

Translation from the Russian original

PJSC “RussNeft”

Interim Condensed Consolidated
Financial Statements (Unaudited)
for the six months ended 30 June 2023
and Report on Review

PJSC "RussNeft"

Interim Condensed Consolidated Financial Statements (Unaudited)

for the six months ended 30 June 2023

Contents

Report on Review of the Interim Condensed Financial Statements.....	3
Interim Condensed Consolidated Financial Statements	
Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)	4
Interim Condensed Consolidated Statement of Financial Position (Unaudited)	5
Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)	6
Interim Condensed Consolidated Statement of Cash Flows (Unaudited).....	7
Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)	
1. Corporate information	8
2. Basis of preparation	8
3. Changes in accounting policies	10
4. New standards and interpretations issued but not yet effective	10
5. Segment information	10
6. Subsidiaries of the Group	11
7. Non-controlling interests	12
8. Investments in associates and joint ventures	12
9. Revenue	13
10. Cost of sales	14
11. Selling, general and administrative expenses	14
12. Finance income and expense	15
13. Other operating income and expenses	15
14. Property, plant and equipment	16
15. Right-of-use assets and lease liabilities	17
16. Goodwill	18
17. Other long-term and short-term financial assets	18
18. Inventories	19
19. Other non-current assets, trade and other receivables	19
20. Cash and cash equivalents	20
21. Share capital	21
22. Loans and borrowings	21
23. Decommissioning liability	22
24. Long-term and short-term financial and other liabilities	22
25. Income tax	23
26. Transactions with related parties	23
27. Fair value measurement	25
28. Contingencies, commitments and operating risks	26
29. Subsequent events	29

Translation from the Russian original

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of PJSC "RussNeft"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC "RussNeft" (OGRN 1027717003467) and its subsidiaries, which comprise the interim condensed consolidated statement of profit or loss and other comprehensive income for the six-month period ended 30 June 2023, the interim condensed consolidated statement of financial position as at 30 June 2023, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2023 (the interim financial information). The President of PJSC "RussNeft" is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Conclusion

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

The translation is true and correct.

The Engagement Partner on the review



A.B. Baliakin

Audit organisation:

Unicon Joint Stock Company

Suite 50, Office I, 3rd Floor, Section 11, Block 1, Bldg. 125, Warshavskoye Shosse, Moscow, 117587, Russia

Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations:
12006020340

25 August 2023

PJSC "RussNeft"

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

for the six months ended 30 June 2023

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022
Revenue	9	91,947	180,467
Cost of sales	10	(70,644)	(141,040)
Gross profit		21,303	39,427
Exploration expenses		(523)	(130)
Selling expenses	11	(6,964)	(5,883)
General and administrative expenses	11	(2,035)	(3,315)
Other operating income	13	477	14,880
Other operating expenses	13	(13,044)	(7,224)
Operating (loss)/ profit		(786)	37,755
Finance income	12	3,136	2,506
Finance expense	12	(6,018)	(4,820)
Foreign exchange differences, net		3,229	(9,390)
(Loss)/ Profit before tax		(439)	26,051
Income tax (expense)/ benefit	25	(4,474)	4,585
(Loss)/ Profit for the period		(4,913)	30,636
Other comprehensive (loss)/ income that may be subsequently reclassified to profit or loss			
Foreign currency translation (loss)/gain		(4,669)	5,064
Total comprehensive (loss)/ income, net of tax		(9,582)	35,700
Profit/ (Loss) attributable to:			
Shareholders of the Parent		2,922	31,939
Non-controlling interests		(7,835)	(1,303)
Total comprehensive (loss)/ income attributable to:			
Shareholders of the Parent		(3,273)	40,255
Non-controlling interests		(6,309)	(4,555)
Basic and diluted earnings per share (RUB)	21	10	109
Weighted average number of common shares (millions)		294	294

E.V. Tolochek
President

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

Authorized for issue on 25 August 2023

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

as at 30 June 2023

(in millions of Russian rubles)

	Notes	30 June 2023	31 December 2022
Assets			
Non-current assets			
Property, plant and equipment	14	156,572	153,807
Right-of-use assets	15	908	1,003
Exploration and evaluation assets		3,637	3,647
Goodwill	16	9,965	9,961
Long-term trade and other receivables		41	35
Other long-term financial assets	17	95,390	77,611
Deferred tax assets		791	819
Other non-current assets		1,996	2,818
Total non-current assets		269,300	249,701
Current assets			
Inventories	18	11,013	8,308
Trade and other receivables	19	7,989	6,143
Other short-term financial assets	17	1,581	1,215
VAT receivable		1,123	1,035
Income tax receivable		127	79
Cash and cash equivalents	20	3,069	2,120
Other current assets		16,863	13,817
Total current assets		41,765	32,717
Total assets		311,065	282,418
Equity and liabilities			
Equity attributable to shareholders of the Parent			
Share capital	21	196	196
Share premium		60,289	60,289
Forward to purchase treasury shares		(21,123)	(21,123)
Foreign currency translation reserve		(7,948)	(1,753)
Retained earnings		46,696	43,804
Total equity attributable to shareholders of the Parent		78,110	81,413
Non-controlling interests	7	5,622	12,254
Total equity		83,732	93,667
Long-term liabilities			
Long-term loans and borrowings	22	83,687	70,683
Decommissioning liability	23	10,253	10,846
Deferred tax liabilities		14,032	10,568
Long-term lease liabilities	15	566	721
Other long-term financial liabilities	24	35,579	24,442
Total long-term liabilities		144,117	117,260
Short-term liabilities			
Short-term loans and borrowings	22	8,081	6,635
Trade and other payables, other short-term financial liabilities	24	36,908	32,591
Taxes and levies payable (excluding income tax)	24	15,670	12,887
Short-term lease liabilities	15	422	336
Income tax payable		112	133
Advances received and other short-term liabilities	24	22,023	18,909
Total short-term liabilities		83,216	71,491
Total liabilities and equity		311,065	282,418

