PJSC "RussNeft" and its subsidiaries

Consolidated Financial Statements
for the year ended 31 December 2024
and Independent Auditor's Report

PJSC “RussNeft”

Consolidated Financial Statements

for the year ended 31 December 2024

Contents

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Translation from the Russian original

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

We have audited the consolidated financial statements of PJSC "RussNeft" (the Company) (OGRN 1027717003467) and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements for 2024, comprising material accounting policy information and other explanatory information.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

The accompanying consolidated financial statements reflect the Group's loan payable within long-term loans and borrowings, which may be claimed by the creditors ahead of schedule in the context of violation of certain restrictive terms (non-financial covenants) provided for in the relevant agreements. As a result of these circumstances, the line "Long-term loans and borrowings" was overstated and the line "Short-term loans and borrowings" of the consolidated statement of financial position was understated as at 31 December 2024 by RUB 80 590 million and as at 31 December 2023 by RUB 69 514 million.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Independence Rules for Auditors and Audit Organisations and the Code of Professional Ethics for Auditors adopted in the Russian Federation which comply with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA), and we have fulfilled our other responsibilities in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Allowance for expected credit losses on loans issued to related parties

The estimation of the allowance for expected credit losses on loans issued to related parties is an area of judgment for the Group's management. The determination of expected credit losses represents a process involving the use of assumptions and the analysis of various factors, including the borrower's financial position and expected future cash flows. Due to the materiality of loans issued to related parties and the complexity of judgment with regard to the measurement of expected credit losses in accordance with IFRS 9, *Financial Instruments*, the estimation of allowance for expected credit losses represents one of the key audit matters.

Information on loans issued to related parties is disclosed in Notes 18 and 27 to the consolidated financial statements.

We reviewed the expected credit losses model for loans issued to related parties and analysed the assumptions used by management of the Group as the basis for determining the amount of the allowance for expected credit losses. We reviewed management's expectations of future cash flows and its assessment of the financial condition of the borrowers. During our audit procedures, we analysed the consistency and reasonableness of judgments used by management of the Group in determining the allowance for expected credit losses on loans issued to related parties. We also reviewed the disclosures in the Group's consolidated financial statements regarding the allowance for expected credit losses.

Impairment of non-current assets

At each reporting date the Group assesses whether there is any indication of impairment of non-current assets (items of property, plant and equipment, construction in progress, goodwill, right-of-use assets and exploration and evaluation assets) and performs appropriate testing. That matter was significant for our audit as testing is a complex process that involves the use of significant judgements by management and is based on assumptions impacted by the projected future market and economic conditions which are essentially uncertain.

The results of impairment testing and information about the key assumptions used are provided in Notes 15 and 17 to the consolidated financial statements.

We reviewed the consistency and validity of management's assumptions and assertions underlying the assessment of whether non-current assets were impaired. We compared the price assumptions for oil and gas used in the recoverable amount calculation with a range of relevant market forecasts. We verified the calculation of discount rates, inflation growth rate projections and other available inputs. We also verified the performed sensitivity analysis and checked the consistency of the models application (formulae and calculations), comparing them with those for prior periods. We reviewed the disclosures made in the consolidated financial statements in respect of non-current assets and related impairment testing.

Other Information

The President of the Company (management) is responsible for the other information. The other information comprises the information included in the Annual report and the Issuer's report for the 12 months of 2024, but does not include the consolidated financial statements and our auditor's report thereon. The Annual report and the Issuer's report for the 12 months of 2024 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual report and the Issuer's report for the 12 months of 2024, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee of the Company.

Responsibilities of Management and the Audit Committee of the Company for the Consolidated Financial Statements

The President of the Company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Audit Committee of the Company is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements of the Group. We are responsible for the direction, supervision and review of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee of the Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee of the Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee of the Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The translation is true and correct.

The Auditor in Charge of the audit resulting in this independent auditor's report (Engagement Partner on the audit), principal registration number of the entry in the State Register of Auditors and Audit Organisations 22006037171, acting on behalf of the audit organisation under Power of Attorney No. 2-01/2024-Ю dated 01.01.2024

Andrey Borisovich Baliakin

ЮНИКОН АКЦИОНЕРНОЕ ОБЩЕСТВО * ОГРН 1037739271701 * МОСКВА *
unicon

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 March 2025

PJSC "RussNeft"

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2024

(in millions of Russian rubles)

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Revenue	10	300,108	238,725
Cost of sales	11	(208,869)	(172,205)
Gross profit		**91,239**	**66,520**
Exploration expenses		(919)	(769)
Selling expenses	12	(15,456)	(14,224)
General and administrative expenses	12	(5,246)	(3,840)
Other operating income	14	7,774	3,833
Other operating expenses	14	(8,088)	(27,081)
Operating profit		**69,304**	**24,439**
Finance income	13	16,507	7,759
Finance expense	13	(15,101)	(15,260)
Foreign exchange differences, net		3,644	1,426
Share of loss of associates and joint ventures	9	(582)	–
Profit before tax		**73,772**	**18,364**
Income tax expense	26	(21,099)	(12,517)
Profit for the period		**52,673**	**5,847**
Other comprehensive income that may be subsequently reclassified to profit or loss			
Foreign currency translation gain		6,939	1,767
Total comprehensive income, net of tax		**59,612**	**7,614**
Profit/(Loss) attributable to:			
Shareholders of the Parent		54,345	20,441
Non-controlling interests		(1,672)	(14,594)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent		62,631	21,042
Non-controlling interests		(3,019)	(13,428)
Basic and diluted earnings per share (RUB)	22	164	33
Weighted average number of common shares (millions)	22	279	294

E.V. Tolochek
President

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

Authorized for issue on 25 March 2025

PJSC “RussNeft”

Consolidated Statement of Financial Position

as at 31 December 2024

(in millions of Russian rubles)

	Notes	31 December 2024	31 December 2023
Assets			
Non-current assets			
Property, plant and equipment	15	156,140	155,086
Right-of-use assets	16	251	721
Goodwill	17	9,176	9,944
Investments in associates and joint ventures	9	19,155	–
Long-term trade and other receivables		3,603	4,791
Long-term financial assets	18	126,692	96,826
Deferred tax assets	26	1,366	755
Other non-current assets	20	1,673	1,942
Total non-current assets		**318,056**	**270,065**
Current assets			
Inventories	19	14,106	13,889
Trade and other receivables	20	12,167	7,648
Short-term financial assets	18	–	2
VAT receivable		591	1,182
Income tax receivable		81	85
Cash and cash equivalents	21	2,562	9,690
Other current assets	20	4,500	18,167
Total current assets		**34,007**	**50,663**
Total assets		**352,063**	**320,728**
Equity and liabilities			
Equity attributable to shareholders of the Parent			
Share capital	22	196	196
Share premium		60,289	60,289
Forward to purchase treasury shares	22	(21,123)	(21,123)
Treasury shares		(4,700)	–
Foreign currency translation reserve		7,134	(1,152)
Retained earnings		99,169	53,553
Total equity attributable to shareholders of the Parent		**140,965**	**91,763**
Non-controlling interests	8	(9,747)	3,282
Total equity		**131,218**	**95,045**
Long-term liabilities			
Long-term loans and borrowings	23	80,590	71,485
Decommissioning liability	24	5,065	11,606
Deferred tax liabilities	26	33,941	18,084
Long-term lease liabilities	16	258	339
Other long-term financial liabilities	25	32,355	30,646
Total long-term liabilities		**152,209**	**132,160**
Short-term liabilities			
Short-term loans and borrowings	23	7,734	10,493
Trade and other payables, other short-term financial liabilities	25	29,437	32,793
Taxes and levies payable (excluding income tax)	25	20,394	24,709
Short-term lease liabilities	16	39	408
Income tax payable		892	260
Advances received and other short-term liabilities	25	10,140	24,860
Total short-term liabilities		**68,636**	**93,523**
Total liabilities and equity		**352,063**	**320,728**

PJSC “RussNeft”

Consolidated Statement of Changes in Equity

for the year ended 31 December 2024

(in millions of Russian rubles)

		Equity attributable to shareholders of the Parent								
	Notes	Share capital	Share premium	Treasury shares	Forward to purchase treasury shares	Foreign currency translation reserve	Retained earnings	Total equity of PJSC “RussNeft”	Non-controlling interests	Total equity
31 December 2022		**196**	**60,289**	–	**(21,123)**	**(1,753)**	**43,804**	**81,413**	**12,254**	**93,667**
Profit/(Loss) for the period		–	–	–	–	–	20,441	**20,441**	(14,594)	**5,847**
Foreign currency translation reserve		–	–	–	–	601	–	**601**	1,166	**1,767**
Total comprehensive income/(loss) for the period		**–**	**–**	–	**–**	**601**	**20,441**	**21,042**	**(13,428)**	**7,614**
Dividends		–	–	–	–	–	(10,628)	**(10,628)**	(5)	**(10,633)**
Dividend clawback		–	–	–	–	–	–	**–**	1	**1**
Non-controlling interests in shareholders’ contribution to subsidiaries’ equity		–	–	–	–	–	(56)	**(56)**	56	**–**
Change in non-controlling interests in subsidiaries due to cancellation of treasury shares by subsidiaries		–	–	–	–	–	69	**69**	(69)	**–**
Disposal of subsidiaries		–	–	–	–	–	–	–	4,785	**4,785**
Other transactions		–	–	–	–	–	(77)	**(77)**	(312)	**(389)**
31 December 2023		**196**	**60,289**	–	**(21,123)**	**(1,152)**	**53,553**	**91,763**	**3,282**	**95,045**
Profit/(Loss) for the period		–	–	–	–	–	54,345	**54,345**	(1,672)	**52,673**
Foreign currency translation reserve		–	–	–	–	8,286	–	**8,286**	(1,347)	**6,939**
Total comprehensive income/(loss) for the period		**–**	**–**	–	**–**	**8,286**	**54,345**	**62,631**	**(3,019)**	**59,612**
Dividends	22, 7	–	–	–	–	–	(8,728)	**(8,728)**	(96)	**(8,824)**
Redemption of treasury shares		–	–	(4,700)	–	–	–	**(4,700)**	–	**(4,700)**
Changes in non-controlling interests of subsidiaries due to repurchases of treasury shares by subsidiaries	8	–	–	–	–	–	(3)	**(3)**	(7)	**(10)**
Disposal of subsidiaries	7	–	–	–	–	–	–	–	(9,907)	**(9,907)**
Other transactions		–	–	–	–	–	2	**2**	–	**2**
31 December 2024		**196**	**60,289**	**(4,700)**	**(21,123)**	**7,134**	**99,169**	**140,965**	**(9,747)**	**131,218**

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

PJSC “RussNeft”

Consolidated Statement of Cash Flows

for the year ended 31 December 2024

(in millions of Russian rubles)

	Notes	Year ended 31 December 2024	Year ended 31 December 2023
Cash flows − operating activities			
Profit before tax		**73,772**	**18,364**
Adjustments to reconcile profit before income tax to net cash flows			
Depreciation, depletion and amortization	11	4,943	16,071
Result from disposal of property, plant and equipment and right-of-use assets, net	14	1,075	1,065
Impairment of financial assets, net	14	1,797	9,209
Derivative financial instruments at fair value	14	649	4,542
Financial guarantees, net	14	246	(41)
Gain on derivative financial instruments	14	(2,731)	(2,766)
Impairment of property, plant and equipment and exploration assets, net	14	1,742	6,064
Impairment of goodwill	14	–	20
Benefit obligations, allowances for expected credit losses and other provisions		1,708	1,762
Disposal of Group companies, net	14	(2,284)	4,890
Share of loss of associates and joint ventures	9	582	–
Derecognition of provisions	14	(2,377)	(42)
Finance income	13	(16,507)	(7,759)
Finance expense	13	15,101	15,260
Foreign exchange differences, net		(3,644)	(1,426)
Other adjustments		(130)	(202)
Net operating cash flows before working capital changes		**73,942**	**65,011**
Working capital adjustments			
Increase in inventories		(686)	(5,395)
Decrease/(Increase) in trade and other receivables and prepayments		5,504	(7,476)
(Decrease)/ Increase in trade and other payables, advances received		(14,739)	14,438
Decrease in other current assets		139	23
Interest paid for early payments		(1,402)	(1,147)
Income tax paid		(5,188)	(4,844)
Net cash − operating activities		**57,570**	**60,610**
Cash flows − investing activities			
Purchase of property, plant and equipment and other non-current assets		(27,350)	(19,287)
Proceeds from disposal of property, plant and equipment		179	25
Acquisition of subsidiaries and associates		(20,611)	(2,727)
Disposal of Group companies, net		4,765	85
Loans issued		(51)	(95)
Proceeds from loans issued		82	–
Interest received		126	116
Net cash − investing activities		**(42,860)**	**(21,883)**
Cash flows − financing activities			
Redemption of treasury shares		(4,700)	–
Proceeds from loans and borrowings received	23	19,178	497
Repayment of loans and borrowings received	23	(18,708)	(11,988)
Payments of lease liabilities	16	(211)	(477)
Interest paid	23	(8,805)	(9,052)
Dividends paid to shareholders of the Parent	22	(8,557)	(10,418)
Dividends paid to non-controlling shareholders	7	(71)	(3)
Settlements for derivative financial instruments		4	121
Net cash − financing activities		**(21,870)**	**(31,320)**
Effect of foreign exchange rate changes on balances of cash and cash equivalents		32	163
Change in cash and cash equivalents		**(7,128)**	**7,570**
Cash and cash equivalents at the beginning of the period		9,690	2,120
Cash and cash equivalents at the end of the period		**2,562**	**9,690**

1. Corporate information

The consolidated financial statements of Public Joint Stock Company “RussNeft” (the “Parent”, the “Company” or “PJSC “RussNeft”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2024 were authorized for issue in accordance with a resolution of management on 25 March 2025.

As at the reporting date, 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 United Kingdom of Great Britain and Northern Ireland (the UK) and the Republic of Cyprus.

