 2020 (30 June 2019: RUB 1.8 bln). The remaining revenue relates to revenue from contracts with customers.

(b) Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

‘mln RUB	Note	30 June	31 December
		2020 (unaudited)	2019
Receivables, which are included in ‘trade and other receivables’	8	14,592	15,157
Contract assets		4,838	3,197

The contract assets primarily relate to the Group’s rights to consideration for work completed, but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. This usually occurs when the Group issues an invoice to the customer.

No information is provided about remaining performance obligations at 30 June 2020 or at 31 December 2019 that have an original expected duration of one year or less, as allowed by IFRS 15.

5. Income tax expense

The Group is taxable in a number of jurisdictions within and outside of the Russian Federation and, as a result, is subject to a variety of taxes as established under the statutory provisions of each jurisdiction.

5. Income tax expense (continued)

Operations in the Russian Federation are subject to a Federal income tax rate of 3% and a regional income tax rate of 17%. The Group's foreign operations are subject to taxes at the tax rates applicable to the jurisdictions in which they operate.

The majority of the Group's earnings in six-month period ended 30 June 2020 and 2019 were taxed in the Russian Federation.

Reconciliation of effective tax rate:

	For the six months ended 30 June			
	2020 (unaudited)		2019 (unaudited)	
	'mln RUB	%	'mln RUB	%
Profit/(loss) before income tax	13,402		(983)	
Tax using the Group's domestic tax rate	2,680	20	(197)	20
Effect of tax rates in non-Russian jurisdictions	(597)	(4)	337	(34)
(Non-taxable income)/non-deductible expenses	(134)	(1)	611	(62)
Withholding tax	108	1	40	(4)
	2,057	16	791	(80)

6. Adjusted earnings before interest, tax, depreciation and amortisation (adjusted EBITDA)

The Management of the Group has presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidation level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net finance costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property, plant and equipment. Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations

'mln RUB	Note	For the six months ended 30 June	
		2020 (unaudited)	2019 (unaudited)
Profit/(loss) for the period		11,345	(1,774)
Income tax expense	5	2,057	791
Profit/(loss) before tax		13,402	(983)
Adjustments for:			
- Net finance (income)/costs		(5,795)	7,613
- Depreciation and amortisation	7	6,436	6,434
- Gain on disposal of property, plant and equipment		(109)	(65)
- Other expense		4	2
Adjusted EBITDA		13,938	13,001

7. Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property plant and equipment with a cost of RUB 5.2 bln (six months ended June 30 2019: RUB 5.1 bln).

During the six months ended 30 June 2020, depreciation expense of RUB 6.3 bln (six months ended June 30 2019: RUB 6.3 bln) has been charged to cost of services and RUB 0.1 bln (2019: RUB 0.1 bln) to administrative expenses.

8. Trade and other receivables

‘mln RUB	30 June 2020 (unaudited)	31 December 2019
Trade receivables due from third parties	14,812	15,522
Advances receivables	776	631
Other receivables	206	193
Trade and other receivables included in loans and receivables category	15,794	16,346
Allowance for impairment	(112)	(112)
	15,682	16,234
Non-current	18	25
Current	15,664	16,209

9. Cash and cash equivalents

‘mln RUB	30 June 2020 (unaudited)	31 December 2019
Cash held in banks - Russian rubles	13,646	9,515
Cash held in banks – USD	4,525	11,327
Short-term deposit - Russian rubles	4,743	5,771
Short-term deposit - US dollars	188	148
	23,102	26,761

10. Capital and reserves

(a) Share capital

‘mln RUB	30 June 2020 Number of shares	31 December 2019 Number of shares
Authorised:		
Ordinary shares of USD 0.01 each	250,000,000	250,000,000
Issued and fully paid:		
Balance at 1 January	104,210,589	104,210,589
Balance at 31 December	104,210,589	104,210,589

10. Capital and reserves (continued)

(b) Dividends

Profits available for distribution from the Company's Russian subsidiaries to the Company in respect of any reporting period are primarily determined by reference to the statutory financial statements of these subsidiaries prepared in accordance with the laws of the Russian Federation. Under Russian Law, dividends are limited to the retained earnings as set out in the statutory financial statements of the Company's Russian subsidiaries. These laws and other legislative acts governing the rights of stockholders to receive dividends are subject to various interpretations.