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2023

(in millions of Russian rubles)

	Equity attributable to shareholders of the Parent							
	Share capital	Share premium	Forward treasury shares	Foreign currency translation reserve	Retained earnings/(loss)	Total equity of PJSC "RussNeft"	Non-controlling interests	Total equity
Notes								
1 January 2022	196	60,289	(21,123)	(3,136)	27,995	64,221	13,155	77,376
Profit/(Loss) for the period	-	-	-	-	31,939	31,939	(1,303)	30,636
Foreign currency translation reserve	-	-	-	8,316	-	8,316	(3,252)	5,064
Total comprehensive income/(loss) for the period	-	-	-	8,316	31,939	40,255	(4,555)	35,700
Dividends	-	-	-	-	-	-	(6)	(6)
Dividends refund	-	-	-	-	-	-	1	1
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(50)	(50)	50	-
Other transactions	-	-	-	-	5	5	-	5
30 June 2022	196	60,289	(21,123)	5,180	59,889	104,431	8,645	113,076
31 December 2022	196	60,289	(21,123)	(1,753)	43,804	81,413	12,254	93,667
(Loss)/ Profit for the period	-	-	-	-	2,922	2,922	(7,835)	(4,913)
Foreign currency translation reserve	-	-	-	(6,195)	-	(6,195)	1,526	(4,669)
Total comprehensive (loss) / income for the period	-	-	-	(6,195)	2,922	(3,273)	(6,309)	(9,582)
Dividends	-	-	-	-	-	-	(5)	(5)
Dividends refund	-	-	-	-	-	-	1	1
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(44)	(44)	44	-
Changes in non-controlling interests of subsidiaries due to cancellation of the subsidiary's own shares	-	-	-	-	83	83	(83)	-
Other transactions	-	-	-	-	(69)	(69)	(280)	(349)
30 June 2023	196	60,289	(21,123)	(7,948)	46,696	78,110	5,622	83,732

6

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

PJSC "RussNeft"

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

for the six months ended 30 June 2023

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2023	Six months ended 30 June 2022
Cash flows – operating activities			
(Loss)/ Profit before tax		(439)	26,051
(Loss)/ Profit before tax		(439)	26,051
Adjustments to reconcile (loss)/ profit before tax to net cash flows			
Depreciation, depletion and amortization	10	7,897	7,461
Result from disposal of property, plant and equipment and right-of-use assets, net	13	554	344
(Reversal of impairment)/ Impairment of property, plant and equipment and other assets, net	13	(32)	–
Impairment/ (Reversal of impairment) of financial assets, net	13	2,927	(9,786)
Derivative financial instruments at fair value	13	9,093	20
Financial guarantee	13	(20)	(20)
Benefit obligations, allowances for expected credit losses and other provisions		(361)	829
Change in fair value, exercise and termination of options	13	–	1,540
Termination of provisions	13	(265)	–
Finance income	12	(3,136)	(2,506)
Finance expense	12	6,018	4,820
Foreign exchange differences, net		(3,229)	9,390
Other adjustments		20	(60)
Net operating cash flows before working capital changes		19,027	38,083
Working capital adjustments			
Increase in inventories		(2,620)	(1,187)
Increase in trade and other receivables and prepayments		(2,632)	(16,455)
Increase/ (Decrease) in trade and other payables and advances received		4,883	(2,159)
Decrease/ (Increase) in other current assets		28	(2)
Interest paid for early payments		(500)	–
Income tax paid		(1,052)	(1,701)
Net cash – operating activities		17,134	16,579
Cash flows – investing activities			
Purchase of property, plant and equipment and other non-current assets		(8,304)	(10,349)
Proceeds from disposal of subsidiaries		–	2
Proceeds from disposal of property, plant and equipment		2	125
Loans issued		(66)	(128)
Proceeds from loans issued		–	98
Interests received		39	195
Net cash – investing activities		(8,329)	(10,057)
Cash flows – financing activities			
Proceeds from loans and borrowings received		279	195
Repayment of loans and borrowings received		(3,879)	(3,210)
Repayment of lease liabilities	15	(199)	(218)
Interests paid		(4,276)	(2,403)
Exercise of options		–	(3,098)
Net cash – financing activities		(8,075)	(8,734)
Effect of foreign exchange rate changes on balances of cash and cash equivalents		219	(1,168)
Change in cash and cash equivalents		949	(3,380)
Cash and cash equivalents at the beginning of the period		2,120	8,999
Cash and cash equivalents at the end of the period		3,069	5,619

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

PJSC “RussNeft”

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) for the six months ended 30 June 2023 *(in millions of Russian rubles)*

1. Corporate information

The interim condensed consolidated financial statements of Public Joint Stock Company “RussNeft” (“PJSC “RussNeft”, the “Parent” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2023 were authorized for issue in accordance with a resolution of management on 25 August 2023.

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

The principal activities of the Group are prospecting, exploration, development, production and marketing of oil, gas and oil products. Principal subsidiaries included in the interim condensed consolidated financial statements and respective ownership interests of the Company as at 30 June 2023 and 31 December 2022 are presented in Note 6.

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

As at 30 June 2023, the average number of employees employed by the Group was 7,397 people (30 June 2022: 7,796, 31 December 2022: 7,733 people).

2. Basis of preparation

Statement of compliance with IFRS

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for 2022 prepared in accordance with International Financial Reporting Standards (IFRS). Any differences between comparative amounts and amounts recorded in the interim condensed consolidated financial statements for the six months ended 30 June 2023 represent only the result of reclassification for comparative purposes.

