Tatneft Group

IFRS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2022

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 2022, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- 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 significant accounting policies 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 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 and predictability of such recoverable amount. Information on property, plant and equipment, analysis of impairment of these assets and results of such analysis are disclosed in Note 12 “Property, Plant and Equipment” to the consolidated financial statements.	Regarding recoverable amounts calculated by the Group based on expected discounted cash flows, we (on a sample basis, where applicable): • assessed appropriateness of the methodology applied; • assessed acceptability of the key assumptions applied (with involvement of our valuation specialists); • tested underlying data, including comparing the used information about hydrocarbon reserves to the assessment made by independent engineering firm; • tested the mathematical accuracy of the calculations; and • performed a sensitivity analysis of the results of the calculations to changes in key assumptions. We tested (on a sample basis) that recorded impairment is sufficient by comparing carrying amounts of assets to corresponding recoverable amounts. We assessed information on impairment of property, plant and equipment in the consolidated financial statements for compliance with requirements of IFRS.
Disposal of the tire business We focused on this matter due to complexity of the transaction, significance of judgements and estimates applied in accounting for the transaction, and due to complexity of presentation of discontinued operations. Information on disposal of the tire business is disclosed in Note 4 “Critical accounting estimates and judgements in applying accounting policies” and Note 26 “Discontinued Operations” to the consolidated financial statements.	We performed the following procedures: • analysis of sale and purchase agreements and other documents to obtain understanding of terms of individual deals and of the transaction on disposal of the tire business as a whole; • analysis of the Group’s conclusions on transfer of control over the tire business; • testing of the fair value of the consideration received, including assessment of appropriateness of the discount rate used; • testing of accounting (on a sample basis) for the disposal of the tire business and related disclosures, and presentation of the tire business as discontinued operations.

Other information

Management is responsible for the other information. The other information comprises the Integrated Annual Report 2022, Securities Issuer’s Report for the 12 months of 2022 and “Management’s discussion and analysis of financial condition and results of operations for the years ended 31 December 2022 and 2021” (but does not include the consolidated financial statements and our auditor’s report thereon), which are expected to be made available to us after the date of this auditor’s report.

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

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

When we read the Integrated Annual Report 2022, Securities Issuer's Report for the 12 months of 2022 and "Management's discussion and analysis of financial condition and results of operations for the years ended 31 December 2022 and 2021", 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, 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance 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 E. N. Kriventsev.

15 March 2023
Moscow, Russian Federation

E. N. Kriventsev 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 2022	31 December 2021
Assets			
Cash and cash equivalents	6	167,864	66,487
Financial services: Mandatory reserve deposits with the Bank of Russia		378	1,429
Short-term accounts receivable, net	7	107,869	89,004
Financial services: Loans to customers	8	44,881	32,342
Other short-term financial assets	9	23,764	108,162
Inventories	10	77,382	81,062
Prepaid expenses and other current assets	11	32,198	32,278
Prepaid income tax		1,180	763
Non-current assets held for sale		910	715
Total current assets		**456,426**	**412,242**
Long-term accounts receivable, net	7	12,823	918
Financial services: Loans to customers	8	112,525	102,360
Other long-term financial assets	9	90,241	81,084
Investments in associates and joint ventures		2,535	2,125
Property, plant and equipment, net	12	975,172	879,782
Right-of-use assets		3,237	11,897
Deferred income tax assets	13	5,504	3,333
Other long-term assets		17,374	8,548
Total non-current assets		**1,219,411**	**1,090,047**
Total assets		**1,675,837**	**1,502,289**
Liabilities and equity			
Short-term debt and current portion of long-term debt	14	2,665	22,541
Accounts payable and accrued liabilities	15	92,936	101,270
Dividends payable	19	26,025	22,984
Financial services: Due to banks and the Bank of Russia	16	3,290	23,553
Financial services: Customer accounts	17	211,919	150,141
Financial services: Other financial liabilities at fair value through profit or loss		1,433	7,063
Taxes payable, other than income tax	13	72,218	89,705
Income tax payable		4,428	4,443
Other short-term liabilities		140	414
Total current liabilities		**415,054**	**422,114**
Long-term debt, net of current portion	14	11,836	9,631
Financial services: Due to banks and the Bank of Russia	16	2,883	4,026
Financial services: Customer accounts	17	713	1,288
Decommissioning provision, net of current portion	12	53,994	38,653
Lease liabilities, net of current portion		2,641	10,324
Deferred income tax liability	13	50,912	43,073
Other long-term liabilities	18	33,360	29,805
Total non-current liabilities		**156,339**	**136,800**
Total liabilities		**571,393**	**558,914**
Equity			
Preferred shares (authorised, issued and paid as at 31 December 2022 and at 31 December 2021 – 147,508,500 shares; nominal value – RR 1.00)	19	746	746
Ordinary shares (authorised, issued and paid as at 31 December 2022 and at 31 December 2021 – 2,178,690,700 shares; nominal value – RR 1.00)	19	11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive (loss)/income		(249)	2,345
Retained earnings		1,010,027	850,198
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 31 December 2022 and 31 December 2021)		(10,359)	(10,359)
Total equity owned by shareholders of PJSC Tatneft	27	**1,095,623**	**938,388**
Non-controlling interest		**8,821**	**4,987**
Total equity		**1,104,444**	**943,375**
Total liabilities and equity		**1,675,837**	**1,502,289**

Approved for issue and signed on 15 March 2023.

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 2022	Year ended 31 December 2021 (restated, Note 26)
Continuing operations			
Revenue (excluding financial services)	22	**1,427,147**	**1,205,267**
Costs and other expenses (excluding financial services)			
Operating expenses		(176,629)	(136,300)
Purchased crude oil and refined products		(135,203)	(125,834)
Exploration		(1,946)	(2,799)
Transportation		(52,892)	(35,854)
Selling, general and administrative		(68,584)	(68,246)
Depreciation, depletion and amortization	12,22	(48,042)	(41,723)
Expected credit losses on financial assets net of reversal	7,9	2,165	(39)
Impairment losses on property, plant and equipment and other non-financial assets net of reversals	12	(30,230)	(3,297)
Taxes other than income taxes	13	(464,819)	(497,948)
Export duties		(44,527)	(39,033)
Maintenance of social infrastructure and transfer of social assets		(9,496)	(12,826)
Total costs and expenses (excluding financial services)		**(1,030,203)**	**(963,899)**
Loss on disposals of interests in subsidiaries and associates, net		(96)	(14)
Fair value gain from financial assets at fair value through profit or loss, net		897	3,382
Other operating income, net		2,645	2,617
Operating profit (excluding financial services)		**400,390**	**247,353**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) from financial services			
Interest, fee and commission income	21,22	25,804	16,448
Interest, fee and commission expense	21	(14,522)	(8,229)
Net (expense)/income on creating/reversal provision for credit losses associated with debt financial assets	8	(1,501)	543
Operating expenses		(8,930)	(8,335)
Gain arising from dealing in foreign currencies, net		3,301	8
Other operating expense, net		(1,922)	(75)
Total net interest, fee, commission and other operating income and gains from financial services		**2,230**	**360**
Other (expenses)/ income			
Foreign exchange (loss)/gain, net	27	(24,999)	2,440
Interest income (excluding financial services)		7,756	3,909
Interest expense, net of amounts capitalised (excluding financial services)		(5,697)	(6,174)
Share of results of associates and joint ventures, net		288	11
Total other (expenses)/income, net		**(22,652)**	**186**
Profit before income tax		**379,968**	**247,899**
Income tax			
Current income tax expense		(76,908)	(48,753)
Deferred income tax expense		(3,822)	(7,658)
Total income tax expense	13	**(80,730)**	**(56,411)**
Profit from continuing operations		**299,238**	**191,488**
(Loss)/profit from discontinued operation	26	**(14,335)**	**7,398**
Profit for the year		**284,903**	**198,886**

	Note	Year ended 31 December 2022	Year ended 31 December 2021 (restated, Note 26)
Other comprehensive (loss)/ income net of income tax:			
Continuing operations			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(1,296)	(847)
Loss on debt financial assets at fair value through other comprehensive income, net		(424)	(957)
Items that will not be reclassified to profit or loss:			
(Loss)/gain on equity financial assets at fair value through other comprehensive income, net		(524)	255
Actuarial (loss)/gain on employee benefit plans		(175)	1,536
Other comprehensive loss from continuing operations		**(2,419)**	**(13)**
Other comprehensive income from discontinued operation	26	**42**	**-**
Total comprehensive income for the period		**282,526**	**198,873**
Profit attributable to:			
- Shareholders of PJSC Tatneft		284,572	198,412
- Non-controlling interest		331	474
		284,903	**198,886**
Total comprehensive income attributable to:			
- Shareholders of PJSC Tatneft		282,319	198,571
- Non-controlling interest		207	302
		282,526	**198,873**
Total comprehensive income/(loss) attributable to shareholders of PJSC Tatneft from:			
- continuing operations		296,373	191,312
- discontinued operation		(14,054)	7,259
		282,319	**198,571**
Basic and diluted earnings per share (RR)			
Ordinary	19	126.44	88.16
Preferred		126.44	88.16
Basic and diluted earnings per share from continuing operations (RR)			
Ordinary	19	132.70	84.93
Preferred		132.70	84.93
Weighted average shares outstanding (millions of shares)			
Ordinary	19	2,103	2,103
Preferred		148	148