Retained earnings of the Company's Russian subsidiaries were RUB 107.0 bln and RUB 99.5 bln as at 30 June 2020 and 31 December 2019, respectively, pursuant to the statutory financial statements.

In March 2020, the dividends of USD 104 mln (equals to RUB 7.4 bln at the exchange rate as of the date of declaration) were declared and paid.

11. Loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost.

'mln RUB	Nominal Currency	Year of interest rate	maturity	30 June 2020 (unaudited)	31 December 2019
<i>Non-current liabilities</i>					
Unsecured bank loans:				15,885	18,048
<i>AlfaBank</i>	<i>Russian rubles</i>	8.40%	2022	6,500	6,500
<i>UniCredit Bank</i>	<i>Russian rubles</i>	8.32%	2021	4,722	6,389
<i>Rosbank</i>	<i>USD</i>	4.05%	2022	4,663	5,159
Unsecured bond issues				25,000	28,872
<i>Russian ruble bonds</i>	<i>Russian rubles</i>	8.55%	2022	15,000	15,000
<i>Russian ruble bonds</i>	<i>Russian rubles</i>	8.40%	2023	10,000	10,000
<i>Eurobonds</i>	<i>USD</i>	4.88%	2020	-	3,872
Schlumberger Investment Services B.V.	<i>USD</i>	10.00%	2022	81	72
Lease liabilities			2024	424	476
Total long-term debt				41,390	47,468
<i>Current portion of long-term debt</i>					
Current portion of unsecured bank loans				(8,554)	(6,841)
Unsecured bond issues				-	(3,872)
Current portion of lease liabilities				(111)	(107)
Total current portion of long-term debt				(8,665)	(10,820)
Total non-current long-term debt				32,725	36,648
Unsecured short-term bank loans	<i>USD</i>	2.60%	2021	4,897	-
Total short-term debt and current portion of long-term debt				13,562	10,820

In April 2020, the Company entered into a short-term loan with Rosbank of USD 70 mln maturing in 2021, which on the date of the transaction equaled to RUB 5.1 bln.

In April 2019, the Group issued 15 mln non-convertible bonds with a face value of 1,000 Russian rubles each. The bonds were placed at face value with a maturity of 3 years. The bonds have a half-year coupon period and bear interest at 8.55% per annum.

11. Loans and borrowings (continued)

In April 2019, the Group paid back its' Eurobonds before their maturity date for the total face value amount of USD 537.5 mln, which on the date of the transaction equaled to RUB 34.8 bln, with a premium of USD 8.9 mln. The Group also recognised USD 1.3 mln expenses related to the bond tender offer. Bond premium and expenses related to the bond offer equal in total to RUB 0.7 bln on the date of the transaction and are included in Finance costs. The remaining as at 31 December 2019 balance of Eurobonds were paid back in April 2020.

In June 2019, the Group issued 10 mln non-convertible bonds with a face value of 1,000 Russian rubles each. The bonds were placed at face value with a maturity of 4 years. The bonds have a half-year coupon period and bear interest at 8.40% per annum.

During 2019, the Company entered into a long-term loan with AlfaBank of RUB 6,500 mln maturing in 2022.

During 2019, the Company entered into a long-term loan with Rosbank of USD 100 mln maturing in 2022, which on the date of the transaction equaled to RUB 6.5 bln.

