Tatneft Group

IFRS® ACCOUNTING STANDARTS
CONSOLIDATED FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2023

Contents

Technologies of Trust

Joint-Stock Company
“Technologies of Trust – Audit”
(“Technologies of Trust – Audit” JSC)

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Independent Auditor’s Report

To the Shareholders and Board of Directors of Public Joint Stock Company TATNEFT named after V.D. Shashin:

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Public Joint Stock Company TATNEFT named after V.D. Shashin and its subsidiaries (together – the “Group”) as at 31 December 2023, and the Group’s consolidated financial performance and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include material accounting policy information and other explanatory information.

Basis for opinion

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor’s Professional Ethics Code and Auditor’s Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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.

Key audit matter	How our audit addressed the key audit matter
Impairment of property, plant and equipment We focused on this matter due to significance of the carrying amount of property, plant and equipment, significance of judgements and estimates applied in analysis of impairment of these assets, and the effect of the current geopolitical environment and economic situation on the recoverable amount of these assets. Information on property, plant and equipment, analysis of impairment of these assets and results of such analysis is disclosed in Note 9 “Property, Plant and Equipment” to the consolidated financial statements.	The Group identified indications of impairment in respect of certain cash-generating units and prepared calculations of recoverable amount based on expected discounted cash flows. Regarding calculations of recoverable amount we (on a sample basis, where applicable): • assessed appropriateness of the methodology and key assumptions and estimates applied, including consistency of the discount rates used with the range of acceptable values considering current economic conditions and business of the Group; • tested input data, including consistency of the used information about hydrocarbon reserves related to the upstream assets with the assessment made by independent engineering firm; • tested mathematical accuracy of the calculations; • compared carrying amount of the assets with their recoverable amount.
Acquisition of significant subsidiaries We focused on this matter due to complexity of these transactions and accounting for them, and significance of judgments and estimates applied in the accounting. Information on acquisition of significant subsidiaries is disclosed in Note 24 “Business combinations” to the consolidated financial statements.	Regarding acquisition of significant subsidiaries, we (on a sample basis, where applicable): • analysed sale and purchase agreements and other documents to obtain understanding of terms of individual deals; • assessed conclusions of the Group regarding obtaining control due to acquisition of interest in the subsidiaries; • tested calculations prepared by the Group (in some cases with involvement of external experts) of fair value of the consideration transferred, as well as calculations for allocation of such value to fair value of the acquired identifiable assets and liabilities. Regarding these calculations our procedures included assessing the appropriateness of the methodology and the key assumptions and estimates applied, testing mathematical accuracy of the calculations and other procedures; • tested the accounting for acquisition of the subsidiaries and related disclosures in the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises Management’s discussion and analysis of financial condition and results of operations for the years ended 31 December 2023 and 2022 (but does not include the consolidated financial statements and our auditor’s report thereon), which we obtained prior to the date of this auditor’s report, and the Integrated Annual Report of PJSC TATNEFT n.a. V.D. Shashin for 2023 and Securities Issuer’s Report for the 12 months of 2023, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and 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 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.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Integrated Annual Report of PJSC TATNEFT n.a. V.D. Shashin for 2023 and Securities Issuer's Report for the 12 months of 2023, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, 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.

Those charged with governance are 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 scepticism 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 group financial statements. 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 those charged with governance 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 those charged with governance 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, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, 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 certified auditor responsible for the audit resulting in this independent auditor's report is Kriventsev Evgenii Nikolaevich.

15 March 2024

Moscow, Russian Federation

Kriventsev Evgenii Nikolaevich is authorised to sign on behalf of the General Director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906099944)

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

	Note	31 December 2023	31 December 2022
Assets			
Cash and cash equivalents	3	84,115	167,864
Financial services: Mandatory reserve deposits with the Bank of Russia		903	378
Short-term accounts receivable, net	4	219,905	107,869
Financial services: Loans to customers	5	62,582	44,881
Other short-term financial assets	6	37,868	23,764
Inventories	7	121,157	77,382
Prepaid expenses and other current assets	8	58,315	32,198
Prepaid income tax		4,034	1,180
Non-current assets held for sale		744	910
Total current assets		**589,623**	**456,426**
Long-term accounts receivable, net	4	9,519	12,823
Financial services: Loans to customers	5	127,811	112,525
Other long-term financial assets	6	103,515	90,241
Investments in associates and joint ventures		5,018	2,535
Property, plant and equipment, net	9	1,131,481	972,210
Right-of-use assets	10	27,529	3,237
Deferred income tax assets	11	7,332	5,504
Other non-current assets	25	43,345	20,336
Total non-current assets		**1,455,550**	**1,219,411**
Total assets		**2,045,173**	**1,675,837**
Liabilities and equity			
Short-term debt and current portion of long-term debt	12	4,809	2,665
Accounts payable and accrued liabilities	13	159,845	92,936
Dividends payable	17	119,137	26,025
Financial services: Due to banks and the Bank of Russia	14	27,014	3,290
Financial services: Customer accounts	15	202,048	211,919
Financial services: Other financial liabilities at fair value through profit or loss		14,983	1,433
Taxes payable, other than income tax	11	141,874	72,218
Income tax payable		1,515	4,428
Other short-term liabilities		687	140
Total current liabilities		**671,912**	**415,054**
Long-term debt, net of current portion	12	18,048	11,836
Financial services: Due to banks and the Bank of Russia	14	3,737	2,883
Financial services: Customer accounts	15	1,531	713
Decommissioning provision, net of current portion	9	30,771	53,994
Lease liabilities, net of current portion	10	20,344	2,641
Deferred income tax liability	11	61,430	50,912
Other long-term liabilities	16	40,230	33,360
Total non-current liabilities		**176,091**	**156,339**
Total liabilities		**848,003**	**571,393**
Equity			
Preferred shares		746	746
Ordinary shares		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income/(loss)		10,533	(249)
Retained earnings		1,094,451	1,010,027
Less: Ordinary shares held in treasury, at cost		(10,345)	(10,359)
Total equity owned by shareholders of PJSC Tatneft		**1,190,843**	**1,095,623**
Non-controlling interest		**6,327**	**8,821**
Total equity		**1,197,170**	**1,104,444**
Total liabilities and equity		**2,045,173**	**1,675,837**

Approved for issue and signed on 15 March 2024.

CEO Maganov N.U.

Chief Accountant Matveev O.M.

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

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

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Continuing operations			
Revenue (excluding financial services)	21	**1,589,082**	**1,427,147**
Costs and other expenses (excluding financial services)			
Operating expenses		(200,228)	(176,629)
Purchased crude oil and refined products		(306,393)	(135,203)
Exploration		(3,001)	(1,946)
Transportation		(71,901)	(52,892)
Selling, general and administrative		(97,632)	(68,584)
Depreciation, depletion and amortization	9,21	(60,647)	(48,042)
Expected credit losses on financial assets net of reversal	4,6	(566)	2,165
Impairment losses on property, plant and equipment and other non-financial assets net of reversals	9	(21,732)	(30,230)
Taxes other than income taxes	11	(458,014)	(464,819)
Export duties		(17,616)	(44,527)
Maintenance of social infrastructure and transfer of social assets		(12,023)	(9,496)
Total costs and expenses (excluding financial services)		**(1,249,753)**	**(1,030,203)**
Loss on disposals of interests in subsidiaries and associates, net		(324)	(96)
Fair value gain from financial assets at fair value through profit or loss, net		158	897
Other operating income, net	24	17,480	2,645
Operating profit (excluding financial services)		**356,643**	**400,390**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) from financial services			
Interest, fee and commission income	20,21	28,294	25,804
Interest, fee and commission expense	20	(15,962)	(14,522)
Net expense on creating provision for credit losses on debt financial assets	5,6	(10,414)	(1,501)
Operating expenses		(9,187)	(8,930)
Gain arising from dealing in foreign currencies, net		477	3,301
Other operating expenses, net		(1,130)	(1,922)
Total net interest, fee, commission and other operating (expenses)/income and (losses)/gains from financial services		**(7,922)**	**2,230**
Other income/(expenses)			
Foreign exchange gain/(loss), net	27	25,049	(24,999)
Interest income (excluding financial services)		10,367	7,756
Interest expense, net of amounts capitalised (excluding financial services)	19	(21,025)	(5,697)
Share of results of associates and joint ventures, net		2,395	288
Total other income/(expenses), net		**16,786**	**(22,652)**
Profit before income tax		**365,507**	**379,968**
Income tax			
Current income tax expense		(73,172)	(76,908)
Deferred income tax expense		(6,072)	(3,822)
Total income tax expense	11	**(79,244)**	**(80,730)**
Profit from continuing operations		**286,263**	**299,238**
Loss from discontinued operation	26	**-**	**(14,335)**
Profit for the year		**286,263**	**284,903**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

(In million of Russian Rubles)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Other comprehensive income/(loss) net of income tax:			
Continuing operations			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		7,848	(1,296)
Loss on debt financial assets at fair value through other comprehensive income, net		(209)	(424)
Items that will not be reclassified to profit or loss:			
Gain/(loss) on equity financial assets at fair value through other comprehensive income, net		2,251	(524)
Actuarial gain/(loss) on employee benefit plans		832	(175)
Other comprehensive income/(loss) from continuing operations		**10,722**	**(2,419)**
Other comprehensive income from discontinued operation	26	**-**	**42**
Total comprehensive income for the period		**296,985**	**282,526**
Profit/(loss) attributable to:			
- Shareholders of PJSC Tatneft		287,921	284,572
- Non-controlling interest		(1,658)	331
		286,263	**284,903**
Total comprehensive income/(loss) attributable to:			
- Shareholders of PJSC Tatneft		298,703	282,319
- Non-controlling interest		(1,718)	207
		296,985	**282,526**
Total comprehensive income/(loss) attributable to shareholders of PJSC Tatneft from:			
- continuing operations		298,703	296,373
- discontinued operation		-	(14,054)
		298,703	**282,319**
Basic and diluted earnings per share (RR)			
Ordinary	17	127.93	126.44
Preferred		127.93	126.44
Basic and diluted earnings per share from continuing operations (RR)			
Ordinary	17	127.93	132.70
Preferred		127.93	132.70
Weighted average shares outstanding (millions of shares)			
Ordinary	17	2,103	2,103
Preferred		148	148

	Total equity owned by shareholders of PJSC Tatneft									Non-controlling interest	Total equity
	Number of shares (thousands)	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Actuarial (loss)/gain on employee benefit plans**	**Foreign currency translation adjustments**	**Gain/(loss) on financial assets at fair value through other comprehensive income, net**	**Retained earnings**	**Total**		
Balance at 1 January 2022	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(975)**	**2,344**	**976**	**850,198**	**938,388**	**4,987**	**943,375**
Profit for the year	-	-	-	-	-	-	-	284,572	284,572	331	284,903
Other comprehensive loss for the year	-	-	-	-	(175)	(1,254)	(824)	-	(2,253)	(124)	(2,377)
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(175)**	**(1,254)**	**(824)**	**284,572**	**282,319**	**207**	**282,526**
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	2,021	2,021
Dividends declared (Note 17)	-	-	-	-	-	-	-	(125,379)	(125,379)	(30)	(125,409)
Disposal of equity financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(341)	341	-	-	-
Disposal of subsidiaries (Note 26)	-	-	-	-	-	-	-	-	-	356	356
Other movements	-	-	-	-	-	-	-	295	295	1,280	1,575
Balance at 31 December 2022	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,150)**	**1,090**	**(189)**	**1,010,027**	**1,095,623**	**8,821**	**1,104,444**
Balance at 1 January 2023	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,150)**	**1,090**	**(189)**	**1,010,027**	**1,095,623**	**8,821**	**1,104,444**
Profit/(loss) for the year	-	-	-	-	-	-	-	287,921	287,921	(1,658)	286,263
Other comprehensive income/(loss) for the year	-	-	-	-	832	7,848	2,102	-	10,782	(60)	10,722
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**832**	**7,848**	**2,102**	**287,921**	**298,703**	**(1,718)**	**296,985**
Treasury shares	16	-	-	14	-	-	-	-	14	-	14
-Disposal	16	-	-	14	-	-		-	14	-	14
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	118	118
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(794)	(794)
Dividends declared (Note 17)	-	-	-	-	-	-	-	(203,497)	(203,497)	(100)	(203,597)
Balance at 31 December 2023	**2,250,578**	**11,767**	**84,437**	**(10,345)**	**(318)**	**8,938**	**1,913**	**1,094,451**	**1,190,843**	**6,327**	**1,197,170**

TATNEFT
Consolidated Statement of Cash Flows
(In million of Russian Rubles)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Operating activities			
Profit for the year		286,263	284,903
Adjustments:			
Net interest, fee and commission and other operating expenses/(income) and losses/(gains) from financial services activities		7,922	(2,230)
Depreciation, depletion and amortization	9,21	60,647	48,547
Income tax expense	11	79,244	82,274
Expected credit losses on financial assets net of reversal	4,6	566	(2,200)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	9	21,732	30,408
Loss on disposals of interests in subsidiaries and associates, net	26	324	19,110
Income from changes in the fair value of financial assets measured at fair value through profit or loss, net		(158)	(897)
Gain from purchase	24	(19,111)	-
Effects of foreign exchange		2,264	(1,269)
Share of results of associates and joint ventures, net		(2,395)	(288)
Interest income (excluding financial services)		(10,367)	(7,771)
Interest expense, net of amounts capitalised (excluding financial services)		21,025	5,952
Other, net		613	(6,199)
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(91,661)	(24,694)
Inventories		(30,396)	(11,482)
Prepaid expenses and other current assets		(25,204)	(2,708)
Securities at fair value through profit or loss		167	200
Accounts payable and accrued liabilities		37,787	2,265
Taxes payable, other than income tax		68,859	(16,511)
Net cash provided by operating activities before income tax and interest (excluding financial services)		**408,121**	**397,410**
Net interest, fee and commission and other operating (expenses)/income and (losses)/gains from financial services		(7,922)	2,230
Adjustments:			
Net expense on creating of provision for credit losses on debt financial assets	5,6	10,414	1,501
Provision for losses on credit related commitments		21	170
Other		-	(938)
Changes in operational working capital related to financial services, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		(525)	1,051
Due from banks		(1,548)	6,285
Loans to customers		(27,558)	(23,915)
Due to banks and the Bank of Russia		24,562	(22,215)
Customer accounts		(24,012)	80,205
Promissory notes issued		(66)	(250)
Securities at fair value through profit or loss		3,083	(3,054)
Other financial liabilities at fair value through profit or loss		14,049	(6,377)
Net cash (used in)/provided by operating activities from financial services before income tax		**(9,502)**	**34,693**
Income taxes paid		(78,939)	(79,243)
Interest paid (excluding financial services)		(2,077)	(2,324)
Interest received (excluding financial services)		9,029	7,162
Net cash provided by operating activities		**326,632**	**357,698**