The principal activities of the Group are prospecting, exploration, development, production and marketing of oil, gas and oil products. The subsidiaries included in the consolidated financial statements and respective ownership interests of the Company as at 31 December 2024 and 2023 are presented in Note 7.

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

The average number of employees in the Group’s companies as at 31 December 2024 was 6,033 (2023: 7,118).

2. Basis of preparation

Statement of compliance with IFRS

The Group's consolidated financial statements for the year ended 31 December 2024 have been prepared in accordance with International Financial Reporting Standards and Interpretations thereto (“IFRS”) and in compliance with Federal Law No. 208-FZ dated 27 July 2010 *On the Consolidated Financial Statements*. Any differences of comparative amounts from the amounts, recorded in the consolidated financial statements for the year ended 31 December 2024 represent only the result of reclassification for comparative purposes.

2. Basis of preparation (continued)

Basis of accounting

The Group’s companies, incorporated in the Russian Federation, maintain their accounting records in Russian rubles (“RUB”) and prepare their financial statements in accordance with the Regulations on Accounting and Reporting in the Russian Federation. The consolidated financial statements are based on the statutory accounting records, with adjustments and reclassifications recorded for the purpose of fair presentation of information in accordance with IFRS. Management believes that these consolidated financial statements reflect all significant adjustments required to present fairly the Group’s financial position, performance results, statements of changes in equity and statements of cash flows for the reporting and comparable periods. The principal adjustments relate to the consolidation of subsidiaries, changes in non-controlling interests, goodwill recognition, accounting for jointly controlled transactions and investments in associates, expense and revenue recognition, valuation 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 tax, right-of-use assets and decommissioning liability.

Basis of measurement

These consolidated financial statements are prepared on a historical cost basis, except as disclosed in the *Summary of significant accounting policies* note below.

The consolidated financial statements are presented in Russian rubles, and all values are rounded to the nearest million (“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 located in the Russian Federation, the Parent and the Group's foreign subsidiary incorporated due to the extension of the Parent’s operations is the Russian ruble. The functional currency of other foreign subsidiaries is the US dollar.

In individual companies, transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official exchange rate set by the Central Bank of Russia (the “CBR”) at the reporting date. All resulting exchange differences are included in the 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.

2. Basis of preparation (continued)

Functional currency and foreign currency translation (continued)

At the reporting date, assets and liabilities (including related goodwill) of non-RUB functional currency subsidiaries, joint ventures and associates are translated in the 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 deferred cumulative amount of the foreign currency translation reserve recorded within equity and related to that particular company is recognized in the 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 of the Russian ruble used for the purposes of these consolidated financial statements was equal to the official exchange rate of the Central Bank of the Russian Federation and is presented in the table below:

Currency	**31 December 2023**	**31 December 2024**	**25 March 2025**
	RUB/Currency	**RUB/Currency**	**RUB/Currency**
USD	89.6883	101.6797	83.8737

Going concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the sale of assets and the settlement of liabilities (including contractual) in the normal course of business. This statement was made based on the assessment of Group’s ability to continue as a going concern for at least twelve months after the end of the reporting period. The Group’s management considers the facts and events described in Note 30 *Financial and other risk management. Liquidity risk*.

Basis of consolidation

Subsidiaries

Subsidiaries are the companies controlled by the Parent. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The Group has control over the investee when the following conditions are met:

- The Group has power over the investee;
- The Group is exposed to, or has rights, to variable returns from its involvement with the investee;
- The Group has the ability to use its authority over the investee to affect its returns.

2. Basis of preparation (continued)

Basis of consolidation (continued)

Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date when control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies. Where necessary, the accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group. All intercompany transactions, balances and unrealized gains on transactions between the Group entities are eliminated; unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

A change in the ownership interest without a loss of control is accounted for as an equity transaction.

In case of a loss of control over a subsidiary, the Group:

- Derecognizes the assets and liabilities of the subsidiary, including goodwill;
- Derecognizes the carrying amount of any non-controlling interests;
- Derecognizes the cumulative foreign currency translation recorded in equity;
- Recognizes the fair value of the consideration received;
- Recognizes the fair value of any investment retained;
- Recognizes profit or loss due to a loss of control related to the controlling interest of the disposed subsidiary in the consolidated statement of profit or loss and other comprehensive income;
- Reclassifies the Parent’s share of components previously recognized in other comprehensive income to profit or loss or retained earnings in accordance with IFRS requirements.

Non-controlling interests stand for the equity in subsidiaries not attributable, directly or indirectly, to the Parent. Non-controlling interests are presented in the consolidated statement of financial position of the Group within equity, separately from the Parent’s Shareholders’ equity. Profit or loss, as well as every component within comprehensive income, are attributable to shareholders of the Parent and non-controlling interests even if that results in a deficit balance of non-controlling interests, except when losses are covered by the Parent’s shareholders under existing agreements.

Joint arrangements and joint venture

Joint arrangements stand for arrangements jointly controlled by two or more parties under contractual agreements. Joint arrangements can take the form of either a joint operation or a joint venture.

Joint venture is an agreement of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Generally, joint ventures are established in form of a legal entity where the Group and other participants have respective equity interests.

Joint control is contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Joint operation implies that the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. According to its interest in a joint operation, the Group recognizes its assets and share in joint obligations as well as in revenue from the sales of goods and expenses, including the share in joint expenses.

2. Basis of preparation (continued)

Basis of consolidation (continued)

Associates

Associates are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but not to control or jointly control it.

When deciding whether significant influence or joint control exists, the Group considers the same factors used to evidence the existence of control in subsidiaries.

The Group accounts for investments in associates and joint ventures using the equity method. Under the equity method the investments in associates or joint ventures are initially recognized at cost. The carrying amount of investment is adjusted in subsequent periods for the post-acquisition changes in the Group’s share of the net assets of associates or joint ventures. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment; the entire carrying amount is tested for impairment where there is the evidence of impairment of an investment.

The consolidated statement of profit or loss and other comprehensive income reflects the Group’s share in the results of the associate or joint venture. Changes in other comprehensive income of such investees are recognized in other comprehensive income of the Group. Besides, when there has been a change recognized directly in the equity of the associate or joint venture, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity.

Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group’s share of profits or losses of the associate and joint venture is shown directly in the consolidated statement of profit or loss and other comprehensive income separately from the operating income of the Group. It is represented by profits or losses after tax and non-controlling interests in the subsidiaries of the associate or joint venture. The financial statements of the associate or joint venture are prepared for the same reporting period as the Group’s financial statements. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on the Group’s investment in the associate or joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of an associate or joint venture and its carrying amount and recognizes the amount in the consolidated statement of profit or loss and other comprehensive income in line *Share in income/(loss) of associates and joint ventures*.

If the significant influence on the associate or joint venture is lost, the Group assesses and recognizes the investments retained at fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

2. Basis of preparation (continued)

Changes in accounting policies

The adopted accounting policies are consistent with those of the previous annual reporting period, except for the adoption of new standards and interpretations mandatory for annual periods beginning on or after 1 January 2024. The Group has not adopted early 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 2024 had no material impact on the consolidated financial statements of the Group:

- *Classification of Liabilities as Current or Non-current* - amendments to IAS 1 clarify the classification of liabilities as current or non-current if an entity has loan covenants.The amendments clarify:
  - That if an entity’s right to defer settlement of a liability is subject to the entity complying with specified conditions (covenants), the entity has a right to defer settlement at the end of the reporting period if it complies with those covenants at that date;
  - That a right to defer must exist at the end of the reporting period;
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right;
  - The meaning of “settlement of a liability” where the liability is extinguished by the transfer of the entity’s own equity instruments.

- *Non-current Liabilities with Covenants* - amendments to IAS 1 clarify the following:
  - That only covenants with which an entity must comply on or before the reporting date will affect a liability’s classification as current or non-current;
  - That separate disclosures are required for non-current liabilities with covenants to be complied with within twelve months after the reporting date;
  - That the disclosures should be sufficient for users to understand the risk that a liability classified as non-current could become repayable within twelve months after the reporting date.

- *Lease Liabilities in a Sale and Leaseback* - amendments to IFRS 16, according to which:
  - Added to standard guidance on the subsequent measurement of assets and liabilities in sale and leaseback transactions that meet the criteria for a transfer of control of an asset in *IFRS 15 Revenue from Contracts with Customers*.
  - A seller-lessee to measure a lease liability arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains.
  - Entities should apply *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors* to develop an accounting policy for determining how to measure lease payments for such transactions.

- *Supplier Finance Arrangements* - amendments to *IAS 7* and *IFRS 7* enable users of financial statements to evaluate the impact of these arrangements on an entity's liabilities and cash flows, and its exposure to liquidity risk.The amendments require an entity to disclose the following in relation to supplier finance arrangements:
  - The terms and conditions of the arrangements;
  - The carrying amounts of financial liabilities, and associated line items in the statement of financial position that are part of supplier finance arrangements, broken down by amounts already received by suppliers;
  - The range of payments due dates of both: financial liabilities that are part of these arrangements and comparable trade payables that are not part of such supplier finance arrangements;
  - Liquidity risk information.

3. Significant accounting judgments, estimates and assumptions

Judgments

In particular, information about significant areas of estimation uncertainty considered by management in preparing the consolidated financial statements is described in the following notes:

Note 9 − Investments in associates and joint ventures;

Note 15 − Property, plant and equipment;

Note 16 − Right-of-use assets and lease liabilities;

Note 17 − Goodwill;

Note 18 – Long-term and short-term financial assets;

Note 19 – Inventories;

Note 20 – Other non-current assets, trade and other receivables;

Note 23 – Loans and borrowings;

Note 24 – Decommissioning liability;

Note 25 – Long-term and short-term financial and other liabilities;

Note 26 – Income tax;

Note 28 – Fair value measurement;

Note 29 – Contingencies, commitments and operating risks;

Note 30 – Financial and other risk management.

In the process of applying the Group’s accounting policies, management has made the following judgments, based on the professional experience, that have the most significant effect on the amounts recognized in the consolidated financial statements.

Reserves base

Starting from 1 January 2024, oil and gas development and production properties are depreciated on a unit-of-production basis at a rate calculated by reference to reserves, the estimation of which is performed based on the Russian classification of hydrocarbon reserves (hereinafter – HCR), and includes economically recoverable reserves of oil and condensate according to the following categories: A – producing, drilled; B1 – producing, undrilled, explored. These reserves are determined in the process of preparing the prescribed statistical forms of the State Statistics Service of the Russian Federation (Form No. 6-GR of the Group's companies by field at the beginning of the reporting period). The data presented in Form No. 6-GR are reviewed annually.

The time line of field development is determined on the basis of technical field development projects based on the calculation of profit from sale of products and net discounted income of the subsurface user by field. The revision of technical projects for field development is carried out in case of changes in conceptual treatment of the geological structure of layers and site development metrics.

The above indicators are used to calculate depreciation of oil and gas development and production properties, including oil and gas right-of-use assets, and to assess whether there are any signs of impairment of goodwill and cash-generating units, when building discounted future cash flows used as one of the possible asset impairment indicators.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments (continued)

Carrying amount of oil and gas properties

Starting from 1 January 2024, oil and gas properties and oil and gas right-of-use assets, excluding wells, but including the corresponding decommissioning costs, are depreciated on a unit-of-production basis, proceeding from the volume of economically recoverable reserves in categories A (producing, drilled) and B1 (producing, undrilled, explored) of Form No. 6-GR on the own licensed sites and other infrastructure sites related to oil and gas development and production.

Wells, including the ones accounted for as right-of-use assets, are depreciated based on the volume of economically recoverable reserves in category A (producing, drilled).

The calculation of a unit-of-production rate of depreciation depends on the extent to which actual future production volumes will differ from the current projections based on the volumes of producing, drilled, undrilled, and explored reserves. Such differences usually arise due to significant changes in the factors or assumptions used in estimating economically recoverable reserves, such as: the impact on evaluation of reserves of actual prices for hydrocarbons and assumptions regarding such prices, changes in production technologies, or contingencies arising in the course of business operations.

Impairment indicators

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the oil price assumption may change which may then impact the estimated life of the field and may then require a material adjustment to the carrying amount of goodwill and other non-current assets. The Group monitors internal and external indicators of impairment relating to its financial and non-financial assets.

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities, except for financial instruments traded in major markets, is determined using various valuation techniques. Management applies professional judgment in accepting assumptions at each reporting date. The discounted cash flow analysis is applied in relation to financial assets and liabilities not traded in major markets. The effective interest rate is determined based on the market interest rates of financial instruments available to the Group. When such instruments are unavailable, the effective interest rate is determined based on the market interest rates as adjusted by the Group’s management for the risks inherent to the Group. Fair values and sensitivity analysis of financial assets and liabilities are disclosed in Notes 28 and 30.

Decommissioning liability

Decommissioning costs will be incurred by the Group mainly at the end of the operating life of the fields. The ultimate decommissioning costs are uncertain and cost estimates can vary in response to many factors, including changes to relevant legal requirements, the emergence of new restoration techniques and/or experience at other production sites. The expected timing and amount of expenditure may also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be possible adjustments to the provisions recognized which, in turn, would affect future financial results.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments (continued)

The decommissioning liability is the present value of costs for decommissioning of the oil and gas fields, which will be incurred up to 2107, depending on the recovery period of economically recoverable reserves, as a rule, in categories A (producing, drilled), B1 (producing, undrilled, explored), and B2 (producing, undrilled, estimated) for each field group. Management makes assumptions based on the current economic environment and believes that they are a reasonable basis for estimation of the future liability. These estimates are reviewed regularly to take into account any material changes in the assumptions. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning work which will reflect specific market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically recoverable rates. This, in its turn, will depend on future oil and gas prices, which are inherently uncertain.

Useful life of other property, plant and equipment

The Group assesses the remaining useful lives of items of other property, plant and equipment at least at each financial year-end. If expectations differ from the previous estimates, the changes are accounted for as a change in the accounting estimates in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*. These estimates may have a material impact on the carrying amounts of property, plant and equipment and on depreciation recognized in the consolidated statement of profit or loss and other comprehensive income.

