

PJSC “RussNeft”
Interim Condensed Consolidated
Financial Statements (Unaudited)

*for the six months ended 30 June 2024
and Report on Review*

PJSC “RussNeft”

Interim Condensed Consolidated Financial Statements (Unaudited)

for the six months ended 30 June 2024

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REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of PJSC "RussNeft" (OGRN 1027717003467) and its subsidiaries (the Group), which comprise the interim condensed consolidated statement of financial position as at 30 June 2024, interim condensed consolidated statement of profit or loss and other comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended and notes to the interim condensed consolidated financial statements for the six-month period ended 30 June 2024 (the interim financial information). Management of PJSC "RussNeft" is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

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

Basis for Qualified Conclusion

The accompanying interim financial information reflects the Group's loan payable within long-term loans and borrowings, which may be claimed by the creditors ahead of schedule in the context of violation of a restrictive term (covenant) provided for in the relevant agreements. As a result of these circumstances, the line "Long-term loans and borrowings" was overstated and the line "Short-term loans and borrowings" of the interim condensed consolidated statement of financial position was understated as at 30 June 2024 and 31 December 2023 by RUB 76,883 million and RUB 69,514 million, respectively.

Qualified Conclusion

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

The Engagement Partner on the review



A.B. Baliakin

Audit organisation:

Unicon Joint Stock Company

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

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

23 August 2024

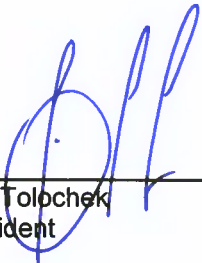
PJSC "RussNeft"

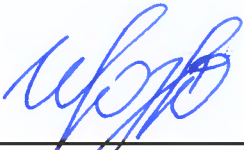
Interim Condensed Consolidated Statement of Profit or Loss and
Other Comprehensive Income (Unaudited)

for the six months ended 30 June 2024

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2024	Six months ended 30 June 2023
Revenue	9	147,257	91,947
Cost of sales	10	(100,077)	(70,644)
Gross profit		47,180	21,303
Exploration expenses		(571)	(523)
Selling expenses	11	(7,859)	(6,964)
General and administrative expenses	11	(2,335)	(2,035)
Other operating income	13	6,176	477
Other operating expenses	13	(3,088)	(13,044)
Operating profit / (loss)		39,503	(786)
Finance income	12	11,161	3,136
Finance expense	12	(6,773)	(6,018)
Foreign exchange differences, net		(2,294)	3,229
Profit / (Loss) before tax		41,597	(439)
Income tax expense	25	(4,153)	(4,474)
Profit / (Loss) for the period		37,444	(4,913)
Other comprehensive income / (loss) that may be subsequently reclassified to profit or loss			
Foreign currency translation gain / (loss)		9,027	(4,669)
Total comprehensive income / (loss), net of tax		46,471	(9,582)
Profit / (Loss) attributable to:			
Shareholders of the Parent		38,481	2,922
Non-controlling interests		(1,037)	(7,835)
Total comprehensive income / (loss) attributable to:			
Shareholders of the Parent		47,213	(3,273)
Non-controlling interests		(742)	(6,309)
Basic and diluted earnings per share (RUB)	21	104	10
Weighted average number of common shares (millions)	21	287	294


E.V. Tolochek
President


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

Authorized for issue on 23 August 2024

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

PJSC “RussNeft”

Interim Condensed Consolidated Statement of Financial Position (Unaudited)

as at 30 June 2024

(in millions of Russian rubles)

	Notes	30 June 2024	31 December 2023
Assets			
Non-current assets			
Property, plant and equipment	14	146,194	155,086
Right-of-use assets	15	260	721
Exploration and evaluation assets		19	1
Goodwill	16	9,176	9,944
Long-term trade and other receivables	19	2,727	4,791
Other long-term financial assets	17	125,556	96,826
Deferred tax assets		1,516	755
Other non-current assets	19	1,538	1,941
Total non-current assets		286,986	270,065
Current assets			
Inventories	18	12,288	13,889
Trade and other receivables	19	11,706	7,648
Other short-term financial assets	17	4,419	2
VAT receivable		1,672	1,182
Income tax receivable		67	85
Cash and cash equivalents	20	8,558	9,690
Other current assets	19	11,156	18,167
Total current assets		49,866	50,663
Total assets		336,852	320,728
Equity and liabilities			
Equity attributable to shareholders of the Parent			
Share capital	21	196	196
Share premium		60,289	60,289
Forward to purchase treasury shares		(21,123)	(21,123)
Treasury shares	21	(4,700)	–
Foreign currency translation reserve		7,580	(1,152)
Retained earnings		83,309	53,553
Total equity attributable to shareholders of the Parent		125,551	91,763
Non-controlling interests	7	(7,463)	3,282
Total equity		118,088	95,045
Long-term liabilities			
Long-term loans and borrowings	22	76,883	71,485
Decommissioning liability	23	4,127	11,606
Deferred tax liabilities		19,856	18,084
Long-term lease liabilities	15	265	339
Other long-term financial liabilities	24	28,747	30,646
Total long-term liabilities		129,878	132,160
Short-term liabilities			
Short-term loans and borrowings	22	7,178	10,493
Trade and other payables, other short-term financial liabilities	24	37,265	32,793
Taxes and levies payable (excluding income tax)	24	19,808	24,709
Short-term lease liabilities	15	37	408
Income tax payable		278	260
Advances received and other short-term liabilities	24	24,320	24,860
Total short-term liabilities		88,886	93,523
Total liabilities and equity		336,852	320,728

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

PJSC “RussNeft”

Interim Condensed Consolidated Statement of Changes in Equity (Unaudited)

for the six months ended 30 June 2024

(in millions of Russian rubles)