	Total equity owned by shareholders of PJSC Tatneft									Non-con-trolling interest	Total equity
	Number of shares (thousands)	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Actuarial (loss)/profit on employee benefit plans**	**Foreign currency translation adjustments**	**Gain/(loss) on financial assets at fair value through other compre-hensive income, net**	**Retained earnings**	**Total**		
Balance at 1 January 2021	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(2,511)**	**3,191**	**1,506**	**739,641**	**827,672**	**3,918**	**831,590**
Profit for the year	-	-	-	-	-	-	-	198,412	198,412	474	198,886
Other comprehensive income/(loss) for the year	-	-	-	-	1,536	(847)	(530)	-	159	(172)	(13)
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**1,536**	**(847)**	**(530)**	**198,412**	**198,571**	**302**	**198,873**
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	321	321
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(40)	(40)
Dividends declared (Note 19)	-	-	-	-	-	-	-	(87,322)	(87,322)	(47)	(87,369)
Intercompany transactions on the purchase and sale of loans	-	-	-	-	-	-	-	(533)	(533)	533	-
Balance at 31 December 2021	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(975)**	**2,344**	**976**	**850,198**	**938,388**	**4,987**	**943,375**
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 19)	-	-	-	-	-	-	-	(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**

(In million of Russian Rubles)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Operating activities			
Profit for the year		284,903	198,886
Adjustments:			
Net interest, fee and commission and other operating income and gains from financial services activities		(2,230)	(360)
Depreciation, depletion and amortization	12,22	48,547	42,663
Income tax expense	13	82,274	58,420
Expected credit losses on financial assets net of reversal	7,9	(2,200)	78
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	12	30,408	3,576
Loss on disposals of interests in subsidiaries and associates, net	26	19,110	14
Income from changes in the fair value of financial assets measured at fair value through profit or loss, net		(897)	(3,382)
Effects of foreign exchange		(1,269)	(268)
Share of results of associates and joint ventures, net		(288)	(11)
Interest income (excluding financial services)		(7,771)	(3,962)
Interest expense, net of amounts capitalised (excluding financial services)		5,952	6,304
Other		(6,199)	1,529
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(24,694)	(4,559)
Inventories		(11,482)	(32,467)
Prepaid expenses and other current assets		(2,708)	(10,748)
Securities at fair value through profit or loss		200	(49)
Accounts payable and accrued liabilities		2,265	15,114
Taxes payable, other than income tax		(16,511)	58,441
Net cash provided by operating activities before income tax and interest (excluding financial services)		**397,410**	**329,219**
Net interest, fee and commission and other operating income and gains from financial services		2,230	360
Adjustments:			
Net expense/(income) on creating/(reversal) of provision for credit losses associated with debt financial assets	8	1,501	(543)
Provision/(reversal of provision) for losses on credit related commitments		170	(186)
Change in fair value of debt financial assets through profit or loss		-	234
Other		(938)	1,006
Changes in operational working capital related to financial services, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		1,051	99
Due from banks		6,285	(1,334)
Loans to customers		(23,915)	(36,841)
Due to banks and the Bank of Russia		(22,215)	12,007
Customer accounts		80,205	3,391
Promissory notes issued		(250)	(43)
Securities at fair value through profit or loss		(3,054)	2,316
Other financial liabilities at fair value through profit or loss		(6,377)	5,299
Net cash provided by/(used in) operating activities from financial services before income tax		**34,693**	**(14,235)**
Income taxes paid		(79,243)	(48,900)
Interest paid (excluding financial services)		(2,324)	(2,434)
Interest received (excluding financial services)		7,162	3,844
Net cash provided by operating activities		**357,698**	**267,494**

(In million of Russian Rubles)

	Note	Year ended 31 December 2022	Year ended 31 December 2021
Investing activities			
Additions to property, plant and equipment		(160,895)	(119,106)
Proceeds from disposal of property, plant and equipment		456	1,593
Acquisition and increase of interest in associate		(119)	(12)
Net cash flow from acquisitions of subsidiaries	25	(24,455)	(6,589)
Net cash flow from disposal of subsidiaries	26	(2,991)	-
Purchase of securities at fair value through other comprehensive income		(12,446)	(35,424)
Purchase of securities at amortised cost		(15,825)	(5,018)
Proceeds from disposal of securities at fair value through other comprehensive income		7,323	25,830
Proceeds from redemption of securities at amortised cost		8,990	12,368
Proceeds from sale of non-current assets held for sale		297	316
Proceeds from investments in associates and joint ventures		-	7
Proceeds from redemption of bank deposits measured at amortised cost		69,266	40,364
Placement of bank deposits measured at amortised cost		(12,750)	(86,083)
Proceeds from redemption of bank deposits measured at fair value through profit or loss		40,567	30,480
Placement of bank deposits measured at fair value through profit or loss		(6,105)	(62,295)
Proceeds from redemption of loans and notes receivable	9	2,593	9,164
Issuance of loans and notes receivable	9	(5,527)	(598)
Net cash flow from currency swaps		550	1,904
Advance payment for acquisition of other non-current assets		(14,730)	-
(Acquisition)/proceeds from sale of other non-current assets		(1,020)	4,658
Proceeds from government grants	18	9,767	15,803
Net cash used in investing activities		**(117,054)**	**(172,638)**
Financing activities			
Proceeds from issuance of debt (excluding financial services)	27	1,488	9,338
Repayment of debt (excluding financial services)	27	(3,091)	(9,689)
Repayment of principal portion of lease liabilities		(1,125)	(1,440)
Issuance of bonds	27	-	50
Redemption of bonds	27	(18,318)	(1,713)
Promissory notes issued	27	11,400	-
Dividends paid to shareholders	19	(122,338)	(64,804)
Dividends paid to non-controlling shareholders		(30)	(47)
Net cash used in financing activities		**(132,014)**	**(68,305)**
Net change in cash and cash equivalents		**108,630**	**26,551**
Effect of foreign exchange on cash and cash equivalents		(7,253)	(169)
Cash and cash equivalents at the beginning of the year	6	66,487	40,105
Cash and cash equivalents at the end of the period	6	**167,864**	**66,487**

Note 1: Organisation

PJSC TATNEFT n.a. V.D. Shashin (the "Company") 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 and financial services (Note 22).

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 2022 and 31 December 2021 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 19).

The Company is domiciled 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 International Financial Reporting Standards ("IFRS").

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. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS.

The preparation of financial statements in conformity with IFRS 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 4.

Note 3: Summary of significant accounting policies

The key accounting policies 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".

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 Central Bank of the Russian Federation ("the Bank of Russia"), of the Russian Ruble ("RR") to the US Dollar ("US $") at 31 December 2022 and 31 December 2021 were RR 70.34 and RR 74.29 to US $, respectively. Average rates of exchange for the years ended 31 December 2022 and 31 December 2021 were RR 68.55 and RR 73.65 per US $, respectively.

Note 3: Summary of significant accounting policies (continued)

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. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets or at fair value.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded within other non-current assets as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in the profit or loss for the year.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

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.

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group reviews equity method investments for impairment on an annual basis, and records impairment when circumstances indicate that the carrying value exceeds the recoverable amount.

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 3: Summary of significant accounting policies (continued)

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 27.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

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"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

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. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Note 3: Summary of significant accounting policies (continued)

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

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 less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 27 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 27. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. 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.

Note 3: Summary of significant accounting policies (continued)

Financial assets – derecognition. 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 denomination, 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.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

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.

Presentation of cash flows from currency swap in the consolidated statement of cash flows. Cash flows from currency swap transactions are presented in the consolidated statement of cash flows on a net basis

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Note 3: Summary of significant accounting policies (continued)

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

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.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

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. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

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.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL.

Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer’s perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer’s net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group’s policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value.

Note 3: Summary of significant accounting policies (continued)

Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Loans to customers. Loans to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC are measured at FVTPL.

Note 27 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Loan commitments. The Group issues commitments to provide loans in the course of its financial services. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts.

The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Group in the course of its financial services to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financial transactions. Securities sold under such sale and repurchase agreements are not derecognised. Securities sold under repo agreements are presented as other financial assets carried at FVTPL, FVOCI, AC. The corresponding liability is presented within amounts "Due to banks and the Bank of Russia" or "Customer accounts".

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as "Due from other banks" or "Loans to customers", as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Notes receivable. Notes receivable are included in "Other financial assets" and are carried at AC if: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Note 3: Summary of significant accounting policies (continued)

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

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Debt securities and bonds issued. Debt securities issued include promissory notes and certificates of deposit 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. Debt securities and bonds issued are carried at AC. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount and the amount paid is recognised as a gain or loss on redemption of debt.

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. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's consolidated statement of financial position are not reclassified or re-presented in the comparative consolidated statement of financial position to reflect the classification at the end of the current period.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs of disposal. If the fair value less costs of disposal of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income as other operating expense. Any subsequent increase in an asset's fair value less costs of disposal is recognised to the extent of the cumulative impairment loss that was previously recognised in relation to that specific asset.

Precious metals. The Group has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Precious metals are carried at purchase price from the Bank of Russia and are subsequently measured at fair value based on London precious metals exchange. Precious metals are recognized as part of prepayments and other current assets in the consolidated statement of financial position.

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. Prepaid expenses include advances for purchases of products and services, insurance fees, 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. Prepayments for services such as insurance, transportation and others are written off to profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the profit or loss for the year.

Mineral extraction tax. The base rate of mineral extraction tax (MET) relating to oil production, established for 2022 and 2021 at RR 919 per tonne, adjusted depending on the average world market prices of the Urals blend and the RR/US $ average exchange rate.

Since 2019, additional coefficients have been added to the MET calculation in connection with the introduction of a "reverse excise" on crude oil and with a reduction in export customs duties as part of the completion of the tax maneuvere.

MET is recorded within taxes other than income tax in the consolidated statements of profit or loss and other comprehensive income.