Basis of accounting

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. The Group omitted disclosures which would duplicate the information contained in its 2022 audited consolidated financial statements, such as accounting policies, significant estimates and judgments, financial risk disclosures and other disclosures that have not been changed significantly in the amount or composition. Management believes that these interim condensed consolidated financial statements reflect all adjustments required to present fairly the Group’s financial position, performance results, and statements of changes in equity and cash flows for the interim reporting periods. The principal adjustments relate to the consolidation of subsidiaries, goodwill recognition and its impairment assessment, accounting for jointly controlled operations and investments in associates, expense and revenue recognition, allowances for unrecoverable assets, depreciation and valuation of property, plant and equipment, use of fair values, impairment of assets, foreign currency translation, financial instruments, deferred taxes, right-of-use assets, decommissioning liability and land restoration liability

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

2. Basis of preparation (continued)

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

Functional currency and foreign currency translation

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

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

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

In the Russian Federation, official exchange rates are set daily by the CBR. The exchange rate used for the purposes of converting transactions and balances denominated in US dollars into Russian rubles was equal to the official exchange rate of the CBR and is shown in the table below:

Currency	31 December 2022 RUB per one	30 June 2023 RUB per one	25 August 2023 RUB per one
US dollar	70,3375	87,0341	94,4007

Going concern

These interim condensed consolidated financial statements have been prepared on a going concern basis that contemplates the sale of assets and the settlement of any liabilities (including contractual) in the normal course of business. This statement was made based on the assessment of the Group's ability to continue as a going concern for at least 12 months after the end of the reporting period. Management of the Group takes note of the facts and events described in Note 28 *Contingencies, commitments and operating risks*.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

3. Changes in accounting policies

The accounting principles adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied when preparing the annual consolidated financial statements of the Group for the year ended 31 December 2022, except for the adoption of new standards and interpretations effective as at 1 January 2023 or after that date. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the standards listed below effective for the annual periods beginning on or after 1 January 2023 had no material impact on the interim condensed consolidated financial statements of the Group:

- ▶ IFRS 17 *«Insurance Contracts»*;
- ▶ Amendments to IAS 8 *«Definition of Accounting Estimates»*;
- ▶ Amendments to IAS 12 *«Deferred Tax Related to Assets and Liabilities arising from a Single Transaction»*;
- ▶ Amendments to IAS 1 and IFRS Practice Statement 2 *«Disclosure of Accounting Policies»*;
- ▶ Amendments to IAS 12 *«Income Taxes - OECD Pillar Two Tax Reform»*.

4. New standards and interpretations issued but not yet effective

The complete list of new standards, amendments to and interpretations of the existing standards that become effective after the annual reporting period ended 31 December 2022 is provided in the Group's consolidated financial statements for 2022. The Group intends to adopt these standards and interpretations when they become effective.

5. Segment information

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

Revenue from external customers broken down by key products and services and geographical segments as well as information about major customers are disclosed in Note 9 *Revenue*. Geographical distribution of the Group's non-current assets, except for financial instruments, deferred tax assets and other assets, is disclosed in Note 14 *Property, plant and equipment* and Note 15 *Right-of-use assets and lease liabilities*.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Subsidiaries of the Group

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2023	31 December 2022
PJSC Varyeganneft	Extraction and marketing of crude oil and gas	Russian Federation	95%	95%
LLC Valyuninskoe	Property management and leasing	Russian Federation	95%	95%
LLC Novo-Aganskoe	Property management and leasing	Russian Federation	95%	95%
LLC Belye Nochi	Property management and leasing	Russian Federation	100%	100%
JSC ANGG	Property management and leasing	Russian Federation	98%	98%
ST JSC Goloil	Property management and leasing	Russian Federation	100%	100%
JSC Mohtikneft	Property management and leasing	Russian Federation	100%	100%
JSC Chernogorskoe	Property management and leasing	Russian Federation	100%	100%
LLC Alatau-2 (under dissolution)	Exploration drilling	Russian Federation	100%	100%
LLC Alatau-5 (under dissolution)	Exploration drilling	Russian Federation	100%	100%
LLC Alatau-8 (under dissolution)	Exploration drilling	Russian Federation	100%	100%
OJSC NAK Aki-Otyr	Property management and leasing	Russian Federation	100%	100%
JSC Nazymenskaya NGRE	Property management and leasing	Russian Federation	100%	100%
JSC KhMNK	Property management and leasing	Russian Federation	100%	100%
PJSC Saratovneftegaz	Property management and leasing	Russian Federation	96%	96%
JSC Saratov-Burenie	Property management and leasing	Russian Federation	96%	96%
LLC Neftebytservis	Other	Russian Federation	96%	96%
JSC Geofizservis	Other	Russian Federation	97%	97%
LLC Saratovenergoneft	Other	Russian Federation	96%	96%
LLC RedOil	Property management and leasing	Russian Federation	96%	96%
PI DOC Rovesnik	Other	Russian Federation	96%	96%
JSC Ulyanovskneft	Property management and leasing	Russian Federation	100%	100%
LLC KP Neftyanik	Other	Russian Federation	100%	100%
LLC Tomskaya Neft	Property management and leasing	Russian Federation	100%	100%
LLC Sredne-Vasyuganskoe	Oil production	Russian Federation	100%	100%
LLC NK Russneft-Bryansk	Transportation services	Russian Federation	51%	51%
LLC Torgovy Dom Russneft	Other	Russian Federation	100%	100%
LLC M-Trade	Other	Russian Federation	100%	100%
JSC Belkam-Trade	Other	Russian Federation	100%	100%
LLC Rustrade	Other	Russian Federation	100%	100%
Russneft (UK) Limited	Marketing of crude oil and petroleum products	United Kingdom	100%	100%
BIZNETA HOLDINGS LTD	Other	Republic of Cyprus	100%	100%
Russneft Cyprus Limited ¹	Other	Republic of Cyprus	21%	20%

¹ Entities in which the Group has a direct and/or indirect interest via Russneft Cyprus Limited, a subsidiary, 100% of whose voting shares are held by the Parent.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