Allowance for expected credit losses

In accordance with IFRS 9, the Group applies the expected credit losses (ECL) model to determine the amount of allowance for financial instruments. A counterparty's credit risk is assessed at initial recognition of the financial asset using the credit risk assessment matrix as part of its monitoring at each subsequent reporting date. The assessment matrix represents a set of parameters to be individually assessed according to a pre-defined scale, with factors such as settlement terms under agreements, the counterparty's credit rating, its market reputation and credibility, relationship of parties, collateral under agreements, existing and projected unfavorable events, etc., taken into consideration. The counterparty's credit risk is assessed by summing up the scores and may fall into one of the three categories (high, medium or low). The ECL allowance for each risk category is estimated based on certain indicators. If the financial condition of the counterparty were to deteriorate, actual write-offs might be higher than expected at the reporting date.

Income tax

The Group recognizes the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the Group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on projected cash flows from operating activities and the application of existing tax laws in each jurisdiction.

To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realize the net deferred tax assets recorded at the reporting date could be impacted. Additionally, future changes in tax laws in the jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

3. Significant accounting judgments, estimates and assumptions (continued)

Judgments (continued)

Contingencies

By their nature, contingencies will be resolved only when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and the use of estimates regarding the outcome of future events.

4. Summary of significant accounting policies

Business combinations and goodwill

Acquisitions by the Company of controlling interests in third parties (or interest in their share capital) are accounted for using the acquisition method. Acquisition date is the date when effective control over the acquiree passes to the Company.

The cost of an acquisition is measured as the aggregate of the consideration transferred measured at the acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree’s identifiable net assets. Acquisition-related costs are included in administrative expenses.

Any contingent consideration to be transferred by the acquirer should be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability will be recognized in profit or loss. If the contingent consideration is classified as equity, it will not be remeasured.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for the non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets of the subsidiary acquired is in excess of the consideration, the difference is recognized in the consolidated statement of profit or loss and other comprehensive income within other operating income.

Oil and natural gas exploration and evaluation expenditure

License and property acquisition costs

Exploration license and leasehold property acquisition costs are capitalized within exploration and evaluation assets. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned, the balance of the license and property acquisition costs is written off. Upon determination of economically recoverable reserves (profitable reserves), and when development is approved by the Group, the relevant expenditure is transferred to oil and gas properties.

Exploration and evaluation costs

Prior to acquisition of the legal right to explore, all costs are recorded in the consolidated statement of profit or loss and other comprehensive income as incurred. Once such legal right has been acquired, exploration and evaluation costs directly associated with an exploration well are capitalized as exploration and evaluation assets until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. Other exploration and evaluation costs are expensed as incurred.

4. Summary of significant accounting policies (continued)

Oil and natural gas exploration and evaluation expenditure (continued)

If extractable hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be developed commercially, the costs continue to be carried as an exploration and evaluation asset while sufficient/continued progress is made in assessing the commerciality of the hydrocarbons.

All such carried costs are subject to technical, commercial and management review for impairment at least once a year to confirm the continued intent of the Group to develop or otherwise extract value from the discovery.

When this is no longer the case, the costs are written off. When profitable reserves of oil are determined and development is sanctioned, the relevant expenditure is transferred to oil and gas properties after impairment is assessed and any resulting impairment loss is recognized.

Development costs

Expenditure on the construction, installation or completion of infrastructure facilities such as pipelines and the drilling of development wells is capitalized within oil and gas properties.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of the decommissioning liability, if applicable. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

At each reporting date, the Group management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management of the Group’s entities estimates the recoverable amount which is determined as the higher of an asset’s fair value less costs to sell and its value in use.

In assessing value in use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The carrying amount is reduced to the recoverable amount, and the difference is recognized as an expense (impairment loss) in the consolidated statement of profit or loss and other comprehensive income. Impairment losses related to continuing operations are recognized in the consolidated statement of profit or loss and other comprehensive income in those expense categories that are consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

Such increase amount is recognized in the consolidated statement of profit or loss and other comprehensive income.

4. Summary of significant accounting policies (continued)

Depreciation

Starting from 1 January 2024, oil and gas properties, excluding wells, but including the corresponding decommissioning costs, are depreciated on a unit-of-production basis, proceeding from the volume of economically viable reserves in categories A (producing, drilled) and B1 (producing, undrilled, explored) of Form No. 6-GR on the own licensed sites and other infrastructure sites related to oil and gas development and production.

Wells are depreciated based on the volume of economically viable reserves in category A (producing, drilled).

The calculation of a unit-of-production rate of depreciation depends on the extent to which actual future production volumes will differ from the current projections based on the volumes of producing, drilled, undrilled and explored reserves. Such differences usually arise due to significant changes in the factors or assumptions used in estimating economically viable reserves, such as: the impact on evaluation of reserves of actual prices for hydrocarbons and assumptions regarding such prices, changes in production technologies, or contingencies arising in the course of business operations.

Other property, plant and equipment are generally depreciated on a straight-line basis over their estimated useful lives.

The depreciation periods, equal to the estimated useful economic lives of the respective assets, are as follows:

	Years
Buildings	5-30
Plant and machinery	1-30
Equipment and motor vehicles	3-15
Office and other equipment	3-10

Major maintenance and repairs

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets and inspection costs.

Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Where part of the asset was not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other maintenance costs are expensed as incurred.

Construction in progress

Construction in progress includes all expenses related to acquisition and construction of property, plant and equipment, including respective variable overheads directly attributable to the construction. Accrual of depreciation and amortization of these assets commences when they are actually put into operation. The Group measures the carrying amount of the construction in progress on a regular basis to identify any indication of impairment of construction in progress and to accrue a respective allowance.

4. Summary of significant accounting policies (continued)

Goodwill and other intangible assets

Goodwill and other intangible assets are carried at the initial cost less any accumulated amortization (excluding goodwill) and any accumulated impairment losses. The initial cost of intangible assets is the aggregate amount paid or the fair value of any other consideration given at the moment of their acquisition or establishment. The cost of intangible assets acquired in a business combination is initially recognized at fair value as at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful lives (except goodwill) and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of profit or loss and other comprehensive income in the reporting period in which the expenditure is incurred.

Impairment of non-financial assets

Impairment of intangible assets other than goodwill is determined in a way consistent with that of property, plant and equipment.

The Group conducts reviews of values of goodwill and indefinite life intangible assets annually at 31 December or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income.

The loss recognized in the reporting period on goodwill impairment is not reversible in the next reporting periods.

Goodwill that forms part of the carrying amount of investments in associates or joint ventures is not separately recognised, it is not tested for impairment separately by applying the requirements for impairment testing goodwill. The entire carrying amount of the investments in such entities is tested for impairment as a single asset, by comparing its recoverable amount with its carrying amount whenever the investment may be impaired. An impairment loss recognised in those circumstances is not allocated to any asset, including goodwill.

Any reversal of that impairment loss is recognised to the extent that the recoverable amount of the net investment subsequently increases.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one party and a financial liability or equity instrument of another party to the contract.

Under IFRS 9, the Group classifies financial assets at initial recognition as subsequently measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). The Group classifies its financial assets on the basis of a business model used to manage the assets and contractual cash flow characteristics.

The Group classifies most of its financial assets as subsequently measured at amortized cost, as both recognition criteria are satisfied (as part of the SPPI test): the assets are held under a business model to collect contractual cash flows on specified dates and solely through payments of principal and interest on the principal amount outstanding. Loans issued, trade and other receivables, cash

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

and cash equivalents are measured at amortized cost. Certain loans issued and other financial assets may be measured at fair value through profit or loss.

Financial assets at amortized cost are subsequently measured using the effective interest rate method and subject to the impairment requirements. Gains or losses are recognized in profit or loss when such assets are derecognized, modified or impaired.

The Group derecognizes a financial asset only when its contractual rights to the cash flows from the asset expire, or it transfers its contractual rights to receive cash flows from such financial asset to another party, which obtains substantially all the risks and rewards of ownership of the financial asset. The rights and liabilities created or retained upon the transfer may be recognized separately as an asset or a liability.

At each reporting date, the Group recognizes an allowance for expected credit losses (ECL) on all financial assets measured at amortized cost. The allowance represents the difference between the contractual cash flows and the cash flows that the Group expects to receive, discounted at the original effective interest rate or its approximate value. The impairment allowance is estimated based on either 12-month ECL, representing ECL arising from defaults by the counterparty within 12 months after the reporting date, or lifetime ECL, provided the credit risk has significantly increased since the initial recognition of the asset.

Allowances for impairment of trade receivables are assessed using a simplified approach in the amount equal to lifetime ECL. A financial asset is written off if the Group does not have any reasonable expectations regarding the recoverability of contractual cash flows.

Fair value

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date (Level 1 of fair value hierarchy). Inputs which are not quoted prices included within Level 1 and which are observable for the asset or liability, either directly or indirectly, represent Level 2 of fair value hierarchy. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models taking into account the possible adjustments to Level 2 inputs (Level 3 of fair value hierarchy). Generally, they include unobservable inputs for the asset or liability. Management of the Group uses its own judgment in allocating financial assets to a particular level of the fair value hierarchy. In view of significant adjustments to Level 2 and other inputs, management measures fair value of its financial instruments within Level 3 of fair value hierarchy.

Derivative financial instruments

Derivative financial instruments are recognized in the consolidated statement of financial position at fair value as financial assets when their fair value is positive or financial liabilities when their fair value is negative. Realized and unrealized gains and losses are shown in financial statements on a net basis in profit or loss.

The fair value of derivative financial instruments is determined on the basis of mathematical models, using publicly available market information, forecast values and other valuation methods.

4. Summary of significant accounting policies (continued)

Loans and borrowings and accounts payable

The Group recognizes a financial liability in its consolidated statement of financial position when, and only when, it becomes party to the contractual provisions of such a financial instrument. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. The Group’s financial liabilities include trade and other payables, loans and borrowings, derivative financial instruments and financial guarantees.

Loans and borrowings, trade and other payables are the most significant of the Group’s financial liabilities. After initial recognition, loans and borrowings are measured at amortized cost using the effective interest rate (EIR) method. Gains and losses related to such financial liabilities are recognized in profit or loss when the liabilities are derecognized, as well as through the EIR amortization process.

A financial liability is derecognized when it is discharged or canceled (forgiven) or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, such an exchange is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the statement of profit or loss.

The Group’s financial liabilities classified at initial recognition as at fair value through profit or loss comprise, in particular, derivative financial instruments and financial guarantees.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets.

Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings.

Cash and cash equivalents

Cash and cash equivalents recorded in the consolidated statement of financial position comprise cash at banks and on hand, short-term deposits and other short-term highly liquid financial assets with an original maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Restricted cash is disclosed separately in the consolidated statement of financial position or related notes.

Inventories

Finished goods are recorded at the lower of cost and net realizable value. Cost is determined by the weighted average method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Raw materials are valued at cost using the weighted average cost method or net realizable value, whichever is the lower. Goods and finished products are accounted for in physical and in monetary terms using the batch-based method. Goods and finished products sold or otherwise disposed are measured at unit cost. In quantitative terms, oil, gas condensate and liquefied petroleum fractions are accounted for in tones, while associated petroleum gas and flammable natural gas are accounted for in cubic meters.

4. Summary of significant accounting policies (continued)

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement of the lease (i.e., the date at which the underlying asset becomes available for use). The Group applies the historical cost model in which the right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, including by exercising the option to purchase, the recognized other right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (considering the potential renewal options). For oil and gas right-of-use assets, the Group uses the unit-of-production method, applying the rate to the total of economically viable reserves in category A (producing, drilled) and category B1 (producing, undrilled, explored) for leased property other than wells, or to economically viable reserves in category A (producing, drilled) for leased wells. Right-of-use assets are subject to impairment testing; where there is evidence of impairment, the related losses are recognized in the reporting period.

Lease liabilities

At the commencement of the lease, the Group recognizes lease liabilities measured at the present value of future lease payments over the lease term. Lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. Lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group, and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses the lessee’s incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the Group remeasures the carrying amount of lease liabilities if there is a modification of contractual terms, including a change in the lease term, a change in in-substance fixed lease payments or a change in the assessment of the option to purchase the underlying asset.

Provisions

General

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made to the amount of the obligation.

Where the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit or loss and other comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance expense.

4. Summary of significant accounting policies (continued)

Provisions (continued)

Decommissioning liability

Decommissioning liability is recognized when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. In accordance with license agreements, the Group has to liquidate wells, oil and gas pipelines and to restore the surface. A corresponding amount equivalent to the provision is also recognized as part of the cost of the related property, plant and equipment. The amount recognized is the estimated cost of decommissioning, discounted to its present value.

Changes in the estimated timing of property, plant and equipment items decommissioning or abandonment cost estimates are dealt with prospectively by recording an adjustment to the provision, and corresponding adjustments to the carrying amount of property, plant and equipment. The unwinding of the discount on the decommissioning provision is accounted for as finance expense.

Taxes

Income tax for the reporting period includes the amount of current tax and deferred tax.

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in each of the countries where the Group operates and generates taxable income. Current income tax relating to items recognized directly in equity is recognized in equity.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognized for all taxable temporary differences, except as provided for in IAS 12.

Deferred income tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except as provided for in IAS 12.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

4. Summary of significant accounting policies (continued)

Taxes (continued)

Deferred income tax assets and deferred income tax liabilities are offset if a legally enforceable right exists to set off current income tax assets against current tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Equity

Share capital issued and outstanding

Common and preference shares issued are classified as equity.

Share premium

The excess of the cost of common and preference shares over their nominal value due to the additional emission of shares is recorded as *Share premium* in the consolidated statement of financial position.

Forward to purchase treasury shares

Fair value of the forward to purchase preference shares of the Parent is recorded in the consolidated statement of financial position as *Forward to purchase treasury shares*.

Treasury shares

The Group's purchase of ordinary shares of the Parent is reflected in the consolidated statement of financial position as *Treasury shares* within equity until such shares are cancelled, reissued or sold.