		Equity attributable to shareholders of the Parent							
Notes	Share capital	Share premium	Treasury shares	Forward to purchase treasury shares	Foreign currency translation reserve	Retained earnings/ (loss)	Total equity of PJSC “RussNeft”	Non-controlling interests	Total equity
1 January 2023	196	60,289	-	(21,123)	(1,753)	43,804	81,413	12,254	93,667
(Loss) / Profit for the period	-	-	-	-	-	2,922	2,922	(7,835)	(4,913)
Foreign currency translation reserve	-	-	-	-	(6,195)	-	(6 195)	1,526	(4,669)
Total comprehensive (loss) / income for the period	-	-	-	-	(6,195)	2,922	(3,273)	(6,309)	(9,582)
Dividends	-	-	-	-	-	-	-	(5)	(5)
Dividends refund	-	-	-	-	-	-	-	1	1
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	-	(44)	(44)	44	-
Changes in non-controlling interests of subsidiaries due to cancellation of the subsidiary's own shares	-	-	-	-	-	83	83	(83)	-
Other transactions	-	-	-	-	-	(69)	(69)	(280)	(349)
30 June 2023	196	60,289	-	(21,123)	(7,948)	46,696	78,110	5,622	83,732
31 December 2023	196	60,289	-	(21,123)	(1,152)	53,553	91,763	3,282	95,045
Profit / (Loss) for the period	-	-	-	-	-	38,481	38,481	(1,037)	37,444
Foreign currency translation reserve	-	-	-	-	8,732	-	8,732	295	9,027
Total comprehensive income / (loss) for the period	-	-	-	-	8 732	38,481	47,213	(742)	46,471
Dividends	6, 21	-	-	-	-	(8,728)	(8,728)	(96)	(8,824)
Redemption of treasury shares	21	-	-	(4,700)	-	-	(4,700)	-	(4,700)
Disposal of subsidiaries	-	-	-	-	-	-	-	(9,907)	(9,907)
Other transactions	-	-	-	-	-	3	3	-	3
30 June 2024	196	60,289	(4,700)	(21,123)	7,580	83,309	125,551	(7,463)	118,088

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

PJSC “RussNeft”

Interim Condensed Consolidated Statement of Cash Flows (Unaudited)

for the six months ended 30 June 2024

(in millions of Russian rubles)

	Notes	Six months ended 30 June 2024	Six months ended 30 June 2023
Cash flows – operating activities			
Profit / (Loss) before tax		41,597	(439)
Adjustments to reconcile profit / (loss) before tax to net cash flows			
Depreciation, depletion and amortization	10	2,444	7,897
Disposal of property, plant and equipment and right-of-use assets, net	13	831	554
Reversal of impairment of property, plant and equipment and other assets, net	13	(156)	(32)
Impairment of financial assets, net	13	1,053	2,927
Derivative financial instruments at fair value	13	(1,238)	9,093
Financial guarantees	13	518	(20)
Benefit obligations, allowances for expected credit losses and other provisions		1,041	(361)
Disposal of Group companies, net	13	(2,284)	–
Termination of decommissioning liability	13	(2,295)	(265)
Finance income	12	(11,161)	(3,136)
Finance expense	12	6,773	6,018
Foreign exchange differences, net		2,294	(3,229)
Other adjustments		(195)	20
Net operating cash flows before working capital changes		39,222	19,027
Working capital adjustments			
Decrease / (Increase) in inventories		1,135	(2,620)
Increase in trade and other receivables and prepayments		(4,444)	(2,632)
(Decrease) / Increase in trade and other payables and advances received		(5,834)	4,883
(Increase) / Decrease in other current assets		(8)	28
Interest paid for early payments		(729)	(500)
Income tax paid		(3,122)	(1,052)
Net cash – operating activities		26,220	17,134
Cash flows – investing activities			
Purchase of property, plant and equipment and other non-current assets		(14,199)	(8,304)
Acquisition of subsidiaries		(10)	–
Disposal of Group companies, net	8	4,765	–
Disposal of property, plant and equipment		30	2
Loans issued		(19,202)	(66)
Proceeds from loans issued		82	–
Interests received		123	39
Net cash – investing activities		(28,411)	(8,329)
Cash flows – financing activities			
Redemption of treasury shares	21	(4,700)	–
Proceeds from loans and borrowings received	22	19,178	279
Repayment of loans and borrowings received		(8,747)	(3,879)
Interests paid		(4,344)	(4,276)
Dividends paid to non-controlling shareholders		(72)	–
Repayments of lease liabilities	15	(177)	(199)
Net cash – financing activities		1,138	(8,075)
Effect of foreign exchange rate changes on balances of cash and cash equivalents		(79)	219
Change in cash and cash equivalents		(1,132)	949
Cash and cash equivalents at the beginning of the period		9,690	2,120
Cash and cash equivalents at the end of the period		8,558	3,069

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

PJSC “RussNeft”

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

1. Corporate information

The interim condensed consolidated financial statements of Public Joint Stock Company “RussNeft” (“PJSC “RussNeft”, the “Parent” or the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 were authorized for issue in accordance with a resolution of management on 23 August 2024.

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

The principal activities of the Group are prospecting, exploration, development, production and marketing of oil, gas and oil products. The subsidiaries included in the interim condensed consolidated financial statements and respective ownership interests of the Company as at 30 June 2024 and 31 December 2023 are presented in Note 6.

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

As at 30 June 2024, the average number of employees employed by the Group was 6,069 people (30 June 2023: 7,397 people, 31 December 2023: 7,118 people).

2. Basis of preparation

Statement of compliance with IFRS

The interim condensed consolidated financial statements of the Group for the six months ended 30 June 2024 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for 2023 prepared in accordance with International Financial Reporting Standards (IFRS), except for certain accounting policies, estimates and judgments disclosed in Note 3. Any differences between comparative amounts and amounts recorded in the interim condensed consolidated financial statements for the six months ended 30 June 2024 represent only the result of reclassification for comparative purposes.

Basis of accounting

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements. The Group omitted disclosures which would duplicate the information contained in its 2023 audited consolidated financial statements, such as accounting policies, significant estimates and judgments, financial risk disclosures and other disclosures that have not been changed significantly in the amount or composition (Note 3). Management believes that these interim condensed consolidated financial statements reflect all adjustments required to present fairly the Group’s financial position, performance results, and statements of changes in equity and cash flows for the interim reporting periods. The principal adjustments relate to the consolidation of subsidiaries, goodwill recognition and its impairment assessment, accounting for jointly controlled operations and investments in associates, expense and revenue recognition, allowances for unrecoverable assets, depreciation and valuation of property, plant and equipment, use of fair values, impairment of assets, foreign currency translation, financial instruments, deferred taxes, right-of-use assets, decommissioning liability and land restoration liability.