Note 3: Summary of significant accounting policies (continued)

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.

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 4) 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, which requires non-current assets with recorded values that are not expected to be recovered through future cash flows to be written down to their recoverable amount which is the higher of fair value less costs of disposal and value-in-use.

Note 3: Summary of significant accounting policies (continued)

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.

Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. The reversal of impairment would be limited to the original carrying value less depreciation which would have been otherwise charged had the impairment not been recorded.

Non-current assets committed by management for disposal within one year, and meet the other criteria for held for sale assets, are accounted for at the lower of amortised cost or fair value, less cost of disposal. Costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

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.

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.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assessed whether both of the following met:

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset, and
- The Group has the right to direct the use of the identified asset.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

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 right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Note 3: Summary of significant accounting policies (continued)

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. The majority of extension options held are exercisable only by the Group and not by the respective lessor. The Group considers monetary and non-monetary aspects to determine the lease term of the contract, such as business plans, past practices and economic incentives to extend or terminate the contract (the presence of inseparable improvements, integration to the production process, potentially high consequential termination costs, etc.) and other factors that may affect management's judgment on the lease term. Extension options and termination options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows that have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) are not significant.

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.

The Group presents right-of-use assets and lease liabilities in the separate lines in the Consolidated Statement of Financial Position.

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.

Fees integral to the effective interest rate include origination fees received by the Group relating to the creation or acquisition of a financial asset or the issuance of a financial liability.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

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.

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.

In the normal course of business the Group contributes to the Russian Federation State Pension Fund on behalf of its employees. Mandatory contributions to the Fund are expensed when incurred and are included within staff costs in operating expenses.

Note 3: Summary of significant accounting policies (continued)

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

Services from employees received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. Market conditions, such as increase of share prices, on the achievement of which the receipt of remuneration depends, are taken into account when estimating the fair value of the cash-settled share-based payment granted and when remeasuring the fair value at the end of each reporting period and at the date of settlement. Program conditions, other than market conditions, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date, however are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction.

The amount recognised for the services received during the period of program is based on the best available estimate of the number of awards. The cumulative amount ultimately recognised for services received as consideration for the cash-settled share-based payment is equal to the cash that is paid. 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 18.

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 3: Summary of significant accounting policies (continued)

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. 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 for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductions can be utilised.

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 considers indicators that customer has obtained control of an asset, which include, but are not limited to the following: the Group has a present right to payment for the products; the Group has transferred physical possession of the products; the customer has legal title to the products; the customer has the significant risks and rewards of ownership of the products; the customer has accepted the products. Not all of the indicators need to be met for management to conclude that control has transferred and revenue could be recognised. Management uses judgement to determine whether factors collectively indicate that the customer has obtained control.

Note 3: Summary of significant accounting policies (continued)

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

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.

Revenues from providing services are recognised in the period in which the services are rendered.

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. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit risk adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income is 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. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

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 million of Russian Rubles)

Note 3: Summary of significant accounting policies (continued)

Changes in the presentation of financial statements.

In the second quarter of 2022, the Group disposed of its share and interests in subsidiaries that comprised the tire business segment (Note 26). The impact of the presentation changes for the year ended 31 December 2021 due to classification of the tire business as a discontinued operation, the following:

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Value before change	Changes	Value after change
Revenue (excluding financial services)	**1,265,380**	**(60,113)**	**1,205,267**
Operating expenses	(180,897)	44,597	(136,300)
Selling, general and administrative	(73,203)	4,957	(68,246)
Depreciation, depletion and amortization	(42,663)	940	(41,723)
Expected credit losses on financial assets net of reversal	(78)	39	(39)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	(3,576)	279	(3,297)
Taxes other than income taxes	(498,143)	195	(497,948)
Maintenance of social infrastructure and transfer of social assets	(13,130)	304	(12,826)
Total costs and expenses (excluding financial services)	**(1,015,210)**	**51,311**	**(963,899)**
Other operating income, net	3,264	(647)	2,617
Operating income (excluding financial services)	**256,802**	**(9,449)**	**247,353**
Foreign exchange gain, net	2,475	(35)	2,440
Interest income (excluding financial services)	3,962	(53)	3,909
Interest expense, net of amounts capitalised (excluding financial services)	(6,304)	130	(6,174)
Total other income, net	**144**	**42**	**186**
Profit before income tax	**257,306**	**(9,407)**	**247,899**
Income tax			
Current income tax expense	(50,670)	1,917	(48,753)
Deferred income tax expense	(7,750)	92	(7,658)
Total income tax expense	**(58,420)**	**2,009**	**(56,411)**
Profit from continuing operations	**-**	**191,488**	**191,488**
Profit from discontinued operation	**-**	**7,398**	**7,398**

Note 4: 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 assets classification;
- 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

(In million of Russian Rubles)

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

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.

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 2022**	**At 31 December 2021**
Discount rate	100 bp increase	(8,869)	(7,419)
	100 bp decrease	10,830	9,579

Information about decommissioning provision is presented in Note 12.

Impairment of property, plant and equipment. Information is presented in Note 12.

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

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

As at 31 December 2022 and 2021 the Group has 74.46% of shares of JSC "National Non-Governmental Pension Fund". 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 2022 and 2021 (Note 9).

Operations for the sale and purchase of oil under contracts for counter oil deliveries. During the years ended 31 December 2022 and 2021 sales of crude oil under counter-delivery contracts in the amount of RR 283,886 million and RR 221,526 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.

Financial assets classification

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

The instruments that failed the SPPI test are measured at FVTPL are described in Note 8 and 9.

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

Financial instruments fair value estimation. Financial instruments carried at FVTPL or FVOCI and all derivatives 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 13). 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 2022 (Note 26).

Note 5: Adoption of new or revised standards and interpretations

The following amended standards became mandatory for the consolidated financial statements of 2022, but did not have any material impact on the Group:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- Revenue received prior to the commencement of the intended use of the asset, Onerous Contracts – contract performance cost, Reference to the Conceptual Framework – Limited Scope Amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRS 2018-2020 relating to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on 1 January 2022 or after that date).

The following published new standards and interpretations mandatory for annual periods beginning on 1 January 2023 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, 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).
- 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).
- 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).
- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021, deferred to 1 January 2023).

(In million of Russian Rubles)

Note 5: Adoption of new or revised standards and interpretations (continued)

- 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).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 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).
- 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).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).

Note 6: Cash and cash equivalents

	At 31 December 2022	At 31 December 2021
Cash on hand and in banks	86,582	48,937
Term deposits with original maturity of less than three months	81,282	17,550
Total cash and cash equivalents	**167,864**	**66,487**

The fair value and credit quality analysis of cash and cash equivalents is presented in Note 27.

Note 7: Accounts receivable

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

	At 31 December 2022	At 31 December 2021
Short-term accounts receivable:		
Trade receivables	102,642	90,348
Other financial receivables (Note 26)	16,250	9,138
Other non-financial receivables	131	153
Less credit loss allowance	(11,154)	(10,635)
Total short-term accounts receivable	**107,869**	**89,004**
Long-term accounts receivable:		
Trade receivables	431	579
Other financial receivables (Note 26)	12,848	808
Less credit loss allowance	(456)	(469)
Total long-term accounts receivable	**12,823**	**918**
Total trade and other receivables	**120,692**	**89,922**

The estimated fair value of short-term and long-term accounts receivable is presented in Note 27.

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

The 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.

(In million of Russian Rubles)

Note 7: Accounts receivable (continued)

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

	At 31 December 2022		At 31 December 2021	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Not past due				
- International traders of crude oil, oil products and petrochemicals	26,235	-	23,946	-
- Russian crude oil and oil products traders	617	-	487	-
- Russian oil and petrochemicals refineries	23,700	-	36,617	-
- Foreign refineries	30,056	-	6,877	-
- Russian tire dealers and automotive manufacturers	-	-	3,331	-
- Natural monopoly entity	1,142	-	127	-
- Russian construction companies	601	-	263	-
- other (Note 26)	14,681	23,034	12,611	4,583
including related parties	*3,864*	*14,656*	*2,452*	*228*
Not past due	**97,032**	**23,034**	**84,259**	**4,583**
Expected credit loss allowance	**(305)**	**(82)**	**(409)**	**(7)**
Past due but not individually assessed for credit loss allowance				
- less than 90 days overdue	464	2	1,007	9
- 91 to 180 days overdue	164	29	289	-
- over 180 days overdue	-	1	-	1
Total past due but not individually assessed for credit loss allowance	**628**	**32**	**1,296**	**10**
Expected credit loss allowance	**(15)**	**(18)**	**(25)**	**(9)**
Individually assessed for credit loss allowance (gross)				
- less than 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- over 180 days overdue	5,413	6,032	5,372	5,353
Total individually assessed for credit loss allowance	**5,413**	**6,032**	**5,372**	**5,353**
Expected credit loss allowance	**(5,397)**	**(5,793)**	**(5,358)**	**(5,296)**
Total	**97,356**	**23,205**	**85,135**	**4,634**

The following table explains the changes in the credit loss allowance for trade and other receivables between the beginning and the end of the annual period, ended 31 December 2022 and 2021:

	2022		2021	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Expected credit loss allowance at 1 January	**(5,792)**	**(5,312)**	**(5,462)**	**(4,919)**
New originated or purchased	(168)	(731)	(7)	(392)
Total credit loss allowance charge in profit or loss for the period	**(168)**	**(731)**	**(7)**	**(392)**
Write-offs	-	2	1	(1)
Exchange differences	95	1	-	-
Disposal of provision for discontinued operation	148	61	-	-
Other changes	-	86	(324)	-
Expected credit loss allowance at 31 December	**(5,717)**	**(5,893)**	**(5,792)**	**(5,312)**

(In million of Russian Rubles)

Note 8: Financial services: Loans to customers

	At 31 December 2022	At 31 December 2021
Loans to legal entities	49,335	37,622
Loans to individuals	2,552	1,977
Short term loans to customers measured at amortised cost before credit loss allowance	**51,887**	**39,599**
Credit loss allowance	(7,043)	(7,257)
Total short term loans to customers measured at amortised cost	**44,844**	**32,342**
Short term loans to legal entities measured at fair value through profit or loss	37	-
Total short term loans to customers	**44,881**	**32,342**

	At 31 December 2022	At 31 December 2021
Loans to legal entities	57,509	51,653
Loans to individuals	59,769	54,939
Long term loans to customers measured at amortised cost before credit loss allowance	**117,278**	**106,592**
Credit loss allowance	(4,753)	(4,232)
Total long term loans to customers measured at amortised cost	**112,525**	**102,360**
Total long term loans to customers	**112,525**	**102,360**

There is a certain concentration of loans issued to customers in the financial services segment of the Group. As at 31 December 2022 and 2021 the Group granted loans to 21 and 17 customers totalling RR 62,151 million and RR 54,852 million respectively, which individually exceeded 5% of segment equity.