(In million of Russian Rubles)

	Note	Year ended 31 December 2023	Year ended 31 December 2022
Investing activities			
Additions to property, plant and equipment	9	(223,599)	(160,895)
Proceeds from disposal of property, plant and equipment		317	456
Sale/(acquisition) of interest in associate		80	(119)
Net cash flow from acquisitions of subsidiaries	24	(39,684)	(24,455)
Net cash flow from disposal of subsidiaries	26	-	(2,991)
Purchase of securities at fair value through other comprehensive income	6	(17,535)	(12,446)
Purchase of securities at amortised cost	6	(4,664)	(15,825)
Proceeds from disposal of securities at fair value through other comprehensive income	6	8,876	7,323
Proceeds from redemption of securities at amortised cost	6	13,750	8,990
Proceeds from sale of non-current assets held for sale		871	297
Proceeds from redemption of bank deposits measured at amortised cost		-	69,266
Placement of bank deposits measured at amortised cost		-	(12,750)
Proceeds from redemption of bank deposits measured at fair value through profit or loss		1,687	40,567
Placement of bank deposits measured at fair value through profit or loss		(483)	(6,105)
Proceeds from redemption of loans	6	5,038	2,593
Issuance of loans	6	(43,047)	(5,527)
Net cash flow from currency swaps		-	550
Advance payment for acquisition of other non-current assets		(8,203)	(14,730)
Advance repayment for acquisition of other non-current assets		5,607	-
Acquisition of other non-current assets		(3,408)	(1,020)
Proceeds from government grants	16	7,489	9,767
Net cash used in investing activities		**(296,908)**	**(117,054)**
Financing activities			
Proceeds from issuance of debt (excluding financial services)	27	57,373	1,488
Repayment of debt (excluding financial services)	27	(61,933)	(3,091)
Repayment of principal portion of lease liabilities	10,27	(4,563)	(1,125)
Redemption of bonds	27	(2,008)	(18,318)
Promissory notes issued	27	-	11,400
Dividends paid to shareholders	17	(141,304)	(132,876)
Unclaimed dividends		30,956	10,538
Dividends paid to non-controlling shareholders		(100)	(30)
Proceeds from disposal of treasury shares		11	-
Net cash used in financing activities		**(121,568)**	**(132,014)**
Net change in cash and cash equivalents		**(91,844)**	**108,630**
Effect of foreign exchange on cash and cash equivalents		8,095	(7,253)
Cash and cash equivalents at the beginning of the year	3	167,864	66,487
Cash and cash equivalents at the end of the period	3	**84,115**	**167,864**

(In million of Russian Rubles)

Note 1: Organisation

PJSC TATNEFT n.a. V.D. Shashin (the "Company" or PJSC Tatneft) and its controlled subsidiaries (jointly referred to as the "Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining of crude oil and associated petroleum gas processing, marketing of crude oil and refined products, production and sale of tires, financial services (Note 21,24).

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) in January 1994 pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan in accordance with Decree of the President of the Russian Federation No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies.

The Company does not have an ultimate controlling party.

As at 31 December 2023 and 31 December 2022 the government of Tatarstan controls about 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company (Note 17).

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

Note 2: Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with IFRS Accounting Standards.

These consolidated financial statements have been prepared on a historical cost basis, except for initial recognition of financial instruments and revaluation of financial instruments at fair value.

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

The preparation of financial statements in conformity with IFRS Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 29.

Note 3: Cash and cash equivalents

	At 31 December 2023	**At 31 December 2022**
Cash on hand and in banks	48,326	86,582
Term deposits with original maturity of less than three months	35,789	81,282
Total cash and cash equivalents	**84,115**	**167,864**

As at 31 December 2023 and 2022 reverse REPO agreements included in the line "Cash and cash equivalents" in the amount of RR 17,638 million and RR 467 million, respectively, were secured by securities with a fair value of RR 18,356 million and RR 526 million, respectively. The Group had the right to sell or repledge these securities. Part of these securities as at 31 December 2023 was sold and obligations to return these securities in the amount of RR 14,983 million (at 31 December 2022: RR 526 million) are reflected in the line "Financial services: Other financial liabilities at fair value through profit or loss."

(In million of Russian Rubles)

Note 4: Accounts receivable

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

	At 31 December 2023	At 31 December 2022
Short-term accounts receivable:		
Trade receivables	219,580	102,642
Other financial receivables	13,397	16,250
Other non-financial receivables	80	131
Less expected credit loss allowance	(13,152)	(11,154)
Total short-term accounts receivable	**219,905**	**107,869**
Long-term accounts receivable:		
Trade receivables	308	431
Other financial receivables	9,449	12,848
Less expected credit loss allowance	(238)	(456)
Total long-term accounts receivable	**9,519**	**12,823**
Total trade and other receivables	**229,424**	**120,692**

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Expected credit loss allowance for trade receivables is determined according to provision matrix, which is based on the number of days that an asset is past due, with a distribution to portfolios of receivables, homogeneous in terms of credit risk. In addition to the number of days that an asset is past due, types of products sold, geographical specificity of distributional channels and other factors were taken into account.

The following table explains the changes in the expected credit loss allowance for trade and other receivables between the beginning and the end of the annual period, ended 31 December 2023 and 2022:

	2023		2022	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Expected credit loss allowance at 1 January	**(5,717)**	**(5,893)**	**(5,792)**	**(5,312)**
New originated or purchased	(251)	(812)	(168)	(731)
Total credit loss allowance charge in profit or loss for the period	**(251)**	**(812)**	**(168)**	**(731)**
Write-offs	-	983	-	2
Exchange differences	(180)	-	95	1
Changes in provision as a result of business acquisitions	(2,156)	-	-	-
Other changes	311	325	148	147
Expected credit loss allowance at 31 December	**(7,993)**	**(5,397)**	**(5,717)**	**(5,893)**

(In million of Russian Rubles)

Note 4: Accounts receivable (continued)

Analysis by credit quality of trade and other receivables is as follows:

	At 31 December 2023		At 31 December 2022	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Not past due				
- International traders of crude oil, oil products and petrochemicals	55,301	-	26,235	-
- Russian crude oil and oil products traders	5,661	-	617	-
- Russian oil and petrochemicals refineries	42,477	-	23,700	-
- Foreign refineries	67,660	-	30,056	-
- Russian tire dealers and automotive manufacturers	14,155	-	-	-
- Russian construction companies	582	-	601	-
- other	25,034	17,430	15,823	23,034
including related parties	*4,411*	*10,561*	*3,864*	*14,656*
Not past due	**210,870**	**17,430**	**97,032**	**23,034**
Expected credit loss allowance	**(540)**	**(63)**	**(305)**	**(82)**
Past due but not individually assessed for credit loss allowance				
- less than 90 days overdue	1,357	2	464	2
- 91 to 180 days overdue	157	5	164	29
- over 180 days overdue	-	6	-	1
Total past due but not individually assessed for credit loss allowance	**1,514**	**13**	**628**	**32**
Expected credit loss allowance	**(26)**	**(3)**	**(15)**	**(18)**
Individually assessed for credit loss allowance (gross)				
- less than 90 days overdue	441	-	-	-
- 91 to 180 days overdue	-	-	-	-
- over 180 days overdue	7,063	5,403	5,413	6,032
Total individually assessed for credit loss allowance	**7,504**	**5,403**	**5,413**	**6,032**
Expected credit loss allowance	**(7,427)**	**(5,331)**	**(5,397)**	**(5,793)**
Total	**211,895**	**17,449**	**97,356**	**23,205**

(In million of Russian Rubles)

Note 5: Financial services: Loans to customers

	At 31 December 2023	At 31 December 2022
Loans to legal entities	68,333	49,335
Loans to individuals	2,542	2,552
Short-term loans to customers measured at amortised cost before expected credit loss allowance	**70,875**	**51,887**
Expected credit loss allowance	(8,293)	(7,043)
Total short-term loans to customers measured at amortised cost	**62,582**	**44,844**
Short-term loans to legal entities measured at fair value through profit or loss	-	37
Total short-term loans to customers	**62,582**	**44,881**

	At 31 December 2023	At 31 December 2022
Loans to legal entities	73,910	57,509
Loans to individuals	57,800	59,769
Long-term loans to customers measured at amortised cost before expected credit loss allowance	**131,710**	**117,278**
Expected credit loss allowance	(3,899)	(4,753)
Total long-term loans to customers measured at amortised cost	**127,811**	**112,525**
Total long-term loans to customers	**127,811**	**112,525**

There is a certain concentration of loans issued to customers in the financial services segment of the Group. As at 31 December 2023 and 2022 the Group granted loans to 39 and 21 customers totalling RR 107,808 million and RR 62,151 million respectively, which individually exceeded 5% of segment equity.

Movements in the expected credit loss allowance during the year ended at 31 December 2023 are as follows:

	Loans to legal entities	Loans to individuals	Total
Expected credit loss allowance as at 1 January 2023	**(6,968)**	**(4,828)**	**(11,796)**
Net provision for expected credit loss allowance during the period	(471)	(629)	(1,100)
Other changes	325	379	704
Expected credit loss allowance as at 31 December 2023	**(7,114)**	**(5,078)**	**(12,192)**

Movements in the expected credit loss allowance during the year ended at 31 December 2022 are as follows:

	Loans to legal entities	Loans to individuals	Total
Expected credit loss allowance as at 1 January 2022	**(7,859)**	**(3,630)**	**(11,489)**
Net provision for expected credit loss allowance during the period	87	(1,588)	(1,501)
Other changes	804	390	1,194
Expected credit loss allowance as at 31 December 2022	**(6,968)**	**(4,828)**	**(11,796)**

(In million of Russian Rubles)

Note 5: Financial services: Loans to customers (continued)

Risk concentrations by customer industry within the customer loan portfolio are as follows:

	At 31 December 2023		At 31 December 2022	
	Gross book value	**Share in customer loan portfolio, %**	**Gross book value**	**Share in customer loan portfolio, %**
Trade	23,885	11.79%	21,678	12.81%
Manufacturing	66,951	33.05%	41,020	24.24%
Construction	1,019	0.50%	1,497	0.88%
Services	19,566	9.66%	21,531	12.73%
Food	1,248	0.62%	350	0.21%
Finance	26,037	12.85%	14,964	8.84%
Agriculture	287	0.14%	1,442	0.85%
Oil and gas	2,861	1.41%	3,105	1.84%
Individuals, including:	60,342	29.79%	62,321	36.84%
mortgage loans	29,394	14.52%	31,605	18.68%
consumer loans	16,275	8.03%	16,476	9.74%
car loans	14,161	6.99%	13,799	8.16%
plastic cards overdrafts	512	0.25%	423	0.25%
Other	-	0.00%	18	0.01%
Other	389	0.19%	1,294	0.76%
Total loans to customers before expected credit loss allowance	**202,585**	**100%**	**169,202**	**100%**

Note 6: Other financial assets

Other short-term financial assets comprise the following:

	At 31 December 2023	At 31 December 2022
Financial assets measured at amortised cost		
Securities (net of expected credit loss allowance of RR 6 million and of RR 29 million as at 31 December 2023 and 31 December 2022 respectively):	7,274	12,034
Russian government and municipal debt securities	164	20
Corporate debt securities	7,110	12,014
Loans (net of expected credit loss allowance of RR 170 million and of RR 327 million as at 31 December 2023 and 31 December 2022 respectively)	18,286	3,485
Other	-	540
Total	**25,560**	**16,059**
Financial assets measured at fair value through profit or loss	**3,138**	**5,998**
Financial assets measured at fair value through other comprehensive income		
Securities:		
Corporate debt securities	8,758	1,248
Other	412	459
Total	**9,170**	**1,707**
Total short-term financial assets	**37,868**	**23,764**

(In million of Russian Rubles)

Note 6: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 31 December 2023	At 31 December 2022
Financial assets measured at amortised cost		
Loans (net of expected credit loss allowance of RR 17,012 million and of RR 17,647 million as at 31 December 2023 and 31 December 2022 respectively), including issued to associated companies in the amount of RR 15,656 million and RR 7,866 million as at 31 December 2023 and 31 December 2022.	23,553	8,138
Securities (net of expected credit loss allowance of RR 9 million and of RR 39 million as at 31 December 2023 and 31 December 2022 respectively):	15,609	15,323
Russian government and municipal debt securities	2,097	2,434
Corporate debt securities	13,512	12,889
Other (net of expected credit loss allowance of RR 14,355 million and of RR 4,659 million as at 31 December 2023 and 31 December 2022 respectively)	892	6,605
Total	**40,054**	**30,066**
Financial assets measured at fair value through profit or loss	**2,134**	**2,331**
Financial assets measured at fair value through other comprehensive income		
Securities:	61,327	57,844
Russian government and municipal debt securities	13,649	14,208
Corporate shares	15,253	12,834
Corporate debt securities	19,466	19,503
Foreign country's debt securities	851	636
Investment fund units	12,108	10,663
Total	**61,327**	**57,844**
Total long-term financial assets	**103,515**	**90,241**

Investment fund units are mainly presented with investment in closed mutual investment fund (45.45% of the total number of units), owner of investments in land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial asset measured at fair value through other comprehensive income.