Foreign currency translation reserve

Translation differences arising from translating of items in the financial statements of subsidiaries whose functional currencies are different from the Group’s presentation currency are recorded as *Foreign currency translation reserve*.

Non-controlling interests

Non-controlling interest is the interest in a subsidiary not held by the Group. Non-controlling interest as at the reporting date is the equity in a subsidiary not attributable, directly or indirectly, to the Parent and the non-controlling shareholders’ portion of movements in equity since the date of the business combination. Non-controlling interest is presented within equity, separately from the Parent shareholders’ equity.

Revenue and income recognition

Revenue from contracts with customers on the sale of oil, oil products and other products, as well as work or services, is recognized when control of the goods, work or services is transferred to the customer in the amount that reflects the consideration to which the Group expects to be entitled to in exchange for those goods, work or services. When determining whether control is transferred, the Group assesses whether there are criteria supporting such transfer of control over goods, work and services.

4. Summary of significant accounting policies (continued)

Revenue and income recognition (continued)

Revenue represents income that arises in the course of the Group's ordinary activities. The Group recognizes revenue in the amount of consideration it is entitled to in exchange of provided goods and services. A five-step model is applied to test compliance with revenue recognition criteria: contract identification, identification of performance obligations, determination of the transaction price, allocation of the transaction price to performance obligation, revenue recognition when/as performance obligations are fulfilled.

As for advances received from customers in respect of goods to be dispatched, the Group accrues interest for early payments (financing component), except for advances for goods to be delivered and/or services to be provided within one year. For these advances, the Group assesses the effect of a financing component as insignificant.

Interest income is accrued on a regular basis by reference to the outstanding principal amount and the applicable effective interest rate, which is the rate that discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income is recognized where the shareholder's right to receive a dividend payment is established. The amount of retained earnings distributable to the shareholders is usually determined on the basis of the financial statements of the subsidiaries prepared in accordance with Russian accounting principles and the financial statements of the foreign subsidiaries of the Group. These amounts may differ significantly from the amounts calculated on the basis of IFRS.

Contract assets

A contract asset represents an entity's right to consideration in exchange for goods or services that will be transferred to a customer. If the Group delivers goods or services to a customer before the customer pays the consideration or the consideration becomes payable, a contract asset is recognized in respect of the contingent consideration received.

Contract liabilities

A contract liability is the Group's obligation to transfer goods or services to a customer, for which the Group has received consideration (or consideration is due) from the customer. If the consideration is paid before the Group delivers goods or services to the customer, the Group recognizes a contract liability when the payment is made or becomes due, whichever comes first. Contract liabilities are recognized as revenue when the Group fulfills its contractual obligations. The Group records its contract liabilities as advances received.

Employee benefits

The Group pays wages and salaries to its employees, quarterly bonuses for achieving key performance indicators by the Group companies, including annual bonuses after the year-end closing period. Vacations and sick leaves are paid in accordance with the existing labor agreements of the Group and labor laws.

The Group makes contributions to the Pension and Social Insurance Fund of the Russian Federation. These payments are calculated by the employer as a percentage from gross salary expense and are expensed as accrued.

4. Summary of significant accounting policies (continued)

Employee benefits (continued)

The Group provides its employees with various defined retirement benefits in accordance with the labor agreements. The Group uses defined contribution plans. Costs of providing such benefits are recognized in the consolidated statement of profit or loss and other comprehensive income. The Company concludes non-state pension insurance agreements and recognizes them as defined contribution pension plans in the consolidated financial statements.

5. Future changes in accounting policies

New standards and interpretations issued but not yet effective

Amendments to IAS 21: Lack of Exchangeability

In August 2023, the IASB issued amendments to *IAS 21 The Effects of Changes in Foreign Exchange Rates*. The proposed amendments are intended to help entities identify when there is a lack of exchangeability and to clarify the accounting for such situations. The amendments will require entities to:

- determine whether a currency is exchangeable into another currency. A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations;
- determine the exchange rate if this is not the case. When exchangeability is lacking, it will be necessary to determine a spot exchange rate;
- improve the quality of information disclosure in its financial statements.

The amendments apply to annual reporting periods beginning on or after 1 January 2025.

Amendments to IFRS 9 and IFRS 7 Classification and Measurement of Financial Instruments

In May 2024, the IASB published amendments to the classification and measurement of financial instruments. Key provisions of the amendments:

- clarify the requirements related to the date of recognition and derecognition of some financial assets and liabilities, with a new exception for derecognition of some financial liabilities settled via an electronic transfer;
- clarify and include additional guidance on assessing whether financial assets meet the SPPI criterion;
- add new disclosures for some contractually-linked instruments which can change cash flows (e.g., certain instruments with environmental, social and governance (ESG)-linked features);
- make changes to the disclosure of equity instruments designated at fair value through other comprehensive income.

The amendments are effective for annual reporting periods beginning on or after 1 January 2026 and earlier application is permitted.

5. Future changes in accounting policies (continued)

New standards and interpretations issued but not yet effective (continued)

IFRS 18 Presentation and Disclosure in Financial Statements

In April 2024, the IASB issued IFRS 18 *Presentation and Disclosure in Financial Statements.* This new standard supersedes IAS 1 *Presentation of Financial Statements.* The objective of the new standard is to improve the presentation of information in the financial statements. IFRS 18 will affect the complete set of financial statements of an entity.

IFRS 18 sets out new requirements the most important of which are the following:

- classification of income and expenses in the statement of profit or loss into categories of operating, investing and financing activities. An entity shall present the following interim results:
  - operating profit or loss;
  - profit or loss before financing activity and income tax;
- disclosure in the financial statements of management-defined performance measures, including their reconciliation with the most comparable totals and subtotals in the statement of profit or loss;
- presentation of aggregated and disaggregated information in main financial statements and notes.

In addition, IFRS 18 provides for certain amendments relating to statement of cash flows and some other changes.

IFRS 18 is effective for reporting periods beginning on or after 1 January 2027 and earlier application is permitted.

IFRS 19 Subsidiaries without Public Accountability: Disclosures

In May 2024, the IASB issued IFRS 19 *Subsidiaries without Public Accountability: Disclosures*, a new voluntary IFRS accounting standard that subsidiaries can apply when preparing their own consolidated financial statements. Such subsidiaries will continue to apply the recognition, measurement, and presentation requirements of other IFRS accounting standards, but they may replace the disclosure requirements of those standards with reduced disclosure requirements. A subsidiary may apply IFRS 19 if:

- the entity does not have public accountability; and
- the entity has an ultimate and intermediate parent that produces consolidated financial statements available for public use that comply with IFRS accounting standards.

IFRS 19 offers entities the opportunity to benefit from cost savings and reporting simplifications without compromising the usefulness of eligible subsidiaries' financial statements for their users.

IFRS 19 is effective for reporting periods beginning on or after 1 January 2027, while the entity is required to provide comparative information, unless it is permitted or required otherwise. Earlier application of the standard is permitted and special requirements are effective if the entity applies IFRS 19 before it applies IFRS 18 *Presentation and Disclosure in Financial Statements*.

The Group assesses the impact and timing of the application of new standards and amendments to previously issued standards on the amounts and structure of the consolidated financial statements.

6. 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 and development of fields, production and transportation. Operating results of other subsidiaries are generally insignificant and management of the Group does not use them for the purpose of taking financial and operational decisions.

Revenue from external customers broken down by key products and services and geographical sales segments, as well as information about major customers are disclosed in Note 10 *Revenue*. The Group’s non-current assets are located in the Russian Federation.

7. Subsidiaries of the Group

Company	Principal activity	Country of incorporation	Effective ownership 31 December 2024	Effective ownership 31 December 2023
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-10	Exploration drilling	Russian Federation	100%	–
OJSC NAK Aki-Otyr	Property management and leasing	Russian Federation	100%	100%
JSC Nazymskaya 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 (dissolution)	Property management and leasing	Russian Federation	–	96%
LLC Neftebytservice (dissolution)	Other	Russian Federation	–	96%
LLC RedOil (dissolution)	Property management and leasing	Russian Federation	–	96%
LLC Saratovenergoneft	Other	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-Vasyuganskoye	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 (dissolution)	Other	Republic of Cyprus	–	100%
Russneft Cyprus Limited[1]	Other	Republic of Cyprus	21%	21%
Global Energy Cyprus Limited[1] (disposal)	Other	Republic of Cyprus	–	21%
GEA Holdings Limited[1] (disposal)	Other	BVI	–	21%
Kura Valley Holding Company[1] (disposal)	Other	Cayman Islands	–	21%
Karasu Petroleum Company[1] (disposal)	Other	Cayman Islands	–	21%
Karasu Development Company[1, 2] (disposal)	Extraction and marketing of crude oil under PSA	Cayman Islands	–	21%

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

2 Jointly with Karasu Operating Company recognized in these consolidated financial statements as a joint operation under a production sharing agreement.

7. Subsidiaries of the Group (continued)

In the reporting period, the subsidiaries LLC Neftebytservice, LLC RedOil and JSC Saratov-Burenie were dissolved as part of the corporate structure optimisation program. The cumulative loss on dissolution of these companies amounted to RUB 768 million and is recognised in the item *Other operating income* of the consolidated statement of profit or loss and other comprehensive income within the line *Disposal of Group companies, net* (Note 14).

In July 2024, a resolution was signed to terminate the activities of the Group's subsidiary Russneft Cyprus Limited in the Republic of Cyprus and to redomicile it to the Russian Federation under the name International Limited Liability Company Russneft Cyprus (Note 31).

Based on the results of 2023, the annual meetings of shareholders of PJSC Varyeganneft and PJSC Saratovneftegaz, within the timeframes established by law, decided to pay preference dividends to shareholders, in connection with which these shares are not voting on the reporting date. The accrual of dividends on preference shares in favor of non-controlling shareholders is reflected in the consolidated statement of changes in equity.

The summarized financial information on assets, liabilities, profit or loss and cash flows of subsidiaries with material non-controlling interests is provided below.

31 December 2024	**PJSC Varyeganneft and its subsidiaries**	**PJSC Saratovneftegaz and its subsidiaries**	**Russneft Cyprus Limited and its subsidiaries and joint ventures**
	RUB million	**RUB million**	**RUB million**
Non-current assets	14,819	381	22,693
Current assets	19,009	17,714	1,195
Total assets	**33,828**	**18,095**	**23,888**
Long-term liabilities	(3,229)	(1,288)	(31,570)
Short-term liabilities	(2,413)	(132)	(6,032)
Total liabilities	**(5,642)**	**(1,420)**	**(37,602)**
Net assets	**28,186**	**16,675**	**(13,714)**
Equity attributable to shareholders of the Parent	26,695	16,113	(2,833)
Equity attributable to non-controlling interests	1,491	562	(10,881)
For the year ended 31 December 2024			
Revenue	**17,261**	**631**	–
Profit/(Loss) for the period	**68**	**350**	**(14,748)**
Profit/(Loss) attributable to shareholders of the Parent	65	427	(13,075)
Profit/(Loss) attributable to non-controlling interests	3	(77)	(1,673)

7. Subsidiaries of the Group (continued)

For the year ended 31 December 2024	PJSC Varyeganneft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
	RUB million	RUB million	RUB million
Operating activities	(2,145)	(166)	(106)
Investing activities	2,175	2,658	63
Financing activities	(28)	(2,511)	4
Total change in cash for the period	**2**	**(19)**	**(39)**

31 December 2023	PJSC Varyeganneft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
	RUB million	RUB million	RUB million
Non-current assets	17,580	5,174	72,871
Current assets	15,805	21,227	9,260
Total assets	**33,385**	**26,401**	**82,131**
Long-term liabilities	(2,825)	(3,497)	(64,027)
Short-term liabilities	(2,332)	(1,800)	(15,526)
Total liabilities	**(5,157)**	**(5,297)**	**(79,553)**
Net assets	**28,228**	**21,104**	**2,578**
Equity attributable to shareholders of the Parent	26,732	20,372	532
Equity attributable to non-controlling interests	1,496	732	2,046
For the year ended 31 December 2023			
Revenue	**14,919**	**1,279**	**2,695**
Profit/(Loss) for the period	**(229)**	**816**	**(15,537)**
Profit/(Loss) attributable to shareholders of the Parent	(217)	786	(1,000)
Profit/(Loss) attributable to non-controlling interests	(12)	30	(14,537)

For the year ended 31 December 2023	PJSC Varyeganneft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
	RUB million	RUB million	RUB million
Operating activities	187	(12)	(174)
Investing activities	(41)	71	49
Financing activities	(146)	(39)	(419)
Total change in cash for the period	**–**	**20**	**(544)**

8. Non-controlling interests

Non-controlling interests include:

	31 December 2024		2024	31 December 2023		2023
	Non-controlling interest in share capital	**Non-controlling interests in net assets**	**Non-controlling interests in profit/(loss)**	**Non-controlling interest in share capital**	**Non-controlling interest in net assets**	**Non-controlling interests in profit/(loss)**
	(%)	**RUB million**	**RUB million**	**(%)**	**RUB million**	**RUB million**
Russneft Cyprus Limited and its subsidiaries and joint ventures	79%	(10,881)	(1,673)	79%	2,046	(14,537)
PJSC Varyeganneft and its subsidiaries	5%	1,491	3	5%	1,496	(12)
PJSC Saratovneftegaz and its subsidiaries	4%	562	(77)	4%	732	30
Other	0,4%-49%	(919)	75	0,4%-49%	(992)	(75)
Non-controlling interests at the end of the period		**(9,747)**	**(1,672)**		**3,282**	**(14,594)**

As at 31 December 2024 and 31 December 2023, the non-controlling interest in the voting shares of PJSC Saratovneftegaz is 0.810% and 0.819%, in the voting shares of PJSC Varyeganneft it is 1.446% and 5.04%, and in JSC ANGG it is 2.18% and 2.19%. During 2024, these companies of the Group repurchased their own ordinary shares from minority shareholders, the net effect of these transactions is reflected in the consolidated statement of changes in equity.