12. Trade and other payables

Trade payables

‘mln RUB	30 June 2020 (unaudited)	31 December 2019
Trade accounts payable to third parties	7,697	8,103
Advances received	456	170
Wages payable	3,470	4,490
Interests payable	475	505
Other accounts payable	409	565
	12,507	13,833

13. Fair values and risk management

(a) Accounting classifications and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

‘mln RUB	Carrying amount		Fair value	
	30 June 2020 (unaudited)	31 December 2019	30 June 2020	31 December 2019
Financial liabilities at amortised cost:				
<i>Unsecured bank loans (Level 3)</i>	20,782	18,048	21,101	18,252
<i>Unsecured bond issues (Level 1)</i>	25,000	28,872	26,163	29,927
<i>Other loans payable (Level 3)</i>	81	72	76	68
	45,863	46,992	47,340	48,247
Financial assets at amortised cost:				
<i>Loans receivable (Level 3)</i>	-	743	-	743

When measuring the fair value of an asset or a liability, in the absence of market observable data (Level 3), the Group uses discounted cash flows valuation techniques. The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.

13. Fair values and risk management (continued)

(b) Concentration of credit risk

A significant proportion of the Group's operations (which exceeded 10 percent of the Group's revenue) is with companies of LUKOIL Group, Rosneft Group and Gazprom Neft Group. As such, the Group has significant concentrations of credit risk with these groups.

Included in the Group's accounts receivable and contract assets are the following balances with the major customers:

'mln RUB	30 June 2020 (unaudited)	31 December 2019
Accounts receivable:		
LUKOIL Group	11,771	10,631
ROSNEFT Group	1,327	1,484
GAZPROMNEFT Group	781	1,722
	13,879	13,837
Contract assets:		
LUKOIL Group	2,849	2,659
ROSNEFT Group	571	346
GAZPROMNEFT Group	424	158
	3,844	3,163

Included in the Group's revenue are the following transactions with the major customers:

'mln RUB	Six months ended 30 June 2020 (unaudited)	Six months ended 30 June 2019 (unaudited)
LUKOIL Group	38,877	35,387
ROSNEFT Group	3,220	3,749
GAZPROMNEFT Group	4,809	4,200
	46,906	43,336

14. Acquisition of subsidiary

The Group has completed the purchase price allocation (“PPA”) of 50.02% of the OOO Kliver shares acquired in December 2019. The effect of the final PPA on these condensed consolidated interim financial statement is the following:

‘mln RUB	Increase/(decrease) compared to the provisional PPA at 31 December 2019
Assets	
Trade and other receivables	(86)
Contract assets	159
Inventories	(29)
Other current assets	12
Total current assets	56
Property, plant and equipment	1,082
Advances given for property, plant and equipment	86
Goodwill	(376)
Deferred tax assets	(4)
Total non-current assets	788
Total assets	844
Liabilities	
Loans and borrowings	10
Deferred tax liabilities	239
Total non-current liabilities	249
Total liabilities	249
Equity	
Retained earnings (Gain from disposal of equity accounted investee)	122
Reserves (Translation reserve)	241
Equity attributable to owners of the Company	363
Non-controlling interests	232
Total equity	595
Total equity and liabilities	844

The comparative information at 31 December 2019 has been restated as if the accounting for the acquisition of subsidiary had been completed at the acquisition date.

The valuation techniques used for measuring the fair value of the most material assets acquired (property, plant and equipment) were market comparison technique and cost technique. The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflected adjustments for physical deterioration as well as functional and economic obsolescence.

15. Related parties

In the rapidly developing business environment in the Russian Federation, companies and individuals have frequently used nominees and other forms of intermediary companies in transactions. The senior management of the Company believes that the Group has appropriate procedures in place to identify and properly disclose transactions with related parties in this environment and has disclosed all of the relationships identified which it deemed to be significant. During six months ended 30 June 2020 the Group had no significant transactions with related parties. During six months ended 30 June 2019 the Group acquired equipment from its' former associated company Kliver of RUB 1 bln.

(a) Parent and ultimate controlling party

None of the ultimate beneficial owners maintain a controlling shareholding interest on the Company.

16. Subsequent events

The Company has evaluated subsequent events from the reporting date through 22 October 2020, the date of approval of the condensed consolidated interim financial statements, and determined there were no items to disclose.

17. Reconciliation of the condensed consolidated interim statement of profit or loss with the previous generally accepted accounting principles

The consolidated financial statements for the year ended 31 December 2019 were the Group's first consolidated financial statements prepared in accordance with IFRS and IFRS 1 *First-time adoption of International Financial Reporting Standards* were applied. The date of transition to IFRS was 1 January 2018. The Group changed its' presentation currency from US dollars to Russian RUB.