6. Subsidiaries of the Group (continued)

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2023	31 December 2022
Russneft (BVI) Limited ¹	Other	BVI	21%	20%
Edmarnton Limited (under dissolution) ¹	Other	BVI	21%	20%
International Petroleum Grouping S.A. (under dissolution jointly with Edmarnton Limited) ¹	Evaluation and exploration of oil and gas	Islamic Republic of Mauritania	11%	11%
Global Energy Cyprus Limited ¹	Other	Republic of Cyprus	21%	20%
GEA Holdings Limited ¹	Other	BVI	21%	20%
Kura Valley Holding Company ¹	Other	Cayman Islands	21%	20%
Karasu Petroleum Company ¹	Other	Cayman Islands	21%	20%
Karasu Development Company ^{1, 2}	Extraction and marketing of crude oil under PSA	Cayman Islands	21%	20%

At the annual meeting of shareholders of PJSC Saratovneftegaz, a decision was made on the payment of dividends on preference shares in due time, in connection with which these shares are not voting on the reporting date. At the annual meeting of shareholders of PJSC Varyeganneft, no decision was made to pay dividends on the company's preference shares, and therefore these preference shares became voting.

7. Non-controlling interests

Non-controlling interests include:

	30 June 2023		Six months ended 30 June 2023		31 December 2022		Six months ended 30 June 2022	
	Non-controlling interests in share capital	Non-controlling interests in net assets	Non-controlling interests in (loss) / profit	Non-controlling interests in share capital	Non-controlling interests in net assets	Non-controlling interests in (loss) / profit	Non-controlling interests in (loss) / profit	Non-controlling interests in (loss) / profit
	%	RUB million	RUB million	%	RUB million	RUB million		
Russneft Cyprus Limited and its subsidiaries and joint ventures	79-89%	4,327	(7,836)	80-89%	10,956	(1,305)		
PJSC Varyeganneft and its subsidiaries	5%	1,511	2	5%	1,507	32		
PJSC Saratovneftegaz and its subsidiaries	4%	738	35	4%	708	8		
Other	0.4-49%	(954)	(36)	0.4-49%	(917)	(38)		
Non-controlling interests at the end of the period		5,622	(7,835)		12,254	(1,303)		

8. Investments in associates and joint ventures

GEA Holdings Limited Group

The Group recognizes its participation in the production sharing agreements (the "PSA") in the interim condensed consolidated financial statements as joint operations involving subsidiaries and joint ventures of GEA Holdings Limited group ("GEA group"). GEA Holdings Limited through its subsidiaries and joint ventures participates in oil exploration and extraction projects in the Republic

² Including Karasu Operating Company recognized in these interim condensed consolidated financial statements as a joint operation under a production sharing agreement.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

8. Investments in associates and joint ventures (continued)

of Azerbaijan under the PSA with the State Oil Company of the Azerbaijan Republic (SOCAR) and SOCAR Oil Affiliate (SOA). Where the control is exercised individually or jointly, the companies within GEA group in these interim condensed consolidated financial statements are accounted for as subsidiaries of the Group (Note 6) or under the equity method or as joint operations.

As at 30 June 2023 and 31 December 2022, the carrying amount of investments in associates and joint ventures equaled zero.

9. Revenue

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

The Group operates in two principal geographical areas: far abroad export and domestic market (the Russian Federation). At the same time, the Group's non-current non-financial assets are primarily located on the territory of the Russian Federation, with the exception of GEA group assets (Note 8).

The information on revenue is presented in the table below:

	Far abroad export		Domestic market		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2023	30 June 2022	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Revenue from external customers						
Crude oil sales	24,719	45,320	65,395	133,458	90,114	178,778
Petroleum products sales	–	–	169	120	169	120
Gas sales	–	–	1,518	1,411	1,518	1,411
Other sales	–	–	146	158	146	158
Total revenue	24,719	45,320	67,228	135,147	91,947	180,467

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

		Geographical location	Six months ended 30 June 2023 RUB million	Six months ended 30 June 2022 RUB million
Major customer 1	Crude oil sales	Domestic market	36,957	71,865
Major customer 2	Crude oil sales	Far abroad export	15,062	–
Major customer 3	Crude oil sales	Domestic market	5,872	19,241
Total revenue from sales to major customers			57,891	91,106

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

10. Cost of sales

	Six months ended 30 June 2023 RUB million	Six months ended 30 June 2022 RUB million
Mineral extraction tax	45,190	76,424
Depreciation, depletion and amortization	7,721	7,271
Cost of crude oil and petroleum products sold	4,042	41,575
Payroll and related taxes	3,855	3,864
Heat and electricity	3,040	3,017
Raw materials and supplies used in production	1,279	1,208
Production services	1,207	1,030
Tax on additional income	720	2,416
Transportation expenses	720	646
Equipment repair, operation and maintenance	493	633
Depreciation of right-of-use assets	176	190
Processing fees	-	7
Other expenses	2,201	2,759
Total cost of sales	70,644	141,040

11. Selling, general and administrative expenses

Selling expenses comprise:

	Six months ended 30 June 2023 RUB million	Six months ended 30 June 2022 RUB million
Pipeline tariffs and transportation expenses	6,843	5,741
Other selling expenses	121	142
Total selling expenses	6,964	5,883

General and administrative expenses comprise the following:

	Six months ended 30 June 2023 RUB million	Six months ended 30 June 2022 RUB million
Payroll and related taxes	1,335	1,284
Entertainment and business travel	168	147
Allowance for expected credit losses	115	1,249
Consulting services	80	185
Software	35	64
Repair and maintenance	31	21
Bank services	27	21
Taxes other than income tax, including fines and penalties	26	74
Utilities	17	15
Environmental activities	4	6
Other expenses	197	249
Total general and administrative expenses	2,035	3,315

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

12. Finance income and expense

Finance income comprises the following:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RUB million	RUB million
Interest income on loans	3,043	2,414
Interest income for early payments	93	92
Total finance income	3,136	2,506

Finance expense comprises the following:

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RUB million	RUB million
Interest expense on loans and borrowings	4,150	2,711
Interest expense for early payments	765	138
Accretion expense (Note 23)	564	571
Interest expense on lease liabilities	42	53
Other finance expense	497	1,347
Total finance expense	6,018	4,820