The fair value of loans to customers, including a breakdown by fair value hierarchy level, is disclosed in Note 27. Information on related party balances is disclosed in Note 23.

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

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

Movements in the credit loss allowance during the year ended at 31 December 2021 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2021	**(9,427)**	**(3,798)**	**(13,225)**
Net reversal of provision/(provision) for credit loss allowance during the period	592	(49)	543
Reclassification to the credit loss allowance for other long-term loans	298	-	298
Other changes	678	217	895
Credit loss allowance as at 31 December 2021	**(7,859)**	**(3,630)**	**(11,489)**

(In million of Russian Rubles)

Note 8: Financial services: Loans to customers (continued)

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

	At 31 December 2022		At 31 December 2021	
	Gross book value	**Share in customer loan portfolio, %**	**Gross book value**	**Share in customer loan portfolio, %**
Trade	21,678	12.81%	15,314	10.48%
Manufacturing	41,020	24.24%	41,788	28.58%
Construction	1,497	0.88%	1,537	1.05%
Services	21,531	12.73%	12,925	8.84%
Food	350	0.21%	572	0.39%
Finance	14,964	8.84%	8,311	5.69%
Agriculture	1,442	0.85%	2,310	1.58%
Oil and gas	3,105	1.84%	4,463	3.05%
Individuals, including:	62,321	36.84%	56,916	38.93%
mortgage loans	31,605	18.68%	27,660	18.92%
consumer loans	16,476	9.74%	15,920	10.89%
car loans	13,799	8.16%	12,844	8.79%
plastic cards overdrafts	423	0.25%	452	0.31%
other	18	0.01%	40	0.02%
Other	1,294	0.76%	2,055	1.41%
Total loans to customers before credit loss allowance	**169,202**	**100%**	**146,191**	**100%**

Note 9: Other financial assets

Other short-term financial assets comprise the following:

	At 31 December 2022	At 31 December 2021
Financial assets measured at amortised cost		
Bank deposits (net of credit loss allowance of RR 2,972 million and RR 5,547 million as 31 December 2022 and 31 December 2021 respectively)	-	56,492
Securities held by the Group (net of credit loss allowance of RR 29 million and of RR 8 million as at 31 December 2022 and 31 December 2021 respectively):	12,034	3,993
Russian government and municipal debt securities	20	12
Corporate debt securities	12,014	3,981
Other (net of credit loss allowance of RR 327 million and of RR 3,524 million as at 31 December 2022 and 31 December 2021 respectively)	4,025	7,852
Total	**16,059**	**68,337**
Financial assets measured at fair value through profit or loss		
Bank deposits	-	33,465
Other	5,998	4,409
Total	**5,998**	**37,874**
Financial assets measured at fair value through other comprehensive income	**1,707**	**1,951**
Total short-term financial assets	**23,764**	**108,162**

Bank deposits measured at fair value through profit or loss represent prepayments under foreign exchange forward contracts with a Russian commercial bank. The terms of the contracts include exposure to cash flows and volatility that are not consistent with the terms of the underlying loan agreement.

(In million of Russian Rubles)

Note 9: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 31 December 2022	At 31 December 2021
Financial assets measured at amortised cost		
Loans (net of credit loss allowance of RR 17,647 million and of RR 19,938 million as at 31 December 2022 and 31 December 2021 respectively)	8,138	1,463
Securities held by the Group (net of credit loss allowance of RR 39 million and of RR 16 million as at 31 December 2022 and 31 December 2021 respectively):	15,323	8,917
Russian government and municipal debt securities	2,434	1,252
Corporate debt securities	12,889	7,665
Other (net of credit loss allowance of RR 4,659 million and of RR 2,120 million as at 31 December 2022 and 31 December 2021 respectively)	6,605	12,701
Total	**30,066**	**23,081**
Financial assets measured at fair value through profit or loss	**2,331**	**4,410**
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	57,844	49,196
Russian government and municipal debt securities	14,208	11,013
Corporate shares	12,834	13,329
Corporate debt securities	19,503	12,113
Foreign country’s debt securities	636	673
Investment fund units	10,663	12,068
Other	-	4,397
Total	**57,844**	**53,593**
Total long-term financial assets	**90,241**	**81,084**

The fair value of financial assets and valuation techniques used are disclosed in Note 27.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount a shares). The main assets of this fund are the 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 10: Inventories

	At 31 December 2022	At 31 December 2021
Materials and supplies	32,725	22,384
Crude oil	15,799	20,748
Refined oil products	21,657	21,973
Petrochemical supplies and finished products of tires business (Note 26)	-	9,942
Other finished products and goods	7,201	6,015
Total inventories	**77,382**	**81,062**

Note 11: Prepaid expenses and other current assets

	At 31 December 2022	At 31 December 2021
Prepaid export duties	1,569	1,754
VAT recoverable	6,130	7,277
Advances	7,983	8,807
Prepaid transportation expenses	2,923	2,495
Excise	12,323	10,891
Other	1,270	1,054
Prepaid expenses and other current assets	**32,198**	**32,278**

(In million of Russian Rubles)

Note 12: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
Cost					
As at 31 December 2020	**474,112**	**294,356**	**220,109**	**229,416**	**1,217,993**
Additions	-	-	-	120,151	120,151
Disposals	(662)	(2,448)	(3,646)	(2,696)	(9,452)
Changes in Group structure	-	2,016	1,788	169	3,973
Transfers	6,087	45,695	30,568	(82,350)	-
Changes in decommissioning provision	(20,198)	-	-	-	(20,198)
As at 31 December 2021	**459,339**	**339,619**	**248,819**	**264,690**	**1,312,467**
Depreciation, depletion, amortisation and impairment					
As at 31 December 2020	**210,248**	**63,962**	**90,213**	**27,001**	**391,424**
Depreciation, depletion and amortisation	21,038	8,593	12,158	-	41,789
Impairment	327	-	-	2,466	2,793
Disposals	(328)	(382)	(2,611)	-	(3,321)
Transfers	(2,837)	3,051	(214)	-	-
As at 31 December 2021	**228,448**	**75,224**	**99,546**	**29,467**	**432,685**
Net book value					
As at 31 December 2020	**263,864**	**230,394**	**129,896**	**202,415**	**826,569**
As at 31 December 2021	**230,891**	**264,395**	**149,273**	**235,223**	**879,782**
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 25)	16,190	1,986	9,590	109	27,875
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	**519,827**	**385,300**	**258,668**	**278,454**	**1,442,249**
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	**254,394**	**302,059**	**173,428**	**245,291**	**975,172**

Additions for 2022 and 2021 years include construction of TANECO refinery complex, wells, oil fields facilities.

Within construction in progress there are advances for construction of RR 26,166 million and RR 21,794 million at 31 December 2022 and 2021, respectively.

(In million of Russian Rubles)

Note 12: Property, plant and equipment (continued)

As stated in Note 3, 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, after their recent extension, between 2038 and 2090, with other production licenses expiring between 2023 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 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 2021	**3,787**
Additions	1,679
Reclassification to development assets	(1)
Charged to expense	(2,291)
At 31 December 2021	**3,174**
Additions	3,386
Reclassification to development assets	(1)
Charged to expense	(3,401)
At 31 December 2022	**3,158**

Due to indications of possible impairment the Group conducted impairment testing for the main groups of assets as at 30 June 2022. As at 31 December 2022 due to changes in the legislation on mineral extraction tax the impairment estimates for assets related to exploration and production of superviscous oil were updated. 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;
- entire complex level for refining assets;
- 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 and refining 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, taking into account the uncertainty in the period of recovery in demand.The forecasting period for determining the value in use is in line with the management 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 recognized research institutions;
- estimated production and refining volumes were based on detailed information for the production and refining 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 21.33 % to 23.1% for oil and gas fields;
- from 16.88 % to 17.36% for petrochemical and oil and gas processing complexes.

(In million of Russian Rubles)

Note 12: Property, plant and equipment (continued)

For the purposes of impairment testing, the following Brent price assumptions have been used: $ 104.96 per barrel in 2023, $ 107.27 per barrel in 2024, $ 109.52 per barrel in 2025, $ 111.76 per barrel in 2026 and $ 113.93 per barrel in 2027 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.