Note 7: Inventories

	At 31 December 2023	At 31 December 2022
Materials and supplies	43,380	32,725
Crude oil	22,639	15,799
Refined oil products	39,310	21,657
Supplies and finished products of tires business (Note 24)	9,642	-
Other finished products and goods	6,186	7,201
Total inventories	**121,157**	**77,382**

Note 8: Prepaid expenses and other current assets

	At 31 December 2023	At 31 December 2022
Prepaid export duties	2,194	1,569
VAT recoverable	9,469	6,130
Advances	9,706	7,983
Prepaid transportation expenses	5,892	2,923
Excise	25,152	12,323
Other	5,902	1,270
Prepaid expenses and other current assets	**58,315**	**32,198**

(In million of Russian Rubles)

Note 9: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
Cost					
As at 31 December 2021	**459,339**	**339,619**	**248,819**	**264,690**	**1,312,467**
Additions	-	-	-	163,043	163,043
Disposals	(3,453)	(1,073)	(4,186)	(914)	(9,626)
Changes in Group structure (Note 24)	13,228	1,986	9,590	109	24,913
Changes in Group structure (Note 26)	-	(8,843)	(29,933)	(23,917)	(62,693)
Transfers	35,381	53,841	34,552	(123,774)	-
Changes in decommissioning provision	12,370	-	-	-	12,370
Currency translation effect	-	(230)	(174)	(783)	(1,187)
As at 31 December 2022	**516,865**	**385,300**	**258,668**	**278,454**	**1,439,287**
Depreciation, depletion, amortisation and impairment					
As at 31 December 2021	**228,448**	**75,224**	**99,546**	**29,467**	**432,685**
Depreciation, depletion and amortisation	25,259	12,361	12,527	-	50,147
Impairment	14,541	463	459	5,717	21,180
Disposals	(3,369)	(342)	(3,068)	-	(6,779)
Changes in Group structure (Note 26)	-	(4,527)	(23,446)	(2,021)	(29,994)
Transfers	554	143	(697)	-	-
Currency translation effect	-	(81)	(81)	-	(162)
As at 31 December 2022	**265,433**	**83,241**	**85,240**	**33,163**	**467,077**
Net book value					
As at 31 December 2021	**230,891**	**264,395**	**149,273**	**235,223**	**879,782**
As at 31 December 2022	**251,432**	**302,059**	**173,428**	**245,291**	**972,210**
Cost					
As at 31 December 2022	**516,865**	**385,300**	**258,668**	**278,454**	**1,439,287**
Additions	-	-	-	228,662	228,662
Disposals	(2,105)	(705)	(5,089)	(1,286)	(9,185)
Changes in Group structure (Note 24)	-	15,691	21,602	699	37,992
Transfers	67,349	47,399	37,316	(152,064)	-
Changes in decommissioning provision	(27,876)	-	-	-	(27,876)
Currency translation effect	-	818	1,539	343	2,700
As at 31 December 2023	**554,233**	**448,503**	**314,036**	**354,808**	**1,671,580**
Depreciation, depletion, amortisation and impairment					
As at 31 December 2022	**265,433**	**83,241**	**85,240**	**33,163**	**467,077**
Depreciation, depletion and amortisation	25,350	15,659	16,744	-	57,753
Impairment	6,689	2,434	4,803	5,126	19,052
Disposals	(1,457)	(537)	(1,841)	-	(3,835)
Transfers	179	(269)	279	(189)	-
Currency translation effect	-	36	16	-	52
As at 31 December 2023	**296,194**	**100,564**	**105,241**	**38,100**	**540,099**
Net book value					
As at 31 December 2022	**251,432**	**302,059**	**173,428**	**245,291**	**972,210**
As at 31 December 2023	**258,039**	**347,939**	**208,795**	**316,708**	**1,131,481**

Additions for 2023 and 2022 years include construction of TANECO refinery complex, wells, oil fields facilities and petrochemical business development.

Within construction in progress there are advances for construction of RR 45,450 million and RR 26,166 million at 31 December 2023 and 2022, respectively.

(In million of Russian Rubles)

Note 9: Property, plant and equipment (continued)

As stated in Note 28, the Group calculates depreciation, depletion and amortization for oil and gas properties using the units-of-production method over proved developed oil and gas reserves. The proved developed reserves used in the units-of-production method assume the extension of the Group's production license beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

The Group's oil and gas fields are located principally on the territory of Tatarstan. The Group obtains licenses from the governmental authorities to explore and produce oil and gas from these fields. The Group's existing production licenses for its major fields expire, between 2038 and 2090, with other production licenses expiring between 2024 and 2109. The economic lives of several of the Group's licensed fields extend beyond the dates of licenses expiration. Under Russian law, the Group is entitled to renew the licenses to the end of the economic lives of the fields, provided certain conditions are met.

Management of the Group is reasonably certain that the Group will be allowed to produce oil from the Group's reserves after the expiration of existing production licenses and until the end of the economic lives of the fields.

Changes in the net book value of exploration and evaluation assets are presented below:

At 1 January 2022	**3,174**
Additions	3,386
Reclassification to development assets	(1)
Charged to expense	(3,401)
At 31 December 2022	**3,158**
Additions	2,881
Reclassification to development assets	(88)
Charged to expense	(2,305)
At 31 December 2023	**3,646**

As at 31 December 2023 due to indications of possible impairment the Group conducted impairment testing for the separate groups of assets, whose current economic efficiency does not correspond to the forecast. Assets are grouped for impairment purposes to the cash generating units (CGU) at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets:

- field-by-field basis for exploration and production assets;
- separate complex level for refining assets;
- a separate tire producing plant;
- other assets were grouped depending on the nature of the generated cash flows.

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

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

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

- oil prices and forecast US dollar/Russian ruble exchange rates are based on available forecasts from globally recognised research institutions;
- estimated production volumes were based on detailed information for the production plans approved by management as part of the long-term strategy, considering the estimates of proved oil reserves and the current geopolitical situation.

The discount rate was calculated based on the Company's weighted average cost of capital adjusted for asset specific risks. The Group applied the following nominal pre-tax discount rates for impairment testing purposes:

- from 22.6% to 26.0% for oil and gas fields;
- from 17.5% to 19.85% for the production of tires.

The Group applied a real pre-tax discount rates from 11.6% to 13.5% for impairment testing of petrochemical complexes.

(In million of Russian Rubles)

Note 9: Property, plant and equipment (continued)

For the purposes of impairment testing, the following Brent price assumptions have been used: $ 84.94 per barrel in 2024, $ 83.85 per barrel in 2025, $ 82.23 per barrel in 2026, $ 81.12 per barrel in 2027 and $ 82.90 per barrel in 2028 with further growth in subsequent years according to forecasts. A forecast discount was applied to Brent crude prices to bring them to Urals crude prices.

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

In 2023 the Group recognised an impairment loss on property, plant and equipment and other non-financial assets in the amount of RR 21,732 million (in 2022: RR 30,230 million). These losses consist of impairment losses on property, plant and equipment net of reversal in the amount of RR 19,052 million (in 2022 in the amount of RR 21,005 million excluding loss on discontinued operations), loss from impairment on other long-term assets in the amount of RR 1,508 million (in 2022 in the amount of RR 8,161 million), income from the restoration of the value of inventory in the amount of RR 462 million (in 2022, expenses from write-down of inventories to the net realizable value in the amount of RR 814 million) and losses on disposal of property, plant and equipment in the amount of RR 1,634 million (in 2022 in the amount of RR 250 million).

For the year ended 31 December 2023 the Group recognised an impairment of the following assets:

- tire business assets in the amount of RR 8,042 million;
- assets related to the superviscous oil fields in the amount of RR 7,242 million;
- assets related to the exploration and evaluation of oil reserves, in the amount of RR 2,024 million;
- other assets in the total amount of RR 1,744 million.

In 2022 the Group recognised an impairment on property, plant and equipment in relation to the following assets:

- assets related to discontinued operation (Note 26) in the amount of RR 175 million (loss recognised prior to disposal date);
- exploration assets related to the superviscous oil fields, in the amounts of RR 13,638 million;
- oil development related to the oilfields located outside the Republic of Tatarstan in the amount of RR 4,680 million;
- other assets in the total amount of RR 2,687 million.

The recoverable amount of superviscous oil fields, which were impaired, was determined in the amount of RR 18,014 million (at 31 December 2022: in the amount of RR 35,016 million).

The recoverable amount of tire producing assets, which were impaired, was determined in the amount of RR 6,916 million.

At 31 December 2023 and 2022 the Group held social assets with a net book value of RR 5,492 million and RR 4,552 million, respectively.

Decommissioning provisions

The following table summarizes changes in the Group's decommissioning provision for the year:

	2023	**2022**
Balance at the beginning of period	**54,177**	**38,710**
Unwinding of discount	4,813	3,103
New obligations	734	802
Expenses on current obligations	(38)	(6)
Changes in estimates	(28,610)	11,568
Balance at the end of period	**31,076**	**54,177**
Less: current portion of decommissioning provisions (Note 13)	(305)	(183)
Long-term balance at the end of period	**30,771**	**53,994**

In 2023, the decrease in estimate for oil and gas properties decommissioning was primarily due to an increase in proven developed oil reserves and an increase in the production horizon, as well as changes in the discount rate (in 2022, the increase in the reserve due to the growth in estimated future costs of decommissioning and changes in discount rate).

(In million of Russian Rubles)

Note 9: Property, plant and equipment (continued)

Key assumptions used for evaluation of decommissioning provision were as follows:

	At 31 December 2023	**At 31 December 2022**
Discount rate	11.87%	10.06%
Discount rate for superviscous oil	11.48%	9.88%
Long-term inflation rate	3.00%	4.20%

Note 10: Right-of-use assets and lease liabilities

Changes in the right-of-use assets are presented below:

	2023	**2022**
Balance at the beginning of period	**3,237**	**11,897**
Additions	26,076	399
Disposals	(247)	(7,465)
Depreciation	(2,896)	(1,361)
Revaluation and modification	1,359	(233)
Balance at the end of period	**27,529**	**3,237**

The reconciliation between the undiscounted lease liabilities and present value are presented below:

	At 31 December 2023	**At 31 December 2022**
Lease liabilities		
Less than one year	5,332	1,034
Between one and five years	15,359	2,497
More than five years	19,631	1,512
Total lease liabilities excluding discounting	**40,322**	**5,043**
Discounting	**(15,168)**	**(1,428)**
Lease liabilities	**25,154**	**3,615**
Of which:		
Current portion of lease liabilities presented in Accounts payable and accrued liabilities (Note 13)	4,810	974
Long-term portion of lease liabilities	20,344	2,641

(In million of Russian Rubles)

Note 11: Taxes

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% to income before income taxes:

	Year ended 31 December 2023	Year ended 31 December 2022
Profit before income tax	365,507	379,968
Theoretical income tax expense at statutory rate	(73,101)	(75,994)
(Increase)/decrease due to:		
Non-deductible expenses, net	(8,571)	(4,110)
Income tax withheld at source on dividends for treasury shares	(1,026)	(632)
Gain from purchase	3,827	-
Other	(373)	6
Income tax expense	**(79,244)**	**(80,730)**

At 31 December 2023 no deferred tax liabilities have been recognised for taxable temporary differences of RR 84,575 million (2022: RR 31,366 million) on undistributed earnings of certain subsidiaries. These earnings have been and will continue to be reinvested. These earnings, except for undistributed earnings of subsidiaries operating in a tax free jurisdictions, could become subject to additional tax of approximately RR 5,382 million (2022: RR 2,058 million) if they were remitted as dividends.

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognised for consolidated financial reporting purposes and such amounts recognised for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following:

	At 31 December 2023	At 31 December 2022
Tax loss carry forward	859	5,026
Decommissioning provision	6,215	9,321
Prepaid expenses and other current assets and liabilities	4,884	235
Long-term loans and certificates of deposits	1,730	1,748
Long-term investments	-	266
Other	3,227	2,704
Deferred income tax assets	**16,915**	**19,300**
Property, plant and equipment	(64,508)	(55,388)
Inventories	(1,232)	(3,153)
Prepaid expenses and other current assets	(3,271)	(4,513)
Debt	(1,792)	(1,429)
Other liabilities	(210)	(225)
Deferred income tax liabilities	**(71,013)**	**(64,708)**
Net deferred tax liability	**(54,098)**	**(45,408)**

Deferred income taxes are reflected in the consolidated statement of financial position as follows:

	At 31 December 2023	At 31 December 2022
Deferred income tax asset	7,332	5,504
Deferred income tax liability	(61,430)	(50,912)
Net deferred tax liability	**(54,098)**	**(45,408)**

(In million of Russian Rubles)

Note 11: Taxes (continued)

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

	Year ended 31 December 2023	Year ended 31 December 2022
Mineral extraction tax	494,071	511,993
Tax on additional income from hydrocarbon extraction	122,649	128,491
Excise	(176,020)	(190,382)
incl. reverse excise	(279,004)	(278,583)
Property tax	14,809	12,499
Other	2,505	2,218
Total taxes, other than income taxes	**458,014**	**464,819**

Taxes payable, other than income taxes were as follows:

	At 31 December 2023	At 31 December 2022
Mineral extraction tax	54,952	21,650
Tax on additional income from hydrocarbon extraction	46,611	18,395
Value Added Tax	21,170	15,216
Excise	8,979	8,319
Export duties	311	672
Property tax	3,966	3,547
Other	5,885	4,419
Total taxes payable, other than income taxes	**141,874**	**72,218**

Note 12: Debt

	At 31 December 2023	At 31 December 2022
Short-term debt		
Subordinated debt	22	22
Debt securities issued	3,399	276
Other debt	447	-
Total short-term debt	**3,868**	**298**
Current portion of long-term debt	941	2,367
Total short-term debt, including current portion of long-term debt	**4,809**	**2,665**
Long-term debt		
Bonds issued	2	2,057
Promissory notes issued	9,391	11,621
Other debt	9,596	525
Total long-term debt	**18,989**	**14,203**
Less: current portion of long-term debt	(941)	(2,367)
Total long-term debt, net of current portion	**18,048**	**11,836**

The increase in “Other debt” was primarily due to the acquisition of a business (Note 24).

(In million of Russian Rubles)

Note 13: Accounts payable and accrued liabilities

	At 31 December 2023	At 31 December 2022
Trade payables	87,445	49,609
Current portion of lease liabilities	4,810	974
Other payables (Note 24)	6,344	481
Total financial liabilities within trade and other payables	**98,599**	**51,064**
Salaries and wages payable	16,725	13,051
Current portion of long-term employee incentives program (Note 16)	-	80
Advances received from customers	31,779	21,118
Current portion of decommissioning provisions (Note 9)	305	183
Other accounts payable and accrued liabilities (Note 24)	12,437	7,440
Total non-financial liabilities	**61,246**	**41,872**
Accounts payable and accrued liabilities	**159,845**	**92,936**

In 2023 revenue of RR 21,118 million was recognised in respect of contract obligations as of 1 January 2023 related to advances received.

In 2022 revenue of RR 25,340 million was recognised in respect of contract obligations as of 1 January 2022 related to advances received.

Note 14: Financial services: Due to banks and the Bank of Russia

	At 31 December 2023	At 31 December 2022
Term deposits from banks	3,506	1
Term deposits from the Bank of Russia	4,709	5,239
REPO	22,347	-
Correspondent accounts and banks' overnight deposits	189	933
Total due to banks and the Bank of Russia	**30,751**	**6,173**
Less: long term due to banks and the Bank of Russia	(3,737)	(2,883)
Total short term of due to banks and the Bank of Russia	**27,014**	**3,290**

There is a certain concentration of sources of financing in the Group's financial services segment. As at 31 December 2023 within due to banks and the Bank of Russia there are RR 30,557 million of correspondent accounts and term deposits borrowed from the Bank of Russia and three Russian banks which individually exceeded 5% of the segment equity. As at 31 December 2022 within due to banks and the Bank of Russia there are RR 5,239 million of correspondent accounts and term deposits, borrowed from the Bank of Russia which individually exceeded 5% of the segment equity.