13. Other operating income and expenses

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RUB million	RUB million
Termination of provisions	265	-
Reversal of impairment of property, plant and equipment	39	-
Financial guarantee	20	20
Reversal of impairment of financial assets	-	9 786 ³
Change in fair value – options	-	4 491
Fines and penalties received for contractual breaches	-	43
Other income	153	540
Total other operating income	477	14 880

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RUB million	RUB million
Change in fair value – swaps	9,093	20
Impairment of financial assets	2,927	-
Result from disposal of property, plant and equipment and right-of-use assets, net	554	344
Charity and other gratuitous expenses	217	290
Fines and penalties due to contractual breaches	43	106
Exercise and termination of options	-	6,031
Impairment of other assets	7	-
Other expenses	203	433
Total other operating expenses	13,044	7,224

³ Adjusted for the effect of exchange differences of RUB 4,966 million resulting from the translation of the allowance for expected credit losses on financial assets, denominated in foreign currencies, into the functional currency, rubles, as at the reporting date.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

14. Property, plant and equipment

	Oil and gas properties	Other property, plant and equipment	Construction in progress	Total
	RUB million	RUB million	RUB million	RUB million
1 January 2022				
Cost	289,346	3,065	–	292,411
Accumulated depreciation and impairment	(139,035)	(2,556)	–	(141,591)
Net book value as at 1 January 2022	150,311	509	–	150,820
Additions	27,682	1	2	27,685
Decommissioning liability	(4,087)	–	–	(4,087)
Disposal of subsidiaries, net	–	(26)	–	(26)
Transfer from construction in progress	–	2	(2)	–
Depreciation	(14,711)	(12)	–	(14,723)
Impairment	(3,562)	–	–	(3,562)
Reversal of impairment	431	–	–	431
Disposals, net	(1,905)	(16)	–	(1,921)
Foreign currency translation, net	(810)	–	–	(810)
31 December 2022				
Cost	307,398	2,954	–	310,352
Accumulated depreciation and impairment	(154,049)	(2,496)	–	(156,545)
Net book value as at 31 December 2022	153,349	458	–	153,807
Additions	10,376	–	2	10,378
Decommissioning liability	(985)	–	–	(985)
Transfer from construction in progress	–	2	(2)	–
Depreciation	(7,719)	(2)	–	(7,721)
Reversal of impairment	39	–	–	39
Disposals, net	(2,360)	(3)	–	(2,363)
Foreign currency translation, net	3,417	–	–	3,417
30 June 2023				
Cost	318,492	2,963	–	321,455
Accumulated depreciation and impairment	(162,375)	(2,508)	–	(164,883)
Net book value as at 30 June 2023	156,117	455	–	156,572

The Group's non-current assets are located primarily in the Russian Federation, except for assets located in the Republic of Azerbaijan and related to the Group's participation in PSA (Note 8).

The Group had no significant amounts of property, plant and equipment pledged as at 30 June 2023.

Impairment losses

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. In the reporting period, the Group reversed the previously recognized impairment in the amount of RUB 39 million. As at 30 June 2023 and 31 December 2022, the impairment allowance amounts equal to RUB 12,559 million and RUB 12,457 million, respectively.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated
Financial Statements (Unaudited) (continued)

15. Right-of-use assets and lease liabilities

Right-of-use assets

	Oil and gas right-of-use assets RUB million	Other right-of-use assets RUB million	Total right-of-use assets RUB million
1 January 2022			
Cost	265	1,250	1,515
Accumulated depreciation and impairment	(13)	(148)	(161)
Net book value as at 1 January 2022	252	1,102	1,354
Additions	15	–	15
Depreciation	(8)	(182)	(190)
Modification and revaluation	–	13	13
Disposals, net	–	(5)	(5)
Foreign currency translation, net	(2)	(7)	(9)
30 June 2022			
Cost	277	1,229	1,506
Accumulated depreciation and impairment	(20)	(308)	(328)
Net book value as at 30 June 2022	257	921	1,178
As of 1 January 2023			
Cost	285	1,237	1,522
Accumulated depreciation and impairment	(29)	(490)	(519)
Net book value as at 1 January 2023	256	747	1,003
Additions	11	–	11
Depreciation	(11)	(165)	(176)
Modification and revaluation	6	64	70
Disposals, net	(3)	–	(3)
Foreign currency translation, net	1	2	3
30 June 2023			
Cost	299	1,309	1,608
Accumulated depreciation and impairment	(39)	(661)	(700)
Net book value as at 30 June 2023	260	648	908

Lease liabilities	30 June 2023 RUB million	31 December 2022 RUB million
At the beginning of the period	1,057	1,396
<i>including short-term lease liabilities</i>	336	337
Recognition of lease liabilities	11	29
Disposals	(2)	(10)
Modification and revaluation	76	7
Interest on lease liabilities	42	100
Payments on lease liabilities	(199)	(462)
Foreign currency translation, net	3	(3)
At the end of the period	988	1,057
<i>including short-term lease liabilities</i>	422	336

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

16. Goodwill

	RUB million
1 January 2022	11,796
Impairment	(1,834)
Foreign currency translation	(1)
31 December 2022	9,961
Foreign currency translation	4
30 June 2023	9,965

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

	Segment ⁴	30 June 2023 RUB million	31 December 2022 RUB million
PJSC Saratovneftegaz	Exploration, production and related service	9,024	9,024
PJSC Varyeganneft	Exploration, production and related service	598	598
JSC Ulyanovskneft	Exploration, production and related service	228	228
OJSC NAK Aki-Otyr	Exploration, production and related service	95	95
Other		20	16
		9,965	9,961

The Group conducts its goodwill impairment test as at 31 December of each annual reporting period. During the reporting period, the Group performed the analysis of presence of indicators of potential impairment as at 30 June 2023. No indication of goodwill impairment was identified.