For the purposes of updating estimates as at 31 December 2022 the following Brent price assumptions have been used: $ 93.43 per barrel in 2023, $ 87.15 per barrel in 2024, $ 81.48 per barrel in 2025 and $ 79.36 per barrel in 2026, $ 79.72 per barrel in 2027 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 2022 the Group recognised an impairment losses on property, plant and equipment and other non-financial assets in the amount of RR 30,230 million (in 2021 impairment losses on property, plant and equipment and other non-financial assets net of reversal in the amount of RR 3,297 million). These losses consist of impairment losses on property, plant and equipment net of reversal in the amount of RR 21,005 million (in 2021 in the amount of RR 2,514 million) excluding loss on discontinued operations, loss from impairment on other long-term assets in the amount of RR 8,161 million (in 2021 income from reversal of impairment in the amount of RR 111 million), expenses from write-down of inventories to the net realizable value in the amount of RR 814 million (in 2021, income from reversal in the amount of RR 74 million) and losses on disposal of property, plant and equipment in the amount of RR 250 million (in 2021 in the amount of RR 968 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 35,016 million.

At 31 December 2022 and 2021 the Group held social assets with a net book value of RR 4,552 million and RR 4,075 million, respectively.

Decommissioning provisions

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

	2022	2021
Balance at the beginning of period	**38,710**	**55,373**
Unwinding of discount	3,103	3,582
New obligations	802	222
Expenses on current obligations	(6)	(8)
Changes in estimates	11,568	(20,459)
Balance at the end of period	**54,177**	**38,710**
Less: current portion of decommissioning provisions (Note 15)	(183)	(57)
Long-term balance at the end of period	**53,994**	**38,653**

In 2022 the Group recorded the change in estimate for oil and gas properties decommissioning due to the growth in estimated future costs of decommissioning and changes in discount rate (in 2021 due to changes in discount rate).

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

	At 31 December 2022	At 31 December 2021
Discount rate	10.06%	8.47%
Discount rate for superviscous oil	9.88%	8.39%
Long-term inflation rate	4.20%	4.00%

(In million of Russian Rubles)

Note 13: 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 2022	**Year ended 31 December 2021**
Profit before income tax	379,968	247,899
Theoretical income tax expense at statutory rate	(75,994)	(49,580)
(Increase)/decrease due to:		
Non-deductible expenses, net	(4,110)	(6,392)
Income tax withheld at source on dividends for treasury shares	(632)	(440)
Other	6	1
Income tax expense	**(80,730)**	**(56,411)**

At 31 December 2022 no deferred tax liabilities have been recognised for taxable temporary differences of RR 31,366 million (2021: RR 45,537 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 2,058 million (2021: RR 2,839 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 financial reporting purposes and such amounts recognised for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following:

	At 31 December 2022	**At 31 December 2021**
Tax loss carry forward	5,026	3,899
Decommissioning provision	9,321	8,469
Prepaid expenses and other current assets	235	175
Long-term loans and certificates of deposits	1,748	1,411
Long-term investments	266	444
Other	2,704	249
Deferred income tax assets	**19,300**	**14,647**
Property, plant and equipment	(55,388)	(46,612)
Inventories	(3,153)	(3,688)
Prepaid expenses and other current assets	(4,513)	(2,007)
Long-term debt	(1,429)	(1,429)
Other liabilities	(225)	(651)
Deferred income tax liabilities	**(64,708)**	**(54,387)**
Net deferred tax liability	**(45,408)**	**(39,740)**

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

	At 31 December 2022	**At 31 December 2021**
Deferred income tax asset	5,504	3,333
Deferred income tax liability	(50,912)	(43,073)
Net deferred tax liability	**(45,408)**	**(39,740)**

Tax losses carry forward. At 31 December 2022, the Group had recognised deferred income tax assets of RR 5,026 million (RR 3,899 million at 31 December 2021) in respect of unused tax loss carry forwards of RR 25,130 million (RR 19,495 million at 31 December 2021). Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The ten year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2024. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments including expectations regarding the Group’s ability to generate sufficient future taxable income and the projected time period over which deferred tax benefits will be realised.

The Group does not have any unrecognised potential deferred tax assets in respect of deductible temporary differences.

(In million of Russian Rubles)

Note 13: Taxes (continued)

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

	Year ended 31 December 2022	**Year ended 31 December 2021**
Mineral extraction tax	511,993	516,598
Tax on additional income from hydrocarbon extraction	128,491	2,299
Excise	(190,382)	(30,492)
incl. reverse excise	(278,583)	(81,547)
Property tax	12,499	7,281
Other	2,218	2,262
Total taxes, other than income taxes	**464,819**	**497,948**

Taxes payable, other than income taxes were as follows:

	At 31 December 2022	**At 31 December 2021**
Mineral extraction tax	21,650	52,298
Tax on additional income from hydrocarbon extraction	18,395	1,174
Value Added Tax	15,216	24,723
Excise	8,319	5,493
Export duties	672	647
Property tax	3,547	2,131
Other	4,419	3,239
Total taxes payable, other than income taxes	**72,218**	**89,705**

Note 14: Debt

	At 31 December 2022	**At 31 December 2021**
Short-term debt	**298**	**1,518**
Current portion of long-term debt	2,367	21,023
Total short-term debt, including current portion of long-term debt	**2,665**	**22,541**
Long-term debt		
Bonds issued	2,057	20,412
Promissory notes issued	11,621	6
Discontinued operations credit tranches (Note 26)	-	5,908
Other debt	525	4,328
Total long-term debt	**14,203**	**30,654**
Less: current portion	(2,367)	(21,023)
Total long-term debt, net of current portion	**11,836**	**9,631**

Fair value of debt is presented in Note 27. Maturity and currency analysis of debt is presented in Note 27. Debt issued to related parties is presented in Note 23.

In December 2019 the Company issued Russian Ruble denominated bonds in the amount of RR 15,000 million with the maturity in 3 years at a rate of 6.45% per annum. In December 2022 the bonds were redeemed in accordance with the schedule.

(In million of Russian Rubles)

Note 15: Accounts payable and accrued liabilities

	At 31 December 2022	At 31 December 2021
Trade payables	49,609	54,113
Current portion of lease liabilities	974	2,838
Other payables	481	2,528
Total financial liabilities within trade and other payables	**51,064**	**59,479**
Salaries and wages payable	13,051	10,393
Current portion of long-term employee incentives program (Note 18)	80	-
Advances received from customers	21,118	25,340
Current portion of decommissioning provisions (Note 12)	183	57
Other accounts payable and accrued liabilities	7,440	6,001
Total non-financial liabilities	**41,872**	**41,791**
Accounts payable and accrued liabilities	**92,936**	**101,270**

For the current reporting period revenue of RR 25,340 million was recognised in respect of contract obligations as of 1 January 2022 related to advances received.

For the previous reporting period revenue of RR 11,175 million was recognised in respect of contract obligations as of 1 January 2021 related to advances received.

As at 31 December 2021 advances received include an advance payment under the oil supply agreement in the amount RR 12,850 million. The prepayment was repaid by delivery of oil.

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 27.

Note 16: Financial services: Due to banks and the Bank of Russia

	At 31 December 2022	At 31 December 2021
Term deposits from banks	1	2,077
Term deposits from the Bank of Russia	5,239	4,486
REPO	-	20,743
Correspondent accounts and banks' overnight deposits	933	273
Total due to banks and the Bank of Russia	**6,173**	**27,579**
Less: long term due to banks and the Bank of Russia	(2,883)	(4,026)
Total short term of due to banks and the Bank of Russia	**3,290**	**23,553**

There is a certain concentration of sources of financing in the Group's financial services segment. 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. As at 31 December 2021 within due to banks and the Bank of Russia there are RR 27,087 million of correspondent accounts and term deposits, borrowed from the Bank of Russia and from 4 Russian banks, which individually exceeded 5% of the segment equity.

As at 31 December 2021 financial liabilities which are subject to offsetting include RR 20,743 million of due to banks collateralised by securities, fair value of which is RR 23,428 million. As at 31 December 2022 there are no such financial liabilities.

(In million of Russian Rubles)

Note 17: Financial services: Customer accounts

	At 31 December 2022	At 31 December 2021
State and public organizations		
Current / settlement accounts	1,333	1,196
Term deposits	327	156
Other legal entities		
Current / settlement accounts	40,352	20,141
Term deposits	60,933	33,322
Individuals		
Current / settlement accounts	35,676	25,500
Term deposits	74,011	71,114
Total customer accounts	**212,632**	**151,429**
Less: long-term customer accounts	(713)	(1,288)
Total short-term customer accounts	**211,919**	**150,141**

There is a certain concentration of sources of financing in the Group's financial services segment. Within customer accounts at 31 December 2022 and 2021 there are RR 77,301 million and RR 48,864 million of current/settlement accounts and term deposits from 22 and 19 customers respectively, which individually exceeded 5% of the segment equity.

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

	At 31 December 2022		At 31 December 2021	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Individuals	109,687	51.59%	96,614	63.80%
Finance	30,501	14.34%	17,336	11.45%
Oil and gas	4,740	2.23%	9,859	6.51%
Trade	28,487	13.40%	6,273	4.14%
Services	16,074	7.56%	10,325	6.82%
Manufacturing	13,368	6.29%	3,408	2.25%
Construction	3,295	1.55%	4,434	2.93%
Other	6,480	3.04%	3,180	2.10%
Total customer accounts	**212,632**	**100%**	**151,429**	**100%**

Note 18: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2022	At 31 December 2021
Pension and other long-term liabilities to employees and retirees	3,745	4,140
Government grants	28,948	24,124
Long-term employee incentives program, net of current portion (Note 15, 20)	-	1,186
Other long-term liabilities	667	355
Total other long-term liabilities	**33,360**	**29,805**

Pension liabilities. The Group has various pension plans offered to all employees. Starting from 1 March 2021 the amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the new "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 18: 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, 13 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 at the reporting date was determined as RR 5.41 per share as the difference between the actual average annual price of an ordinary share of the Company for the fifth year of a five-year cycle (2022) in the amount of RR 405.68 and the price for the year taken as the base year (2017) in amount of RR 400.27. The amount of the liability under the Program as at 31 December 2022 is included in accounts payable and accrued liabilities (Note 15). The difference with the amount of the liability as at 31 December 2021 is taken to the reversal of the provision within employee benefits expense (Note 18).

