



**ALLIANCE OIL COMPANY LTD**

**International Accounting Standard No. 34**

**Condensed Consolidated Interim Financial Statements  
(unaudited)**

**31 March 2021**

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## ALLIANCE OIL COMPANY LTD

### Statement of management's responsibilities for the preparation and approval of the condensed consolidated interim financial statements for the three months ended 31 March 2021

Management is responsible for the preparation of the condensed consolidated interim financial statements that present fairly the financial position of Alliance Oil Company Ltd and its subsidiaries (the "Group") as at 31 March 2021, and the results of its operations, cash flows and changes in shareholders' equity for the three months then ended, in compliance with IAS 34, "Interim financial reporting".

In preparing the condensed consolidated interim financial statements, management is responsible for:

- properly selecting and applying accounting policies and significant estimates;
- presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- providing additional disclosures when compliance with the specific requirements in International Financial Reporting Standards ("IFRS") are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy the consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- maintaining statutory accounting records in compliance with local legislation and accounting standards in the respective jurisdictions in which the Group operates;
- taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- preventing and detecting fraud and other irregularities.

On behalf of management:



Andreas Andreou  
Director



V.V. Bondarenko  
Chief Financial Officer

27 May 2021

# ALLIANCE OIL COMPANY LTD

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS (UNAUDITED)

<i>(Expressed in USD thousands)</i>		Quarter ended 31 March 2021	Quarter ended 31 March 2020
<b>Revenue</b>			
Revenue from sales of crude oil and gas		176,380	165,186
Revenue from sales of oil products		584,419	554,503
Revenue from other sales		7,945	9,467
		<b>768,744</b>	<b>729,156</b>
<b>Cost of sales</b>			
Production costs of crude oil and gas	5	(140,369)	(134,168)
Production costs of oil products	6	(422,431)	(505,690)
Cost of other sales		(3,734)	(4,187)
Depletion and depreciation of oil and gas production and refining assets		(24,355)	(35,164)
		<b>177,855</b>	<b>49,947</b>
<b>Gross profit</b>			
Selling expenses	7	(58,286)	(69,881)
Administrative expenses		(24,383)	(26,268)
Depreciation and amortisation of marketing and other assets		(8,070)	(9,420)
Changes in expected credit losses		(30,781)	(967)
Other operating expenses, net		(2,132)	(2,266)
Foreign currency exchange loss from non-financing activities, net		(1,160)	(263,737)
		<b>53,043</b>	<b>(322,592)</b>
<b>Operating income/ (loss)</b>			
Interest income		1,850	14,665
Finance costs		(20,114)	(54,806)
Foreign currency exchange gain from financing activities, net		2,520	2,119
		<b>37,299</b>	<b>(360,614)</b>
<b>Profit/ (Loss) before tax</b>			
Income tax (expense)/ benefit		(12,894)	64,885
		<b>24,405</b>	<b>(295,729)</b>
<b>Profit/ (Loss) for the period</b>			
<b>Attributable to:</b>			
Owner of the Company		13,810	(301,448)
Non-controlling interests		10,595	5,719
		<b>24,405</b>	<b>(295,729)</b>

# ALLIANCE OIL COMPANY LTD

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

<i>(Expressed in USD thousands)</i>	Quarter ended 31 March 2021	Quarter ended 31 March 2020
Profit/ (Loss) for the period	24,405	(295,729)
<b>Other comprehensive income</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Effect of translation to presentation currency	(42,971)	(107,357)
	<b>(42,971)</b>	<b>(107,357)</b>
<b>Total comprehensive loss for the period</b>	<b>(18,566)</b>	<b>(403,086)</b>
<b>Attributable to:</b>		
Owner of the Company	(26,526)	(382,324)
Non-controlling interests	7,960	(20,762)
	<b>(18,566)</b>	<b>(403,086)</b>

# ALLIANCE OIL COMPANY LTD

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (UNAUDITED)