PJSC “RussNeft”

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

2. Basis of preparation (continued)

Basis of accounting (continued)

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

Functional currency and foreign currency translation

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

In the Russian Federation, official exchange rates are set daily by the CBR. The exchange rate of the Russian Rouble used for the purposes of this interim condensed consolidated financial statements was equal to the official exchange rate of the CBR and is shown in the table below:

<u>Currency</u>	<u>31 December 2023</u>	<u>30 June 2024</u>	<u>23 August 2024</u>
	<u>RUB/Currency</u>	<u>RUB/Currency</u>	<u>RUB/Currency</u>
US dollar	89.6883	85.7480	91.2881

Going concern

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

3. Changes in accounting policies, significant accounting judgments, estimates and assumptions

The accounting principles adopted in the preparation of the interim condensed consolidated financial statements are consistent with the principles applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the changes set out in the Note *Significant accounting judgments, estimates and assumptions* in the sections *Reserves base, Carrying amount of oil and gas properties* and *Decommissioning liability* to the consolidated financial statements as at 31 December 2023 and for the year then ended, as well as taking into account new standards and interpretations that are mandatory for application for the annual periods beginning on or after 1 January 2024.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the standards listed below effective for the annual periods beginning on or after 1 January 2024 had no material impact on the interim condensed consolidated financial statements of the Group:

- ▶ Amendments to IAS 1 *Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants*;
- ▶ Amendments to IFRS 16 *Lease Liabilities in a Sale and Leaseback*;

PJSC “RussNeft”

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

3. Changes in accounting policies, significant accounting judgments, estimates and assumptions (continued)

- ▶ Amendments to IAS 7 and IFRS 7 *Supplier Finance Arrangements*.

Based on professional experience, the Group's management changed the following judgments, which have the most significant impact on the amounts reflected in these interim condensed consolidated financial statements. These changes are considered by the Group as a change in the estimates and are applied prospectively, and, therefore, no revision of comparative data is required.

Reserves base

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

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

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

Carrying amount of oil and gas properties

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

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

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

PJSC “RussNeft”

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

3. Changes in accounting policies, significant accounting judgments, estimates and assumptions (continued)

Decommissioning liability

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

The decommissioning liability is the present value of costs for decommissioning of the oil and gas fields, which will be incurred up to 2083, depending on the recovery period of economically recoverable reserves, as a rule, in categories A (producing, drilled), B1 (producing, undrilled, explored), and B2 (undrilled, estimated) for each field group. Management makes assumptions based on the current economic environment and believes that they are a reasonable basis for estimation of the future liability. These estimates are reviewed regularly to take into account any material changes in the assumptions. Actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning work which will reflect specific market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the fields cease to produce at economically recoverable rates. This, in its turn, will depend on future oil and gas prices, which are inherently uncertain.

4. New standards and interpretations issued but not yet effective

The complete list of new standards, amendments to and interpretations of the existing standards that become effective after the annual reporting period ended 31 December 2023 is provided in the Group’s consolidated financial statements for 2023. The Group estimates the possible future effect of adopting these amendments and those additionally adopted during the reporting period. The Group intends to adopt these standards and interpretations when they become effective.

5. Segment information

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

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

PJSC “RussNeft”

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

6. Subsidiaries of the Group

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2024	31 December 2023
PJSC Varyeganneft	Extraction and marketing of crude oil and gas	Russian Federation	95%	95%
LLC Valyuninskoe	Property management and leasing	Russian Federation	95%	95%
LLC Novo-Aganskoe	Property management and leasing	Russian Federation	95%	95%
LLC Belye Nochi	Property management and leasing	Russian Federation	100%	100%
JSC ANGG	Property management and leasing	Russian Federation	98%	98%
ST JSC Goloil	Property management and leasing	Russian Federation	100%	100%
JSC Mohtikneft	Property management and leasing	Russian Federation	100%	100%
JSC Chernogorskoe	Property management and leasing	Russian Federation	100%	100%
LLC Alatau-10	Exploration drilling	Russian Federation	100%	–
OJSC NAK Aki-Otyr	Property management and leasing	Russian Federation	100%	100%
JSC Nazymorskaya NGRE	Property management and leasing	Russian Federation	100%	100%
JSC KhMNMK	Property management and leasing	Russian Federation	100%	100%
PJSC Saratovneftegaz	Property management and leasing	Russian Federation	96%	96%
LLC Saratovenergoneft	Other	Russian Federation	96%	96%
PI DOC Rovesnik	Other	Russian Federation	96%	96%
JSC Saratov-Burenie (dissolution)	Property management and leasing	Russian Federation	–	96%
LLC Neftebytservis (dissolution)	Other	Russian Federation	–	96%
LLC RedOil (dissolution)	Property management and leasing	Russian Federation	–	96%
JSC Ulyanovskneft	Property management and leasing	Russian Federation	100%	100%
LLC KP Neftyanik	Other	Russian Federation	100%	100%
LLC Tomskaya Neft	Property management and leasing	Russian Federation	100%	100%
LLC Sredne-Vasyuganskoe	Oil production	Russian Federation	100%	100%
LLC NK Russneft-Bryansk	Transportation services	Russian Federation	51%	51%
LLC Torgovy Dom Russneft	Other	Russian Federation	100%	100%
LLC M-Trade	Other	Russian Federation	100%	100%
JSC Belkam-Trade	Other	Russian Federation	100%	100%
LLC Rustrade	Other	Russian Federation	100%	100%
Russneft (UK) Limited	Marketing of crude oil and petroleum products	United Kingdom	100%	100%
BIZNETA HOLDINGS LTD (dissolution)	Other	Republic of Cyprus	–	100%
Russneft Cyprus Limited ¹ (Note 29)	Other	Republic of Cyprus	21%	21%

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

PJSC “RussNeft”

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

6. Subsidiaries of the Group (continued)

Company	Principal activity	Country of incorporation	Effective ownership	
			30 June 2024	31 December 2023
Global Energy Cyprus Limited ¹ (disposal)	Other	Republic of Cyprus	–	21%
GEA Holdings Limited ¹ (disposal)	Other	BVI	–	21%
Kura Valley Holding Company ¹ (disposal)	Other	Cayman Islands	–	21%
Karasu Petroleum Company ¹ (disposal)	Other	Cayman Islands	–	21%
Karasu Development Company ^{1,2} (disposal)	Extraction and marketing of crude oil under PSA	Cayman Islands	–	21%

At the Annual Shareholders' Meeting of PJSC Saratovneftegaz based on the results of 2023, a decision on payment of dividends on preference shares was made in due time, in connection with which these shares are not voting on the reporting date. At the Annual Shareholders' Meeting of PJSC Varyeganneft based on the results of 2023, a decision was made to pay dividends on preference shares. Taking into account that at the Annual Meeting of Shareholders of PJSC Varyeganneft based on the results of 2022 no decision on payment of dividends on preference shares was made, preference shares of the company will cease to be voting shares from the moment of payment of dividends in full amount based on the results of 2023.