In 2021 the fair value of the Program was determined as RR 103 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 2021 in the amount of RR 498.6 the exercise price of the option in the amount of RR 400.27, an expected dividend yield of 7.63% per annum, the risk-free interest rate equal to 7.86 % per annum, the term until the maturity of the program, and the volatility of the return on the underlying asset equal to 25%. The expected volatility was determined based on the historical volatility of the Company's shares.

Note 19: Shareholders' equity

Authorised share capital. At 31 December 2022 and 2021 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.

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 to be paid 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.

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, depending on the availability of published accounting and consolidated financial statements for the relevant period, and assuming that the target level the total funds allocated for dividends payment accounts for least 50% of the net profit amount determined by RAR or IFRS, whichever is greater.

Note 19: Shareholders' equity (continued)

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.

In December 2021, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2021, in the amount of RR 26.5 per preferred and ordinary share, including previously paid interim dividends for the six months ended 30 June 2021, in the amount of RR 16.52 per preferred and ordinary share.

In September 2021, the shareholders of the Company approved interim dividends for the six month ended 30 June 2021 in the amount of RR 16.52 per each preferred and ordinary share.

In June 2021, the shareholders of the Company approved dividends for the year ended 31 December 2020 in the amount of RR 22.24 per each preferred and ordinary share, including the previously approved interim dividends for the six months ended 30 June 2020 the amount of RR 9.94 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 2022	**Year ended 31 December 2021**
Profit attributable to shareholders of PJSC Tatneft	284,572	198,412
Profit attributable to shareholders of PJSC Tatneft from continuing operations	298,668	191,153
Ordinary share dividends	(117,161)	(81,599)
Preferred share dividends	(8,218)	(5,723)
Income available to shareholders of PJSC Tatneft , net of dividends	**159,193**	**111,090**
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	2,251	2,251
Basic and diluted earnings per share (RR)		
Ordinary	126.44	88.16
Preferred	126.44	88.16
Basic and diluted earnings per share from continuing operations (RR)		
Ordinary	132.70	84.93
Preferred	132.70	84.93

(In million of Russian Rubles)

Note 20: Employee benefit expenses

	Year ended 31 December 2022	Year ended 31 December 2021
Wages and salaries	62,994	52,272
Statutory insurance contributions	17,861	14,782
(Reversal of provision)/provision for long term employee incentives program compensations (Note 18)	(1,106)	210
Pension costs – defined benefit plans	(364)	1,627
Other employee benefits	2,566	1,571
Total employee benefit expense	**81,951**	**70,462**

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 21: Interest and commission income and expense from financial services

	Year ended 31 December:	
	2022	**2021**
Interest income	21,795	13,501
Loans to customers	15,072	9,956
Other	6,723	3,545
Fee and commission income	4,009	2,947
Settlement transactions	1,790	1,737
Other	2,219	1,210
Total interest and commission income from financial services	**25,804**	**16,448**
Interest expense	(13,324)	(6,869)
Term deposits	(11,330)	(4,839)
Other	(1,994)	(2,030)
Fee and commission expense	(1,198)	(1,360)
Settlement transactions	(1,094)	(1,265)
Other	(104)	(95)
Total interest and commission expense from financial services	**(14,522)**	**(8,229)**

Note 22: 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 three 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;
- Financial services.

The tire business segment is withdrawn from the main operating segments due to disposal of assets in 2nd quarter of 2022. Information on the segment sales and segment result presented in Note 3 and Note 26.

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.

(In million of Russian Rubles)

Note 22: Segment information (continued)

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

For the year ended 31 December 2021, revenues of RR 187,901 million or 15% 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.

Segment sales

	Year ended 31 December 2022	**Year ended 31 December 2021**
Exploration and production		
Domestic sales of own crude oil	195,422	287,656
Near abroad countries sales of own crude oil	-	9,379
Own crude oil sales to far abroad countries	335,794	250,196
Other	8,750	4,366
Intersegment sales	410,013	322,534
Total exploration and production	**949,979**	**874,131**
Refining and marketing		
Domestic sales		
Refined products	473,162	338,820
Total Domestic sales	473,162	338,820
Near abroad countries sales		
Refined products	16,762	13,514
Total near abroad countries sales	16,762	13,514
Far abroad countries sales		
Crude oil purchased for resale	1,833	9,262
Refined products	302,298	215,320
Total far abroad countries sales	304,131	224,582
Other	24,443	19,231
Intersegment sales	4,485	1,895
Total refining and marketing	**822,983**	**598,042**
Financial services		
Interest income	21,795	13,501
Fee and commission income	4,009	2,947
Total financial services	**25,804**	**16,448**
Total segment sales	**1,798,766**	**1,488,621**
Corporate and other sales	68,683	57,523
Elimination of intersegment sales	(414,498)	(324,429)
Total sales	**1,452,951**	**1,221,715**

(In million of Russian Rubles)

Note 22: Segment information (continued)

Segment earnings

	Year ended 31 December 2022	Year ended 31 December 2021
Segment earnings		
Exploration and production	101,774	213,498
Refining and marketing	307,410	73,349
Financial services	1,083	1,488
Total segment result	**410,267**	**288,335**
Corporate and other	(32,646)	(38,182)
Other income/(expenses), net (w/o foreign exchange differences)	2,347	(2,254)
Profit before income tax	**379,968**	**247,899**

Segment result includes foreign exchange loss, net. "Corporate and other" line includes Head Office administrative expenses, impairment losses on property, plant and equipment and other non-financial assets net of reversal, charity expenses, maintenance of social infrastructure and transfer of social assets, fair value gain from financial assets at fair value through profit or loss.

Segment assets

	At 31 December 2022	At 31 December 2021
Assets		
Exploration and production	446,794	383,873
Refining and marketing	630,216	583,611
Financial services	319,444	245,188
Corporate and other	279,383	238,773
Discontinued operations (Note 26)	-	50,844
Total assets	**1,675,837**	**1,502,289**

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, RR 4,806 million of advances issued.

As at 31 December 2021 corporate and other assets includes RR 77,113 million of property, plant and equipment, RR 24,317 million of securities measured at fair value through other comprehensive income, RR 5,307 million loans receivable, RR 65,508 million of bank deposits measured at amortised cost, RR 33,465 million of bank deposits measured at fair value through profit or loss, RR 1,347 million of cash, RR 13,701 million of inventories, RR 1,678 million of advances issued.

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

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

	Year ended 31 December 2022	Year ended 31 December 2021
Depreciation, depletion and amortization		
Exploration and production	26,527	23,027
Refining and marketing	17,332	14,472
Financial services	500	366
Corporate and other	3,683	3,858
Total depreciation, depletion and amortization	**48,042**	**41,723**
Additions to property, plant and equipment		
Exploration and production	93,277	29,089
Refining and marketing	62,027	64,544
Financial services	57	268
Corporate and other	30,471	16,082
Total additions to property, plant and equipment	**185,832**	**109,983**

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions (Note 12). Total additions from property, plant and equipment is presented net of additions from discontinued operation (Note 26).

(In million of Russian Rubles)

Note 23: 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 2022	Year ended 31 December 2021
Revenues and income	708	138
Costs and expenses	980	607

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

	At 31 December 2022	At 31 December 2021
Short-term assets	2,279	649
Long-term assets	12,157	5,230
Short-term liabilities	(2,076)	(1,297)
Long-term liabilities	-	(70)

Long-term assets mainly include securities at fair value through other comprehensive income and other loans.

Government related companies

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

	Year ended 31 December 2022	Year ended 31 December 2021
Sales of crude oil	14,734	49,676
Sales of refined products	32,886	19,602
Other sales	14,915	-
Other proceeds	8,441	9,165
Interest income	7,470	2,917
Income from changes in the fair value of financial assets	1,407	3,702
Interest expense	596	209
Purchases of crude oil	1,346	631
Purchases of refined products and natural gas	16,465	24,367
Purchases of electricity	24,232	20,783
Purchases of transportation and compounding services	47,379	26,800
Other services	7,866	6,779
Other purchases	527	489

Other services and other purchases from organizations related to the state include contributions to the State Housing Fund under the President of the Republic of Tatarstan under the program of housing construction on social mortgages in the Republic of Tatarstan, the purchase of petrochemical products, as well as some other services. Other sales includes income from the assignment of rights of claim and the sale of interests in companies and shares.