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

	Currency	30 June 2023 RUB million	31 December 2022 RUB million
Long-term loans issued to related parties	USD	106,829	84,299
Long-term loans issued to related parties	EUR	22,004	17,102
Long-term loans issued to related parties	RUB	2,647	2,546
Long-term loans issued to other companies	RUB	2,845	2,804
Allowances for expected credit losses on long-term loans issued		(38,935)	(29,140)
		95,390	77,611
Short-term loans issued to related parties	USD	1,581	1,215
		1,581	1,215

⁴ The segment is defined in Note 5.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

17. Other long-term and short-term financial assets (continued)

Other long-term and short-term financial assets

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

The Parent records loans issued to GEA group's companies, the related parties, accounted for under the equity method (Note 8), as long-term financial assets in these interim condensed consolidated financial statements. As at 30 June 2023 and 31 December 2022, loans receivable (including interest accrued and allowance for expected credit losses) amounted to USD 643 million (RUB 55,993 million at the exchange rate as at the reporting date) and USD 637 million (RUB 44,782 million), respectively.

18. Inventories

	30 June 2023	31 December 2022
	RUB million	RUB million
Crude oil	6,132	4,882
Raw materials and components	5,326	3,804
Petroleum products	22	27
Allowance for inventory obsolescence ⁵	(467)	(405)
Total inventories	11,013	8,308

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

	30 June 2023	31 December 2022
	RUB million	RUB million
Long-term prepayments	1,653	1,779
Long-term prepayments for capital construction	2,112	2,546
Allowance for prepayments	(1,801)	(1,552)
Other non-current assets	32	45
Total other non-current assets	1,996	2,818

	30 June 2023	31 December 2022
	RUB million	RUB million
Other long-term receivables	1,549	1,253
Allowance for expected credit losses	(1,508)	(1,218)
Total other long-term receivables	41	35

⁵ Allowance for inventory obsolescence relates to the Raw materials and components.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

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

	30 June 2023	31 December 2022
	RUB million	RUB million
Trade receivables	3,592	3,066
Other short-term receivables	4,551	3,524
Allowance for expected credit losses	(154)	(447)
Total trade and other receivables	7,989	6,143
	30 June 2023	31 December 2022
	RUB million	RUB million
Short-term prepayments	16,991	13,993
Other current assets ⁶	210	201
Allowance for prepayments	(338)	(377)
Total prepayments and other current assets	16,863	13,817

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

	30 June 2023	31 December 2022
	RUB million	RUB million
At the beginning of the period	(3,594)	(2,413)
Charge	(115)	(712)
Allowance used	-	9
Foreign currency translation	(92)	(478)
At the end of the period	(3,801)	(3,594)

20. Cash and cash equivalents

	30 June 2023	31 December 2022
	RUB million	RUB million
Foreign currency-denominated cash at bank and on hand	1,249	516
RUB-denominated cash at bank and on hand	424	304
Deposits and other cash equivalents	1,396	1,300
Total cash and cash equivalents	3,069	2,120

⁶ In respect of individual bank accounts, there are temporarily blocked amounts of RUB 185 million as at 30 June 2023. In this connection, these amounts are reflected in *Other current assets* of the Group.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

21. Share capital

	30 June 2023	30 June 2023	31 December 2022	31 December 2022
	thousand	RUB million	thousand	RUB million
Common shares (issued and paid) with a nominal value of RUB 0.5 each	294,120	147	294,120	147
Preference shares ⁷ with a nominal value of RUB 0.5 each	98,032	49	98,032	49
Total share capital	392,152	196	392,152	196

At the annual General meeting of shareholders of the Company following the results of 2022, no decision was made on the payment of dividends on preference shares of PJSC "RussNeft", and therefore the preference shares became voting (Note 29). No dividends were declared or paid on the Parent Company's common shares.

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

Earnings per share

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

		Six months ended 30 June 2023	Six months ended 30 June 2022
Profit attributable to shareholders of the Parent	RUB million	2,922	31,939
Dividends on preference shares	RUB million	-	-
Profit attributable to shareholders of the Parent, as adjusted	RUB million	2,922	31,939
Weighted average number of common shares outstanding	million	294	294
Effect of dilution		-	-
Basic and diluted earnings per share	RUB per share	10	109

22. Loans and borrowings

	Currency	Weighted average interest rate by type of liability as at 30 June 2023	30 June 2023
		%	RUB million
Long-term loans and borrowings			
Bank loans	USD	11.05%	74,237
Loans received	USD	5.5%	698
Borrowings received	USD	7.26%	8,752
Total long-term loans and borrowings			83,687
Short-term loans and borrowings			
Bank loans	USD	11.05%	8,035
Borrowings received	RUB	6.54%	46
Total short-term loans and borrowings			8,081

⁷ The preference shares of PJSC "RussNeft" are not cumulative.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated
Financial Statements (Unaudited) (continued)

22. Loans and borrowings (continued)

		Weighted average interest rate by type of liability as at	
	Currency	31 December 2022	31 December 2022
		%	RUB million
Long-term loans and borrowings			
Bank loans	USD	10.27%	63,202
Loans received	USD	5.5%	753
Borrowings received	USD	7.28%	6,728
Total long-term loans and borrowings			70,683
Short-term loans and borrowings			
Bank loans	USD	10.27%	6,589
Borrowings received	RUB	6.54%	46
Total short-term loans and borrowings			6,635

23. Decommissioning liability

	30 June 2023		31 December 2022	
	Decommissioning liability	Land restoration liability	Decommissioning liability	Land restoration liability
	RUB million	RUB million	RUB million	RUB million
At the beginning of the period	8,225	2,621	10,580	3,372
Acquisitions	9	3	52	163
Disposals	(6)	(12)	(60)	(95)
Change in estimate	(759)	(462)	(3,199)	(1,103)
Accretion expense	426	138	877	284
Foreign currency translation	70	–	(25)	–
At the end of the period	7,965	2,288	8,225	2,621

The Group makes provision for the future cost of decommissioning oil production facilities and restoring disturbed land on a discounted basis as the facilities are put into operation or sites are damaged. The Group estimated the provision subject to existing oil extraction technologies and current estimates of decommissioning costs (adjusted for inflation projections) and discounted the provision at the rate of 12.04% (2022: 11.04%).