<i>(Expressed in USD thousands)</i>	Note	31 March 2021	31 December 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	1,653,684	1,716,763
Right-of-use assets	9	17,661	63,061
Goodwill		32,720	33,529
Deferred tax assets		109,193	114,091
Other financial assets		186	139
Other non-current assets		1,453	1,576
		<b>1,814,897</b>	<b>1,929,159</b>
<b>Current assets</b>			
Inventories		283,586	181,608
Trade and other accounts receivable		91,557	41,430
Other financial assets	10	435,534	-
Value added tax recoverable and other taxes receivable	11	123,990	82,722
Income tax receivable		9,761	11,053
Advances paid and prepaid expenses		85,528	56,627
Cash and cash equivalents		222,754	1,104,513
		<b>1,252,710</b>	<b>1,477,953</b>
<b>TOTAL ASSETS</b>		<b>3,067,607</b>	<b>3,407,112</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital		2	2
Additional paid-in capital		3,411,655	3,411,654
Translation reserve		(2,115,155)	(2,074,819)
Retained earnings		395,046	381,236
<b>Equity attributable to owner of the Company</b>		<b>1,691,548</b>	<b>1,718,073</b>
Non-controlling interests		112,837	104,883
<b>TOTAL EQUITY</b>		<b>1,804,385</b>	<b>1,822,956</b>
<b>Non-current liabilities</b>			
Loans and borrowings	12	331,663	505,936
Lease liabilities	9	3,264	39,531
Deferred tax liabilities		88,472	90,561
Provision for decommissioning and site restoration costs		60,201	60,131
Post-employment benefit obligations		6,789	6,743
Other long-term liabilities		25	75
		<b>490,414</b>	<b>702,977</b>
<b>Current liabilities</b>			
Loans and borrowings	12	474,592	570,433
Lease liabilities	9	16,031	27,136
Trade and other accounts payable	13	60,411	42,846
Advances received and accrued expenses		78,430	96,891
Income tax payable		4,572	1,826
Other taxes payable		138,772	142,047
		<b>772,808</b>	<b>881,179</b>
<b>TOTAL LIABILITIES</b>		<b>1,263,222</b>	<b>1,584,156</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,067,607</b>	<b>3,407,112</b>

# ALLIANCE OIL COMPANY LTD

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

<i>(Expressed in USD thousands)</i>	Attributable to owner of the Company				Total	Non-controlling interests	Total equity
	Share capital	Additional paid-in capital	Translation reserve	Retained earnings			
<b>Balance at 1 January 2020</b>	<b>2</b>	<b>1,353,809</b>	<b>(1,992,638)</b>	<b>772,441</b>	<b>133,614</b>	<b>127,658</b>	<b>261,272</b>
(Loss)/Profit for the period	-	-	-	(301,448)	<b>(301,448)</b>	5,719	<b>(295,729)</b>
Other comprehensive loss, net of income tax	-	-	(80,876)	-	<b>(80,876)</b>	(26,481)	<b>(107,357)</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(80,876)</b>	<b>(301,448)</b>	<b>(382,324)</b>	<b>(20,762)</b>	<b>(403,086)</b>
<b>Balance at 31 March 2020</b>	<b>2</b>	<b>1,353,809</b>	<b>(2,073,514)</b>	<b>470,993</b>	<b>(248,710)</b>	<b>106,896</b>	<b>(141,814)</b>
<b>Balance at 1 January 2021</b>	<b>2</b>	<b>3,411,654</b>	<b>(2,074,819)</b>	<b>381,236</b>	<b>1,718,073</b>	<b>104,883</b>	<b>1,822,956</b>
Profit for the period	-	-	-	13,810	<b>13,810</b>	10,595	<b>24,405</b>
Other comprehensive loss, net of income tax	-	-	(40,336)	-	<b>(40,336)</b>	(2,635)	<b>(42,971)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>-</b>	<b>-</b>	<b>(40,336)</b>	<b>13,810</b>	<b>(26,526)</b>	<b>7,960</b>	<b>(18,566)</b>
Changes in ownership of subsidiaries	-	1	-	-	<b>1</b>	(6)	<b>(5)</b>
<b>Balance at 31 March 2021</b>	<b>2</b>	<b>3,411,655</b>	<b>(2,115,155)</b>	<b>395,046</b>	<b>1,691,548</b>	<b>112,837</b>	<b>1,804,385</b>