(In million of Russian Rubles)

Note 15: Financial services: Customer accounts

	At 31 December 2023	At 31 December 2022
State and public organizations		
Current / settlement accounts	2,464	1,333
Term deposits	709	327
Other legal entities		
Current / settlement accounts	13,272	40,352
Term deposits	91,275	60,933
Individuals		
Current / settlement accounts	21,727	35,676
Term deposits	74,132	74,011
Total customer accounts	**203,579**	**212,632**
Less: long-term customer accounts	(1,531)	(713)
Total short-term customer accounts	**202,048**	**211,919**

There is a certain concentration of sources of financing in the Group's financial services segment. Within customer accounts at 31 December 2023 and 2022 there are RR 78,275 million and RR 77,301 million of current/settlement accounts and term deposits from 34 and 22 customers respectively, which individually exceeded 5% of the segment equity.

Risk concentrations by customer industry within customer accounts are as follows:

	At 31 December 2023		At 31 December 2022	
	Carrying value	**Share in customer loan portfolio, %**	**Carrying value**	**Share in customer loan portfolio, %**
Individuals	95,859	47.09%	109,687	51.59%
Finance	30,516	14.99%	30,501	14.34%
Oil and gas	16,887	8.30%	4,740	2.23%
Trade	20,993	10.31%	28,487	13.40%
Services	17,043	8.37%	16,074	7.56%
Manufacturing	14,634	7.19%	13,368	6.29%
Construction	3,501	1.72%	3,295	1.55%
Other	4,146	2.03%	6,480	3.04%
Total customer accounts	**203,579**	**100%**	**212,632**	**100%**

Note 16: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2023	At 31 December 2022
Pension and other long-term liabilities to employees and retirees	3,037	3,745
Government grants	35,762	28,948
Long-term employee incentives program, net of current portion (Note 13, 18)	444	-
Other long-term liabilities	987	667
Total other long-term liabilities	**40,230**	**33,360**

Pension liabilities. The Group has various pension plans offered to all employees. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the “Statement of Organization of Corporate Non-Governmental Pension Benefits for PJSC Tatneft Employees”, similar provisions of controlled subsidiaries and agreements arranged between the Company and the JSC “National Non-Governmental Pension Fund”. In accordance with the terms of the agreements the Group is committed to make certain contributions on favor of its employees, the aggregated amount of savings guarantees the payment of a non-state pension in an amount not lower than the minimum amount provided by pension agreements. The amount of contributions and non-state pensions depends on the amount of contributions chosen by the employee and the achievement of the target indicators of the companies.

In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obliged to pay other certain post-employment benefits to employees upon completion of their employment with the Company or its controlled subsidiaries.

Note 16: Other long-term liabilities (continued)

Government grants. The Group received grants from the Republic of Tatarstan for the creation, modernization and reconstruction of energy facilities, processing capacity and infrastructure.

Long-term employee incentives program. According to the Tatneft Group long-term employee incentives program for key employees the benefits are based on the change in the Company share price during a five-year cycle. In accordance with the terms of the program, 14 million shares are "conditionally" assigned to the management and directors of the Company, based on which, at the end of the cycle, remuneration is paid on the amount of the positive difference in the average annual price of an ordinary share of PJSC Tatneft for the fifth year of the five-year cycle and the year adopted as a base. Payments are made in cash. Receipt of payouts is contingent upon meeting the required service period, certain performance metrics and an increase in the value of shares.

The fair value of the Program was determined as RR 137.2 per share in accordance with the Black-Scholes option pricing model. The fair value was calculated using the spot price of the Company's shares at the end of 2023 in the amount of RR 706.6, the exercise price of the option in the amount of RR 493, an expected dividend yield of 14.6% per annum, the risk-free interest rate equal to 11.2 % per annum, the term until the maturity of the program, and the volatility of the return on the underlying asset equal to 33.7 %. The expected volatility was determined based on the historical volatility of the Company's shares.

Note 17: Shareholders' equity

Authorised share capital. At 31 December 2023 and 2022 the authorised, issued and paid share capital of PJSC Tatneft consists of 2,178,690,700 voting common shares and 147,508,500 non-voting preferred shares; both classes of shares have a nominal value of RR 1.00 per share. The nominal value of authorised share capital differs from its carrying value due to effect of the hyperinflation on capital contributions made before 2003.

At 31 December 2023 and 2022 treasury shares include 75.6 million ordinary shares of the Company owned by wholly-owned subsidiaries of the Group.

Golden share. Tatarstan holds a "Golden Share" – a special governmental right – in the PJSC Tatneft company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and Revision Commission of the Company and to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term.

Rights attributable to preferred shares. Unless a different amount is approved at the annual shareholders meeting, preferred shares earn dividends equal to their nominal value. The amount of a dividend for a preferred share may not be less than the amount of a dividend for a common share. Preferred shareholders may vote at meetings only on the following decisions:

- the amendment of the dividends payable per preferred share;
- the issuance of additional shares with rights greater than the current rights of preferred shareholders; and
- the liquidation or reorganization of the Company.

The decisions listed above can be made only if approved by 75% of preferred shareholders.

Holders of preferred shares acquire the same voting rights as holders of common shares in the event that preferred dividends are either not declared, or declared but not paid. On liquidation, the shareholders are entitled to receive a distribution of net assets. Under Russian Joint Stock Companies Law and the Company's charter in case of liquidation, preferred shareholders have priority over shareholders holding common shares in respect of declared but unpaid dividends on preferred shares and the liquidation value of preferred shares, if any.

Amounts available for distribution to shareholders. The source of payment of dividends is the Company's net profit for the reporting period, determined based on the Company's non-consolidated statutory accounts prepared in accordance with RAR, which differ significantly from IFRS Accounting Standards financial statements.

When determining the dividend amount (per share) recommended to the General Meeting of Shareholders, the decision of PJSC Tatneft's Board of Directors is based on the amount of net profit under RAR or IFRS Accounting Standards, depending on the availability of published accounting and consolidated financial statements for the relevant period, and assuming that the target level of the total funds allocated for dividends payment accounts for least 50% of the net profit amount determined by RAR or IFRS Accounting Standards, whichever is greater.

Note 17: Shareholders' equity (continued)

In December 2023, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2023, in the amount of RR 62.71 per preferred and ordinary share, including previously paid interim dividends for the six months ended 30 June 2023, in the amount of RR 27.54 per preferred and ordinary share.

In September 2023, the shareholders of the Company approved the payment of interim dividends for the six months ended 30 June 2023 in the amount of RR 27.54 per preferred and ordinary share.

In June 2023, the shareholders of the Company approved dividends for the year ended 31 December 2022, in the amount of RR 67.28 per preferred and ordinary share, including previously paid interim dividends for the six and nine months of 2022, in the amount of RR 39.57 per preferred and ordinary share.

In December 2022, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2022, in the amount of RR 39.57 per preferred and ordinary share, including previously paid interim dividends for the six months ended 30 June 2022, in the amount of RR 32.71 per preferred and ordinary share.

In September 2022, the shareholders of the Company approved interim dividends for the six month ended 30 June 2022 in the amount of RR 32.71 per each preferred and ordinary share.

In June 2022, the shareholders of the Company approved dividends for the year ended 31 December 2021 in the amount of RR 42.64 per each preferred and ordinary share, including the previously approved interim dividends for the six and nine months of 2021 in the amount of RR 26.5 per each preferred and ordinary share.

Earnings per share. Preferred shares are not redeemable and are considered to be participating shares. Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preferred shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares.

The remaining profit or loss is allocated ordinary and preferred shares to the extent that each class may have share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount unallocated for now.

	Year ended 31 December 2023	**Year ended 31 December 2022**
Profit attributable to shareholders of PJSC Tatneft	287,921	284,572
Profit attributable to shareholders of PJSC Tatneft from continuing operations	287,921	298,668
Ordinary share dividends	(190,159)	(117,161)
Preferred share dividends	(13,338)	(8,218)
Income available to shareholders of PJSC Tatneft, net of dividends	**84,424**	**159,193**
Basic and diluted:		
Weighted average number of shares outstanding (millions of shares):		
Ordinary	2,103	2,103
Preferred	148	148
Combined weighted average number of ordinary and preferred shares outstanding (millions of shares)	2,251	2,251
Basic and diluted earnings per share (RR)		
Ordinary	127.93	126.44
Preferred	127.93	126.44
Basic and diluted earnings per share from continuing operations (RR)		
Ordinary	127.93	132.70
Preferred	127.93	132.70

(In million of Russian Rubles)

Note 18: Employee benefit expenses

	Year ended 31 December 2023	Year ended 31 December 2022
Wages and salaries	81,628	62,994
Statutory insurance contributions	23,310	17,861
Provision/(reversal of provision) for long term employee incentives program compensations (Note 16)	444	(1,106)
Pension costs – defined benefit plans	338	(364)
Other employee benefits	3,242	2,566
Total employee benefit expense	**108,962**	**81,951**

Employee benefit expenses are included in operating expenses, selling, general and administrative expenses and maintenance of social infrastructure and transfer of social assets, other expenses and operating expenses from financial services, as well as financial result from discontinued operations in the consolidated statement of profit or loss and other comprehensive income.

Note 19: Interest expense (excluding financial services)

	Year ended 31 December 2023	Year ended 31 December 2022
Loans and borrowings	614	1,151
Unwinding of discount of decommissioning provisions	4,813	3,103
Interest expenses on lease liabilities	1,634	775
Unwinding of discount on long-term financial liabilities	688	-
Discount on long-term financial assets	13,276	559
Other expenses	-	109
Total interest expense (excluding financial services)	**21,025**	**5,697**

Note 20: Interest and commission income and expense from financial services

	Year ended 31 December:	
	2023	**2022**
Interest income	24,593	21,795
Loans to customers	18,868	15,072
Other	5,725	6,723
Fee and commission income	3,701	4,009
Settlement transactions	2,211	1,790
Other	1,490	2,219
Total interest and commission income from financial services	**28,294**	**25,804**
Interest expense	(14,308)	(13,324)
Term deposits	(11,448)	(11,330)
Other	(2,860)	(1,994)
Fee and commission expense	(1,654)	(1,198)
Settlement transactions	(1,554)	(1,094)
Other	(100)	(104)
Total interest and commission expense from financial services	**(15,962)**	**(14,522)**

Note 21: Segment information

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

Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

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

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments;
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations;
- The tire business segment includes the production and sale of tires by companies acquired through business combinations in the 1st quarter of 2023 (Note 24). Shares and interests in subsidiaries that constituted the tire business segment in prior periods were sold in the 2nd quarter of 2022, accordingly classified as a discontinued operation;
- Financial services.

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

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income tax not including interest income and expense (excluding financial services), gains from equity investments, other income (expenses). Intersegment sales are at prices that approximate market. The Group uses an export netback calculated based on average Urals quotes less export duty, freight and transportation costs to calculate the cost of its own oil for refining. The Group financing including interest expense and interest income (excluding financial services) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December 2023, revenues of RR 181,052 million or 11% of the Group's total sales and operating revenues are derived from one external customer.

For the year ended 31 December 2022, revenues of RR 163,802 million or 11% of the Group's total sales and operating revenues are derived from one external customer.

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

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

(In million of Russian Rubles)

Note 21: Segment information (continued)

Segment sales

	Year ended 31 December 2023	Year ended 31 December 2022
Exploration and production		
Domestic sales of own crude oil	239,377	195,422
Own crude oil sales to far abroad countries	338,062	335,794
Other	9,278	8,750
Intersegment sales	448,277	410,013
Total exploration and production	**1,034,994**	**949,979**
Refining and marketing		
Domestic sales		
Refined products	573,094	473,162
Total Domestic sales	573,094	473,162
Near abroad countries sales		
Refined products	18,709	16,762
Total near abroad countries sales	18,709	16,762
Far abroad countries sales		
Crude oil purchased for resale	-	1,833
Refined products	300,902	302,298
Total far abroad countries sales	300,902	304,131
Other	24,418	24,443
Intersegment sales	6,843	4,485
Total refining and marketing	**923,966**	**822,983**
Tires business		
Tires – domestic sales	20,631	-
Tires – near abroad countries sales	1,684	-
Other	234	-
Intersegment sales	13	-
Total tires business	**22,562**	**-**
Financial services		
Interest income	24,593	21,795
Fee and commission income	3,701	4,009
Total financial services	**28,294**	**25,804**
Total segment sales	**2,009,816**	**1,798,766**
Corporate and other sales	62,693	68,683
Elimination of intersegment sales	(455,133)	(414,498)
Total sales	**1,617,376**	**1,452,951**

(In million of Russian Rubles)

Note 21: Segment information (continued)

Segments result

	Year ended 31 December 2023	Year ended 31 December 2022
Segment earnings		
Exploration and production	219,453	101,774
Refining and marketing	170,589	307,410
Tires business	14,212	-
Financial services	(6,076)	1,083
Segments result	**398,178**	**410,267**
Corporate and other	(24,408)	(32,646)
Other (expenses)/income, net (w/o foreign exchange differences)	(8,263)	2,347
Profit before income tax	**365,507**	**379,968**

Segment result includes foreign exchange gain/(loss), net. "Corporate and other" line includes Head Office administrative expenses, impairment losses on financial assets net of reversal, impairment losses and losses on disposal on property, plant and equipment and other non-financial assets, profit/(loss) on exchange rate differences at the Head Office, charity expenses, maintenance of social infrastructure and transfer of social assets, income from changes in the fair value of financial assets measured at fair value through profit or loss. The result of the tire business includes gain from purchase (Note 24).

Segment assets

	At 31 December 2023	At 31 December 2022
Assets		
Exploration and production	593,254	446,794
Refining and marketing	784,760	630,216
Tires business	82,421	-
Financial services	303,800	319,444
Corporate and other	280,938	279,383
Total assets	**2,045,173**	**1,675,837**

As at 31 December 2023 corporate and other includes RR 137,400 million of property, plant and equipment, RR 26,336 million of securities measured at fair value through other comprehensive income, RR 4,354 million loans receivable, RR 32,489 million of bank deposits measured at amortised cost, RR 4,848 million of cash, RR 22,339 million of inventories.

As at 31 December 2022 corporate and other assets includes RR 100,371 million of property, plant and equipment, RR 22,079 million of securities measured at fair value through other comprehensive income, RR 12,551 million loans receivable, RR 75,080 million of bank deposits measured at amortised cost, RR 3,451 million of cash, 18,070 million of inventories.

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

(In million of Russian Rubles)

Note 21: Segment information (continued)

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

	Year ended 31 December 2023	Year ended 31 December 2022
Depreciation, depletion and amortization		
Exploration and production	30,669	26,527
Refining and marketing	22,782	17,332
Tires business	2,898	-
Financial services	564	500
Corporate and other	3,734	3,683
Total depreciation, depletion and amortization	**60,647**	**48,042**
Additions to property, plant and equipment		
Exploration and production	107,686	93,277
Refining and marketing	90,318	62,027
Tires business	28,399	-
Financial services	348	57
Corporate and other	39,903	30,471
Total additions to property, plant and equipment	**266,654**	**185,832**

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions (Note 9). For the years ended 31 December 2022 total additions from property, plant and equipment is presented net of additions from discontinued operation (Note 26).