In the reporting period, the Group acquired a 99.9% interest in LLC Alatau-10, which has a license for geological exploration on its balance sheet. The cost of the acquisition amounted to RUB 10 million. This acquisition was accounted for as an asset acquisition and included in the Group's Exploration and evaluation assets. As at the reporting date, the settlements were made in cash and are fully completed.

7. Non-controlling interests

Non-controlling interests include:

	30 June 2024		Six months ended 30 June 2024		31 December 2023		Six months ended 30 June 2023	
	Non-controlling interests in share capital %	Non-controlling interests in net assets RUB million	Non-controlling interests in profit / (loss) RUB million	Non-controlling interests in share capital %	Non-controlling interests in net assets RUB million	Non-controlling interests in profit / (loss) RUB million		
Russneft Cyprus Limited and its subsidiaries and joint ventures	79%	(8,706)	(1,139)	79%	2,046	(7,836)		
PJSC Varyeganneft and its subsidiaries	5%	1,515	24	5%	1,496	2		

² Jointly with Karasu Operating Company, which was accounted for up to the date of disposal as a joint operation under a production sharing agreement in these interim condensed consolidated financial statements.

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

7. Non-controlling interests (continued)

	30 June 2024		Six months ended 30 June 2024		31 December 2023		Six months ended 30 June 2023	
	Non-controlling interests in share capital %	Non-controlling interests in net assets RUB million	Non-controlling interests in profit / (loss) RUB million	Non-controlling interests in share capital %	Non-controlling interests in net assets RUB million	Non-controlling interests in profit / (loss) RUB million	Non-controlling interests in profit / (loss) RUB million	
PJSC Saratovneftegaz and its subsidiaries	4%	575	(66)	4%	732	35		
Other	2-49%	(847)	144	0.4-49%	(992)	(36)		
Non-controlling interests at the end of the period		(7,463)	(1,037)		3,282	(7,835)		

8. Disposal of the Group companies

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

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

The total cost of disposal amounted to USD 55 million or RUB 4,882 million at the exchange rate effective as at the transaction date. This amount includes USD 10 million or RUB 888 million received for the sold interest in Global Energy Cyprus Limited and the assignment of rights under the intra-group loan of GEA Holdings Limited owed to PJSC “RussNeft” in the amount of USD 45 million or RUB 3,994 million. Transaction costs related to the disposal of GEA group were immaterial. All payments, including the amount of debt assigned, are completed by the reporting date and reflected in the interim condensed statement of cash flows within the item *Disposal of Group companies, net* in the amount of RUB 4,765 million at the exchange rate as at the settlement date, net of cash on the accounts of the retiring GEA group companies.

Gain on disposal of GEA group amounted to RUB 3,052 million and was recognised by the Group as *Other operating income* in the interim condensed consolidated statement of profit or loss and other comprehensive income within the line *Disposal of Group companies, net* (Note 13). Gain on disposal of the GEA group companies includes the accumulated foreign currency translation reserve resulting from translation of foreign currencies, which was reclassified from equity to gain on disposal.

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

8. Disposal of the Group companies (continued)

The results of GEA group's operations prior to the date of disposal are recognised in the interim condensed consolidated statement of profit or loss and other comprehensive income, net of intra-group turnovers. Income from discounting of GEA group's financial liabilities prior to the date of disposal in the amount of RUB 6,296 million is recognised within the item *Finance income* (Note 12).

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

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

In the reporting period, the subsidiaries LLC Neftebytservice, LLC RedOil and JSC Saratov-Burenie were dissolved as part of the corporate structure optimisation program. The cumulative loss on dissolution of these companies amounted to RUB 768 million and is recognised in the item *Other operating income* of the interim condensed consolidated statement of profit or loss and other comprehensive income within the line *Disposal of Group companies, net* (Note 13).

9. Revenue

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

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

The information on revenue is presented in the table below:

	Far abroad export		Domestic market		Total	
	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended	Six months ended
	30 June 2024	30 June 2023	30 June 2024	30 June 2023	30 June 2024	30 June 2023
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Revenue from external customers						
Crude oil sales	52,809	24,719	92,479	65,395	145,288	90,114
Petroleum products sales	–	–	211	169	211	169
Gas sales	–	–	1,582	1,518	1,582	1,518
Other sales	–	–	176	146	176	146
Total revenue	52,809	24,719	94,448	67,228	147,257	91,947

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

9. Revenue (continued)

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

		Geographical location	Six months ended 30 June 2024	Six months ended 30 June 2023
			RUB million	RUB million
Major customer 1	Crude oil sales	Domestic market	59,640	36,957
Major customer 2	Crude oil sales	Far abroad export	29,939	–
Major customer 3	Crude oil sales	Far abroad export	21,751	8,523
Major customer 4	Crude oil sales	Far abroad export	–	15,062
Total revenue from sales to major customers			111,330	60,542

10. Cost of sales

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Mineral extraction tax	75,459	45,190
Cost of crude oil and petroleum products sold	6,077	4,042
Payroll and related taxes	4,494	3,855
Heat and electricity	3,203	3,040
Depreciation, depletion and amortization	2,276	7,721
Tax on additional income	1,899	720
Raw materials and supplies used in production	1,566	1,279
Production services	1,008	1,207
Transportation expenses	949	720
Equipment repair, operation and maintenance	683	493
Depreciation of right-of-use assets	168	176
Other expenses	2,295	2,201
Total cost of sales	100,077	70,644

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Notes to the Interim Condensed Consolidated
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11. Selling, general and administrative expenses

Selling expenses comprise:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Pipeline tariffs and transportation expenses	7,714	6,843
Other selling expenses	145	121
Total selling expenses	7,859	6,964