# ALLIANCE OIL COMPANY LTD

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

<i>(Expressed in USD thousands)</i>	<b>Quarter ended 31 March 2021</b>	<b>Quarter ended 31 March 2020</b>
<b>Operating activities</b>		
Profit/ (Loss) before tax	37,299	(360,614)
<b>Adjustments for:</b>		
Depreciation, depletion and amortisation	32,425	44,584
Interest income	(1,850)	(14,665)
Finance costs	20,114	54,806
Foreign currency exchange gain from financing activities, net	(2,520)	(2,119)
Foreign currency exchange loss from non-financing activities, net	1,160	263,737
Changes in expected credit losses	30,781	967
Other non-cash items	1,879	3,202
<b>Operating cash flows before changes in working capital</b>	<b>119,288</b>	<b>(10,102)</b>
<b>Movements in working capital and other liabilities</b>		
Increase in inventories	(108,032)	(29,314)
(Increase)/ Decrease in accounts receivable, advances paid and prepaid expenses	(126,567)	19,890
Increase in accounts payable, advances received and accrued expenses	448	67,800
<b>Cash (used in)/ generated from operations</b>	<b>(114,863)</b>	<b>48,274</b>
Interest paid	(7,937)	(38,702)
Income tax paid	(7,586)	(7,290)
<b>Total cash (used in)/ generated from operating activities</b>	<b>(130,386)</b>	<b>2,282</b>
<b>Investing activities</b>		
Investments in oil and gas production assets	(3,758)	(17,255)
Investments in refining assets	(2,551)	(2,477)
Investments in marketing and other assets	(1,407)	(2,557)
Interest capitalised and paid	(1,190)	(1,306)
Proceeds from disposal of assets	84	45
Loans provided	(465,000)	-
Interest received	976	873
<b>Total cash used in investing activities</b>	<b>(472,846)</b>	<b>(22,677)</b>
<b>Financing activities</b>		
Proceeds from loans and borrowings	170,566	190,735
Repayment of loans and borrowings	(439,795)	(209,439)
Payments of obligations under lease agreements	(6,078)	(7,518)
Other financial activities	(5)	(228)
<b>Total cash used in financing activities</b>	<b>(275,312)</b>	<b>(26,450)</b>
Effect of foreign currencies exchange rate changes	(3,215)	(12,448)
<b>Change in cash and cash equivalents</b>	<b>(881,759)</b>	<b>(59,293)</b>
Cash and cash equivalents at beginning of the period	1,104,513	157,078
<b>Cash and cash equivalents at end of the period</b>	<b>222,754</b>	<b>97,785</b>



**ALLIANCE OIL COMPANY LTD**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
*in thousands of US Dollars (TUSD) unless indicated otherwise*

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## Note 1 Organisation

Alliance Oil Company Ltd (the “Company”) and its subsidiaries (together the “Group”) is an independent vertically integrated oil and gas holding with upstream operations in the Russian Federation and Kazakhstan and downstream operations in the Russian Federation. The Group’s upstream operations include crude oil and gas exploration, extraction and production in the Timano-Pechora, Volga-Urals and Tomsk regions of the Russian Federation and the Atyrau region of Kazakhstan. The downstream operations include oil refining, transportation, marketing and sales of oil products in the Russian Far East and Eastern Siberia.

Alliance Oil Company Ltd was incorporated in Bermuda on 1 September 1998 as a tax exempted limited liability private company. The Company’s registered office is located at: Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

## Note 2 Basis of preparation and significant accounting policies

These condensed consolidated interim financial statements for the three months ended 31 March 2021 have been prepared in accordance with IAS 34 «*Interim financial reporting*». These condensed consolidated interim financial statements supplement the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards.

The principal accounting policies and significant judgments and estimates applied therein are consistent with those of the consolidated financial statements for the year ended 31 December 2020, except for the policies which were changed to comply with the new or amended Standards and Interpretations that are in force for the year beginning on 1 January 2021 (Note 3).

### Foreign currency translation

Following exchange rates were used in preparation of the condensed consolidated interim financial statements:

	RUB per 1 USD		RUB per 1 KZT	
	2021	2020	2021	2020
As at 1 January	73.8757	61.9057	0.1755	0.1617
Average for the quarter ended 31 March	74.3414	66.3818	0.1769	0.1693
As at 31 March	75.7023	77.7325	0.1783	0.1743
As at 31 December	-	73.8757	-	0.1755

### Income taxes

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

### Seasonality of operations

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

### Going concern

In assessing Group’s going concern status, management has taken into account of the Group’s financial position, expected future trading performance, its borrowings and available credit facilities, anticipated additional borrowing facilities under negotiation and its capital expenditures commitments and plans, together with other risks facing the Group.