Note 22: Related party transactions

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

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

Associates, joint ventures and other related parties

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

	Year ended 31 December 2023	Year ended 31 December 2022
Revenues and income	457	708
Costs and expenses	1,363	980

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

	At 31 December 2023	At 31 December 2022
Short-term assets	19,065	2,279
Loans	17,414	1,581
Other	1,651	698
Long-term assets	24,633	12,157
Loans	15,656	7,866
Other	8,977	4,291
Short-term liabilities	(2,659)	(2,076)

(In million of Russian Rubles)

Note 22: Related party transactions (continued)

Government related companies

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

	Year ended 31 December 2023	Year ended 31 December 2022
Sales of crude oil	17,333	14,734
Sales of refined products	40,043	32,886
Other sales	-	14,915
Other proceeds	4,961	8,441
Interest income	11,037	7,470
Income from changes in the fair value of financial assets	-	1,407
Interest expense	5,399	596
Purchases of crude oil	-	1,346
Purchases of refined products and natural gas	18,436	16,465
Purchases of electricity	25,917	24,232
Purchases of transportation and compounding services	35,127	33,978
Other purchases	5,687	8,393

Other sales include income from the assignment of rights of claim and the sale of interests in companies and shares.

The outstanding balances with Government related companies were as follows:

	At 31 December 2023	At 31 December 2022
Assets		
Cash and cash equivalents	28,733	79,214
Financial services: Mandatory reserve deposits with the Bank of Russia	903	378
Accounts receivable	4,312	5,733
Financial services: Loans to customers	3,192	251
Other short-term financial assets		
Securities measured at amortised cost	5,584	5,966
Other	4,256	2,069
Prepaid expenses and other current assets	4,852	3,290
Total short-term assets	**51,832**	**96,901**
Financial services: Loans to customers	3,281	7,436
Accounts receivable	8,841	12,060
Other long-term financial assets		
Securities measured at fair value through other comprehensive income	40,863	39,478
Securities measured at amortised cost	13,059	13,826
Loans	-	16
Advances for the acquisition of non-current assets	7,771	6,629
Total long-term assets	**73,815**	**79,445**
Liabilities		
Accounts payable and accrued liabilities	(5,531)	(4,536)
Financial services: Due to banks and the Bank of Russia	(1,014)	(2,356)
Financial services: Customer accounts	(2,062)	(1,097)
Financial services: Other financial liabilities at fair value through profit or loss	-	(819)
Debt	(50)	(199)
Total short-term liabilities	**(8,657)**	**(9,007)**
Financial services: Due to banks and the Bank of Russia	(3,737)	(2,883)
Government grants (Note 16)	(35,762)	(28,948)
Other long-term liabilities	(373)	(365)
Total long-term liabilities	**(39,872)**	**(32,196)**

As at 31 December 2023 guarantees issued to government related parties amounted to RR 5,959 million (at 31 December 2022: RR 5,575 million).

Note 22: Related party transactions (continued)

Key management personnel

The key management personnel of the Group include members of the Board of Directors and the Management Board of PJSC Tatneft.

For the years ended 31 December 2023 and 2022 total remuneration, including pension cost, for key management personnel was RR 1,826 million and RR 1,605 million, respectively.

At 31 December 2023 and 2022 the Group’s key management personnel accounts in the customer accounts amounted to RR 19,068 million and RR 33,079 million, respectively.

As at 31 December 2023 and 2022 the liability for the services provided by the key management personnel of the Group in accordance with the long-term incentive program for executive employees amounted to RR 120 million and RR 30 million respectively. Information about the program is presented in Note 16. In addition, in 2023, a provision for short-term remuneration under the incentive program for executive employees in the amount of RR 330 million was accrued for key management personnel (in 2022: RR 153 million).

Note 23: Contingencies and commitments

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. Continued political tension in the region, as well as sanctions imposed by a number of countries against certain sectors of the Russian economy, Russian companies and citizens, have a negative impact on the Russian economy.

Ban imposed in 2022 by a number of countries on new investments by citizens and legal entities of such countries in the energy industry of Russia, as well as on the supply of certain nomenclatures of goods, equipment and a number of technologies continues. Since December 2022, some countries, including EU countries, have banned their citizens and legal entities from importing Russian oil, as well as from providing brokerage, transport, insurance and other services in relation to Russian oil transported by tankers and sold at a price above the price threshold set by these countries. In February 2023, similar restrictive measures came into force for Russian oil products.

Further restrictions on the business activities of organizations operating in the Russian Federation, as well as further negative consequences for the Russian economy as a whole, cannot be ruled out, but it is not possible to fully assess the duration, extent and scale of possible consequences.

The Group is characterized by a low level of debt and, although the current uncertainty may affect the Group's future profitability and cash flows in the near future, management believes this will not affect the Group's ability to continue as a going concern and meet its obligations for the foreseeable future.

The Group's management takes the necessary measures to ensure its sustainable operation. However, the future impact of the current economic and geopolitical situation is difficult to predict and the Group's management's current expectations and estimates may differ from actual results.

Capital commitments. As at 31 December 2023 and 2022 the Group has approximate outstanding capital commitments of RR 112,886 million and RR 72,681 million, respectively, mainly for the construction of the TANECO refinery complex, construction of wells and oil fields facilities construction and development of petrochemical business. These commitments are expected to be paid between 2024 and 2030.

Management believes the Group’s current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company or issuance of debt instruments.

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

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

(In million of Russian Rubles)

Note 23: Contingencies and commitments (continued)

Outstanding credit related commitments are as follows:

	At 31 December 2023	At 31 December 2022
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	47,823	39,781
Unused limits on the issuance of guarantees	28,742	21,461
Guarantees issued	45,887	35,062
Letters of credit	58	557
Less: allowance for credit related commitment	(431)	(409)
Less: commitments collateralised by cash deposits under guarantees issued	(63)	(70)
Less: commitments collateralised by cash deposits under Letters of credit	(58)	(557)
Total credit related commitments	**121,958**	**95,825**

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

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

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

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

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

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

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

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

(In million of Russian Rubles)

Note 24: Business combinations

In 2-3 quarter of 2022 as part of the development of the own oilfield service function the Group acquired shares in charter capital and the movable and immovable property.

The purchase price amounted RR 25,633 million and the cash consideration was fully paid in 2-3 quarter 2022. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entities as a whole.

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Fair value
Cash and cash equivalents	1,178
Property, plant and equipment	21,958
Inventories	1,950
Accounts receivable and advances issued	4,212
Deferred tax assets	777
Other assets	202
Debt	(1,427)
Trade and other payables	(3,344)
Deferred tax liabilities	(1,364)
Other liabilities	(1,471)
Fair value of identifiable net assets of subsidiaries	**22,671**
Goodwill	**2,962**
Total purchase consideration	**25,633**
Cash and cash equivalents of subsidiaries acquired	(1,178)
Net cash flow from acquisition of subsidiaries	**24,455**

For the period from the acquisition date to 31 December 2022 the acquired business accounted for RR 4,689 million in the Group's revenue, share of the profits is insignificant.

In 1st quarter of 2023, the Group acquired the Russian tire business of the Finnish company Nokian Tyres plc, including a plant in the city of Vsevolozhsk, Leningrad Region, by purchasing shares in Nokian Tyres LLC, Nokian Shina LLC, Hakka Invest LLC (renamed to Ikon Tyres LLC, Ikon Shina LLC, Ikon Invest LLC in 2nd quarter 2023) and obtained control becoming the sole participant of these entities.

The purchase price amounted RR 23,050 million and the cash consideration was fully paid in 1st quarter 2023. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entities, taking into account the total allowable transaction price determined by the Government Commission of the Russian Federation for the Control of Foreign Investments.

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Fair value
Cash and cash equivalents	6,998
Property, plant and equipment	13,632
Inventories	8,387
Accounts receivable and advances issued	17,461
Deferred tax assets	978
Other assets	581
Trade and other payables	(3,677)
Deferred tax liabilities	(62)
Other liabilities	(2,137)
Fair value of identifiable net assets of subsidiaries	**42,161**
Gain from purchase	**(19,111)**
Total purchase consideration	**23,050**
Cash and cash equivalents of subsidiaries acquired	(6,998)
Net cash flow from acquisition of subsidiaries	**16,052**

(In million of Russian Rubles)

Note 24: Business combinations (continued)

For the period from the acquisition date to reporting date the acquired business accounted for RR 20,836 million in the Group's revenue and RR 4,559 million in profit.

Gain from purchase is presented in other operating income/(expenses), net of the consolidated statement of profit or loss and other comprehensive income.

In 2nd quarter 2023, as part of expanding sales markets, the Group acquired shares of the Turkish company Aytemiz Akaryakıt Dağıtım A.Ş. and obtained control becoming the sole participant of this entity.

The purchase price amounted RR 27,326 million and the cash consideration was fully paid in 2nd quarter 2023. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entity.

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Fair value
Cash and cash equivalents	6,739
Property, plant and equipment	10,144
Intangible assets	10,013
Right-of-use assets	2,877
Inventories	3,980
Accounts receivable and advances issued	4,370
Deferred tax assets	779
Other assets	2,264
Debt	(5,163)
Trade and other payables	(8,529)
Deferred tax liabilities	(3,731)
Other liabilities	(1,510)
Fair value of identifiable net assets of subsidiary	**22,233**
Goodwill related to the acquisition	**5,093**
Total purchase consideration	**27,326**
Cash and cash equivalents of subsidiary acquired	(6,739)
Net cash flow from acquisition of subsidiary	**20,587**

For the period from the acquisition date to reporting date the acquired business accounted for RR 137,846 million in the Group's revenue and RR 1,597 million in profit.

In addition, in the 1st quarter of 2023, the Group acquired the tire business in the Republic of Uzbekistan by purchasing a share in Birinchi Rezinotexnika Zavodi LLC from third parties and obtained control becoming the sole participant of this entity.

Note 25: Other non-current assets

Other non-current assets are presented below:

	At 31 December 2023	**At 31 December 2022**
Intangible assets (Note 24)	21,020	5,210
Goodwill	9,992	4,504
Advances for the acquisition of non-current assets	7,731	6,621
Other	4,602	4,001
Total other non-current assets	**43,345**	**20,336**

Intangible assets include a trademark of a subsidiary with an indefinite useful life in amount of RR 6,359 million and contracts with customers in amount of RR 3,653 million identified as part of the assessment of the fair value of acquired assets and liabilities. The trademark allocated to the Aytemiz Akaryakıt Dağıtım A.Ş. CGU to which goodwill was allocated, information on testing of goodwill is presented below. The contracts expire primarily in the period 2025-2028.

(In million of Russian Rubles)

Note 25: Other non-current assets (continued)

Movements in goodwill resulting from the acquisition of subsidiaries are as follows:

	2023	**2022**
Gross book value at 1 January	4,504	1,542
Accumulated impairment losses as at 1 January	-	-
Carrying amount at 1 January	**4,504**	**1,542**
Acquisition of subsidiaries (Note 24)	5,298	2,962
Result of hyperinflation and translation to presentation currency for foreign subsidiaries	190	-
Gross book value at 31 December	9,992	4,504
Accumulated impairment losses as at 31 December	-	-
Carrying amount at 31 December	**9,992**	**4,504**

Goodwill is allocated to cash-generating units (CGUs), which represent the lowest level within the Group at which the goodwill is monitored by management and which are not larger than a segment) as follows:

	At 31 December 2023	**At 31 December 2022**
Aytemiz Akaryakıt Dağıtım A.Ş.	5,283	-
Other	4,709	4,504
Total carrying amount of goodwill	**9,992**	**4,504**

In assessing impairment, the recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates. The growth rates do not exceed the long-term average growth rate for the business sector of the economy and jurisdiction in which the CGU operates. The discount rate was determined based on the weighted average cost of capital taking into account specific risks.

Due to the excess of the recoverable amount of the CGU over the carrying amount of assets and liabilities, no impairment loss was recognised.

(In million of Russian Rubles)

Note 26: Discontinued operation

In the 2nd quarter of 2022, the Group sold its interests in subsidiaries of the tire business segment to a state-controlled company for RR 37,476 million payable by instalment. Fair value of consideration determined based on discounted cash flows amounted to RR 12,115 million.

Carrying amount of the disposed assets and liabilities at the date of disposal are as follows:

	Carrying amount at the date of disposal
Cash and cash equivalents	3,747
Property, plant and equipment	32,245
Right-of-use assets	986
Inventories	15,483
Accounts receivable and advances issued	12,525
Other assets	2,741
Debt (including loans received from the Group)	(17,211)
Trade and other payables	(10,678)
Other liabilities	(9,163)
Net assets of subsidiaries	**30,675**
Less non-controlling interest	356
Carrying amount of disposed net assets	**31,031**

The impact of disposal of the tire business on the Group's financial results for the year ended 31 December 2022 was the following:

Carrying amount of disposed net assets	**(31,031)**
Reclassification to loss of accumulated other comprehensive loss	(98)
Discounted value of the consideration	12,115
Loss on disposal of tire business	**(19,014)**
The result of the tire business before the date of disposal	
Revenue	28,683
Cost	(23,843)
Other income, net	1,383
Income tax expense	(1,544)
Profit before the date of disposal	**4,679**
Loss from discontinued operation	**(14,335)**

The cash flow analysis of discontinued operation is as follows:

	Year ended 31 December 2022
Cash flows from operating activities	(5,983)
Cash flows from investing activities	(3,296)
Cash flows from financing activities	1,037
Total cash flow from discontinued operation	**(8,242)**

(In million of Russian Rubles)

Note 27: Financial risk management

Financial risk management objectives and policies.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has introduced a risk management system and developed a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business.

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest rate risk and (c) financial instruments price risk.

a) Currency risk

The Group operates internationally and is exposed to currency risk due to fluctuations in exchange rates. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2023:

	Russian Ruble	US Dollar	Chinese yuan	Other currencies
Financial assets				
Cash and cash equivalents	52,656	1,410	16,497	13,552
Financial services: Mandatory reserves with the Bank of Russia	903	-	-	-
Accounts receivable	90,319	128,847	-	10,178
Financial services: Loans to customers	177,996	1,320	8,136	2,941
Other financial assets	111,926	11,970	14,501	2,986
Total financial assets	**433,800**	**143,547**	**39,134**	**29,657**
Financial liabilities				
Trade and other financial payables	78,259	9,525	2,897	7,918
Dividends payable	119,137	-	-	-
Lease obligations, net of current portion	7,461	12,154	-	729
Financial services: Other financial liabilities at FVTPL	14,983	-	-	-
Debt	12,981	9,010	-	866
Financial services: Due to banks and the Bank of Russia	25,429	2	5,307	13
Financial services: Customer accounts	182,950	8,807	8,842	2,980
Total financial liabilities	**441,200**	**39,498**	**17,046**	**12,506**
Net balance sheet position	**(7,400)**	**104,049**	**22,088**	**17,151**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2022.