General and administrative expenses comprise the following:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Payroll and related taxes	1,738	1,335
Entertainment and business travel	168	168
Software	99	35
Bank services	69	27
Repair and maintenance	35	31
Consulting services	35	80
Taxes other than income tax, including fines and penalties	28	26
Environmental activities	2	4
Allowance for expected credit losses	(43)	115
Other expenses	204	214
Total general and administrative expenses	2,335	2,035

12. Finance income and expense

Finance income comprises the following:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Income from discounting of financial liabilities (Note 8)	6,296	–
Interest income on loans	4,755	3,043
Interest income for early payments	110	93
Total finance income	11,161	3,136

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

12. Finance income and expense (continued)

Finance expense comprises the following:

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Interest expense on loans and borrowings	4,376	4,150
Interest expense for early payments	596	765
Accretion expense (Note 23)	581	564
Interest expense on lease liabilities	28	42
Other finance expense	1,192	497
Total finance expense	6,773	6,018

13. Other operating income and expenses

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Termination of decommissioning liability	2,295	265
Disposal of Group companies, net (Note 8)	2,284	–
Change in fair value – swaps	1,238	–
Reversal of impairment of property, plant and equipment	156	39
Financial guarantees	–	20
Other income	203	153
Total other operating income	6,176	477

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Impairment of financial assets, net	1,053	2,927
Disposal of property, plant and equipment and right-of-use assets, net	831	554
Financial guarantees	518	–
Charity and other gratuitous expenses	478	217
Fines and penalties due to contractual breaches	18	43
Change in fair value – swaps	–	9,093
Impairment of other assets	–	7
Other expenses	190	203
Total other operating expenses	3,088	13,044

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

14. Property, plant and equipment

	Oil and gas properties	Other property, plant and equipment	Construction in progress	Total
	RUB million	RUB million	RUB million	RUB million
1 January 2023				
Cost	307,398	2,954	–	310,352
Accumulated depreciation and impairment	(154,049)	(2,496)	–	(156,545)
Net book value as at 1 January 2023	153,349	458	–	153,807
Additions	17,471	–	2	17,473
Decommissioning liability	(205)	–	–	(205)
Disposal of subsidiaries, net	–	(2)	–	(2)
Transfer from construction in progress	–	2	(2)	–
Depreciation	(15,680)	(4)	–	(15,684)
Impairment	(2,534)	–	–	(2,534)
Reversal of impairment	114	–	–	114
Disposals, net	(1,813)	(5)	–	(1,818)
Foreign currency translation, net	3,935	–	–	3,935
31 December 2023				
Cost	325,729	2,860	–	328,589
Accumulated depreciation and impairment	(171,092)	(2,411)	–	(173,503)
Net book value as at 31 December 2023	154,637	449	–	155,086
Additions	15,200	3,750	–	18,950
Decommissioning liability	(4,983)	–	–	(4,983)
Disposal of subsidiaries and joint operations, net	(18,243)	–	–	(18,243)
Depreciation	(2,249)	(27)	–	(2,276)
Impairment	(5)	–	–	(5)
Reversal of impairment	161	–	–	161
Disposals, net	(2,301)	–	–	(2,301)
Foreign currency translation, net	(195)	–	–	(195)
30 June 2024				
Cost	300,332	6,608	–	306,940
Accumulated depreciation and impairment	(158,310)	(2,436)	–	(160,746)
Net book value as at 30 June 2024	142,022	4,172	–	146,194

The Group’s non-current assets are located in the Russian Federation.

The Group had no significant amounts of property, plant and equipment pledged as at 30 June 2024.

Impairment losses

In the reporting period, the Group recognized impairment in the amount of RUB 5 million and simultaneously reversed the previously recognized impairment in the amount of RUB 161 million. As at 30 June 2024 and 31 December 2023, the impairment allowance amounts equal to RUB 12,155 million and RUB 15,036 million, respectively.

PJSC “RussNeft”

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

15. Right-of-use assets and lease liabilities

Right-of-use assets

	Oil and gas right-of-use assets RUB million	Other right-of-use assets RUB million	Total right-of-use assets RUB million
1 January 2023			
Cost	285	1,237	1,522
Accumulated depreciation and impairment	(29)	(490)	(519)
Net book value as at 1 January 2023	256	747	1,003
Additions	11	–	11
Depreciation	(11)	(165)	(176)
Modification and reassessment, net	6	64	70
Disposals, net	(3)	–	(3)
Foreign currency translation, net	1	2	3
30 June 2023			
Cost	299	1,309	1,608
Accumulated depreciation and impairment	(39)	(661)	(700)
Net book value as at 30 June 2023	260	648	908
1 January 2024			
Cost	180	1,298	1,478
Accumulated depreciation and impairment	(37)	(720)	(757)
Net book value as at 1 January 2024	143	578	721
Depreciation	(7)	(161)	(168)
Modification and reassessment, net	(72)	5	(67)
Disposals, net	–	(218)	(218)
Disposal of subsidiaries and joint operations, net	(4)	(4)	(8)
30 June 2024			
Cost	95	248	343
Accumulated depreciation and impairment	(35)	(48)	(83)
Net book value as at 30 June 2024	60	200	260

Lease liabilities

	30 June 2024 RUB million	31 December 2023 RUB million
At the beginning of the period	747	1,057
<i>including short-term lease liabilities</i>	408	336
Recognition of lease liabilities	–	16
Disposals	(232)	(122)
Disposal of subsidiaries and joint operations	(10)	–
Modification and reassessment	(54)	190
Interest on lease liabilities	28	79
Payments of lease liabilities	(177)	(477)
Foreign currency translation, net	–	4
At the end of the period	302	747
<i>including short-term lease liabilities</i>	37	408

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

16. Goodwill

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

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

	Segment³	30 June 2024	31 December 2023
		RUB million	RUB million
PJSC Saratovneftegaz (Note 8)	Exploration, production and related service	8,256	9,024
PJSC Varyeganneft	Exploration, production and related service	598	598
JSC Ulyanovskneft	Exploration, production and related service	227	227
OJSC NAK Aki-Otyr	Exploration, production and related service	95	95
		9,176	9,944

No potential indication of goodwill impairment was identified in the reporting period.