24. Long-term and short-term financial and other liabilities

Other long-term financial liabilities	30 June 2023	31 December 2022
	RUB million	RUB million
Derivative financial instruments (Note 27)	35,234	24,134
Finance guarantee	155	175
Long-term trade payables	190	133
Total other long-term financial liabilities	35,579	24,442

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

24. Long-term and short-term financial and other liabilities (continued)

Trade and other payables, other short-term financial liabilities	30 June 2023	31 December 2022
	RUB million	RUB million
Trade payables	30,581	26,652
Other short-term payables	4,373	4,027
Derivative financial instruments (Note 27)	1,954	1,912
Total trade and other payables, other short-term financial liabilities	36,908	32,591

Taxes and levies payable (excluding income tax)	30 June 2023	31 December 2022
	RUB million	RUB million
Mineral extraction tax	8,616	6,879
Value added tax	5,685	4,908
Tax on additional income	489	462
Property tax	432	411
Other taxes and levies (excluding income tax)	448	227
Total taxes and levies payable (excluding income tax)	15,670	12,887

Advances received and other short-term liabilities	30 June 2023	31 December 2022
	RUB million	RUB million
Advances received	15,259	14,290
Other short-term liabilities	6,764	4,619
Total advances received and other short-term liabilities	22,023	18,909

25. Income tax

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

	Six months ended 30 June 2023	Six months ended 30 June 2022
	RUB million	RUB million
Current income tax		
Current income tax expense	1,021	922
Income tax relating to previous years	(39)	1
Deferred income tax		
Relating to origination and reversal of temporary differences	3,508	(5,505)
Change in deferred income tax relating to previous years	(16)	(3)
Income tax expense/ benefit reported in the interim condensed consolidated statement of profit or loss and other comprehensive income	4,474	(4,585)

26. Transactions with related parties

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

The nature of the related party relations for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2023 and 30 June 2022 or had significant balances outstanding as at 30 June 2023 and 31 December 2022 is detailed below.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

26. Transactions with related parties (continued)

Transactions with related parties for the six months ended 30 June 2023 and 30 June 2022:

Six months ended 30 June 2023	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	–	1,359	16	2,176	50
Other related parties	36,982	1,572	45	710	30
Total	36,982	2,931	61	2,886	80

Six months ended 30 June 2022	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	–	13,242	9	1,355	12
Other related parties	71,878	2,315	17,585	799	41
Total	71,878	15,557	17,594	2,154	53

As at 30 June 2023 and 31 December 2022, amounts due to and due from related parties are as follows:

30 June 2023	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	96	64,892	57	3,414	–	–
Other related parties	5,030	32,079	19,418	–	59	48,846
Total	5,126	96,971	19,475	3,414	59	48,846

31 December 2022	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	77	51,782	46	2,487	–	–
Other related parties	5,102	27,044	16,411	–	59	43,561
Total	5,179	78,826	16,457	2,487	59	43,561

Pricing policy

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

Key management personnel

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

In the first half of 2023, key management personnel compensation expense, consisting of salaries, bonuses and payroll taxes totaled RUB 370 million (in the first half of 2022: RUB 241 million).

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

26. Transactions with related parties (continued)

Key management personnel (continued)

In the reporting period The Company adopted another three-year long-term motivation program for senior and mid-level management for the period of 2023-2025. The program recognizes the phantom shares to be paid off in cash as a liability expensed to bonuses during the period of rendering services. Planned payments are calculated upon reaching the target program criteria in each reporting period. In the reporting period, the Company accrued RUB 115 million (including insurance contributions) for time actually worked in the first year of the program. In April 2023, the Company made payments for the third year of the program in the amount of RUB 262 million (including insurance contributions).

27. Fair value measurement

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

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

The accounting classification of each category of financial instruments, their carrying amounts and fair values are stated below. The fair value of lease liabilities as well as other financial liabilities at fair value through profit or loss and financial guarantees approximates their carrying amount. These items are not included in the disclosure below as the information on their fair values is presented in Notes 15 and 24.

	30 June 2023		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value
	RUB million		RUB million	
Financial assets				
Loans issued	96,971	120,512	78,826	94,858
Trade and other receivables	8,116	8,104	6,233	6,233
Cash and cash equivalents	3,069	3,069	2,120	2,120
Financial liabilities at amortized cost				
Trade and other payables	34,002	34,002	27,914	27,914
Loans and borrowings	91,768	97,508	77,318	84,278

The Group's derivative financial instruments are measured at fair value or amortized cost as presented in the following table.

Derivative financial instruments	30 June 2023	31 December 2022
	RUB million	RUB million
Long-term derivative financial liabilities – forward	(18,023)	(18,542)
Long-term derivative financial liabilities – swaps	(17,211)	(5,592)
Long-term derivative financial instruments, net	(35,234)	(24,134)
Short-term derivative financial liabilities – forward	(1,954)	(1,912)
Short-term derivative financial instruments, net⁸	(1,954)	(1,912)

⁸ The value of derivative financial instruments is measured on a net basis and recorded in other long-term financial liabilities and payables and other short-term financial liabilities (Note 24).

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

28. Contingencies, commitments and operating risks

Operating environment of the Group

The main business activities of the Group are in the Russian Federation. Russian economy is characterized by significant vulnerability to world prices for crude oil, fluctuations of commodity and financial markets, economic slowdowns elsewhere in the world and involvement in geopolitical risks and conflicts.