	Russian Ruble	US Dollar	Chinese yuan	Other currencies
Financial assets				
Cash and cash equivalents	84,027	10,067	56,065	17,705
Financial services: Mandatory reserves with the Bank of Russia	378	-	-	-
Accounts receivable	57,964	59,620	-	2,977
Financial services: Loans to customers	128,531	19,173	6,293	3,409
Other financial assets	80,311	18,999	13,383	1,312
Total financial assets	**351,211**	**107,859**	**75,741**	**25,403**
Financial liabilities				
Trade and other financial payables	50,397	449	10	208
Dividends payable	26,025	-	-	-
Lease obligations, net of current portion	2,641	-	-	-
Financial services: Other financial liabilities at FVTPL	1,433	-	-	-
Debt	14,185	316	-	-
Financial services: Due to banks and the Bank of Russia	5,728	3	348	94
Financial services: Customer accounts	171,852	11,938	17,322	11,520
Total financial liabilities	**272,261**	**12,706**	**17,680**	**11,822**
Net balance sheet position	**78,950**	**95,153**	**58,061**	**13,581**

For the year ended 31 December 2023 the Group recognised foreign exchange gain of RR 74,206 million and a foreign exchange loss of RR 49,157 million in the consolidated interim condensed statement of profit or loss and other comprehensive income on a net basis (for the year ended 31 December 2022: RR 133,692 million and RR 158,691 respectively). Gain and loss on foreign exchange differences were received mainly on receivables from operating activities from the sale of crude oil and refining products for export, as well as from the revaluation of cash in foreign currencies.

Below is data on the sensitivity of the Group to an increase or decrease in the exchange rate of the US dollar and the Chinese yuan against the Russian Ruble:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Impact on profit before tax	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
US Dollar strengthening by 20%	20,810	16,648	19,031	15,224
US Dollar weakening by 20%	(20,810)	(16,648)	(19,031)	(15,224)
Chinese yuan strengthening by 20%	4,418	3,534	11,612	9,290
Chinese yuan weakening by 20%	(4,418)	(3,534)	(11,612)	(9,290)

a) Interest rate risk.

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

Operations interest rate risk management (excluding financial services)

The majority of the Group's borrowings is at fixed interest rates. The Group's treasury function performs periodic analysis of the interest rate environment. The Group does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether to obtain financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

Operations interest rate risk management from financial services

Management of interest rate risk is performed through analysis of the structure of assets and liabilities by repricing dates. Interest rates that are contractually fixed on both assets and liabilities may be renegotiated before any new credit tranche is issued to reflect current market conditions. All new credit products and transactions are assessed in respect of interest rate risk upfront, prior to starting these transactions.

Interest rate risk analysis on assets and liabilities of the Group

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-sensitive	Total
31 December 2023							
Total financial assets	56,310	70,279	50,808	116,855	73,855	278,031	646,138
Total financial liabilities	113,236	105,933	18,292	46,911	12,887	212,991	510,250
Net interest sensitivity gap	**(56,926)**	**(35,654)**	**32,516**	**69,944**	**60,968**	**65,040**	**135,888**
31 December 2022							
Total financial assets	153,214	32,979	29,628	102,088	67,861	174,444	560,214
Total financial liabilities	59,600	77,327	38,605	61,167	695	77,075	314,469
Net interest sensitivity gap	**93,614**	**(44,348)**	**(8,977)**	**40,921**	**67,166**	**97,369**	**245,745**

The following table presents a sensitivity analysis of interest rate risk on financial assets and liabilities:

	Year ended 31 December 2023		Year ended 31 December 2022	
	Impact on profit before tax	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
Increase by 200 basis points	1,417	1,134	2,968	2,374
Decrease by 200 basis points	(1,417)	(1,134)	(2,968)	(2,374)

Note 27: Financial risk management (continued)

c) Financial instruments price risk

Financial instruments price risk is the risk that movements in market prices resulting from factors associated with an issuer of financial instruments (specific risk) and general changes in the market prices of financial instruments (general risk) will affect the fair value or future cash flows of a financial instrument and, as a result, the Group's profitability.

Financial instruments price risk for financial instruments held within the Group's financial assets at fair value through profit or loss is managed: (a) through maintaining a diversified structure of portfolios; and (b) by setting position limits (i.e. limits restricting the total amount of an investment or maximum mismatch between respective assets and liabilities) as loss limits, sensitivity limits and potential losses under stress. In addition to these, the Group sets limits on the structure of securities portfolio, their liquidity, credit quality, and on a maximum duration of debt financial instruments. When necessary the Group establishes margin and collateral requirements.

Financial instruments price risk is managed primarily through daily mark-to-market procedures, sensitivity analysis and control of limits established for various types of financial instruments. The Group assesses the price risk of equity instruments through sensitivity to a change in their fair value by 10%. For debt instruments, the Group assesses price risk by assessing the change in their fair value if interest rates increase by 100 bps. The assessment is made using the modified duration method taking into account convexity.

According to the results of the assessment for financial assets at fair value through profit or loss and available-for-sale financial assets the price risk does not exceed RR 1 billion.

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment (Note 23).

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default, Exposure at Default, Loss Given Default and Discount Rate.

Note 27: Financial risk management (continued)

Credit risk management. Management carefully manages its exposure to credit risk.

An assessment is performed at each reporting date to identify a significant increase in credit risk since initial recognition of a financial instrument. Such assessment is performed on the basis of qualitative and quantitative information:

- Quantitative assessment is performed on the basis of a change in risk of default arising over the expected lifetime of a financial asset.
- Qualitative assessment implies that a number of factors are important for assessing significant increase in credit risk (restructuring indicative of problems, establishing favourable schedule for repaying loan interest and principal, significant changes in expected results of operations and behaviour of a borrower and other material changes).

Financial assets move from Stage 1 to Stage 2 if there is one or a combination of the following factors:

- financial assets are over 30 days overdue;
- credit rating deteriorates;
- there are early warning indicators of an increase in credit risk; a need to change previously agreed on terms of the agreement to create more favourable environment for a customer due to his inability to meet current liabilities because of the customer's financial position; full or partial refinancing of the current debt which would not be required if the client did not experience financial difficulties;
- information on future changes in assets that may result in credit losses not considered in the rating systems is identified (e.g. military conflicts in the region that may have a significant impact on future credit quality).

A default is recognised if one or a combination of the following events occur:

- financial assets are over 90 days overdue (a rebuttable presumption);
- a default rating is assigned;
- restructuring indicative of problems is undertaken;
- a favourable schedule for repaying interest and principal with payments to be made at the end of the term is granted.

Credit risk management (excluding financial services)

Credit risk (excluding financial services) arises from cash and cash equivalents, bank deposits, loans and notes receivables, as well as credit exposures to customers including outstanding trade and other receivables.

Credit risks related to accounts receivable are systematically monitored taking into account the customer's financial position, past experience and other factors. Management systematically reviews ageing analysis of receivables and uses this information for calculation of expected credit losses. A significant portion of the Group's accounts receivable is due from domestic and export trading companies. The Group does not always require collateral to limit the exposure to loss. The Group operates with various customers but a substantial part of its sales relate to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded. Credit quality analysis for accounts receivable is presented in Note 4.

The Group performs an ongoing assessment and monitoring of the risk of default. In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash.

The Group deposits available cash mostly with financial institutions in the Russian Federation. To manage this credit risk, the Group allocates its available cash to a variety of Russian banks.

For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an approach based on risk grades estimated by internal ratings. Internal ratings are mapped to external credit rating provided by agencies (Expert RA JSC, ACRA JSC) on an internally defined master scale with a specified range of probabilities of default.

Credit risk management in financial services

The Group's credit risk policies prescribe its acceptance only through formalized procedures and only based on decisions of the authorized collegial body. The Group has a system of credit committees responsible for making credit decisions, the main objective of which is to create a high-quality loan portfolio that ensures the implementation of the strategy, credit policies and risk management policies. Collegial authorities, authorized to make credit decisions, have a clear segmentation according to business lines, lending segments and the amount of authority.

Note 27: Financial risk management (continued)

The Group structures the level of credit risk it undertakes by placing the appropriate limits. Limits are set by the Group on an individual (for example, for specific customers and counterparties), group and portfolio basis (for example, industry and regional limits, limits on types of operations, etc.).

Internal regulations on financial analysis and risk assessment are created and applied to each segment of the lending activity, including lending to legal entities, individuals, financial institutions and other categories of borrowers.

To reduce the level of risk, the Group accepts collateral in the form of pledges, sureties and guarantees. In case of acceptance of a surety, the Group performs a financial analysis of the guarantor. The assessment of collateral is performed internally by special division responsible for collateral assessment and control. They use several methodologies developed for each type of collateral.

Valuations performed by third parties, including independent appraisal firms authorized by the Group, may serve as additional data for such assessment. The Group usually requires collateral to be insured by insurance companies authorized by the Group.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

The Group regularly analyzes and monitors the impact on borrowers' performance indicators of the expected macroeconomic situation and changes in the economy caused by the introduction of restrictive measures, changes in the key rate, exchange rate volatility and other factors. Taking into account the current economic situation in 2023, increased attention was paid to the risk of non-payment to fulfill obligations, as well as the risks of capital outflow, concentration, logistics and infrastructure risks, and the risk of non-fulfillment of obligations.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

Credit risk analysis of the Group

To quantify the credit risk, the Group uses internal models (rating systems). The Group uses the following rating categories for the analysis of credit quality of assets other than loans to customers and accounts receivable:

- investment grade ratings referred to classification in the range from AAA (RU) to BBB- (RU) of the agencies of Expert RA JSC, ACRA JSC. The probability of default for assets of this category ranges from 0% to 1.51%;
- non-investment grade ratings referred to classification referred from BB+ (RU) to D (RU) of the agencies of Expert RA JSC, ACRA JSC. The probability of default for assets of this category ranges from 1.51% to 100%. On average, the risk for this category is about 21.55% (in 2022: 11.05%).

The following table contains an analysis of the credit risk exposure of cash and cash equivalents including mandatory reserve deposits with the Bank of Russia. Cash and cash equivalents are classified as Stage 1. As at 31 December 2023 and 31 December 2022 there is no cash classified as Stage 2, Stage 3, or acquired or originated impaired. The carrying amount also represents the Group's maximum exposure to credit risk on these financial assets.

	At 31 December 2023	At 31 December 2022
	Stage 1 (12-months ECL)	**Stage 1 (12-months ECL)**
Cash on hand and cash in banks		
- Investment grade rating	41,432	70,321
- Non-investment grade rating	6,894	16,261
- No ratings	-	-
Gross carrying amount	**48,326**	**86,582**
Credit loss allowance	-	-
Carrying amount	**48,326**	**86,582**
Term deposits		
- Investment grade rating	30,829	79,637
- Non-investment grade rating	3,166	1,645
- No ratings	1,803	-
Gross carrying amount	**35,798**	**81,282**
Credit loss allowance	(9)	-
Carrying amount	**35,789**	**81,282**
Financial services: Mandatory reserve deposits with the Bank of Russia		
- Investment grade rating	903	378
- Non-investment grade rating	-	-
- No ratings	-	-
Gross carrying amount	**903**	**378**
Credit loss allowance	-	-
Carrying amount	**903**	**378**

The following table contains an analysis of the credit risk exposure of other financial assets measured at amortised cost and measured at fair value through other comprehensive income for which ECL allowance is recognised other than cash and cash equivalents including mandatory reserve deposits with the Bank of Russia, loans to customers and accounts receivable. The carrying amount also represents the Group’s maximum exposure to credit risk on these financial assets.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

	At 31 December 2023				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Total**
Loans					
- Investment grade rating	-	812	-	-	812
- Non-investment grade rating	16,478	24,530	385	-	41,393
- No ratings	-	-	16,816	-	16,816
Gross carrying amount	**16,478**	**25,342**	**17,201**	**-**	**59,021**
Credit loss allowance	-	(91)	(17,091)	-	(17,182)
Carrying amount	**16,478**	**25,251**	**110**	**-**	**41,839**
Bank deposits					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	2,989	-	2,989
- No ratings	-	-	-	-	-
Gross carrying amount	**-**	**-**	**2,989**	**-**	**2,989**
Credit loss allowance	-	-	(2,989)	-	(2,989)
Carrying amount	**-**	**-**	**-**	**-**	**-**
Other					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	11,584	-	11,584
- No ratings	-	-	3,663	-	3,663
Gross carrying amount	**-**	**-**	**15,247**	**-**	**15,247**
Credit loss allowance	-	-	(14,355)	-	(14,355)
Carrying amount	**-**	**-**	**892**	**-**	**892**
Debt securities measured at amortised cost					
- Investment grade rating	22,898	-	-	-	22,898
- Non-investment grade rating	-	-	-	-	-
- No ratings	-	-	-	-	-
Gross carrying amount	**22,898**	**-**	**-**	**-**	**22,898**
Credit loss allowance	(15)	-	-	-	(15)
Carrying amount	**22,883**	**-**	**-**	**-**	**22,883**
Debt securities measured at fair value through other comprehensive income					
- Investment grade rating	42,053	-	-	-	42,053
- Non-investment grade rating	1,757	-	-	-	1,757
- No ratings	139	-	-	-	139
Gross carrying amount	**43,949**	**-**	**-**	**-**	**43,949**
Credit loss allowance	(921)	-	-	-	(921)
Carrying amount	**43,028**	**-**	**-**	**-**	**43,028**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

	At 31 December 2022				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**POCI**	**Total**
Loans					
- Investment grade rating	-	601	-	-	601
- Non-investment grade rating	-	10,581	2,511	-	13,092
- No ratings	-	-	15,902	-	15,902
Gross carrying amount	**-**	**11,182**	**18,413**	**-**	**29,595**
Credit loss allowance	-	(93)	(17,880)	-	(17,973)
Carrying amount	**-**	**11,089**	**533**	**-**	**11,622**
Bank deposits					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	2,972	-	2,972
- No ratings	-	-	-	-	-
Gross carrying amount	**-**	**-**	**2,972**	**-**	**2,972**
Credit loss allowance	-	-	(2,972)	-	(2,972)
Carrying amount	**-**	**-**	**-**	**-**	**-**
Other					
- Investment grade rating	1	-	-	-	1
- Non-investment grade rating	540	-	8,270	-	8,810
- No ratings	-	-	2,995	-	2,995
Gross carrying amount	**541**	**-**	**11,265**	**-**	**11,806**
Credit loss allowance	(1)	-	(4,659)	-	(4,660)
Carrying amount	**540**	**-**	**6,606**	**-**	**7,146**
Debt securities measured at amortised cost					
- Investment grade rating	25,893	-	-	-	25,893
- Non-investment grade rating	1,532	-	-	-	1,532
- No ratings	-	-	-	-	-
Gross carrying amount	**27,425**	**-**	**-**	**-**	**27,425**
Credit loss allowance	(68)	-	-	-	(68)
Carrying amount	**27,357**	**-**	**-**	**-**	**27,357**
Debt securities measured at fair value through other comprehensive income					
- Investment grade rating	32,378	-	-	-	32,378
- Non-investment grade rating	3,640	-	-	-	3,640
- No ratings	-	-	-	-	-
Gross carrying amount	**36,018**	**-**	**-**	**-**	**36,018**
Credit loss allowance	(116)	-	-	-	(116)
Carrying amount	**35,902**	**-**	**-**	**-**	**35,902**

Note 27: Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Liquidity risk management (excluding financial services)

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In managing its liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The Group prepares various financial plans (monthly, quarterly and annually) which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities for a period of 30 days or more. To fund cash requirements of a more permanent nature, the Group will normally raise long-term debt in available international and domestic markets.