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

	Currency	30 June 2024	31 December 2023
		RUB million	RUB million
Long-term loans issued to related parties	USD	120,543	114,839
Long-term loans issued to related parties	EUR	22,366	23,480
Long-term loans issued to related parties	RUB	22,107	2,754
Long-term loans issued to other companies	RUB	2,930	2,888
Long-term loans issued to other companies	USD	873	–
Allowances for expected credit losses on long-term loans issued		(43,263)	(47,135)
		125,556	96,826
Short-term loans issued to related parties	USD	7,365	–
Short-term loans issued to related parties	EUR	–	3
Allowances for expected credit losses on short-term loans issued		(2,946)	(1)
		4,419	2

³ The segment is defined in Note 5.

PJSC “RussNeft”

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

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

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

As part of the disposal of the GEA group, the Parent transferred debt, including intra-group debt, on financial assets of GEA group companies. The amount outstanding under these loans including accrued interest and allowance for expected credit losses as at 30 June 2024 is USD 953 million or RUB 81,712 million at the exchange rate as at the reporting date, and USD 650 million or RUB 58,291 million as at 31 December 2023. This modification did not have a significant effect on the interim condensed consolidated statement of profit or loss and other comprehensive income as the key terms remained unchanged.

18. Inventories

	30 June 2024	31 December 2023
	RUB million	RUB million
Crude oil	8,697	9,844
Raw materials and components	3,655	4,413
Petroleum products	30	17
Allowance for obsolete inventories ⁴	(94)	(385)
Total inventories	12,288	13,889

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

	30 June 2024	31 December 2023
	RUB million	RUB million
Long-term prepayments for capital construction	1,281	1,694
Long-term prepayments	1,047	1,458
Allowance for prepayments	(802)	(1,238)
Other non-current assets	12	27
Total other non-current assets	1,538	1,941

	30 June 2024	31 December 2023
	RUB million	RUB million
Other long-term receivables	3,353	5,448
Allowance for expected credit losses	(626)	(657)
Total other long-term receivables	2,727	4,791

⁴ Allowance for obsolete inventories relates to the *Raw materials and components*.

PJSC “RussNeft”

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

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

	30 June 2024	31 December 2023
	RUB million	RUB million
Trade receivables	10,137	7,556
Other short-term receivables	1,834	220
Allowance for expected credit losses	(265)	(128)
Total trade and other receivables	11,706	7,648

	30 June 2024	31 December 2023
	RUB million	RUB million
Short-term prepayments	11,290	18,021
Other current assets ⁵	222	223
Allowance for prepayments	(356)	(77)
Total other current assets	11,156	18,167

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

	30 June 2024	31 December 2023
	RUB million	RUB million
At the beginning of the period	(2,100)	(3,594)
Reversal of allowance	43	363
Allowance used	3	939
Disposal of subsidiaries	3	231
Foreign currency translation	2	(39)
At the end of the period	(2,049)	(2,100)

20. Cash and cash equivalents

	30 June 2024	31 December 2023
	RUB million	RUB million
Deposits and other cash equivalents	6,401	2,386
Foreign currency-denominated cash at bank and on hand	1,623	914
RUB-denominated cash at bank and on hand	534	6,390
Total cash and cash equivalents	8,558	9,690

⁵ In respect of individual bank accounts, there are temporarily blocked amounts of RUB 191 million as at 30 June 2024. In this connection, these amounts are reflected in *Other current assets* of the Group.

PJSC “RussNeft”

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

21. Equity

	30 June 2024	30 June 2024	31 December 2023	31 December 2023
	thousand	RUB million	thousand	RUB million
Common shares (issued and paid) with a nominal value of RUB 0.5 each	294,120	147	294,120	147
Preference shares ⁶ with a nominal value of RUB 0.5 each	98,032	49	98,032	49
Total share capital	392,152	196	392,152	196

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

In June 2024, the General Meeting of Shareholders of the Company decided to allocate USD 100 million or RUB 8,728 million at the exchange rate of the Central Bank of the Russian Federation on the date of distribution for the payment of dividends on preference shares of PJSC “RussNeft”, at the rate of USD 1.0200750775 per preference share of the Company. As at the reporting date, declared dividends have not been paid (Note 29). Taking into account the decision made to pay dividends on preference shares, these shares are not voting. No dividends were declared or paid on the Parent’s common shares.

Treasury shares

In May 2024, the Group purchased 23,529,600 common shares of PJSC “RussNeft”, representing 6% of the share capital or 8% of the issued common shares, for the total amount of RUB 4,700 million. This transaction is recorded within *Treasury shares* in the interim condensed consolidated statement of financial position. The settlement of the redemption of these treasury shares of the Parent was fully completed at the reporting date.

Earnings per share

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

		Six months ended 30 June 2024	Six months ended 30 June 2023
Profit attributable to shareholders of the Parent	RUB million	38,481	2,922
Dividends on preference shares	RUB million	(8,728)	–
Profit attributable to shareholders of the Parent, as adjusted	RUB million	29,753	2,922
Weighted average number of common shares issued	million	287	294
Effect of dilution		–	–
Basic and diluted earnings per share	RUB per share	104	10

⁶ The preference shares of PJSC “RussNeft” are not cumulative.

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22. Loans and borrowings

	Currency	Weighted average interest rate by type of liability as at 30 June 2024 %	30 June 2024 RUB million
Long-term loans and borrowings			
Bank loans	USD	11.09%	58,604
Borrowings	CNY	7.00%	18,279
Total long-term loans and borrowings			76,883
Short-term loans and borrowings			
Bank loans	USD	11.09%	7,135
Borrowings	RUB	6.55%	43
Total short-term loans and borrowings			7,178

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

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

The Company repays accrued interest on a quarterly basis, in accordance with the schedule and the interest rate set for the date of payment. In the reporting period, the Company paid the total interest under this loan agreement in the amount of RUB 4,248 million at the exchange rate as at the date of payment (USD 47 million). Principal payments under the credit agreement in the reporting period amounted to RUB 8,745 million at the exchange rate on the date of payment (USD 97 million, including USD 55 million additionally in excess of the established repayment schedule, which amounted to RUB 4,934 million at the exchange rate on the date of payment).

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

22. Loans and borrowings (continued)

Outstanding principal of the loan agreement payable amounts to RUB 65,620 million or USD 765 million at the exchange rate as at the reporting date, including the current portion payable in the amount of USD 82 million or RUB 7,016 million. Current interest payable amounts to RUB 119 million (USD 1 million at the exchange rate as at the reporting date).