The voting shares of PJSC “RussNeft” account for 100% in Russneft Cyprus Limited.

9. Investments in associates and joint ventures

Disposal of GEA Holdings Limited Group

In June 2024, the Group sold its share in the subsidiary Global Energy Cyprus Limited, which owned GEA Holdings Limited (hereinafter referred to as “GEA group”). Following the sale of this company, the following entities of GEA group withdrew from the Group corporate structure: GEA Holdings Limited, Kura Valley Holding Company, Karasu Petroleum Company, Karasu Development Company, Karasu Operating Company, Global Energy Azerbaijan Limited, Global Energy Azerbaijan Management Limited, Neftechala Petroleum Limited, Neftechala Investments Limited, Neftechala Operating Company, Absheron Petroleum Limited, Apsheron Investments Limited, Absheron Operating Company Limited, Shirvan Petroleum Limited, Shirvan Investments Limited, Shirvan Operating Company Limited, Repleton Enterprises Limited, AZEN OIL COMPANY B.V., Binagadi Oil Company, Global Energy Caspian Limited.

Prior to the date of disposal, depending on whether control or joint control was in place, the Group accounted for GEA group companies either as subsidiaries or under the equity method, or as joint operations in cases when GEA group companies participated in production sharing agreements.

The total cost of disposal amounted to USD 55 million or RUB 4,882 million at the exchange rate effective as at the transaction date. This amount includes USD 10 million or RUB 888 million received for the sold interest in Global Energy Cyprus Limited and the assignment of rights under the intra-group loan of GEA Holdings Limited owed to PJSC “RussNeft” in the amount of USD 45 million or RUB 3,994 million. Transaction costs related to the disposal of GEA group were immaterial.

9. Investments in associates and joint ventures (continued)

Disposal of GEA Holdings Limited Group (continued)

All payments, including the amount of debt assigned, are completed by the reporting date and reflected in the consolidated statement of cash flows within the item *Disposal of Group companies, net* in the amount of RUB 4,765 million at the exchange rate as at the settlement date, net of cash on the accounts of the retiring GEA group companies.

Gain on disposal of GEA group amounted to RUB 3,052 million and was recognised by the Group as *Other operating income* in the consolidated statement of profit or loss and other comprehensive income within the line *Disposal of Group companies, net* (Note 14). Gain on disposal of GEA group companies includes the accumulated foreign currency translation reserve resulting from translation of foreign currencies, which was reclassified from equity to gain on disposal.

The results of GEA group's operations prior to the date of disposal are recognised in the consolidated statement of profit or loss and other comprehensive income, net of intra-group turnovers. Income from discounting due to modifications of GEA group's financial liabilities prior to the date of disposal in the amount of RUB 6,296 million is recognised within the item *Finance income* (Note 13).

The amount of disposed assets and liabilities of GEA group as at the date of disposal is presented below:

	RUB million
Non-current assets	29,383
Current assets	10,377
Long-term liabilities	(26,735)
Short-term liabilities	(13,705)
Non-controlling interests	(9,907)
Total share of the Group in net assets	**(10,587)**
Carrying amount of transferred loans	3,994
Foreign currency translation reserve	8,423
Cash received	**4,882**
Gain on disposal of GEA group	**3,052**

Acquisition of associates

In November 2024, the Group acquired 48.67% interest in share capital of KINELSON LIMITED (this company is the controlling entity of the following companies: JSC PFC, JSC Saltykovsky Fur Farm, JSC Pekhorka, LLC Kuchinskoye, collectively referred to as KINELSON group) and 44.2% interest in share capital of Smolensky Passage LLC. Financial investments were made as part of the diversification of the Group's activities and long-term plans for participation in the Investment Property business. The Group accounts for the acquired interests as investments in associates using the equity method. The total fair value of the acquisition was RUB 19,737 million**.**

The carrying amount of the Group's investments in associates as at the reporting date was RUB 19,155 million. The Group's share of losses of associates for the reporting period from the date of acquisition of interests was RUB 582 million.

10. Revenue

Revenue from external customers broken down by geographical segments 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).

The information on revenue is presented in the table below:

	Far abroad export		Domestic market		Total	
	2024	2023	2024	2023	2024	2023
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Revenue from external customers						
Crude oil sales	111,542	74,333	184,408	160,644	**295,950**	**234,977**
Petroleum product sales	–	–	480	392	**480**	**392**
Gas sales	–	–	3,293	3,043	**3,293**	**3,043**
Other sales	–	–	385	313	**385**	**313**
Total revenue	**111,542**	**74,333**	**188,566**	**164,392**	**300,108**	**238,725**

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

		Geographical location	2024	2023
			RUB million	RUB million
Major customer 1	Crude oil sales	Domestic market	114,208	97,137
Major customer 2	Crude oil sales	Far abroad export	43,112	–
Major customer 3	Crude oil sales	Far abroad export	25,287	31,292
Major customer 4	Crude oil sales	Far abroad export	–	40,339
Total revenue from sales to major customers			**182,607**	**168,768**

11. Cost of sales

	2024	2023
	RUB million	RUB million
Mineral extraction tax	151,345	121,067
Cost of crude oil and petroleum products sold	19,477	5,860
Payroll and related taxes	9,064	8,089
Utilities	6,475	5,880
Depreciation, depletion and amortization	4,753	15,684
Additional income tax	3,824	2,950
Raw materials and supplies used in production	3,252	2,732
Transportation expenses	2,196	1,416
Production services	1,820	2,118
Equipment repair, operation and maintenance	1,401	1,051
Depreciation of right-of-use assets	190	387
Other expenses	5,072	4,971
Total cost of sales	**208,869**	**172,205**

12. Selling, general and administrative expenses

Selling expenses comprise:

	2024 RUB million	2023 RUB million
Pipeline tariffs and transportation expenses	15,155	13,978
Other selling expenses	301	246
Total selling expenses	**15,456**	**14,224**

General and administrative expenses comprise the following:

	2024 RUB million	2023 RUB million
Payroll and related taxes	3,725	2,898
Entertainment and business travel	363	358
Software	308	143
Consulting, management and other services	281	181
Repair and maintenance	120	56
Bank services	92	78
Allowance for expected credit losses (Note 20)	(191)	(363)
Other expenses	548	489
Total general and administrative expenses	**5,246**	**3,840**

13. Finance income and expense

Finance income comprises the following:

	2024 RUB million	2023 RUB million
Interest income on loans	9,985	7,552
Interest income for early payments	226	207
Income from discounting of financial liabilities (Note 9)	6,296	–
Total finance income	**16,507**	**7,759**

Finance expense comprises the following:

	2024 RUB million	2023 RUB million
Interest expense on loans and borrowings	8,791	9,184
Interest expense for early payments	1,302	1,414
Accretion expense (Note 24)	1,151	1,163
Interest expense on lease liabilities (Note 16)	44	79
Other finance expense	3,813	3,420
Total finance expense	**15,101**	**15,260**

14. Other operating income and expenses [3]

	2024 RUB million	2023 RUB million
Gain on derivative financial instruments	2,731	2,766
Derecognition of provisions	2,377	42
Disposal of Group companies, net (Notes 7, 9)	2,284	–
Fines and penalties for contractual breaches	98	349
Result from disposal right-of-use assets, net	57	–
Gain from inventories sale	57	148
Financial guarantees, net	–	41
Management services	–	1
Other income	170	486
Total other operating income	**7,774**	**3,833**

	2024 RUB million	2023 RUB million
Charity and other non-recoverable expenses	1,976	530
Impairment of financial assets, net	1,797	9,209
Impairment of property, plant and equipment, net (Note 15)	1,742	2,420
Result from disposal of property, plant and equipment, net	1,132	1,065
Change in fair value – swaps	649	4,542
Financial guarantees, net	246	–
Fines and penalties for contractual breaches	137	339
Disposal of Group companies, net	–	4,890
Impairment of exploration assets	–	3,644
Impairment of goodwill	–	20
Other expenses	409	422
Total other operating expenses	**8,088**	**27,081**

[3] In accordance with IAS 1 *Presentation of Financial Statements*, certain items are presented net.

15. 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 2023				
Cost	307,398	2,954	–	**310,352**
Accumulated depreciation and impairment	(154,049)	(2,496)	–	**(156,545)**
Net book value at 1 January 2023	**153,349**	**458**	**–**	**153,807**
Additions	17,471	–	2	**17,473**
Decommissioning liability	(205)	–	–	**(205)**
Disposal of subsidiaries, net	–	(2)	–	**(2)**
Transfer from construction in progress	–	2	(2)	**–**
Depreciation	(15,680)	(4)	–	**(15,684)**
Impairment	(2,534)	–	–	**(2,534)**
Reversal of impairment	114	–	–	**114**
Disposals, net	(1,813)	(5)	–	**(1,818)**
Foreign currency translation, net	3,935	–	–	**3,935**
31 December 2023				
Cost	325,729	2,860	–	**328,589**
Accumulated depreciation and impairment	(171,092)	(2,411)	–	**(173,503)**
Net book value at 31 December 2023	**154,637**	**449**	**–**	**155,086**
Additions	29,630	3,750	2	**33,382**
Decommissioning liability	(4,505)	–	–	**(4,505)**
Disposal of subsidiaries and joint operations, net	(18,243)	–	–	**(18,243)**
Transfer from construction in progress	–	2	(2)	**–**
Depreciation	(4,650)	(103)	–	**(4,753)**
Impairment	(2,153)	–	–	**(2,153)**
Reversal of impairment	411	–	–	**411**
Disposals, net	(2,891)	–	–	**(2,891)**
Foreign currency translation, net	(194)	–	–	**(194)**
31 December 2024				
Cost	314,046	6,610	–	**320,656**
Accumulated depreciation and impairment	(162,004)	(2,512)	–	**(164,516)**
Net book value at 31 December 2024	**152,042**	**4,098**	**–**	**156,140**

An item of property, plant and equipment with a carrying amount of RUB 3,652 million was pledged under the agreement *On the mortgage of a non-residential building and leasehold right* dated 7 October 2024. As at 31 December 2024, the agreement was submitted to the authorized state body for state registration. The pledge as an encumbrance arises from the date of state registration of the mortgage (Note 31).

As at 31 December 2024, the Group had no other significant pledges of property, plant and equipment.

Impairment losses

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Based on the assessment in the reporting period, the Group identified indications of impairment of property, plant and equipment and recorded an allowance of RUB 2,153 million in 2024, and simultaneously reversed the previously recognized allowance of RUB 411 million. The accumulated allowance as at 31 December 2024 and 31 December 2023 was RUB 14,000 million and RUB 15,036 million, respectively.

15. Property, plant and equipment (continued)

Impairment losses (continued)

Given the specifics of the Group’s activities, in general, the information on assets’ fair value is difficult to obtain, unless there are negotiations with potential buyers. As a result, recoverable amount used for the purposes of assessment of impairment accrued is also determined based on discounted cash flow model the main indicators of which are disclosed in Note 17.

16. Right-of-use assets and lease liabilities

Right-of-use assets	Oil and gas right-of-use assets	Other right-of-use assets	Total right-of-use assets
	RUB million	**RUB million**	**RUB million**
1 January 2023			
Cost	285	1,237	1,522
Accumulated depreciation and impairment	(29)	(490)	(519)
Net book value at 1 January 2023	**256**	**747**	**1,003**
Additions	15	1	16
Modification and reassessment, net	7	193	200
Disposals, net	(116)	–	(116)
Depreciation	(21)	(366)	(387)
Foreign currency translation, net	2	3	5
31 December 2023			
Cost	180	1,298	1,478
Accumulated depreciation and impairment	(37)	(720)	(757)
Net book value at 31 December 2023	**143**	**578**	**721**
Additions	15	–	15
Modification and reassessment, net	(73)	10	(63)
Disposals, net	(7)	(217)	(224)
Disposal of subsidiaries and joint operations, net	(4)	(4)	(8)
Depreciation	(11)	(179)	(190)
31 December 2024			
Cost	98	253	351
Accumulated depreciation and impairment	(35)	(65)	(100)
Net book value at 31 December 2024	**63**	**188**	**251**

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

Lease liabilities	31 December 2024	31 December 2023
	RUB million	RUB million
At the beginning of the period	**747**	**1,057**
including short-term lease liabilities	*408*	*336*
Recognition of lease liabilities	15	16
Disposals	(233)	(122)
Disposal of subsidiaries and joint operations	(10)	–
Modification and reassessment	(55)	190
Interest on lease liabilities	44	79
Payments of lease liabilities	(211)	(477)
Foreign currency translation, net	–	4
At the end of the period	**297**	**747**
including short-term lease liabilities	*39*	*408*

	31 December 2024	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Lease liabilities	**297**	39	46	73	139

	31 December 2023	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Lease liabilities	**747**	408	42	81	216

17. Goodwill

	RUB million
1 January 2023	**9,961**
Impairment	(20)
Foreign currency translation	3
31 December 2023	**9,944**
Disposal of subsidiaries	(768)
31 December 2024	**9,176**

17. Goodwill (continued)

The carrying amount of goodwill is allocated to each of the cash-generating units as follows:

CGU	Segment[4]	31 December 2024	31 December 2023
		RUB million	RUB million
PJSC Saratovneftegaz	Exploration, production and related service	8,256	9,024
PJSC Varyeganneft	Exploration, production and related service	598	598
JSC Ulyanovskneft	Exploration, production and related service	227	227
OJSC NAK Aki-Otyr	Exploration, production and related service	95	95
		9,176	**9,944**

Impairment testing of goodwill

The Group conducts its goodwill impairment test as at 31 December of each reporting annual period or more often if there is evidence of its possible impairment. Based on the testing, no impairment of goodwill was identified as at 31 December 2024.

For goodwill impairment test purposes, the Group uses the discounted cash flow model to determine the value in use. The main assumptions used are represented by estimates made by the Company’s management with regard to the future development trends in oil and gas sector, and are based on the external and internal data sources. Future cash flows are built within a 25-year range based on technical projects for the development of fields of the Group, as approved by the Central Hydrocarbon Commission of the Federal Agency for Subsoil Management, in terms of reserves according to the Russian classification by categories A, B1, B2, cumulative total, and also taking into account the costs updated by the cumulative inflation factor for the period from the date of approval of the technical project to the date of these consolidated financial statements.