For the quarter ended 31 March 2021, the Group has earned a profit of USD 24.4 million (Q1 2020: incurred a loss of USD 295.7 million), as at 31 March 2021 the Group’s current assets exceeded its current liabilities by USD 479.9 million (31 December 2020: by USD 596.8 million).

# ALLIANCE OIL COMPANY LTD

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*in thousands of US Dollars unless indicated otherwise*

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### **Note 2 Basis of preparation and significant accounting policies (continued)**

After reviewing the Group's forecasts and projections, management concluded that the Group has adequate resources to continue in operational existence for at least the next 12 months from the date of authorisation of these condensed consolidated interim financial statements. Thus, it was appropriate to adopt the going concern basis in preparing these condensed consolidated interim financial statements.

### **Note 3 Adoption of new and revised Standards and Interpretations**

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Interest rate benchmark (IBOR) reform – phase 2 issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021 have no significant effect on condensed consolidated interim financial statements of the Group.

The Group is currently assessing the impact of the amendments on its condensed consolidated interim financial statements, none of these is expected to have a significant effect on the condensed consolidated interim financial statements of the Group:

- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRS 17 «Insurance Contracts» (issued on 18 May 2017 and amended on 25 June 2020, effective for annual reporting periods beginning on or after 1 January 2021 originally, and on or after 1 January 2023 as amended);
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and amended on 15 July 2020, effective for annual periods beginning on or after 1 January 2022 originally, and on or after 1 January 2023 as amended);
- 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);
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023);
- Disclosure of Accounting policies - Amendments to IAS 1 and IFRS Practice Statement 2 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Definition of Accounting Estimates - Amendments to IAS 8 (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023);
- Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendments to IFRS 16 (issued in March 2021 and effective for annual periods on or after 1 April 2021).

### **Note 4 Segment information**

The Group identifies segments in accordance with the criteria set forth in IFRS 8 «*Operating segments*», as well as based on how its operations are regularly reviewed by the chief operating decision-maker in order to analyse performance and allocate resources.

The Group has identified the following business segments:

- Upstream segment, which includes crude oil and gas exploration, extraction and production;
- Downstream segment, which includes oil refining, transportation and sale of oil products;
- Management and other companies segment, which include management function, parent company and subsidiaries involved in non-core activities.

Management reviews and evaluates the performance of these segments on a regular basis.

# ALLIANCE OIL COMPANY LTD

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

in thousands of US Dollars unless indicated otherwise

### Note 4 Segment information (continued)

Management assesses the performance of the operating segments based on segment-adjusted EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation). The segment financial information provided to management is prepared using the management accounts and includes segment-adjusted EBITDA as a measure of profitability in order to allocate finance and make operational decisions. Segment-adjusted EBITDA is prepared on a basis that does not directly align with IFRS. The explanations for the differences as to IFRS are included below, as a reconciliation of segment-adjusted EBITDA to profit before tax.

Business segment assets and liabilities are not reviewed by management and, thus, are not disclosed in these condensed consolidated interim financial statements.

Financial information by reportable segments is presented below:

	Quarter ended 31 March 2021						
	Upstream	Down-stream	Management and other companies	Total reportable segments	Inter-segment eliminations	Reconciling items	Total
Total segment revenue	171,343	618,843	99	790,285	(22,101)	560	768,744
Less inter-segment revenue	(22,094)	-	(7)	(22,101)	22,101	-	-
Revenue from external customers	149,249	618,843	92	768,184	-	560	768,744
<b>Segment-adjusted EBITDA</b>	<b>56,522</b>	<b>88,569</b>	<b>(25,643)</b>	<b>119,448</b>	<b>-</b>	<b>(2,085)</b>	<b>117,363</b>

	Quarter ended 31 March 2020						
	Upstream	Down-stream	Management and other companies	Total reportable segments	Inter-segment eliminations	Reconciling items	Total
Total segment revenue	131,234	596,190	112	727,536	(8)	1,628	729,156
Less inter-segment revenue	-	-	(8)	(8)	8	-	-
Revenue from external customers	131,234	596,190	104	727,528	-	1,628	729,156
<b>Segment-adjusted EBITDA</b>	<b>24,284</b>	<b>(17,383)</b>	<b>(27,676)</b>	<b>(20,775)</b>	<b>-</b>	<b>7,429</b>	<b>(13,346)</b>

Revenue of the Upstream and Downstream segments includes revenue from sales of crude oil and gas, and oil products, respectively, as well as revenue from other sales.