The Company's loan was secured by pledge of the common shares of the Parent and the equity interests that the Parent holds in certain subsidiaries. At the same time, certain subsidiaries of the Group and other related and third parties are joint guarantors to the creditor with regard to the Parent's liabilities (Note 28).

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

During the reporting period, the Company raised a loan in the amount of CNY 1,579 million or RUB 18,279 million at the exchange rate as at the reporting date. The loan was issued at a fixed interest rate of 7% per annum and monthly interest payment, with maturity date of the principal in March 2029. The Group's subsidiaries act as joint guarantors for the Parent's obligations under this loan agreement (Notes 28, 29).

Interest accrued on other borrowings is primarily repaid simultaneously with the principal amount, unless otherwise specified in loan agreements.

23. Decommissioning liability

	30 June 2024		31 December 2023	
	Decommis- sioning liability	Land restoration liability	Decommis- sioning liability	Land restoration liability
	RUB million	RUB million	RUB million	RUB million
At the beginning of the period	9,100	2,506	8,225	2,621
Acquisitions	55	18	322	26
Disposals	(373)	(5)	(221)	(75)
Change in estimates	(6,097)	(1,253)	(195)	(342)
Disposal of subsidiaries and joint operations	(401)	–	–	–
Accretion expense	435	146	887	276
Foreign currency translation	(4)	–	82	–
At the end of the period	2,715	1,412	9,100	2,506

The Group makes provision for the future cost of decommissioning oil production facilities and restoring disturbed land on a discounted basis as the facilities are put into operation or sites are damaged. The Group estimated the provision taking into account existing oil extraction technologies and current estimates of decommissioning costs (adjusted for inflation projections) and discounted the provision at the rate of 14.73% (in 2023 – 11.64%).

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

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

Other long-term financial liabilities	30 June 2024	31 December 2023
	RUB million	RUB million
Derivative financial instruments (Note 27)	27,761	30,353
Long-term trade payables	333	158
Financial guarantees (Note 28)	653	135
Total other long-term financial liabilities	28,747	30,646

Trade and other payables, other short-term financial liabilities	30 June 2024	31 December 2023
	RUB million	RUB million
Trade payables	28,143	25,147
Other short-term payables	5,445	4,214
Derivative financial instruments (Note 27)	3,677	3,432
Total trade and other payables, other short-term financial liabilities	37,265	32,793

Taxes and levies payable (excluding income tax)	30 June 2024	31 December 2023
	RUB million	RUB million
Mineral extraction tax	11,771	14,461
Value added tax	6,334	8,542
Tax on additional income	1,031	1,098
Property tax	386	381
Other taxes and levies (excluding income tax)	286	227
Total taxes and levies payable (excluding income tax)	19,808	24,709

Advances received and other short-term liabilities	30 June 2024	31 December 2023
	RUB million	RUB million
Advances received	15,717	16,776
Other short-term liabilities	8,603	8,084
Total advances received and other short-term liabilities	24,320	24,860

25. Income tax

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

	Six months ended 30 June 2024	Six months ended 30 June 2023
	RUB million	RUB million
Current income tax		
Current income tax expense	3,130	1,021
Income tax relating to previous years	12	(39)
Deferred income tax		
Relating to origination and reversal of temporary differences	999	3,508
Change in deferred income tax relating to previous years	12	(16)
Income tax expense reported in the interim condensed consolidated statement of profit or loss and other comprehensive income	4,153	4,474

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Notes to the Interim Condensed Consolidated
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26. Transactions with related parties

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

The nature of the related party relations for those related parties with whom the Group entered into significant transactions during the six months ended 30 June 2024 and 30 June 2023 or had significant balances outstanding as at 30 June 2024 and 31 December 2023 is detailed below.

Transactions with related parties for the six months ended 30 June 2024 and 30 June 2023:

Six months ended 30 June 2024	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Companies/Individuals with significant influence over the Group	–	–	4	–	–
Associates and joint ventures	–	(28,713)	20	2,325	75
Other related parties	59,640	29,692	3,750	7,704	12
Total	59,640	979	3,774	10,029	87

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

As at 30 June 2024 and 31 December 2023, amounts due to and due from related parties are as follows:

30 June 2024	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Other related parties	3,971	129,101	16,712	–	59	24,689
Total	3,971	129,101	16,712	–	59	24,689

31 December 2023	Receivables	Loans issued	Payables	Loans received	Guarantees issued	Guarantees issued to secure liabilities
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Associates and joint ventures	99	67,684	59	3,877	–	–
Other related parties	106	29,144	19,257	–	59	26,957
Total	205	96,828	19,316	3,877	59	26,957

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

26. Transactions with related parties (continued)

Pricing policy

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

Key management personnel

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

In the first half of 2024, key management personnel compensation expense, consisting of salaries, bonuses and payroll taxes totaled RUB 450 million (in the first half of 2023: RUB 370 million).

Since 2023, the Company has been implementing another three-year long-term motivation program for senior and medium management for the period of 2023-2025. The program recognizes the phantom shares to be paid off in cash as a liability expensed to bonuses during the period of rendering services. Planned payments are calculated upon reaching the target program criteria in each reporting period. At the end of the reporting period, the Company accrued RUB 415 million (including insurance contributions) from calculation for time actually worked for the second year of the program based on the preliminary estimate of planned performance progress. In April 2024, the Company made payments for the first year in the amount of RUB 200 million (including insurance contributions).

27. Fair value measurement

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

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

The accounting classification of each category of financial instruments, their carrying amounts and fair values are as follows below. The fair value of lease liabilities approximates their carrying amount, these items are not included in the disclosure below as the information on their value is presented in Note 15.