All comparative amounts for the six months ended 30 June 2019 were translated from US dollars to Russian RUB and from accounting principles generally accepted in the United States of America ("US GAAP") to IFRS. The US GAAP RUB amounts were derived from the US GAAP consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019 by translating the USD amounts at the exchange rates that approximate rates at the date of transaction.

The nature of all material adjustments made to the US GAAP consolidated statement of profit or loss in connection with transition to IFRS is described in the consolidated financial statements for the year ended 31 December 2019.

Reconciliation of the condensed consolidated interim statement of profit or loss and other comprehensive income for the six months ended 30 June 2019:

‘mln RUB	US GAAP six months ended 30 June 2019 in 000 USD (unaudited)	US GAAP six months ended 30 June 2019 in mln RUB	Reclassi- fications	Compo- nent accoun- ting	Change in estimates	Employee benefits	IFRS 15 appli- cation	IFRS 16 appli- cation	Cumulative foreign exchange difference	Other	IFRS six months ended 30 June 2019 (unaudited)
Revenue	759,591	49,665	-	-	-	-	(2,739)	-	-	-	46,926
Cost of services	(610,836)	(39,904)	60	38	(66)	2	2,739	2	-	1	(37,128)
Third party services	(199,385)	(13,015)	-	-	-	-	955	-	-	-	(12,060)
Staff cost	(183,800)	(11,943)	-	-	-	2	-	-	-	-	(11,941)
Materials	(113,775)	(7,436)	-	-	-	-	1,784	-	-	-	(5,652)
Depreciation	(97,114)	(6,335)	60	38	(66)	-	-	(9)	-	-	(6,312)
Other	(16,762)	(1,175)	-	-	-	-	-	11	-	1	(1,163)
Gross profit	148,755	9,761	60	38	(66)	2	-	2	-	1	9,746
General and administrative expenses	(47,780)	(3,189)	(60)	-	-	-	-	6	-	1	(3,242)
Incl. depreciation	-	-	(60)	-	-	-	-	(62)	-	-	(122)
Gain on disposal of property, plant and equipment	1,009	65	-	-	-	-	-	-	-	-	65
Gain on disposal of materials	165	11	-	-	-	-	-	-	-	-	11
Other expense	(23)	(2)	-	-	-	-	-	-	-	-	(2)
Results from operating activities	102,126	6,646	-	38	(66)	2	-	8	-	2	6,630
Finance income	8,202	536	-	-	-	-	-	-	-	-	536
Finance costs	(24,217)	(1,574)	(670)	-	-	-	-	(10)	-	-	(2,254)
Eurobond premium	(10,261)	(670)	670	-	-	-	-	-	-	-	-
Foreign currency exchange rate loss	(89,547)	(5,895)	-	-	-	-	-	-	-	-	(5,895)
Net finance costs	(115,823)	(7,603)	-	-	-	-	-	(10)	-	-	(7,613)
Loss before income tax	(13,697)	(957)	-	38	(66)	2	-	(2)	-	2	(983)
Income tax expense	(12,515)	(780)	-	(8)	(6)	-	-	-	-	3	(791)
Loss after tax	(26,212)	(1,737)	-	30	(72)	2	-	(2)	-	5	(1,774)

‘mln RUB	US GAAP six months ended 30 June 2019 in 000 USD (unaudited)	US GAAP six months ended 30 June 2019 in mln RUB	Reclassi- fications	Component accounting	Change in estimates	Employee benefits	IFRS 15 application	IFRS 16 application	Cumulative foreign exchange difference	Other	IFRS six months ended 30 June 2019 (unaudited)
Other comprehensive income											
Foreign currency translation differences for foreign operations	169,097	11,051	-	-	-	-	-	-	(6,327)	-	4,724
Other comprehensive income, net of income tax	169,097	11,051	-	-	-	-	-	-	(6,327)	-	4,724
Total comprehensive income for the period	142,885	9,314	-	30	(72)	2	-	(2)	(6,327)	5	2,950