The reconciliation of segment-adjusted EBITDA to the Group level adjusted EBITDA includes the following main reconciling items:

- elimination of unrealised gains/losses on intra-segment operations;
- recognition of operating leases in accordance with IFRS 16.

The prices used in transactions between reportable segments are determined at an arm's length basis in a manner equal to transactions with third parties, with the exception of received and provided loans.

Reconciliation of the segment-adjusted EBITDA to profit before tax is presented below:

	Quarter ended 31 March 2021	Quarter ended 31 March 2020
Adjusted EBITDA of reportable segments	119,448	(20,775)
Effect of reconciling items	(2,085)	7,429
<b>Adjusted EBITDA</b>	<b>117,363</b>	<b>(13,346)</b>
Depreciation, depletion and amortisation	(32,425)	(44,584)
Interest income	1,850	14,665
Finance costs	(20,114)	(54,806)
Foreign currency exchange gain from financing activities, net	2,520	2,119
Foreign currency exchange loss from non-financing activities, net	(1,160)	(263,737)
Changes in expected credit losses	(30,781)	(967)
Other	46	42
<b>Profit/ (Loss) before tax</b>	<b>37,299</b>	<b>(360,614)</b>

# ALLIANCE OIL COMPANY LTD

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*in thousands of US Dollars unless indicated otherwise*

### Note 5 Production costs of crude oil and gas

	Quarter ended 31 March 2021	Quarter ended 31 March 2020
Mineral extraction tax and additional income tax	84,339	72,333
Crude oil purchased for re-sale	31,848	34,817
Employee benefits	7,230	8,154
Repairs and maintenance	4,592	6,395
Materials and fuel	2,729	3,512
Taxes other than income tax, mineral extraction tax and additional income tax	2,555	3,310
Other	7,076	5,647
	<b>140,369</b>	<b>134,168</b>

### Note 6 Production costs of oil products

	Quarter ended 31 March 2021	Quarter ended 31 March 2020
Crude oil purchased for refining	310,711	355,561
Oil products purchased for re-sale	46,535	21,081
Transportation	29,056	34,986
Taxes other than income tax	14,549	66,705
Materials	8,064	12,480
Employee benefits	4,871	5,996
Other	8,645	8,881
	<b>422,431</b>	<b>505,690</b>

### Note 7 Selling expenses

	Quarter ended 31 March 2021	Quarter ended 31 March 2020
Transportation	38,756	46,247
Employee benefits	14,211	15,956
Export related expenses	834	982
Energy and utilities	647	1,663
Other	3,838	5,033
	<b>58,286</b>	<b>69,881</b>

### Note 8 Property, plant and equipment

During the quarter ended 31 March 2021, additions to the construction and acquisition of production and other assets amounted to USD 11.3 million (Q1 2020: USD 23.1 million), including USD 5.6 million related to oil and gas fields (Q1 2020: USD 16.4 million) and USD 4.2 million related to AO NNK-Khabarovsk Oil Refinery (Q1 2020: USD 2.7 million).

#### Useful economic lives of oil and gas production assets

The Group's oil and gas production assets are depleted over the respective life of the oil and gas fields using the unit-of-production method based on 2P oil and gas reserves and incorporating the anticipated future capital cost for the development of those reserves. Depletion rates for the quarter ended 31 March 2021 were based on an independent reserve engineer report as at 31 December 2020 (Q1 2020: based on the report as at 31 December 2019).

# ALLIANCE OIL COMPANY LTD

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

*in thousands of US Dollars unless indicated otherwise*

### Note 9 Right-of-use assets and lease liabilities

As at 31 March 2021, right-of-use asset in the amount of USD 39.1 million and corresponding lease liability in the amount of USD 42.1 million were derecognised due to change in a rent period estimation in relation to office building lease agreement. Gain on disposal of USD 3.0 million was recognised in profit or loss as other operating income. Subsequently, the lease agreement will be accounted for in the consolidated financial statements as operating lease until expiration.

### Note 10 Other financial assets

	31 March 2021	31 December 2020
<b>Other current financial assets</b>		
Loans provided to an intermediate shareholder, including interest accrued (Note 15)	465,762	-
Less: expected credit losses	(30,228)	-
	<b>435,534</b>	<b>-</b>

In February 2021, the Group provided short-term USD-denominated loans to an intermediate shareholder in the amount of USD 465 million at an interest rate of 1.76% per annum.