The assumptions used in the impairment testing, the sensitivity to which could have a material impact on the assessment results, are presented below:

- Discount rate (in RUB): determines the current estimates of time value of money and risks – 14.4%.
- Forecast oil price: price basis for Urals[5] oil is in the range of USD 69.7-65.5 per barrel (bbl) which is adjusted for transportation expenses.
- MET and AIT rates are calculated with account of changes in forecast oil prices.
- Sales structure by markets (export, domestic market) remains the same during the valuation period.
- Difference in the netback existing in the markets (export, domestic market) remains unchanged.

An assessment of the impact on profit before tax of a change in the oil price of $10/bbl and a discount rate of 1% as at 31 December 2024 and 31 December 2023, respectively, revealed no possible effect.

4 The segment is defined in Note 6.

5 The forecast spread values were applied to the forecast price of Brent crude oil to bring it to the forecast price values of Urals crude oil.

18. Long-term and short-term financial assets

	Currency	31 December 2024 RUB million	31 December 2023 RUB million
Long-term loans issued to related parties	USD	146,551	114,839
Long-term loans issued to related parties	EUR	26,247	23,480
Long-term loans issued to related parties	RUB	2,502	2,754
Long-term loans issued to other companies	RUB	2,954	2,888
Allowances for expected credit losses on long-term loans issued		(51,562)	(47,135)
Total long-term financial assets		**126,692**	**96,826**
Short-term loans issued to related parties	EUR	–	3
Allowances for expected credit losses on short-term loans issued		–	(1)
Total short-term financial assets		**–**	**2**

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

As part of the disposal of GEA group, the Parent transferred debt, including intra-group debt, on financial assets of GEA group companies. The amount outstanding under these loans including accrued interest and allowance for expected credit losses as at 31 December 2024 is USD 977 million or RUB 99,388 million at the exchange rate as at the reporting date, and USD 650 million or RUB 58,291 million as at 31 December 2023. This modification did not have a significant effect on the consolidated statement of profit or loss and other comprehensive income as the key terms remained unchanged.

During the reporting period, certain loans were extended, and this modification had no significant effect on the consolidated financial statements.

19. Inventories

	31 December 2024 RUB million	31 December 2023 RUB million
Crude oil	10,182	9,844
Raw materials and components	3,996	4,413
Petroleum products	26	17
Allowance for obsolete inventories[6]	(98)	(385)
Total inventories	**14,106**	**13,889**

[6] The allowance for obsolete inventories relates to Raw materials and components.

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

	31 December 2024 RUB million	31 December 2023 RUB million
Long-term prepayments for capital projects	1,539	1,694
Long-term prepayments	675	1,458
Allowance for prepayments	(572)	(1,238)
Exploration and evaluation assets	19	1
Other non-current assets	12	27
Total other non-current assets	**1,673**	**1,942**

	31 December 2024 RUB million	31 December 2023 RUB million
Other long-term receivables	4,345	5,448
Allowance for expected credit losses	(742)	(657)
Total other long-term receivables	**3,603**	**4,791**

	31 December 2024 RUB million	31 December 2023 RUB million
Trade receivables	9,312	7,556
Other receivables	3,011	220
Allowance for expected credit losses	(156)	(128)
Total trade and other receivables	**12,167**	**7,648**

	31 December 2024 RUB million	31 December 2023 RUB million
Short-term prepayments	4,831	18,021
Other current assets[7]	93	223
Allowance for prepayments	(424)	(77)
Total other current assets	**4,500**	**18,167**

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

	31 December 2024 RUB million	31 December 2023 RUB million
As at 1 January	**(2,100)**	**(3,594)**
Reversal of allowance	191	363
Allowance used	10	939
Disposal of subsidiaries	5	231
Foreign currency translation	–	(39)
As at 31 December	**(1,894)**	**(2,100)**

[7] In relation to certain bank accounts, there are temporarily blocked amounts of RUB 56 million as at 31 December 2024 and RUB 191 million as at 31 December 2023, respectively.

21. Cash and cash equivalents

	31 December 2024	31 December 2023
	RUB million	RUB million
RUB-denominated cash at bank and on hand	1,563	6,390
Deposits and other cash equivalents	997	2,386
Foreign currency-denominated cash at bank and on hand	2	914
Total cash and cash equivalents	**2,562**	**9,690**

22. Share capital

	31 December 2024	31 December 2024	31 December 2023	31 December 2023
	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[8] with a nominal value of RUB 0.5 each	98,032	49	98,032	49
Total share capital	**392,152**	**196**	**392,152**	**196**

As at the reporting date, the Company may place 105,880,000 additional common shares and 98,032,000 additional preference shares with the same nominal value of RUB 0.5 each.

The Company does not have a controlling shareholder as at the reporting date.

The General Meeting of Shareholders of the Company in June 2024 made a decision to allocate USD 100 million (RUB 8,728 million at the exchange rate established by the CBR at the date of accrual), or USD 1.0200750775 per one preference share of the Company, to pay dividends to preference shareholders of PJSC “RussNeft.” As at the reporting date, the declared dividends were fully paid, with the payment amounting to RUB 8,557 million at the exchange rate ruling at the payment date. Considering the decision made to pay dividends on preference shares, they are not voting shares. No dividends were declared or paid on the Parent’s common shares.

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

Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to common equity holders of the Parent, as adjusted, by the weighted average number of common shares outstanding during the year. As the decision to pay dividends for 2024 under the preference shares was not announced at the reporting date, no adjustment for the forecast amount of these dividends for 2024 was made in the reporting period.

During the reporting period, the weighted average number of the Company's issued common shares is adjusted for treasury shares redeemed by a Group's company multiplied by a weighted time factor. No potentially dilutive securities were issued and therefore basic and diluted earnings per share are the same.

[8] Preference shares of PJSC “RussNeft” are non-cumulative.

22. Share capital (continued)

Earnings per share (continued)

		2024	2023
Profit attributable to shareholders of the Parent	RUB million	54,345	20,441
Dividends on preference shares	RUB million	(8,728)	(10,628)
Profit attributable to shareholders of the Parent, as adjusted	RUB million	**45,617**	**9,813**
Weighted average number of common shares issued	million	279	294
Effect of dilution		–	–
Basic and diluted earnings per share	RUB per share	164	33

Russneft Cyprus Limited (a subsidiary) (Note 31) acts as a party to a forward contract entities to purchase 33,240,827 preference shares of the Parent in 2026. The amount of the forward of RUB 21,123 million is recorded in the equity of the consolidated statement of financial position as *Forward to purchase treasury shares*. The forward liability measured at amortized cost using the effective interest rate method is recorded in *Other long-term financial liabilities* at RUB 17,355 million and in *Trade and other payables, other short-term financial liabilities* at RUB 4,401 million (Note 25). Simultaneously, Russneft Cyprus Limited acts as a party to a currency interest rate swap during the term of the forward contract.

23. Loans and borrowings

	Currency	Weighted average interest rate by type of liability as at 31 December 2024	31 December 2024
		%	RUB million
Long-term loans and borrowings			
Bank loans	USD	10.25%	59,242
Borrowings	CNY	7%	21,348
Total long-term loans and borrowings			**80,590**
Short-term loans and borrowings			
Bank loans	USD	10.25%	7,692
Borrowings	RUB	6.55%	42
Total short-term loans and borrowings			**7,734**

	Currency	Weighted average interest rate by type of liability as at 31 December 2023	31 December 2023
		%	RUB million
Long-term loans and borrowings			
Bank loans	USD	11.14%	69,514
Borrowings	USD	7.49%	1,971
Total long-term loans and borrowings			**71,485**
Short-term loans and borrowings			
Bank loans	USD	11.14%	8,062
Loans received	USD	5.50%	480
Borrowings	USD	6.10%	1,906
Borrowings	RUB	6.54%	45
Total short-term loans and borrowings			**10,493**

23. Loans and borrowings (continued)

The Company has an effective credit agreement with stage-by-stage repayment of the principal debt and maturity in March 2026, using the overnight SOFR rate plus a margin of 5.76%.

The Company repays accrued interest on a quarterly basis, in accordance with the schedule and the interest rate set for the date of payment. In the reporting period, the Company paid the total interest under this loan agreement in the amount of RUB 7,925 million at the exchange rate as at the date of payment (USD 86 million). Principal payments under the credit agreement in the reporting period amounted to RUB 18,654 million at the exchange rate on the date of payment or USD 206 million, including USD 126 million additionally in excess of the established repayment schedule, which amounted to RUB 11,278 million at the exchange rate on the date of payment.

Outstanding principal payable amounts of the loan agreement to RUB 66,786 million or USD 657 million at the exchange rate as at the reporting date, including the current portion payable in the amount of RUB 7,544 million or USD 74 million. Current interest payable amounts to RUB 148 million (USD 1 million at the exchange rate as at the reporting date).

The Company's loan was secured by pledge of the common shares of the Parent and the equity interests that the Parent holds in certain subsidiaries. At the same time, certain subsidiaries of the Group and other related and third parties are joint guarantors to the creditor with regard to the Parent’s liabilities (Note 29).

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

In the reporting period, the Company raised a loan in the amount of CNY 1,579 million or RUB 21,348 million at the settlement rate on the reporting date (the settlement rate is determined at the rate published on the Moscow Exchange website on the business day preceding the date of interest payment for the period, plus 1%). The loan is provided at a fixed interest rate of 7% per annum, with maturity in March 2029 and monthly interest payments. The Group's subsidiaries act as joint guarantors for the Parent’s obligations under this loan agreement (Note 29). The Company's loan is secured by a pledge of associates’ interests acquired in 2024 (Note 9).

The loan agreement contains restrictive covenants in the financial and production areas, which the Company and its related parties are obliged to fulfil during the term of the agreement. At the same time, the covenants under the loan agreement provide for the fulfilment of the corresponding covenants under the credit agreement with the bank. Failure to fulfil or improper fulfilment of the agreed covenants under the credit agreement give the right to early termination of the terms of the loan agreement, including the right of the lender to charge penalties and interest on overdue debts.

Interest accrued on other borrowings is primarily repaid simultaneously with the principal amount, unless otherwise specified in loan agreements, and presented as long-term loans and borrowings.

Reconciliation of movements in financing activities from the consolidated statement of cash flows with long-term and short-term loans and borrowings from the consolidated statement of financial position is as follows.

23. Loans and borrowings (continued)

	2024			2023		
	Long-term and short-term loans and borrowings	**Other financial liabilities**	**Total**	**Long-term and short-term loans and borrowings**	**Other financial liabilities**	**Total**
	RUB million	**RUB million**	**RUB million**	**RUB million**	**RUB million**	**RUB million**
At the beginning of the period	**81,978**	**–**	**81,978**	**77,318**	**–**	**77,318**
Cash flow − financing activities, net returns	(8,231)	–	**(8,231)**	(20,539)	–	**(20,539)**
Interest accrued	8,791	–	**8,791**	9,182	–	**9,182**
Discounting of financial liabilities	–	–	–	87	–	**87**
Disposal of subsidiaries	(4,475)	–	**(4,475)**	(4,320)	–	**(4,320)**
Foreign exchange difference	10,261	–	**10,261**	19,347	–	**19,347**
Foreign currency translation	–	–	–	903	–	**903**
At the end of the period	**88,324**	**–**	**88,324**	**81,978**	**–**	**81,978**
Other cash flows − financing activities, including:	–	(13,540)	**(13,540)**	–	(10,781)	**(10,781)**
Dividends paid	–	(8,628)	**(8,628)**	–	(10,421)	**(10,421)**
Redemption of treasury shares	–	(4,700)	**(4,700)**	–	–	–
Settlements for derivative financial instruments	–	4	**4**	–	121	**121**
Payments of lease liabilities	–	(211)	**(211)**	–	(477)	**(477)**
Other movements	–	(5)	**(5)**	–	(4)	**(4)**
Net cash − financing activities	**(8,330)**	**(13,540)**	**(21,870)**	**(20,539)**	**(10,781)**	**(31,320)**

24. Decommissioning liability

	2024		2023	
	Decommis-sioning liability	**Land restoration liability**	**Decommis-sioning liability**	**Land restoration liability**
	RUB million	**RUB million**	**RUB million**	**RUB million**
At the beginning of the period	**9,100**	**2,506**	**8,225**	**2,621**
Acquisitions	80	30	322	26
Disposals	(407)	(9)	(221)	(75)
Change in estimates	(5,792)	(1,189)	(195)	(342)
Disposal of subsidiaries and joint operations	(401)	–	–	–
Accretion expense	860	291	887	276
Foreign currency translation	(4)	–	82	–
At the end of the period	**3,436**	**1,629**	**9,100**	**2,506**

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 taking into account existing oil extraction technologies and current estimates of decommissioning costs (adjusted for inflation forecast) and discounted the provision at the rate of 13.71% (2023: 11.64%).