Liquidity risk management in financial services

The objective of liquidity risk management is to ensure the stable operations of the Group, the possibility of uninterrupted operations in accordance with the Group's business plans, including the timely fulfilment of all obligations to customers and counterparties related to making payments, as well as minimising the negative impact on financial results, own funds (capital), the Group's reputation for a possible liquidity deficit. Also, the priority objective of liquidity risk management is to ensure that the Group comply with the mandatory liquidity ratios established by the Central Bank of Russia.

The Group's approach to financial services liquidity management is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both ordinary and stressed conditions, without incurring unacceptable losses or damaging the Group's reputation.

In respect to the financial services segment The Group endeavors to maintain a stable and diversified funding base including core corporate and individual customer accounts; short-, medium- and long-term loans from other banks; promissory notes and bonds issued. On the other hand, the Group tends to keep diversified portfolios of liquid and highly liquid assets in order to be able to settle unforeseen liquidity requirements in an efficient and timely manner.

Key parameters in liquidity risk management such as the structure of assets and liabilities, composition of liquid assets and acceptable liquidity risks are established by Assets and Liabilities Management Committee (ALCO). ALCO sets and reviews limits on liquidity gaps which are assessed on the basis of liquidity stress-tests in regard to medium- and long-term liquidity. These tests are performed using the following information:

- current structure of assets and liabilities including any known renewal arrangements as at the date of the respective test;
- amounts, maturity and liquidity profiles of transactions projected by business units;
- current and projected characteristics of liquid assets which include, apart from cash and cash equivalents, amounts due from other banks and certain financial assets held-for-trading; and
- relevant external factors.

The resulting models allow for the assessment of future expected cash flows due to projected future business and different crisis scenarios.

While managing liquidity risk distinguish liquidity required within a current business day and term liquidity.

For managing current liquidity (with a 1-day horizon) the following methods are used:

- reallocation of cash between accounts with banks;
- collection of information from business and other supporting units on large transactions (both proprietary and customer based);
- purchase and sale of certain financial assets in liquid portfolios;
- accelerating closure of trade positions;
- estimation of minimum expected cash inflow during a business day; and
- daily control over the balance of cash and estimated liabilities to be settled on demand.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

The monitoring of the current and forecasted state of urgent liquidity is carried out daily on the basis of calculating the sufficiency of highly liquid assets to cover planned and unplanned outflows and meeting resource requirements for a period of up to 30 days.

The share of liquid assets is maintained at a level sufficient to meet obligations to customers and counterparties of the Group, which can significantly reduce liquidity risks and non-market funding rates.

To maintain instant liquidity, limits are opened by a significant number of Russian banks. In addition, the liquidity risk is minimized by the Group’s ability to raise funds from the Bank of Russia within the framework of the refinancing system and state support for the financial sector, as well as established liquidity management policies and technologies that provide for stress approaches in estimating future cash flows.

In accordance with the Group's Liquidity Management Policy, the basic principle of liquidity management is risk limiting, in particular, using the required liquid assets limit. If necessary (changing the financial situation in the markets or at Group), other limits (for counterparties, financial instruments, etc.) can be used to manage liquidity.

Liquidity risk analysis of the Group

The following tables summarise the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments, including interest payments:

	At 31 December 2023			
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Trade and other financial payables	99,121	-	-	99,121
Dividend payable	119,137	-	-	119,137
Lease obligations, net of current portion	-	15,359	19,631	34,990
Financial services: Other financial liabilities at fair value through profit or loss	14,983	-	-	14,983
Debt	5,406	16,979	7,133	29,518
Financial services: Due to banks and the Bank of Russia	27,568	4,021	-	31,589
Financial services: Customer accounts	203,200	4,637	10	207,847
Credit related commitments (Note 23)	70,298	46,537	5,676	122,511
Total	**539,713**	**87,533**	**32,450**	**659,696**

	At 31 December 2022			
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Trade and other financial payables	50,981	204	2	51,187
Dividend payable	26,025	-	-	26,025
Lease obligations, net of current portion	-	2,553	1,394	3,947
Financial services: Other financial liabilities at fair value through profit or loss	1,433	-	-	1,433
Debt	2,711	15,057	19	17,787
Financial services: Due to banks and the Bank of Russia	3,590	2,903	-	6,493
Financial services: Customer accounts	212,919	2,791	12	215,722
Credit related commitments (Note 23)	54,031	42,453	377	96,861
Total	**351,690**	**65,961**	**1,804**	**419,455**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

Fair values

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

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.
Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

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

				At 31 December 2023
			Fair value	
	Level 1	Level 2	Level 3	**Carrying value**
Securities measured at fair value through profit or loss	2,903	152	177	**3,232**
Derivatives measured at fair value through profit or loss	-	19	-	**19**
Other loans measured at fair value through profit or loss	-	-	2,021	**2,021**
Securities measured through other comprehensive income	36,262	12,525	21,710	**70,497**
Investment property	-	-	827	**827**
Financial services: Other financial liabilities measured at fair value through profit or loss	(14,983)	-	-	**(14,983)**
Total	**24,182**	**12,696**	**24,735**	**61,613**

				At 31 December 2022
			Fair value	
	Level 1	Level 2	Level 3	**Carrying value**
Financial services: Loans to customers measured at fair value through profit or loss	-	-	37	**37**
Securities measured at fair value through profit or loss	4,438	479	690	**5,607**
Derivatives measured at fair value through profit or loss	-	562	-	**562**
Loans measured at fair value through profit or loss	-	-	2,160	**2,160**
Securities measured through other comprehensive income	31,570	7,334	20,647	**59,551**
Investment property	-	-	786	**786**
Financial services: Other financial liabilities measured at fair value through profit or loss	(526)	(907)	-	**(1,433)**
Total	**35,482**	**7,468**	**24,320**	**67,270**

Note 27: Financial risk management (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 December 2023 и 2022:

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

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the years ended 31 December 2023 and 2022.There have been no transfers between Level 1, Level 2 and Level 3 during these periods.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

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

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

	At 31 December 2023				**At 31 December 2022**			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	3,775	44,551	-	48,326	3,599	82,983	-	86,582
Term deposits	-	35,789	-	35,789	-	81,282	-	81,282
Financial services: Mandatory reserve deposits with the Bank of Russia	-	903	-	903	378	-	-	378
Accounts receivable								
Trade receivables	-	-	211,895	211,895	-	-	97,356	97,356
Other financial receivables	-	1,265	16,184	17,449	-	1,229	21,976	23,205
Financial services: Loans to customers measured at amortised cost	-	-	193,751	190,393	-	-	161,065	157,369
Other financial assets								
Loans measured at amortised cost	-	-	41,839	41,839	-	-	11,622	11,622
Securities measured at amortised cost	14,885	5,244	1,942	22,883	15,761	4,952	6,240	27,357
Other	-	-	892	892	-	543	6,606	7,146
Total	**18,660**	**87,752**	**466,503**	**570,369**	**19,738**	**170,989**	**304,865**	**492,297**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	87,445	87,445	-	-	49,609	49,609
Current portion of lease liabilities	-	-	4,810	4,810	-	-	974	974
Other payables	-	-	6,344	6,344	-	-	481	481
Dividend payable	-	-	119,137	119,137	-	-	26,025	26,025
Non-current lease liabilities	-	-	20,344	20,344	-	-	2,641	2,641
Debt								
Bonds issued	-	2	-	2	-	2,052	-	2,057
Subordinated debt	-	22	-	22	-	22	-	22
Promissory notes issued	-	11,341	-	12,790	-	11,666	-	11,897
Other debt	-	-	10,043	10,043	-	-	525	525
Financial services: Due to banks and the Bank of Russia	186	30,251	-	30,751	921	5,240	-	6,173
Financial services: Customer accounts	-	36,953	163,088	203,579	-	76,333	133,868	212,632
Total	**186**	**78,569**	**411,211**	**495,267**	**921**	**95,313**	**214,123**	**313,036**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

The fair values in Level 2 and Level 3 fair value hierarchy were estimated using the model of discounted cash flows.

The fair value of instruments that do not have a quoted market price in an active market was estimated based on estimated future cash flows, discounted using prevailing market interest rates for new instruments with similar credit risk and maturity.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Liabilities arising as a result of financing activities					
	Credits and loans	**Bonds issued**	**Subordinated debt**	**Lease liabilities**	**Promissory notes**	**Total**
At 31 December 2021	**11,171**	**20,412**	**21**	**13,162**	**568**	**45,334**
Cash flow movement, including:						
Proceeds from issuance of debt	1,488	-	-	-	-	1,488
Repayment of debt	(3,091)	-	-	-	-	(3,091)
Issuance of bonds	-	-	-	-	11,400	11,400
Redemption of bonds	-	(18,318)	-	-	-	(18,318)
Repayment of principal portion of lease liabilities	-	-	-	(1,125)	-	(1,125)
Interest paid	(542)	(1,341)	(99)	(817)	-	(2,799)
Foreign exchange adjustments	(1,269)	-	-	-	-	(1,269)
Interest accrual	428	1,277	100	817	-	2,622
Disposal of liabilities as result of discontinued operations (Note 26)	(7,110)	-	-	(1,078)	-	(8,188)
Disposal of liabilities as a result of the termination of lease agreements	-	-	-	(7,220)	-	(7,220)
Other non-cash flows	(550)	27	-	(124)	(71)	(718)
At 31 December 2022	**525**	**2,057**	**22**	**3,615**	**11,897**	**18,116**
Cash flow movement, including:						
Proceeds from issuance of debt	57,373	-	-	-	-	57,373
Repayment of debt	(61,933)	-	-	-	-	(61,933)
Redemption of bonds	-	(2,008)	-	-	-	(2,008)
Repayment of principal portion of lease liabilities	-	-	-	(4,563)	-	(4,563)
Interest paid	(443)	(69)	(118)	(1,634)	-	(2,264)
Foreign exchange adjustments	1,342	-	-	1,234	-	2,576
Interest accrual	614	21	118	1,634	957	3,344
Change in liabilities as a result of acquisition of businesses (Note 24)	12,434	-	-	1,262	-	13,696
Change in liabilities as a result of acquisition of right-of-use assets	-	-	-	23,150	-	23,150
Other non-cash flows	131	1	-	456	(64)	524
At 31 December 2023	**10,043**	**2**	**22**	**25,154**	**12,790**	**48,011**

Note 27: Financial risk management (continued)

Management of Capital

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 support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group defines capital under management as the "Total equity owned by shareholders of PJSC Tatneft" as shown in the consolidated statement of financial position. The amount of capital that the Group managed as at 31 December 2023 was RR 1,190,843 million (2022: RR 1,095,623 million).

The Group considers equity and debt to be the principal elements of capital management. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, revise its investment program, attract new or settle existing debt or sell certain non-core assets. The Group monitors capital on the basis of its gearing ratio.

Note 28: Material accounting policy information

Material accounting policy information used in preparing these consolidated financial statements are presented below. These principles have been applied consistently to all periods presented in the statements.

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

Management has determined the functional currency for the Company and each consolidated subsidiary of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates". Foreign exchange gains and losses resulting from the settlement of the transactions and from the translation of monetary assets and liabilities into functional currency at year-end official exchange rates of the Central Bank of the Russian Federation (the "Bank of Russia") at the end of the year are reflected in profit or loss for the year as other income /(expenses) within "Foreign exchange gain/(loss), net."

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

The official rates of exchange, as published by the Bank of Russia, of the Russian Ruble ("RR") to the US Dollar ("US $") at 31 December 2023 and 2022 were RR 89.69 and RR 70.34 to US $, respectively. Average rates of exchange for the years ended 31 December 2023 and 31 December 2022 were RR 85.25 and RR 68.55 per US $, respectively.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations

Goodwill. Goodwill is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from synergies as a result of the combination. These units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger in size than an operating segment.

The Group tests goodwill for impairment at least once a year and whenever there is an indication that it may be impaired. The impairment is recognised immediately as an expense and is not subsequently reversed.

Associates and joint ventures. Associates and joint ventures are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates and joint ventures reduce the carrying value of the investment in associates and joint ventures. Other post-acquisition changes in Group's share of net assets of an associate and joint ventures are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the Group. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Note 28: Material accounting policy information (continued)

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL").

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains (losses) on debt financial assets at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

The Group applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calculates expected credit losses on trade receivables based on historical data assuming reasonable approximation of current losses rates adjusted on forward-looking information.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition, excluding write-off. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

Presentation of cash flows on deposits at fair value through profit or loss in the consolidated statement of cash flows. Placements and proceeds from redemption of bank deposits at fair value through profit or loss mature less than three months are presented in the consolidated statement of cash flows on a net basis. Placements and proceeds from redemption of bank deposits at fair value through profit or loss mature more than three months are presented in the consolidated statement of cash flows separately in gross amounts.

Financial liabilities designated at FVTPL. The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Note 28: Material accounting policy information (continued)

Cash and cash equivalents. Cash represents cash on hand and in bank accounts and the Bank of Russia, other than mandatory reserves deposits with the Bank of Russia, which can be effectively withdrawn at any time without prior notice. Cash equivalents include highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase.

Mandatory reserve deposits with the Bank of Russia. Mandatory cash balances with the Bank of Russia are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from banks. Amounts due from banks are recorded when the Group advances money to counterparty banks due on fixed or determinable dates. Amounts due from banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Due from banks that mature within three months or less from the date of placement are included in cash and cash equivalents.

Loans to customers. Loans to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

Due to banks and the Bank of Russia. Amounts due to banks and the Bank of Russia are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

Debt securities and bonds issued. Debt securities issued include promissory notes issued by the Group to its customers in the course of its financial services. Bonds issued represent securities issued by the Bank that are traded and quoted in the open market. Promissory notes carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the customer can sell at a discount in the over-the-counter market.