As at 31 March 2021, other financial assets at amortised cost were at Stage 1.

### Note 11 Value added tax recoverable and other taxes receivable

	31 March 2021	31 December 2020
VAT recoverable	97,264	75,415
Excise tax	22,223	679
Export and other custom duties	4,360	6,327
Other taxes receivable	143	301
	<b>123,990</b>	<b>82,722</b>

### Note 12 Loans and borrowings

	Currency	Interest rate	31 March 2021		
			Principal	Interest	Total
Non-convertible interest-bearing Eurobonds	USD	7.5%	400,373	12,167	412,540
Bank loans denominated in RUB	RUB	7.3%-8.0%	310,648	-	310,648
Non-convertible interest-bearing bonds	RUB	8.5%	80,820	2,247	83,067
<b>Total loans and borrowings</b>			<b>791,841</b>	<b>14,414</b>	<b>806,255</b>
Short-term and current portion of long-term loans and borrowings					474,592
<b>Long-term loans and borrowings</b>					<b>331,663</b>
	Currency	Interest rate	31 December 2020		
			Principal	Interest	Total
Bank loans denominated in RUB	RUB	7.3%-8.0%	587,932	959	588,891
Non-convertible interest-bearing Eurobonds	USD	7.5%	399,870	4,667	404,537
Non-convertible interest-bearing bonds	RUB	8.5%	82,387	554	82,941
<b>Total loans and borrowings</b>			<b>1,070,189</b>	<b>6,180</b>	<b>1,076,369</b>
Short-term and current portion of long-term loans and borrowings					570,433
<b>Long-term loans and borrowings</b>					<b>505,936</b>

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*in thousands of US Dollars unless indicated otherwise*

### Note 12 Loans and borrowings (continued)

During the quarter ended 31 March 2021, the Group obtained several short-term tranches of a new long-term RUB-denominated credit line in the total amount of RUB 12,650 million (USD 170.6 million as of the transaction dates). The credit line is available until February 2024. Interest rate of the tranches received is 7.3% per annum.

In January - February 2021, RUB-denominated bank loans obtained by AO NNK-Khabarovsk Oil Refinery, a subsidiary of the Group, were fully repaid in the amount of RUB 32,535 million (USD 439.8 million as of the transaction dates).

As at 31 March 2021 and 31 December 2020, the Group had borrowings with fixed rate or linked to Central Bank of Russia key rate.

As at 31 March 2021 and 31 December 2020, the Group has no collateralised liabilities.

The maturity profile of the Group's loans and borrowings based on contractual undiscounted payments, including accrued interest, was as follows:

	31 March 2021		
	Principal	Interest	Total
Within one year	461,348	45,928	507,276
Within second year	160,000	24,197	184,197
Within years three and four	172,467	5,100	177,567
	<b>793,815</b>	<b>75,225</b>	<b>869,040</b>

	31 December 2020		
	Principal	Interest	Total
Within one year	566,548	63,237	629,785
Within second year	247,341	38,167	285,508
Within years three and four	258,827	9,840	268,667
	<b>1,072,716</b>	<b>111,244</b>	<b>1,183,960</b>

The interest payments were based on the interest rate effective at 31 March 2021 and 31 December 2020, respectively. The principal and interest payments denominated in RUB were converted into USD using the exchange rate at 31 March 2021 and 31 December 2020, respectively.

The Group is subject to external requirements imposed on Eurobonds and loans provided by certain banks, including net debt to adjusted EBITDA ratio. The Group complied with the covenants as at 31 March 2021 and 31 December 2020.

### Note 13 Trade and other accounts payable

	31 March 2021	31 December 2020
Trade accounts payable	46,625	30,287
Accounts payable for property, plant and equipment	11,986	10,638
Other payables	1,800	1,921
	<b>60,411</b>	<b>42,846</b>

### Note 14 Financial instruments fair value

The different levels in fair value have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

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### Note 14 Financial instruments fair value (continued)

The estimated fair values of loans and borrowings bearing fixed interest rate (Level 3 in the fair value measurement hierarchy) with stated maturities were estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risks and remaining maturities. The discount rates used ranged from 6.51% to 9.49% p.a. (31 December 2020: from 6.51% to 8.22% p.a.) depending on the length and currency of the liability. The fair values of loans and borrowings bearing a fixed interest rate as at 31 March 2021 exceeded their carrying values by USD 19.2 million (31 December 2020: USD 38.0 million).