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

Other long-term financial liabilities	31 December 2024	31 December 2023
	RUB million	RUB million
Derivative financial instruments (Note 28)	31,570	30,353
Long-term trade payables	404	158
Financial guarantees (Note 29)	381	135
Total other long-term financial liabilities	**32,355**	**30,646**

Trade and other payables, other short-term financial liabilities	31 December 2024	31 December 2023
	RUB million	RUB million
Trade payables	14,170	25,147
Other short-term payables	10,866	4,214
Derivative financial instruments (Note 28)	4,401	3,432
Total trade and other payables, other short-term financial liabilities	**29,437**	**32,793**

Taxes and levies payable (excluding income tax)	31 December 2024	31 December 2023
	RUB million	RUB million
Mineral extraction tax	13,417	14,461
Value added tax	5,335	8,542
Additional income tax	988	1,098
Property tax	418	381
Other taxes and levies (excluding income tax)	236	227
Total taxes and levies payable (excluding income tax)	**20,394**	**24,709**

Advances received and other short-term liabilities	31 December 2024	31 December 2023
	RUB million	RUB million
Advances received	10,110	16,776
Other short-term liabilities	30	8,084
Total advances received and other short-term liabilities	**10,140**	**24,860**

26. Income tax

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

	2024	2023
	RUB million	RUB million
Current income tax		
Current income tax expense	5,839	4,941
Income tax relating to previous years	12	(34)
Excess profits tax of previous years	–	38
Deferred income tax		
Relating to origination and reversal of temporary differences	7,992	6,489
Change in income tax rate effect	5,787	–
Change in deferred income tax relating to previous years	1,469	1,083
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	**21,099**	**12,517**

26. Income tax (continued)

Reconciliation between tax benefit / tax expense and accounting profit multiplied by the Group’s country of origin official tax rate is as follows:

	2024 RUB million	2023 RUB million
Accounting profit before tax	**73,772**	**18,364**
Income tax at applicable tax rate (20%)	**14,754**	**3,673**
Tax effect of non-deductible expense and non-taxable income	(1,745)	5,997
Tax effect of rates other than 20%	191	1,545
Change in income tax rate effect	5,787	–
Change in unrecognized deferred tax assets	631	215
Change in deferred income tax relating to previous years	1,469	1,083
Income tax relating to previous years	12	(34)
Excess profits tax of previous years	–	38
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	**21,099**	**12,517**

Generally, the subsidiaries of the Group incorporated in the Russian Federation used 20% tax rate in 2024 and 2023. The subsidiaries incorporated outside the Russian Federation applied rates and exemptions stipulated by local legislation.

In July 2024, amendments were made to the *Tax Code* of the Russian Federation, which, among other changes, include an increase in income tax rate from 20% to 25% from 1 January 2025. As at 31 December 2024, the effect of the revaluation of the carrying amount of deferred tax assets and liabilities that are expected to be realized and repaid after 1 January 2025, is reflected in the income tax disclosure in the line *Change in income tax rate effect*.

Deferred income tax

Deferred tax assets and liabilities as at 31 December 2024 by line of the consolidated statement of financial position as well as their movements in 2024 are presented below:

	Consolidated statement of financial position 31 December 2023 RUB million	Consolidated statement of profit or loss and other comprehensive income 2024 RUB million	Acquisition of subsidiaries RUB million	Disposal of subsidiaries RUB million	Consolidated statement of financial position 31 December 2024 RUB million
Deferred tax liabilities					
Property, plant and equipment, oil and gas properties	(14,513)	(5,967)	–	21	(20,459)
Inventories	(1,523)	(377)	–	–	(1,900)
Other	(28,759)	(17,119)	–	–	(45,878)
Deferred tax assets					
Tax loss carry forward	18,995	(2,034)	2	–	16,963
Property, plant and equipment, oil and gas properties	409	178	–	(6)	581
Inventories	46	12	–	–	58
Trade and other receivables	63	(13)	–	–	50
Other	10,430	10,690	–	(2)	21,118
Unrecognized tax assets	(2,477)	(631)	–	–	(3,108)
Total deferred tax liabilities and deferred tax assets	**(17,329)**	**(15,261)**	**2**	**13**	**(32,575)**
Deferred income tax expense	**–**	**15,261**	**–**	**(13)**	**–**
Consolidated statement of financial position					
Deferred tax assets	755	–	–	–	1,366
Deferred tax liabilities	(18,084)	–	–	–	(33,941)

26. Income tax (continued)

Deferred income tax (continued)

Deferred tax assets and liabilities as at 31 December 2023 by line of the consolidated statement of financial position as well as their movements in 2023 are presented below:

	Consolidated statement of financial position 31 December 2022	Consolidated statement of profit or loss and other comprehensive income 2023	Disposal of subsidiaries	Consolidated statement of financial position 31 December 2023
	RUB million	RUB million	RUB million	RUB million
Deferred tax liabilities				
Property, plant and equipment, oil and gas properties	(14,141)	(374)	2	(14,513)
Inventories	(604)	(919)	–	(1,523)
Other	(18,703)	(10,056)	–	(28,759)
Deferred tax assets				
Tax loss carry forward	23,885	(4,881)	(9)	18,995
Property, plant and equipment, oil and gas properties	419	(10)	–	409
Inventories	42	4	–	46
Trade and other receivables	75	(12)	–	63
Other	1,540	8,892	(2)	10,430
Unrecognized tax assets	(2,262)	(215)	–	(2,477)
Total deferred tax liabilities and deferred tax assets	**(9,749)**	**(7,571)**	**(9)**	**(17,329)**
Deferred income tax expense	**–**	**7,571**	**1**	**–**
Consolidated statement of financial position				
Deferred tax assets	819	–	–	755
Deferred tax liabilities	(10,568)	–	–	(18,084)

Deferred tax liabilities in respect of the retained earnings of the subsidiaries are not recognized because the Group has the power to control future distributions among investors and has no intention to do so in the foreseeable future.

27. Transactions with related parties

The Group’s transactions with its subsidiaries that are related parties are excluded from the consolidated financial statements and are not disclosed in this Note. Transactions with joint ventures and associates 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 in 2024 and 2023 or had significant balances outstanding as at 31 December 2024 and 2023 are detailed below.

27. Transactions with related parties (continued)

Transactions with related parties in 2024 and 2023:

2024	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Companies/Individuals with significant influence over the Group	–	–	5	–	–
Associates and joint ventures	–	(28,399)	20	2,325	75
Other related parties	114,210	30,205	3,802	12,419	12
Total	**114,210**	**1,806**	**3,827**	**14,744**	**87**

2023	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	–	2,939	44	4,873	208
Other related parties	97,189	5,885	25	1,881	54
Total	**97,189**	**8,824**	**69**	**6,754**	**262**

As at 31 December 2024 and 31 December 2023, amounts due to and due from related parties are as follows:

31 December 2024	Receivables	Loans issued	Payables	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	–	–	2	–
Other related parties	5,517	126,692	7,802	28,344
Total	**5,517**	**126,692**	**7,804**	**28,344**

31 December 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	99	67,684	59	3,877	–	–
Other related parties	106	29,144	19,257	–	59	26,957
Total	**205**	**96,828**	**19,316**	**3,877**	**59**	**26,957**

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 year with directors or key management personnel.

27. Transactions with related parties (continued)

Key management personnel (continued)

In 2024, key management personnel compensation expense, consisting of salaries and payroll taxes, totaled RUB 1,417 million (2023: RUB 1,324 million).

Since 2023, the Company adopted another three-year long-term motivation program for senior and medium 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 April 2024, the Company made payments for the first year of the program in the amount of RUB 200 million (including insurance contributions). In November 2024, the Company made a partial payment of remuneration for the second year of the program in the amount of RUB 513 million (including insurance contributions). As at 31 December 2024, RUB 127 million (including insurance contributions) were accrued based on the actual time worked for the second year based on a preliminary assessment of the fulfilment of planned indicators (in 2023 - RUB 204 million including insurance contributions).

28. Fair value measurement

All financial instruments are measured at fair value using a valuation model based on Level 3 non-market observable inputs that require additional evaluations 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, short-term 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 receivables and 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. As at 31 December 2024, management classified the risk of default as insignificant.

The accounting classification of each category of financial instruments, their carrying amounts and fair values are as follows below. The fair value of lease liabilities approximates their carrying amount, these items are not included in the disclosure below as the information on their value is presented in Note 16.

	31 December 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	RUB million		RUB million	
Financial assets				
Loans issued	126,692	166,636	96,828	122,307
Trade and other receivables and other financial assets	12,136	12,136	12,468	11,729
Cash and cash equivalents	2,562	2,562	9,690	9,690
Financial liabilities measured at amortized cost				
Trade and other payables	24,169	23,986	27,497	27,497
Loans and borrowings	88,324	91,222	81,978	80,811

The sensitivity of fair value of long-term financial instruments to a fluctuation in the discount rate by 1% is disclosed below. This analysis has been based on the assumption that the change in foreign exchange rates had occurred at the reporting date and had been applied to the foreign currency balances, while all other variables, in particular payment schedules, remain constant.

28. Fair value measurement (continued)

	Change in discount rate	Effect on profit before tax for 2024	Effect on profit before tax for 2023
		RUB million	RUB million
Long-term loans issued	+1%	(5,122)	(2,378)
Long-term loans issued	-1%	5,355	2,448
Long-term trade and other receivables	+1%	–	(51)
Long-term trade and other receivables	-1%	–	52
Long-term loans and borrowings received	+1%	1,440	1,255
Long-term loans and borrowings received	-1%	(1,490)	(1,290)
Long-term trade and other payables	+1%	7	–
Long-term trade and other payables	-1%	(8)	–

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

Derivative financial instruments	31 December 2024	31 December 2023
	RUB million	RUB million
Long-term derivative financial liabilities − forward	17,355	18,444
Long-term derivative financial liabilities − swaps	14,215	11,909
Long-term derivative financial instruments	**31,570**	**30,353**
Short-term derivative financial liabilities − forward	4,401	3,432
Short-term derivative financial instruments	**4,401**	**3,432**

29. Contingencies, commitments and operating risks

Operating environment of the Group

The Group's principal activities are in the Russian Federation. The Russian economy is characterised by significant dependence on world prices for crude oil, fluctuations in commodity and financial markets, change in economic growth elsewhere in the world, and active involvement in geopolitical risks and conflicts.

In the reporting period, the effect of external sanctions continued against the Russian Federation, strategic Russian projects, certain legal entities and individuals whose lists are systematically supplemented with new participants. The current sanctions are aimed, among other things, against the Russian fuel and energy sector. The Government of the Russian Federation is systematically updating packages of measures intended to protect Russian companies. In accordance with the Decree of the Government of the Russian Federation No. 1102 dated 4 July 2023 *On the Specifics of Disclosure and (or) Provision of Information to be Disclosed and (or) Provided as Required by the Federal Law “On Joint-Stock Companies” and the Federal Law “On the Securities Market”* some bussiness information may be defined as subject to limited disclosure.

In the reporting period, the Company was not subject to sanctions or restrictions on doing business.

29. Contingencies, commitments and operating risks (continued)

Operating environment of the Group (continued)

The external isolation of Russian business has led to an increase in the share of settlements and savings in CNY and RUB.

The length of sanctions depends on future arrangements between Russia and the Western countries on key geopolitical issues. It is currently difficult to predict what arrangements will be put in place. Management is closely monitoring the developments and steps being taken on both sides, to be able to promptly respond to the rapidly changing business environment.

The consolidated financial statements reflect management’s assessment of the impact of the Russian and global business environment on the financial position and performance of the Group. The future business environment may differ from management’s assessment. The Company's management regularly monitors potential risks, including analysis of country and geopolitical risks, builds new supply chains with an emphasis on operating in the domestic market and expanding its presence in the Asian region, and will develop a set of necessary measures to mitigate potential adverse effects on the Group, as necessary.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretation and changes, including legislative response to possible aggravation of financial, economic, geopolitical, country and other risks. Management 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 authorities in respect of taxes for three calendar years preceding the year of review. Under certain circumstances, reviews may cover longer periods. The fact that a year has been reviewed does not close that year, or any tax return applicable to that year, from further review during the three-year period.

For calculation of tax liabilities 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 an accrual of additional income tax liabilities for one party, the other party may correspondingly adjust its income tax liabilities.

In 2024, the list of the Western countries classified as "offshore" zones was expanded, and double taxation agreements with such countries were suspended. Changes were made to the transfer pricing legislation under which the deviation of the price of transactions with foreign counterparties from the market level is equated to dividends with the recalculation of both profit tax and tax on income of foreign legal entities received from a source in the Russian Federation.

29. 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.

In 2024, the Company, as the parent of a multinational corporation (MNC), submitted to the tax authority a notice of participation in the MNC and the country-by-country report for 2023 within the statutory timeframe.

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 accrued and paid all taxes that are applicable.

Compliance with the terms and conditions for subsoil use

In accordance with Part 4, art. 12.1 of the Russian Federation Law No. 2395-1 dated 21 February 1992 *On Subsoil Resources*, the authorized agency for the execution, state registration and issuance of hydrocarbon licenses is the Federal Agency for Subsoil Management and its local divisions. Under art. 10 of the Russian Federation Law No. 2395-1 dated 21 February 1992 *On Subsoil Resources*, the Company may request extension to its subsoil license, as necessary, to complete a geological survey or mineral extraction process. The Russian executive authorities exercise oversight and supervision of the Company’s operations and its compliance with the mandatory conditions attached to the subsoil licenses issued to it. The Company may face administrative charges and withdrawal of the subsoil license in the event of non-compliance. The Company’s employees use all reasonable efforts to prevent and mitigate the risks of non-compliance with subsoil license conditions.

Liabilities concerning environmental and safety matters

The Russian environmental and safety legislation meets general requirements and international law enforcement practice in this field.

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

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

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

Retirement and post-retirement benefit obligations

The Group makes contributions to the Pension and Social Insurance Fund of the Russian Federation. These payments are calculated by the employer as a percentage of gross salary expense and are expensed as accrued. The Group adheres to its Regulation on Non-state Pension Benefits for the Group’s Employees. The Group's subsidiaries are parties to pension insurance agreements with a Russian non-state pension fund.

Litigations

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

Guarantees and pledges issued

The Group’s subsidiaries are joint guarantors with regard to the Parent’s liabilities under the credit agreement with the outstanding balance (including interest) of RUB 66,934 million, or USD 658 million, at the exchange rate at the reporting date (Note 23). The agreements on the revenue pledge of several companies of the Group are used as additional security under the credit agreement within the established limits.

The Group’ subsidiaries act as joint guarantors for the Parent’s obligations under the loan agreement in the amount of no more than CNY 2,500 million, the current debt under which is CNY 1,579 million or RUB 21,348 million at the settlement rate on the reporting date established by the terms of the agreement (Notes 23).

The Parent issued a financial guarantee in the total amount of EUR 267 million or RUB 28,344 million at the exchange rate as at the reporting date (the underlying liability is to be repaid by 2027). This financial guarantee is recorded in these consolidated financial statements in *Other long-term financial liabilities* in the amount of RUB 94 million (Note 25).