(In million of Russian Rubles)

Note 23: Related party transactions (continued)

The outstanding balances with Government related companies were as follows

	At 31 December 2022	At 31 December 2021
Assets		
Cash and cash equivalents	79,214	28,794
Financial services: Mandatory reserve deposits with the Bank of Russia	378	1,429
Accounts receivable	5,733	2,591
Financial services: Loans to customers	251	230
Other financial assets		
Bank deposits measured at amortised cost	-	8,399
Bank deposits measured at fair value through profit or loss	-	33,465
Securities measured at amortised cost	5,966	5,616
Other	2,069	3,839
Prepaid expenses and other current assets	3,290	4,712
Total short-term assets	**96,901**	**89,075**
Financial services: Loans to customers	7,436	3,355
Accounts receivable	12,060	-
Other financial assets		
Securities measured at fair value through other comprehensive income	39,478	38,809
Securities measured at amortised cost	13,826	11,116
Other loans	16	60
Advances for the acquisition of non-current assets	6,629	1
Total long-term assets	**79,445**	**53,341**
Liabilities		
Accounts payable and accrued liabilities	(4,536)	(14,581)
Financial services: Due to banks and the Bank of Russia	(2,356)	(3,436)
Financial services: Customer accounts	(1,097)	(3,809)
Financial services: Other financial liabilities at fair value through profit or loss	(819)	-
Debt		
Promissory notes issued	(199)	(253)
Other debt	-	(494)
Total short-term liabilities	**(9,007)**	**(22,573)**
Financial services: Due to banks and the Bank of Russia	(2,883)	(4,026)
Other debt	-	(80)
Government grants (Note 18)	(28,948)	(21,312)
Other long-term liabilities	(365)	-
Total long-term liabilities	**(32,196)**	**(25,418)**

As at 31 December 2022 guarantees issued to government related parties amounted to RR 5,575 million (as at 31 December 2021: not applicable).

Key management personnel

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

For the years ended 31 December 2022 and 2021 total remuneration, including pension cost, for key management personnel was RR 1,605 million and RR 1,072 million, respectively.

At 31 December 2022 and 2021 the Group's key management personnel accounts in the customer accounts amounted to RR 33,079 million and RR 25,433 million, respectively.

As at 31 December 2022 and 2021 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 30 million and RR 462 million respectively. Information about the program is presented in Note 18. In addition, in 2022, a provision for short-term remuneration under the incentive program for executive employees in the amount of RR 153 million was accrued for key management personnel (in 2021: RR 242 million).

Note 24: 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. The Russian economy continues to be negatively impacted by ongoing political tension in the region and sanctions imposed by a number of countries against certain sectors of the Russian economy, Russian companies and individuals.

In 2022 ongoing geopolitical tension in the region significantly escalated and situation remains highly unstable. The escalation of the geopolitical situation led to a significant foreign exchange rates volatility (a sharp increase in foreign exchange rates compared to 2021 year-end exchange rates with further decrease), an increase in the key rate of the Bank of Russia, which subsequently reduced, an increase in oil and gas prices and to a decline in the Russian equity market. There is increased volatility in the financial and commodity markets. A number of multinational groups suspended or terminated their business activity in the Russian Federation. The Russian authorities imposed restrictions on payments to a number of foreign creditors and shareholders.

In addition, in 2022, a number of countries introduced a ban 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. 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 limitations on business activity affecting companies operating in the Russian Federation, as well as further negative consequences for the Russian economy in general cannot be ruled out, but it is not possible to determine the duration, full extent and scale of possible effects.

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 2022 and 2021 the Group has approximate outstanding capital commitments of RR 72,681 million and RR 88,016 million, respectively, mainly for the construction of the TANECO refinery complex, construction of wells and oil fields facilities construction. These commitments are expected to be paid between 2023 and 2028.

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 Company 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 24: Contingencies and commitments (continued)

Outstanding credit related commitments are as follows:

	At 31 December 2022	At 31 December 2021
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	39,781	26,373
Unused limits on the issuance of guarantees	21,461	13,581
Guarantees issued	35,062	14,111
Letters of credit	557	424
Less: allowance for credit related commitment	(409)	(236)
Less: commitments collateralised by cash deposits under guarantees issued	(70)	(20)
Less: commitments collateralised by cash deposits under Letters of credit	(557)	(424)
Total credit related commitments	**95,825**	**53,809**

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 25: 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 of LLC UK Tatburneft, LLC Tatintek, LLC UK Tatspectransport, LLC Tagras-KhimService, LLC KRS-Service, LLC NKT-Service, LLC MekhService-NPO, LLC TMS-Logistica and the movable and immovable property and obtained control becoming the sole participant of these entities.

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.

At the 31 December 2022 the assessment of the fair value of the assets and liabilities of the acquired subsidiaries has not been completed. The allocation of the purchase price to the fair value of the assets and liabilities acquired will be completed within 12 months from the acquisition date.

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

	Preliminary fair value
Cash and cash equivalents	1,178
Property, plant and equipment	24,920
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	**25,633**
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.

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**

(In million of Russian Rubles)

Note 26: Discontinued operation (continued)

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	**Year ended 31 December 2021**
Cash flows from operating activities	(5,983)	8,665
Cash flows from investing activities	(3,296)	(11,136)
Cash flows from financing activities	1,037	2,528
Total cash flow from discontinued operation	**(8,242)**	**57**

Changes in the presentation of the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 due to the classification of the tire business as a discontinued operation are disclosed in Note 3.

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 arising from various currencies exposures. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

(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**

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2021.

	Russian Ruble	US Dollar	Chinese yuan	Other currencies
Financial assets				
Cash and cash equivalents	33,125	28,126	-	5,236
Financial services: Mandatory reserves with the Bank of Russia	1,429	-	-	-
Accounts receivable	53,614	35,078	-	1,077
Financial services: Loans to customers	98,129	31,399	-	5,174
Other financial assets	130,165	56,916	-	2,165
Total financial assets	**316,462**	**151,519**	**-**	**13,652**
Financial liabilities				
Trade and other financial payables	58,463	234	-	782
Dividends payable	22,984	-	-	-
Lease obligations, net of current portion	10,324	-	-	-
Financial services: Other financial liabilities at FVTPL	6,092	960	-	11
Debt	25,271	2,499	-	4,402
Financial services: Due to banks and the Bank of Russia	14,735	12,753	-	91
Financial services: Customer accounts	126,036	20,263	-	5,130
Total financial liabilities	**263,905**	**36,709**	**-**	**10,416**
Net balance sheet position	**52,557**	**114,810**	**-**	**3,236**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

For the year ended 31 December 2022 the Group recognised foreign exchange gain of RR 133,692 million and a foreign exchange loss of RR 158,691 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 2021: RR 13,817 million and RR 11,377, 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.

The following table presents sensitivities of profit or loss and equity to changes in US Dollar and Chinese yuan exchange rates applied at the end of the reporting period relative to Russian Ruble:

	Year ended 31 December 2022		Year ended 31 December 2021	
	Impact on profit before tax	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
US Dollar strengthening by 20%	19,031	15,224	15,515	12,412
US Dollar weakening by 20%	(19,031)	(15,224)	(15,515)	(12,412)
Chinese yuan strengthening by 20%	11,612	9,290	-	-
Chinese yuan weakening by 20%	(11,612)	(9,290)	-	-

b) 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 variable interest rates (linked to the LIBOR rate). 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.

Operations interest rate risk management from financial services

The majority of the Group's interest rate sensitive financial assets and liabilities are at fixed rates. Therefore, the Group's interest rate risk arises primarily from unmatched positions on maturities of assets and liabilities carried at fixed rates.

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.

Additionally, as disclosed in the maturity analysis below, the maturity dates applicable to the majority assets and liabilities are relatively short-term and that provides with a certain level of flexibility to react to changing market conditions.

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

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 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**
31 December 2021							
Total financial assets	55,583	67,899	54,568	96,232	59,022	148,329	481,633
Total financial liabilities	55,542	36,144	61,448	71,231	6,696	79,969	311,030
Net interest sensitivity gap	**41**	**31,755**	**(6,880)**	**25,001**	**52,326**	**68,360**	**170,603**

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

	Year ended 31 December 2022		**Year ended 31 December 2021**	
	Impact on profit before tax	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
Increase by 200 basis points	2,968	2,374	2,045	1,636
Decrease by 200 basis points	(2,968)	(2,374)	(2,045)	(1,636)

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 well as stop-loss and call-level limits, in addition to these, the Group sets limits 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.

Sensitivity to changes in other prices is estimated using the Value at Risk (VaR) methodology. This is a way to assess potential losses that may occur at a risk position as a result of changes in market rates and prices in a certain period of time with a given level of confidence.

According to the results of the VaR 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.

Note 27: Financial risk management (continued)

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.

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 ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period.

PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates. That is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

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 risk analysis for accounts receivable is presented in Note 7.

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, small and medium-sized businesses 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.

Risk management departments monitor compliance with the requirements of external and internal polices of risk assessment, credit decision making, authority to make credit decisions, and work with collaterals.

To quantify the credit risk, the Group uses internal models (rating systems). In the absence of a model, the assessment can be carried out in one of the alternative ways:

- based on the average values obtained on the internal statistics;
- using external ratings of national rating agencies.

The system of internal ratings has been continuously updated and developed. The information accumulated over this period provides a sound ground for assessment of ratings migration and allows the Group to calibrate corresponding parameters of default probability.

The Group updates and validates internal models and approaches on a periodic basis, but at least once a year.

Credit risk monitoring has an important role in maintaining the quality of loans at least as good as at the moment of credit limits approval, in preventing losses on the formed portfolio in excess of planned norms and consists in:

- structured and continuous monitoring of the implementation of financial and non-financial covenants;
- carrying out, with an established frequency, regular inspections of the volume, type and conditions of maintenance of the pledged items, its validity and insurance;
- conducting a quarterly analysis of the financial and economic activities of the borrower and monitoring its financial position;
- carrying out a full annual risk review according to the established limits with a full-scale, comprehensive reassessment of the key risks of the counterparty / issuer / company / group of companies (holding) that includes the borrower, its financial stability and solvency, taking into account the market situation;
- monitoring of problematic signals in order to promptly respond and minimize risks at an early stage;
- monitoring of proper loan maintenance and repayment (tranches);
- analysis of actual exposures versus established limits;
- control over compliance with internal policies, procedures, instructions and orders issued by respective management bodies;
- monitoring of macroeconomic parameters in order to check the adequacy of risk assessment and forecast.