Management believes that the fair values of the trade and other accounts receivable, other financial assets, cash, cash equivalents and restricted cash, trade and other accounts payable approximate their carrying amount (Level 3 in the fair value measurement hierarchy).

### Note 15 Related party transactions

Related parties include shareholders, joint venture, entities under common ownership and control with the Group, members of key management personnel and other related parties.

Significant balances with related parties:

	<u>31 March 2021</u>	<u>31 December 2020</u>
<b>Intermediate shareholder</b>		
Short-term loans provided including interest accrued	465,762	-
Less: expected credit losses	(30,228)	-
<b>Other related parties<sup>1</sup></b>		
Trade and other accounts receivable	4,830	1,875

All related party balances are unsecured and will be settled in cash under normal commercial credit terms. No guarantees have been given or received in relation to any related party balance.

Significant transactions with related parties:

	<u>Quarter ended 31 March 2021</u>	<u>Quarter ended 31 March 2020</u>
<b>Intermediate shareholder</b>		
Loans provided	465,000	-
Interest income	764	-
<b>Entities under common control</b>		
Interest income	-	13,847
<b>Other related parties<sup>1</sup></b>		
Revenue	11,986	19,030
<b>Joint venture</b>		
Purchase of services	891	1,407

Transactions with shareholders with significant influence, joint venture, entities under common control and other related parties relate to transactions in the ordinary course of business with terms and conditions, which management believes to be similar to transactions with third parties.

Revenue from sales to related parties mainly includes sales of oil products in the domestic market.

At 31 March 2021 and 31 December 2020, the principal beneficial shareholder and the ultimate controlling party of the Group was Mr. Eduard Y. Khudaynatov.

### Note 16 Commitments and contingencies

The Group's contractual capital commitments, including value added tax, at 31 March 2021 and 31 December 2020 amounted to USD 60.1 million and USD 66.8 million, respectively.

<sup>1</sup> Joint venture of intermediate shareholder

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### Note 17 Operating environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals. Further, on 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time. In addition, in March 2020, no agreement was reached on the OPEC+ limitation of crude oil production.

Against the backdrop of these events, there has been a significant drop in stock markets, commodity prices fell, in particular, crude oil prices declined significantly, the RUB weakened against the USD and the EUR, and the lending rates for many companies in the emerging markets increased. As a result, Group's revenue as well as Group EBITDA decreased mainly due to crude oil and petroleum products price decline on the international and domestic markets.

In April 2020, OPEC+ countries reached an agreement on limitation of crude oil production starting on 1 May 2020. Therefore the Group observed certain crude oil prices stabilization in international markets from the second half of 2020.

In the beginning of 2021, the OPEC+ participants continued to restrict their production targets due to the ongoing instability caused by the spread of the COVID-19 virus and stricter quarantine measures enforced by some countries.

Management is closely monitoring the situation and implements measures to reduce the negative impact of these events on the Group, taking necessary precautions to protect the safety and well-being of employees, contractors and their families against the infectious spread of COVID-19. The future effects of the current economic situation and the above measures are difficult to predict and management's current expectations and estimates could differ from actual results.

### Note 18 Significant events after the end of the period

In April and May 2021, the Group received new short-term tranches of a long-term RUB-denominated credit line obtained in February 2021 in the amount of RUB 13,490 million (USD 179.1 million as of the transaction dates) and partially repaid RUB 6,300 million (USD 84.2 million). Interest rates of the tranches received are 7.3%-7.5% per annum.

In April 2021, the Group signed the agreement to acquire the remaining 49% stake in the joint venture AR Oil & Gaz B.V from Repsol Exploration S.A. for a cash consideration of USD 132.0 million. In May 2021, the Group fulfilled its obligations under the share purchase agreement and acquired the control over AR Oil & Gaz B.V. as well as 49% non-controlling interests in AO Saneco and 48.7893% in AO Tatnefteotdacha. The purchase price allocation in relation to this transaction has not yet been completed.

In May 2021, the Group obtained a long-term RUB-denominated bank loan in the amount of RUB 7,524 million and has utilized RUB 7,345 million (USD 99.1 million as of the transaction date). Loan facility matures till December 2027, interest rate is equal to Central Bank of Russia key rate increased by 5 percentage points.