In March 2024, the Parent issued a third party financial guarantee for its obligation to a Russian bank to repurchase 64,791,173 preference shares of PJSC “RussNeft” (during 2024, the obligation was transferred from the original debtor to the current one). The initial amount of the guarantee was no more than USD 172 million or equivalent to RUB 15,811 million at the exchange rate on the date of guarantee issue, valid until December 2026.

29. Contingencies, commitments and operating risks (continued)

Guarantees and pledges issued (continued)

As at the reporting date, taking into account the partial fulfilment of the main obligation, the guarantee amount decreased to USD 43 million or equivalent to RUB 4,366 million at the exchange rate on the reporting date. The balance of the Company's preference shares to be repurchased is 38,267,111 shares. This financial guarantee is reflected in the consolidated statement of financial position as *Other long-term financial liabilities* in the amount of RUB 287 million (Note 25).

The Parent together with several subsidiaries issued the RUB 72,000 million independent guarantee for Russneft Cyprus Limited (a subsidiary) (Note 31) the forward contract to purchase preference shares of PJSC “RussNeft” in 2026 (Note 22).

In March 2024, the obligation was fulfilled against the prepayments received under the oil supply contract, in respect of which the Parent acted as a guarantor; all rights and obligations under the main agreement were fulfilled as at the date of issue of these consolidated financial statements.

30. Financial and other risk management

The Group uses principal financial instruments such as bank loans and borrowings received, and accounts payable to raise finance for its operations. The Group has various financial assets and liabilities, such as trade receivables and trade payables, loans issued and cash and cash equivalents, which arise directly from its operations.

The Group is a party to derivative contracts measured at fair value (currency interest rate swap) or amortized cost through profit or loss (forward to purchase preference shares of the Parent, Note 22).

The main risks that could adversely affect the Group’s financial assets, liabilities and future cash flows are market risk (including foreign currency risk, interest rate risk, commodity and service price risk), credit risk and liquidity risk. The Group applies the Risk Management Policy, which includes procedures (performed on a regular basis) to identify and measure risks inherent in the key activities and to assess the possible impact of the identified risks. Based on the annual risk assessment results, the Group’s management can revise its approach to managing each type of risk. The Group’s most significant financial risks are disclosed below.

Market risk

Market risk is the risk that the fair value of financial instruments or cash flows will fluctuate as a result of changes in market prices. The Group manages market risk through periodic estimation of potential losses that could arise from adverse changes in market conditions.

Commodity price risk

Commodity price risk is the risk of changes in prices for hydrocarbons and refining products and their potential influence on the Group’s financial and performance indicators. Reduction in prices may result in decrease in profit and cash flows. If the prices for hydrocarbons remain low during a lengthy period, it may result in reduction of capital spending on exploration, development of fields and subsequent reduction in hydrocarbon production and, thus, negatively affect the Group’s ability to fulfill its contractual obligations. However, stable oil prices and their potential growth will enable the Group to successfully pursue its strategy aimed at increasing production output in the coming years.

30. Financial and other risk management (continued)

Commodity price risk (continued)

The Group’s management calculates budgets by scenario depending on projected oil prices, exchange rates and other indicators in order to assess a potential effect of the risk of changes in the price of main commodities on the Group’s management reports. The Group enters into standard agreements on sale of oil and oil products with customers.

Foreign currency risk

The Group is exposed to transaction foreign currency risks. Foreign currency risk exposure arises from sales, purchases and borrowing in currencies other than the respective functional currency of the Group’s companies. The Group limits foreign currency risk by monitoring changes in exchange rates of the currencies in which its cash and loans and borrowings are denominated. Meanwhile, the Group is a party to contracts on export oil sales denominated in foreign currency.

As at 31 December 2024 and 2023, the carrying amount of the Group’s financial assets and liabilities denominated in the currency used by the Group’s companies is as follows.

Financial assets	31 December 2024	RUB	USD	EUR	Other currencies
	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other receivables and other financial assets	**12,136**	2,509	9,574	6	47
Loans issued	**126,692**	2,354	108,590	15,748	–
Cash and cash equivalents	**2,562**	2,560	–	2	–

Financial liabilities	31 December 2024	RUB	USD	EUR	CNY[9]
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans and borrowings received	**(88,324)**	(42)	(66,934)	–	(21,348)
Trade and other payables	**(24,169)**	(16,436)	(7,639)	(94)	–
Derivative financial instruments	**(35,971)**	(21,756)	(14,215)	–	–

Financial assets	31 December 2023	RUB	USD	EUR	CNY	Other currencies
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other receivables and other financial assets	**12,468**	1,326	11,100	–	–	42
Loans issued	**96,828**	2,681	80,058	14,089	–	–
Cash and cash equivalents	**9,690**	8,775	23	26	860	6

9 The loan is reflected at the settlement rate on the reporting date (Note 23).

30. Financial and other risk management (continued)

Foreign currency risk (continued)

Financial liabilities	31 December 2023	RUB	USD	EUR	Other currencies
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans and borrowings received	**(81,978)**	(45)	(81,933)	–	–
Trade and other payables	**(27,497)**	(7,466)	(19,737)	(135)	(159)
Derivative financial instruments	**(33,785)**	(21,876)	(11,909)	–	–

A (-25.00%) strengthening or (25.00%) weakening of the RUB against the USD, the EUR, the CNY as at 31 December 2024 and 31 December 2023, respectively, with all other variables held constant, would have changed profit before tax by the amounts shown below and relates to financial instruments denominated in foreign currency, i.e., the currency other than the functional currency in which they are measured. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the foreign currency balances to which the Group has significant exposure, and that all other variables, in particular interest rates, remain constant.

Currency	Relative weakening / (strengthening) of exchange rates	Effect on profit before tax for 2024	Effect on profit before tax for 2023
		RUB million	RUB million
USD	+25.00%	10,629	(3,691)
USD	-25.00%	(10,629)	3,691
EUR	+25.00%	3,915	3,495
EUR	-25.00%	(3,915)	(3,495)
CNY	+25.00%	(5,337)	215
CNY	-25.00%	5,337	(215)
RUB [10]	+25.00%	3,961	4,158
RUB[10]	-25.00%	(6,602)	(6,931)

The Group's exposure to foreign currency risk for other currencies is not material.

Interest rate risk

Interest rate risk is the risk that the fair value and future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group assesses the interest rate risk as related to long-term financial assets and liabilities with floating interest rates.

The Group's management analyzes risks related to a possible increase of interest rates which are assessed as significant, as the Parent's borrowings are mostly represented by the foreign currency denominated loan with a floating interest rate pegged to the SOFR overnight. The Group applies fixed rates for financial assets.

[10] Analysis of sensitivity of RUB-denominated financial instruments to currency fluctuations for the Group companies whose functional currency is other than the Russian ruble.

30. Financial and other risk management (continued)

Interest rate risk (continued)

Financial instrument		Effect on profit before tax for 2024	Effect on profit before tax for 2023
		RUB million	RUB million
Loans and borrowings received	+2.00%	(1,216)	(1,471)
	-2.00%	1,216	1,471

As at 31 December 2024, the Group did not enter into any transactions aimed to reduce its interest rate risk exposure, in particular, any interest rate swaps (except for currency interest rate swap under the forward contract, Note 28).

The Group controls this risk by ongoing monitoring of market expectations in respect of interest rates and adjusting budget as well as expected cash flow to allocate sufficient financial resources for interest repayment.

Credit risk

Credit risk is the risk that a customer or counterparty will fail to meet their obligation under financial assets causing financial loss to the Group. The Group’s credit risk principally arises from cash and cash equivalents, and from financial stability of its customers and loans to related and unrelated parties.

The Group has not used any hedging instruments as a tool for credit risk management in this period.

The Group maintains accounts only with high quality banks and financial institutions and believes that it therefore does not have a material credit risk in relation to its cash or cash equivalents.

The Group trades only with recognized, creditworthy third parties. The individual risk of a counterparty is managed through the assessment of its creditworthiness.

It is the Group’s policy that all customers which wish to trade on credit terms are subject to credit verification procedures. The Group has the policy to negotiate advance payment terms where excessive concentration of credit risk exists. In addition, trade receivable balances are monitored on an ongoing basis to ensure that the Group’s exposure to bad debts is not significant. Although collection of receivables is exposed to economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance for expected credit losses. The details of the allowance for expected credit losses are disclosed in Notes 18 and 20. The information on the major types of financial assets and their maturity is presented below:

Financial assets	31 December 2024	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans issued	**126,692**	–	25,220	2,083	99,389
Trade and other receivables and other financial assets	**12,136**	12,136	–	–	–

30. Financial and other risk management (continued)

Credit risk (continued)

Financial assets	31 December 2023	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans issued	**96,828**	2	21,006	17,210	58,610
Trade and other receivables and other financial assets	**12,468**	7,677	4,748	–	43

The Group did not receive any collateral held as security for any financial assets.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s operating cash flow is subject to fluctuations resulting from geopolitical risks, high volatility of oil prices as well as changes in exchange rates and the amounts of taxes and duties paid. The above-mentioned factors can affect the amount of the Group’s cash flow and, thus, its liquidity. In order to manage liquidity risk, the Group monitors and projects liquidity requirements on a regular basis. The Group’s management ensures that sufficient funds are available to meet any commitments as they arise, prepares detailed budgets and plan-to-fact analyses on an annual, quarterly and monthly basis. The Group’s liquidity risk management procedures are centralized. The Group’s objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and borrowings, including loans from related parties, bank guarantees and advances received for the future oil deliveries, deferral of payments under the current agreements and payments to the budget.

As at 31 December 2024, the Group’s short-term liabilities exceeded its current assets by RUB 34,629 million (31 December 2023: RUB 42,860 million).

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

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

The Group has good credit reputation and focuses on maintaining it. Its debt portfolio mainly contains long-term liabilities. The above measures of the Group’s management are aimed at ensuring the Group’s ability to continue as a going concern.

The Company applies the Insurance Policy and the Risk Management Policy. The application of these policies is aimed to reduce operating cash flow volatility and is intended to have a positive effect on long-term solvency and short-term liquidity.

The Group’s management controls on a regular basis the interest coverage ratio (EBITDA/interest expense) and the debt to EBITDA ratio, as well as the amount of crude oil production and movements in EBITDA in the reporting periods. Meanwhile, the algorithm for calculating EBITDA applied by the Group as required by the creditors can differ from that used by other companies.

30. Financial and other risk management (continued)

Liquidity risk (continued)

The following table shows undiscounted contractual cash flows for non-derivative financial liabilities, including estimated interest liability, as at 31 December 2024 and 2023. Derivative financial liabilities are presented in the 31 December 2024 and 2023 estimates reflected in these consolidated financial statements.

Financial liabilities	31 December 2024	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other payables	**24,169**	23,384	1	381	403
Loans and borrowings received	**102,557**	15,614	62,234	2,993	21,716[11]
Derivative financial instruments	**35,971**	4,401	31,570	–	–

Financial liabilities	31 December 2023	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other payables	**27,497**	27,203	159	–	135
Loans and borrowings received	**99,559**	18,732	15,979	64,848	–
Derivative financial instruments	**33,785**	3,432	2,643	27,710	–

Capital management

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to maintain an optimal capital structure to reduce cost of capital and to support its business and maximize shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Sustainable Development risks (ESG risks)

Health, safety and environment risks

The Group's facilities are exposed to risks associated with process shutdowns, hazardous product emissions, environmental damage, accidents, fires and incidents, which in turn may result in the shutdown of the Group's production facilities.

To minimize these risks, an integrated industrial safety, occupational health and environmental protection management system has been created and is successfully operating, and the necessary measures are being implemented:

- diagnostics and monitoring of equipment parameters, repair and timely replacement;
- production control over the operation of hazardous production facilities;
- development of action plans for localization and elimination of accidents at hazardous production facilities, plans for eliminating oil and oil product spills;
- creation of workforce and means for eliminating accidents and emergency situations.

[11] The loan is reflected at the settlement rate on the reporting date (Note 23).

30. Financial and other risk management (continued)

Sustainable Development risks (ESG risks) (continued)

The Group uses advanced technologies for the safe accumulation, storage and disposal of production and consumption waste, and takes other measures to reduce accidents and injuries at work.

Climate change risks

Climate change risks are risks associated with the effects of global warming that are long-term and can not be predicted accurately.

The Company has begun to consider potential risks and opportunities associated with climate change. Regulatory tightening due to climate change and its physical consequences may have a negative impact on the activities of the Group as a producer of fossil fuels and an emitter of greenhouse gases in the form of increased costs and decreased efficiency of hydrocarbon production.

To minimize these risks, the Group considers and plans measures to regulate greenhouse gas emissions and also takes steps to maintain a 95% level of beneficial use of associated petroleum gas, and constantly monitors changes in the related legislation.

Risk of shortage of qualified personnel

Risks of shortage of qualified personnel and/or resignation of key personnel, as well as risks of loss of key personnel.

Insufficient qualifications and professionalism of employees may have a negative impact on the financial results of the Group. This risk is mitigated through a competent HR policy aimed at the main resource - employees. The Company has an effective remuneration and motivation system, attention is paid to increasing the level of social protection of employees, and measures are taken to improve the efficiency and productivity of labour in all regions of the Group's presence. The Group's management is elaborating a system for the development of human resources, within the framework of which the Company cooperates with the leading industry universities and secondary vocational schools of the country.

31. Subsequent events

In February 2025, the procedure to redomicile the Group’s subsidiary Russneft Cyprus Limited to the Russian Federation was completed, and an entry on the state registration of International Limited Liability Company Russneft Cyprus was made in the Unified State Register of Legal Entities.

In February 2025, the state registration of the agreement on the mortgage of the non-residential building and leasehold right was completed (Note 15).

As at the date of issue of these consolidated financial statements, the Group acquired 50,000,400 common shares of PJSC “RussNeft”. Settlements for the repurchase of this block of the Parent's own shares have been fully completed.

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