Non-current assets classified as held for sale. Non-current assets are classified in the consolidated statement of financial position as "Long term assets held for sale" if their carrying amount will be recovered principally through a sale transaction within twelve months after the end of the reporting period.

Inventories. Inventories of crude oil, refined oil products, materials and supplies, finished goods and other inventories are valued at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The Group uses the weighted-average-cost method. Costs include both direct and indirect expenditures incurred in bringing an item or product to its existing condition and location.

Prepaid expenses and other current assets. Prepaid expenses and other current assets include advances for purchases of products and services, insurance fees, excise tax refundable, prepayments for export duties, VAT and other taxes. Prepayments are carried at cost less provision for impairment.

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group.

Tax on additional income from hydrocarbon extraction. AIT is levied at the rate of 50% on additional income from oil production, calculated as the difference between the estimated revenue from the sale of hydrocarbons and the actual and estimated costs of its production, including capital costs. This tax regime includes MET, but with a reduced rate. This regime covers depleted oil fields in Republic of Tatarstan, as well as the Group's license areas in the Nenets Autonomous District. AIT is included in taxes other than income tax in the consolidated statements of profit or loss and other comprehensive income.

Note 28: Material accounting policy information (continued)

Reverse excise on crude oil refined and negative excise on gasoline and diesel fuel. In the consolidated statement of profit or loss and other comprehensive income reverse ("negative") excise on crude oil refined and negative excise on gasoline and diesel fuel is recognised as a reduction (additional expense, if reverse excise payable) in excise tax expense included in taxes other than income tax (Note 29) and is presented in prepaid expenses and other current assets line in the statement of consolidated financial position. The investment premium for refineries Kinv is also included in reverse (negative) excise of the period.

Value added tax. Value added tax (VAT) at a standard rate of 20% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT can be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities.

VAT related to sales and purchases is recognised in the Consolidated Statement of Financial Position on a gross basis and disclosed separately within Prepaid expenses and other current assets and Taxes payable.

Oil and gas exploration and development cost. Oil and gas exploration and development activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property as well as costs of drilling and equipping productive wells and related production facilities are capitalised.

Other exploration expenses, including geological and geophysical expenses and the costs of carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalised as exploration and evaluation assets on a "field by field" basis pending determination of whether proved reserves have been found. Exploration and evaluation assets are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured.

If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of respective exploration and evaluation assets, is classified as development assets. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Property, plant and equipment. Property, plant and equipment are carried at historical cost of acquisition or construction less accumulated depreciation, depletion, amortization and impairment.

Proved oil and gas properties include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of maintenance, repairs and replacement of minor items of property are expensed when incurred within operating expenses; renewals and improvements of assets are capitalised and depreciated during the remaining useful life. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Advances made on construction of property, plant and equipment are accounted for within Construction in progress.

Non-current assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with IAS 36 Impairment of assets. Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets - generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at a site level for petrol stations. Impairment losses are recognised in the profit or loss for the year.

The Group calculates depreciation expense for oil and gas proved properties using the units-of-production method for each field based upon proved developed oil and gas reserves, except in the case of significant asset components whose useful life differs from the lifetime of the field, in which case the straight-line method is applied.

Oil and gas licenses for exploration of unproved reserves are capitalised within property, plant and equipment; they are depreciated on the straight-line basis over the period of each license validity.

Note 28: Material accounting policy information (continued)

Depreciation of all other property, plant and equipment is determined on the straight-line method based on estimated useful lives which are as follows:

	Years
Buildings and constructions	20-50
Machinery and equipment	5-30

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds, if any, with the carrying amount. Gains and losses are recorded in impairment losses on property, plant and equipment and other non-financial assets net of reversal in the consolidated statement of profit or loss and other comprehensive income.

Leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An asset is identified by being explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use by the customer. The Group does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. Generally, the Group determines its incremental borrowing rate as possible borrowing rate offered by banks for the funds, necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. The rate is determined based on indicative rates of banks or indicative yield to maturity of bonds of oil and gas industry companies.

The term used to measure a liability and an asset in the form of a right of use is defined as the period during which the Group has sufficient confidence that it will lease the asset. Any option for renewal or termination is taken into account when estimating the term. Extension options are included in a number of equipment leases across the Group. For a number of other assets that have a buyout option, the depreciation period is determined based on the useful life of the underlying asset.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Debt. Debt is recognised initially at fair value, net of transaction costs incurred and is subsequently carried at AC using the effective interest method.

Interest income (excluding financial services). Interest income (excluding financial services) is recognised on a time-proportion basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums.

Employee benefits, post-employment and other long-term benefits. Wages, salaries, contributions to the social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has various pension plans covering substantially all eligible employees and members of management. The pension liabilities are measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the same currency and terms to maturity approximating the terms of the related liability. Pension costs are recognised using the projected unit credit method.

The cost of providing pensions is accrued and charged to staff expense within operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income reflecting the cost of benefits as they are earned over the service lives of employees.

Remeasurements of the net defined benefit liability arising as the actuarial gains or losses from changes in assumptions and from experience adjustments with regard to post employment benefit plans are recognised immediately in other comprehensive income. Actuarial gains and losses related to other long-term benefits are recognised immediately in the profit or loss for the year.

Past service costs are recognised as an expense for the year immediately.

Note 28: Material accounting policy information (continued)

Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

Mandatory contributions to the Fund, which from 1 January 2023 are part of contributions to the Social Fund of Russia, are expensed when incurred and are included within staff costs in operating expenses.

Long-term employee incentives program. The Group operates a cash-settled share-based compensation plan.

The terms of share-based compensation plan, initial data, assumptions and models used in measurement of cash-settled share-based compensation plan are presented in Note 16.

Decommissioning provisions. The Group recognises a liability for the present value of legally required or constructive decommissioning provisions associated with non-current assets in the period in which the retirement obligations are incurred. The Group has numerous asset removal obligations that it is required to perform under law or contract once an asset is permanently taken out of service. The Group's field exploration, development, and production activities include assets related to: well bores and related equipment and operating sites, gathering and oil processing systems, oil storage facilities and gathering pipelines.

Generally, the Group's licenses and other operating permits require certain actions to be taken by the Group in the abandonment of these operations. Such actions include well abandonment activities, equipment dismantlement and other reclamation activities. The Group's estimates of future abandonment costs consider present regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Group using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability. Most of these costs are not expected to be incurred until several years, or decades, in the future and will be funded from general Group resources at the time of removal.

The Group capitalises the associated decommissioning costs as part of the carrying amount of the non-current assets. Changes in obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset. If a decrease in the liability exceeds the carrying amount of the asset, the excess shall be recognised immediately in profit or loss.

The Group's petrochemical, refining and marketing and distribution operations are carried out at large manufacturing facilities and fuel outlets. The nature of these operations is such that the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for liabilities related to the liquidation of such manufacturing facilities or of retail fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

Income Taxes. Effective 1 January 2012, the Company has established the Consolidated Taxpayer Group, which included four, and since 2016, five enterprises of the Group. From 1 January 2023, the institution of a consolidated group of taxpayers ceased to operate. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Note 28: Material accounting policy information (continued)

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the Consolidated Taxpayer Group or individual companies of the Group outside the Consolidated Taxpayer Group.

Income tax penalties expense and income tax penalties payable are included in Taxes other than income tax in the consolidated statement of profit or loss and other comprehensive income and taxes payable in the consolidated statement of financial position, respectively. Income tax interest expense and payable are included in interest expense in the consolidated statements of profit or loss and other comprehensive income and other accounts payable and accrued expenses in the consolidated statement of financial position, respectively.

Share capital. Ordinary shares and non-redeemable preferred shares with discretionary dividends are both classified as equity.

Dividends paid to shareholders are determined by the Board of directors and approved at the annual or extraordinary shareholders' meeting. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Treasury shares. Common shares of the Company owned by the Group at the reporting date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Earnings per share. Preferred shares are not redeemable and are considered to be participating shares.

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preferred shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares. The remaining profit or loss is allocated to ordinary and preferred shares to the extent that each class may share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.

Revenue from Contracts with Customers. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, value added taxes.

The Group's business activities include sales of crude oil and refined products, petrochemical raw materials. Revenues are recognised at a point in time when control over such products has transferred to a customer, which refers to ability to direct the use of, and obtain substantially all of the remaining benefits from the products. Transfer occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group operates a chain of own petrol (gas) stations selling refined products. Revenue from the sale of products is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the fuel. Since no right of return, no refund liability is recognised.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No significant element of financing is deemed present as the sales are made with short-term credit terms consistent with market practice. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Recognition of interest, fee and commission income and expense from financial services. Interest income and expense are recognised on an accrual basis calculated using the effective interest method. Fee and commission income are recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, etc.

Note 28: Material accounting policy information (continued)

Transportation expenses. Transportation expenses recognised in the consolidated statements of profit or loss and other comprehensive income represent all expenses incurred by the Group to transport crude oil and refined products to end customers (they may include pipeline tariffs and any additional railroad costs, handling costs, port fees, sea freight and other costs). Compounding fees are included in selling, general and administrative expenses.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Discontinued operation. A discontinued operation is a component of the Group that has been disposed of and represents a separate major line of business; is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Earnings of discontinued operation are disclosed separately from continuing operations with comparatives being re-presented. In the second quarter of 2022, the Group disposed of its share and interests in subsidiaries that comprised the tire business segment (Note 26).

Note 29: Critical accounting estimates and judgements in applying accounting policies

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

Management of the Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC "National Non-State Pension Fund";
- Sale and purchase of oil under contracts for counter oil deliveries;
- Financial assets impairment;
- Financial instruments fair value estimation;
- Presentation of excise tax, including reverse excise and export duties.
- Determining the absence of control as a result of transactions for the sale of shares and interests in enterprises.

Estimation of oil and gas reserves. Oil and gas development and production assets are depreciated on a unit-of-production (UOP) basis for each field or group of fields with similar characteristics at a rate calculated by reference of proved developed reserves. Estimates of proved reserves are also used in the determination of whether impairments have arisen or should be reversed. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. The Group estimates its oil and gas reserves in accordance with rules approved by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) for proved reserves.

Changes to the Group's estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortization charged and, consequently, the carrying amounts of oil and gas properties. It is expected, however, that in the normal course of business the diversity of the Group's portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being written off in the profit or loss for the year.

(In million of Russian Rubles)

Note 29: Critical accounting estimates and judgements in applying accounting policies (continued)

Useful life of property, plant and equipment. Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs. As a result of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation expenses for the period.

Management reviews the appropriateness of the assets' useful economic lives and residual values at the end of each reporting period. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and the estimated residual value.

Decommissioning provisions. Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future decommissioning provisions is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

Sensitivity analysis for changes in discount rate:

		Impact on decommissioning provision	
	Change in	**At 31 December 2023**	**At 31 December 2022**
Discount rate	100 bp increase	(4,365)	(8,869)
	100 bp decrease	5,521	10,830

Information about decommissioning provision is presented in Note 9.

Impairment of property, plant and equipment. Information is presented in Note 9.

Accounting of investments in JSC "National Non-State Pension Fund"

As at 31 December 2023 and 2022 the Group has 88.39% and 74.46% of shares of JSC "National Non-Governmental Pension Fund", respectively. The Group does not exercise either control or significant influence over JSC "National Non-Governmental Pension Fund" based on corporate governance and pension legislation. These investments are presented within financial assets carried at FVOCI as at 31 December 2023 and 2022 (Note 6).

Operations for the sale and purchase of oil under contracts for counter oil deliveries. During the years ended 31 December 2023 and 2022 sales of crude oil under counter-delivery contracts in the amount of RR 305,492 million and RR 283,886 million respectively are presented net in the consolidated statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for exchange of products of similar quality.

Financial assets impairment. Detailed information is presented in Note 27.

Note 29: Critical accounting estimates and judgements in applying accounting policies (continued)

Financial instruments fair value estimation. Financial instruments carried at FVTPL or FVOCI are stated at fair value. If a quoted market price is available for an instrument, the fair value is calculated based on the quoted market price. When valuation parameters are not observable in the market or cannot be derived from quoted market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the financial instruments as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management makes a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument, in exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets.

Any difference between the transaction price and the value based on a valuation technique is not recognised in the consolidated statement of profit or loss and other comprehensive income on initial recognition unless the value is based on valuation technique that uses only data from observable markets. Subsequent gains or losses are only recognised to the extent that they arise from a change in a factor that market participants would consider in setting a price.

Information on fair value of financial instruments where estimate is based on assumptions that do not utilize observable market prices is presented in Note 27.

Presentation of excise tax, including reverse excise and export duties Excise taxes, including reverse (negative) excise tax on crude oil, motor gasoline and diesel fuel, are presented in the Group's consolidated statement of profit or loss and other comprehensive income as part of the line “Taxes other than income tax” (Note 11). Export duties are presented in the Group's consolidated statement of profit or loss and other comprehensive income as a separate line in the section “Costs and expenses (excluding financial services)”. Recognition in this section provides more comprehensive presentation of overall tax maneuver effect for the financial results of the Group in comparison with presentation in Revenue (excluding financial services).

Determining the absence of control as a result of transactions for the sale of shares and interests in enterprises. In the 2nd quarter of 2022, the Group disposed of shares and interests in entities that constituted a separate segment. The Company analysed the terms of the agreements and existing relationships. Given the absence of ownership interests and other factors, the Group does not have any mechanisms to manage the significant activities of the disposed entities, and, therefore, the Group does not control them as at 31 December 2023 and 2022 (Note 26).

Note 30: Adoption of new or revised standards and interpretations

The following amended standards became mandatory for the consolidated financial statements of 2023, but did not have any material impact on the Group:

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, the effective date subsequently modified to 1 January 2023 by amendments to IFRS 17 as below).
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 12: Deferred tax related to assets and liabilities arising from a single transaction (issued on May 7, 2021 and effective for annual periods beginning on or after January 1, 2023).
- Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023).
- International Tax Reform – Pillar Two Model Rules – Narrow-scope amendments to IAS 12 (issued on 23 May 2023 and effective for annual periods beginning on or after 1 January 2023).

The following published new standards and interpretations mandatory for annual periods beginning on 1 January 2024 or after, are not expected to have any material impact on the Group's consolidated financial statements when adopted:

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022, deferred to 1 January 2024 by amendments to IAS 1 as below).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023, deferred to 1 January 2024).
- Non-current Liabilities with Covenants – Amendments to IAS 1 (issued on 31 October 2022 and effective for annual periods beginning on or after 1 January 2024).
- Lease Liability in a Sale and Leaseback Amendments to IFRS 16 – Amendments to IFRS 16 (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024).
- Supplier Finance Arrangements (Reverse Factoring) – Amendments to IAS 7 and IFRS 7 (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024).
- Lack of Exchangeability– Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates (issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025).
- Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).