In order to ensure financial stability, forecast expected losses, plan capital requirements, calculate risk-appetite limits, the Group performs periodic stress-testing of credit risk. The stress-testing tool includes regression models based on macroeconomic factors. A mandatory condition for the application of regression models is their high quality, confirmed by the results of validation.

The Group’s divisions carry out loan maturity analysis and follow-up control over overdue balances.

(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 (in 2021 Aaa to Baa3 for Moody's Investment Services, as AAA to BBB- for Fitch Rating and as AAA to BBB- for Standard and Poor's Rating, respectively). 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 (in 2021 Ba1 to C for Moody's Investment Services, as BB+ to D for Fitch Rating and as BB+ to D for Standard and Poor's Rating, respectively). The probability of default for assets of this category ranges from 1.51% to 100%.

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 2022 and 31 December 2021 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 2022	**At 31 December 2021**
	Stage 1 (12-months ECL)	**Stage 1 (12-months ECL)**
Cash on hand and cash in banks		
- Investment grade rating	70,321	46 ,750
- Non-investment grade rating	16,261	859
- No ratings	-	1,328
Gross carrying amount	**86,582**	**48,937**
Credit loss allowance	-	-
Carrying amount	**86,582**	**48,937**
Term deposits		
- Investment grade rating	79,637	8,097
- Non-investment grade rating	1,645	9,150
- No ratings	-	303
Gross carrying amount	**81,282**	**17,550**
Credit loss allowance	-	-
Carrying amount	**81,282**	**17,550**
Financial services: Mandatory reserve deposits with the Bank of Russia		
- Investment grade rating	378	1,429
- Non-investment grade rating	-	-
- No ratings	-	-
Gross carrying amount	**378**	**1,429**
Credit loss allowance	-	-
Carrying amount	**378**	**1,429**

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 2022				
	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	-	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**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

	At 31 December 2021				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**POCI**	**Total**
Loans					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	-	-	-
- No ratings	-	1,474	24,262	-	25,736
Gross carrying amount	**-**	**1,474**	**24,262**	**-**	**25,736**
Credit loss allowance	-	(92)	(23,361)	-	(23,453)
Carrying amount	**-**	**1,382**	**901**	**-**	**2,283**
Bank deposits					
- Investment grade rating	3,777	-	-	-	3,777
- Non-investment grade rating	52,715	-	-	-	52,715
- No ratings	-	-	5,547	-	5,547
Gross carrying amount	**56,492**	**-**	**5,547**	**-**	**62,039**
Credit loss allowance	-	-	(5,547)	-	(5,547)
Carrying amount	**56,492**	**-**	**-**	**-**	**56,492**
Other					
- Investment grade rating	653	-	-	-	653
- Non-investment grade rating	4,762	-	-	-	4,762
- No ratings	-	-	3,073	-	3,073
Gross carrying amount	**5,415**	**-**	**3,073**	**-**	**8,488**
Credit loss allowance	-	-	(2,133)	-	(2,133)
Carrying amount	**5,415**	**-**	**940**	**-**	**6,355**
Debt securities measured at amortised cost					
- Investment grade rating	9,292	-	-	-	9,292
- Non-investment grade rating	17,055	-	-	-	17,055
- No ratings	-	-	-	-	-
Gross carrying amount	**26,347**	**-**	**-**	**-**	**26,347**
Credit loss allowance	(59)	-	-	-	(59)
Carrying amount	**26,288**	**-**	**-**	**-**	**26,288**
Debt securities measured at fair value through other comprehensive income					
- Investment grade rating	1,866	-	-	-	1,866
- Non-investment grade rating	27,734	-	-	-	27,734
- No ratings	359	-	-	-	359
Gross carrying amount	**29,959**	**-**	**-**	**-**	**29,959**
Credit loss allowance	(90)	-	-	-	(90)
Carrying amount	**29,869**	**-**	**-**	**-**	**29,869**

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 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 24)	54,031	42,453	377	96,861
Total	**351,690**	**65,961**	**1,804**	**419,455**

	At 31 December 2021			
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Trade and other financial payables	59,439	190	4	59,633
Dividend payable	22,984	-	-	22,984
Lease obligations, net of current portion	-	8,916	8,621	17,537
Financial services: Other financial liabilities at fair value through profit or loss	7,063	-	-	7,063
Debt	23,800	5,864	3,837	33,501
Financial services: Due to banks and the Bank of Russia	24,063	3,975	-	28,038
Financial services: Customer accounts	138,915	15,958	6	154,879
Credit related commitments (Note 24)	28,864	22,808	2,817	54,489
Total	**305,128**	**57,711**	**15,285**	**378,124**

(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 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**

				At 31 December 2021
			Fair value	
	Level 1	Level 2	Level 3	**Carrying value**
Financial services: Loans to customers measured at fair value through profit or loss	3,731	453	-	**4,184**
Derivatives measured at fair value through profit or loss	-	384	-	**384**
Loans measured at fair value through profit or loss	-	-	4,251	**4,251**
Financial services: Due from banks	-	33,465	-	**33,465**
Securities measured at fair value through other comprehensive income	20,789	14,245	20,510	**55,544**
Investment property	-	-	691	**691**
Financial services: Other financial liabilities measured at fair value through profit or loss	(7,013)	(50)	-	**(7,063)**
Total	**17,507**	**48,497**	**25,452**	**91,456**

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 2022 и 2021:

	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 2022 and 2021.There have been no transfers between Level 1, Level 2 and Level 3 during 2022 and 2021 year.

(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 2022				At 31 December 2021			
	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	3,599	82,983	-	86,582	4,595	44,342	-	48,937
Term deposits	-	81,282	-	81,282	-	17,550	-	17,550
Financial services: Mandatory reserve deposits with the Bank of Russia	378	-	-	378	1,429	-	-	1,429
Accounts receivable								
Trade receivables	-	-	97,356	97,356	-	-	85,135	85,135
Other financial receivables	-	1,229	21,976	23,205	-	1,202	3,432	4,634
Financial services: Loans to customers measured at amortised cost	-	-	161,065	157,369	-	-	133,384	134,702
Other financial assets								
Bank deposits	-	-	-	-	-	56,492	-	56,492
Due from banks	-	543	6,048	6,588	-	5,486	-	5,415
Loans to employees	-	-	558	558	-	-	940	940
Loans measured at amortised cost	-	-	11,622	11,622	-	-	2,283	2,283
Securities measured at amortised cost	15,761	4,952	6,240	27,357	20,266	5,791	-	26,288
Total	**19,738**	**170,989**	**304,865**	**492,297**	**26,290**	**130,863**	**225,174**	**383,805**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	49,609	49,609	-	-	54,113	54,113
Dividend payable	-	-	26,025	26,025	-	-	22,984	22,984
Current portion of lease liabilities	-	-	974	974	-	-	2,838	2,838
Other payables	-	-	481	481	-	-	2,528	2,528
Non-current lease liabilities	-	-	2,641	2,641	-	-	10,324	10,324
Debt								
Bonds issued	-	2,052	-	2,057	15,000	5,333	-	20,412
Subordinated debt	-	22	-	22	-	21	-	21
Promissory notes issued	-	11,666	-	11,897	-	557	-	568
Credit facilities	-	-	-	-	-	-	8,078	8,078
Other debt	-	-	525	525	-	-	3,093	3,093
Financial services: Due to banks and the Bank of Russia	921	5,240	-	6,173	270	27,055	-	27,579
Financial services: Customer accounts	-	76,333	133,868	212,632	-	46,373	104,447	151,429
Total	**921**	**95,313**	**214,123**	**313,036**	**15,270**	**79,339**	**208,405**	**303,967**

(In million of Russian Rubles)

Note 27: Financial risk management (continued)

The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to 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 2020	**11,901**	**22,079**	**21**	**13,219**	**-**	**47,220**
Cash flow movement, including:						
Proceeds from issuance of debt	9,338	-	-	-	-	9,338
Repayment of debt	(9,689)	-	-	-	-	(9,689)
Issuance of bonds	-	50	-	-	-	50
Redemption of bonds	-	(1,713)	-	-	-	(1,713)
Repayment of principal portion of lease liabilities	-	-	-	(1,440)	-	(1,440)
Interest paid	(235)	(1,478)	(99)	(1,228)	-	(3,040)
Foreign exchange adjustments	(268)	-	-	-	-	(268)
Interest accrual	219	1,471	99	1,228	-	3,017
Other non-cash flows	(95)	3	-	1,383	-	1,291
At 31 December 2021	**11,171**	**20,412**	**21**	**13,162**	**-**	**44,766**
Cash flow movement, including:						
Proceeds from issuance of debt	1,488	-	-	-	-	1,488
Repayment of debt	(3,091)	-	-	-	-	(3,091)
Promissory notes issued	-	-	-	-	11,400	11,400
Redemption of bonds, subordinated debts	-	(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	(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)	-	(647)
At 31 December 2022	**525**	**2,057**	**22**	**3,615**	**11,400**	**17,619**

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 2022 was RR 1,095,623 million (2021: RR 938,388 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: Subsequent events

In the 4th quarter of 2022, the Group entered into an agreement to acquire a 100% share in the authorized capital of Nokian Tires LLC, Nokian Shina LLC, Hakka Invest LLC. To complete the transaction, certain conditions must be met. At the date these consolidated financial statements are signed, the transaction has not been completed.