In December 2022, an embargo was introduced on sea oil supplies from Russia. At the same time, a price limit for Russian oil of maximum USD 60/bbl came into force. Purchase of oil at the price above the limit, transportation and insurance are prohibited. Initially, the restrictions were adopted by the G7 countries, then the other EU countries, Australia and some non-EU countries in Europe joined. In February 2023, the same restrictions were applied in relation to oil products. In March 2023, Russian oil Urals was traded at the average price of USD 47.85/bbl, which is almost two times lower than in March 2022. In April 2023, the discount for Russian oil in relation to Brent decreased to USD 26-27/bbl.

After a declining trend in the first quarter of 2023, the average price of a barrel of Russian Urals oil increased to USD 52.5/bbl according to the results of the first half of 2023. At the same time, there was a decrease by 38% in comparison to the first half of 2022. The stabilization of oil prices in the second quarter of 2023 is expected to contribute to the growth of export revenues in the coming months taking into consideration the announced reduction in oil production in the Russian Federation. The alliance's meeting in June 2023 resulted in the agreement to reduce oil production by the OPEC+ countries at 3.34% in 2024.

The dynamics of oil prices and, as a result, the volume of foreign currency inflows into the domestic market will be the determining factor for the ruble exchange rate. During the reporting period, the ruble exchange rate was sensitive to significant amounts of single transactions of non-residents in the foreign exchange market when trading volumes were going down. At the same time, in a situation of external isolation, the domestic households and business increased the portion of settlements and savings in yuan.

In the reporting period, the effect of external sanctions against the Russian Federation, certain legal entities and individuals continued, the lists of which are systematically expanded by including of new participants. The current sanctions are aimed among other things against the Russian oil and gas sector. The Government of the Russian Federation systematically takes actions aimed at protecting Russian companies. Among these measures on 05 July 2023 the Resolution of the Government of the Russian Federation dated 04.07.2023 N 1102 *"On the specifics of disclosure and (or) provision of information subject to disclosure and (or) provision in accordance with the requirements of the Federal Law "On Joint Stock Companies" and the Federal Law "On the Securities Market"* entered into force, which defines the information, disclosure of which is possible in a limited composition, as well as cases in which such limited disclosure is possible.

The Company was not under sanctions in the reporting period and had no restrictions on doing business.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

28. Contingencies, commitments and operating risks (continued)

Operating environment of the Group (continued)

The duration of the sanctions restrictions depends on future agreements between Russia and Western countries on key geopolitical issues. Forecasts for such arrangements are currently difficult to determine. Management closely monitors the events taking place and the measures taken on both sides in order to ensure prompt response to the rapidly changing business environment.

There is a high probability of repetition of the following cyclical waves of new strains of coronavirus or forms similar to it in consequences. The Group's management takes active measures to ensure the safety and health of employees and their families, organizations performing work under joint contracts, in all regions of the Group's presence.

The interim condensed consolidated financial statements have been prepared taking into account management's assessment of the impact of the economic situation in the Russian Federation and on the global market on the financial position and results of operations of the Group. The actual impact of future business conditions may differ from the estimates made by management. The Company's management regularly monitors possible risks, including country risk analysis, builds new logistics chains, and, if necessary, will develop a set of necessary measures to reduce possible adverse consequences for the Group.

As at 30 June 2023, short-term liabilities exceeded the Group's current assets by RUB 41,451 million (as at 31 December 2022 – by RUB 38,774 million).

Taxation

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

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

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

Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all "controlled" transactions if the transaction price differs from the market price. In case a domestic transaction results in additional income tax liabilities for one party, the other party may correspondingly adjust its income tax liabilities.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

28. Contingencies, commitments and operating risks (continued)

Taxation (continued)

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

The Company is the Parent of a multinational corporation (MNC). In 2023, the Company, as the Parent of the MNC, will submit the Country-by-country (CbC) report of 2022 and the notification of its participation in the MNC to the tax authorities within a time frame established by regulation.

To ensure compliance with the legislation governing taxation of controlled foreign companies and to mitigate related tax risks, the Group's management developed a set of internal routine procedures.

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

Compliance with the terms and conditions for subsoil use

According to Part four of Article 12.1 of the Law of the Russian Federation No. 2395-1 "On Subsoil" dated 21 February 1992, registration, state registration and issuance of licenses for the use of hydrocarbon raw materials are carried out by the Federal Agency for Subsoil Use and its territorial bodies. According to Article 10 of the Law of the Russian Federation dated 21 February 1992 No. 2395-1 "On Subsoil", the term of use of subsoil plots can be extended at the initiative of the Company as a subsoil user if it is necessary to complete the geological study of the subsoil or mining. The authorized executive authorities of the Russian Federation exercise control (supervision) over production activities, as well as the fulfillment of the conditions for the use of subsoil licenses granted to the Company, for compliance with the mandatory requirements of the current legislation. In case of non-fulfillment of the terms of use of the subsoil, there may be risks of bringing the Company to administrative responsibility, as well as risks of early termination of the right to use the subsoil. The Company's employees take all necessary measures to prevent and eliminate the risks of non-compliance with the terms of use of subsoil licenses.

Liabilities concerning environmental and safety matters

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

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

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

28. Contingencies, commitments and operating risks (continued)

Insurance

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

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

Retirement obligations

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

Litigations

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

Guarantees issued

There were no changes in the composition of guarantees in the reporting period.

29. Subsequent events

In August 2023, the Company's Board of Directors decided to recommend to the Extraordinary General Meeting of Shareholders of PJSC "RussNeft" to allocate USD 110 million for the payment of dividends on preference shares of PJSC "RussNeft" (Note 21).

In August 2023, the Parent Company fulfilled an obligation under an independent guarantee agreement for a subsidiary of Russneft Cyprus Limited under the forward contract.

PJSC "RussNeft"

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) (continued)

Contact information

PJSC "RussNeft"

Registered address:

69, Pyatnitskaya street, Moscow, Russia, 115054

Tel.: +7 (495) 411-63-09, fax: +7 (495) 411-63-25

E-mail: russneft@russneft.ru, www.russneft.ru

Press Service of PJSC "RussNeft"

Tel.: +7 (495) 411-63-21