	30 June 2024		31 December 2023	
	Carrying amount	Fair value	Carrying amount	Fair value
	RUB million		RUB million	
Financial assets				
Loans issued	129,975	148,055	96,828	122,307
Trade and other receivables	14,502	14,249	12,468	11,729
Cash and cash equivalents	8,558	8,558	9,690	9,690
Financial liabilities at amortized cost				
Trade and other payables	31,849	31,849	27,497	27,497
Loans and borrowings	84,061	93,265	81,978	80,811

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

27. Fair value measurement (continued)

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

Derivative financial instruments	30 June 2024	31 December 2023
	RUB million	RUB million
Long-term derivative financial liabilities – forward	17,546	18,444
Long-term derivative financial liabilities – swaps	10,215	11,909
Long-term derivative financial instruments, net	27,761	30,353
Short-term derivative financial liabilities – forward	3,677	3,432
Short-term derivative financial instruments, net ⁷	3,677	3,432

28. Contingencies, commitments and operating risks

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

In the reporting period, external sanctions against the Russian Federation, major Russian projects, certain legal entities and individuals continued to be imposed, their lists are systematically expanded with new participants, taking into account the issuance of new sanctions packages by the European Union (hereinafter - the EU) and its partner countries during the reporting period. The current sanctions are directed, among other things, against the Russian fuel and energy sector. The Government of the Russian Federation systematically updates legislation and packages of measures aimed at protecting Russian companies.

The external isolation of Russian business has led to an increase in the share of settlements and savings in CNY and RUB. In the reporting period, Bank of Russia's System for transfer of financial messages (SPFS) fell under the EU sanctions.

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

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

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

As at 30 June 2024, short-term liabilities exceeded the Group's current assets by RUB 39,020 million (as at 31 December 2023 – by RUB 42,860 million).

⁷ The valuation of derivative instruments is recorded on a net basis within other long-term financial liabilities and accounts payable and other short-term financial liabilities (Note 24).

PJSC “RussNeft”

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

28. Contingencies, commitments and operating risks (continued)

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

- revising the capital investment program (if necessary);
- raising long-term prepayments to cover cash shortages;
- negotiating with the major creditor to restructure the debt.

Taxation

Russian tax, currency and customs legislation is subject to varying interpretation and changes, including legislative response to possible aggravation of financial, economic, geopolitical, country and other risks. Management interpretation of such legislation as applied to the transactions and activity of the Group’s entities may be challenged by the relevant regional and federal authorities. The tax authorities can take a more assertive position in their interpretation of the legislation and tax assessments. It is therefore possible that transactions and accounting methods that have not been challenged in the past may be challenged by the tax authorities. As such, additional taxes, penalties and interest may be assessed.

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

Where uncertainty exists regarding taxes, the Group accrues tax liabilities based on management’s best estimate of the probable outflow of resources embodying economic benefits to settle such liabilities.

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

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

The Company is the Parent of a multinational corporation (MNC). In 2024, the Company, as the Parent of the MNC, has submitted a notification of participation in the MNC and the CbC report for 2023 will be presented to the tax authority within the statutory timeframe.

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

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

PJSC “RussNeft”

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

28. Contingencies, commitments and operating risks (continued)

Compliance with the terms and conditions for subsoil use

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

Liabilities concerning environmental and safety matters

The Russian environmental and safety legislation has been actively developed in recent years and meets general requirements and international law enforcement practice in this field.

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

Insurance

The Group applies the Insurance Policy, which describes the Company’s key insurance principles and procedures. In accordance with the applied Insurance Policy, the Group insures its major oil and gas extraction facilities. The Group’s subsidiaries and the Parent insure especially hazardous facilities pursuant to the Federal Law No. 225-FZ dated 27 July 2010 *On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Facility for Damages Caused by an Accident at a Hazardous Facility*.

The Group also provides selective car insurance for vehicles. In addition, the Group purchases mandatory car liability insurance policies for all automobiles, special purpose equipment, trailers and other vehicles.

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

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

28. Contingencies, commitments and operating risks (continued)

Retirement obligations

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

Litigations

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

Guarantees issued

The Group’s subsidiaries are joint guarantors with regard to the Parent’s liabilities under the loan agreement with the outstanding balance (including interest) of RUB 65,739 million, or USD 766 million, at the exchange rate at the reporting date (Note 22).

The Group’s subsidiaries are joint guarantors with regard to the Parent’s liabilities under the loan agreement in the amount not exceeding CNY 2,500 million or RUB 28,939 million at the exchange rate at the reporting date, the current debt on which is CNY 1,579 million or RUB 18,279 million at the exchange rate at the reporting date (Notes 22, 29). At the same time, subsidiaries of the Group act as guarantors of the Parent’s obligations under the oil supply contract for the amount not exceeding RUB 7,300 million (Note 29).

The Parent issued a financial guarantee in the total amount of EUR 267 million or RUB 24,689 million at the exchange rate at the reporting date (the underlying liability is to be repaid by 2027). This financial guarantee is recorded in the interim condensed consolidated statement of financial position in *Other long-term financial liabilities* in the amount of RUB 115 million (Note 24).

In March 2024, the Parent issued a financial guarantee to a Russian bank for the obligation of a third party to repurchase 64,791,173 preference shares of PJSC “RussNeft”. The original amount of the guarantee was no more than USD 172 million (equivalent to RUB 15,811 million at the exchange rate on the date of guarantee issued), valid until December 2026. As at the reporting date, given the partial fulfillment of the main obligation, the amount of the guarantee decreased to USD 99 million (equivalent to RUB 8,523 million at the exchange rate at the reporting date). The balance of the Company’s preference shares to be repurchased is 50,315,808 shares. This financial guarantee is recorded in the interim condensed consolidated statement of financial position in *Other long-term financial liabilities* in the amount of RUB 538 million (Note 24).

The Parent together with several subsidiaries issued the RUB 72,000 million independent guarantee for Russneft Cyprus Limited (a subsidiary) the forward contract to purchase preference shares of PJSC “RussNeft” in 2026 (Notes 24, 27).

PJSC “RussNeft”

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

29. Subsequent events

In July and August 2024, several subsidiaries joined other Group’s subsidiaries on the same terms and conditions under the previously issued independent third party guarantees for the Parent’s obligations under the loan agreement in the amount not exceeding CNY 2,500 million or RUB 28,939 million at the exchange rate at the reporting date. The current debt payable under the loan agreement is CNY 1,579 million or RUB 18,279 million at the exchange rate at the reporting date and not exceeding RUB 7,300 million under the oil supply contract (Note 28).

In July 2024, dividends on preference shares of PJSC “RussNeft” for 2023 were paid in the amount of RUB 8,557 million (Note 21).

In July 2024, a resolution was signed on the termination of the activities of the Group’s subsidiary Russneft Cyprus Limited and its redomiciliation to the Russian Federation under the name International Limited Liability Company RussNeft Cyprus.

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