

PJSC RussNeft. Annual Report 2021

APPENDICES TO THE ANNUAL REPORT



PJSC RussNeft. Annual Report 2021

**APPENDICES
TO THE ANNUAL REPORT**



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**PJSC «RussNeft»
Consolidated
Financial Statements
for the year ended
31 December 2021
with independent
auditor's report**

PJSC “RussNeft”
 Consolidated financial statements
 for the year ended 31 December 2021
 with independent auditor’s report

PJSC “RussNeft”
 Consolidated Financial Statements
 for the year ended 31 December 2021

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Independent auditor's report

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

Opinion

We have audited the consolidated financial statements of PJSC "RussNeft" and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2021, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for 2021 in accordance with International Financial Reporting Standards (IFRSs).

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 are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.



We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
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Determination of the fair value of derivative financial instruments

In the course of our audit, we treated this matter as one of the most significant matters due to the significance of the respective transactions for the consolidated financial statements, as well as due to the fact that the fair valuation of derivative financial instruments requires management to make significant judgments with respect to projected oil prices and exchange rates.

Information on the fair value of derivative financial instruments is disclosed in Note 29 to the consolidated financial statements.

We performed procedures to assess the competence of the Group's expert engaged to determine the fair value of derivative financial instruments. Our audit procedures also included a review of the methodology and the assessment of the assumptions with respect to projected oil prices and exchange rates used by the expert, including with the engagement of our experts in this area. We also reviewed the respective disclosures in the consolidated financial statements.

Allowance for expected credit losses on loans issued to related parties

The calculation of the allowance for expected credit losses on loans issued to related parties is an area of judgment for the Group's management. The determination of the expected credit losses represents a process involving the use of assumptions and the analysis of various factors, including the borrower's financial position and expected future cash flows.

Due to the significance of loans issued to related parties and the complexity of judgment with regard to measurement of expected credit losses in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"), the estimation of allowance for expected credit losses represents one of the key audit matters.

Information on loans issued to related parties is disclosed in Note 28 to the consolidated financial statements.

We reviewed the expected credit losses model on loans issued to related parties and analyzed the assumptions used by management of the Group as the basis for determining the amount of the allowance for expected credit losses. We reviewed forecasts of future cash flows and assessment of the borrower's financial position and credit rating. We also considered the relationships between the related parties, to which the loans were issued.

During our audit procedures, we analyzed the consistency and reasonableness of judgments used by management of the Group in determining the allowance for expected credit losses on loans issued to related parties.

We also reviewed the disclosure of the allowance for expected credit losses in the Group's consolidated financial statements.



Other information included in the 2021 Annual Report of PJSC "RussNeft"

Other information consists of the information included in the 2021 Annual Report of PJSC "RussNeft", other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information. The 2021 Annual Report of PJSC "RussNeft" is expected to be made available to us after the date of this auditor's report.

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

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

Responsibilities of management and the Audit Committee for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of the 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 its operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the consolidated financial statements

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



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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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 the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with it 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 the Audit Committee, 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 partner in charge of the audit resulting in this independent auditor's report is K.I. Petrov.

K.I. Petrov,
acting on behalf of Ernst & Young LLC
on the basis of power of attorney dated 1 March 2022,
partner in charge of the audit resulting in this independent auditor's report
(main registration number 21906109675)

25 March 2022

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002; State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Details of the audited entity

Name: PJSC "RussNef"
Record made in the State Register of Legal Entities on 17 September 2002; State Registration Number 1027717003467.
Address: Russia 115054, Moscow, Pyatnitskaya street, 69.

PJSC "RussNef"
Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2021
(in millions of Russian rubles)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020
Revenue	10	269,371	133,196
Cost of sales	11	(192,649)	(106,504)
Gross profit		76,722	26,692
Exploration expenses		(559)	(882)
Selling expenses	12	(11,100)	(10,174)
General and administrative expenses	12	(4,708)	(5,125)
Other operating income	14	7,210	5,123
Other operating expenses	14	(9,574)	(35,495)
Operating profit/(loss)		57,991	(19,861)
Finance income	13	4,383	4,080
Finance expense	13	(10,274)	(9,347)
Foreign exchange differences, net		(4,872)	4,830
Profit/(Loss) before tax		47,228	(20,298)
Income tax expense	27	(14,447)	(1,002)
Profit/(Loss) for the period		32,781	(21,300)
Other comprehensive income/(loss) that may be subsequently reclassified to profit or loss			
Foreign currency translation loss		(78)	(1,673)
Total comprehensive income/(loss), net of tax		32,703	(22,973)
Profit/(Loss) attributable to:			
Shareholders of the Parent		32,375	(16,955)
Non-controlling interests		406	(4,345)
Total comprehensive income/(loss) attributable to:			
Shareholders of the Parent		32,229	(21,029)
Non-controlling interests		474	(1,944)
Basic and diluted earnings/(loss) per share (RUB)	23	95	(73)
Weighted average number of common shares (millions)		294	294

E.V. Tolochek
President

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

Authorized for issue on 25 March 2022.

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

PJSC “RussNefl”
Consolidated Statement of Financial Position
as at 31 December 2021
(in millions of Russian rubles)

	Notes	31 December 2021	31 December 2020
Assets			
Non-current assets			
Property, plant and equipment	15	150,820	146,191
Right-of-use assets	16	1,354	689
Exploration and evaluation assets	18	4,816	1,329
Goodwill	17	11,796	11,812
Other long-term financial assets	19	79,678	78,093
Deferred tax assets	27	1,509	10,855
Other non-current assets	21	2,600	1,256
Total non-current assets		252,573	250,225
Current assets			
Inventories	20	8,013	5,741
Trade and other receivables	21	6,369	5,572
Other short-term financial assets	19	726	1,230
VAT receivable		1,443	569
Income tax receivable		26	56
Cash and cash equivalents	22	8,999	4,231
Prepayments and other current assets	21	8,819	7,671
Total current assets		34,395	25,070
Total assets		286,968	275,295
Equity and liabilities			
Equity attributable to Shareholders of the Parent			
Share capital	23	196	196
Share premium		60,289	60,289
Forward to purchase treasury shares	23	(21,123)	(21,123)
Foreign currency translation reserve		(3,136)	(2,990)
Retained earnings		27,995	16
Total equity attributable to Shareholders of the Parent		64,221	36,388
Non-controlling interests	8	13,155	12,615
Total equity		77,376	49,003
Long-term liabilities			
Long-term loans and borrowings	24	80,633	86,897
Decommissioning liability	25	13,952	14,301
Deferred tax liabilities	27	6,410	6,798
Long-term lease liabilities	16	1,059	272
Long-term financial and other liabilities	26	28,219	46,368
Total long-term liabilities		130,273	154,636
Short-term liabilities			
Short-term loans and borrowings	24	7,024	6,906
Trade and other payables and accrued liabilities	26	29,587	10,469
Taxes and levies payable (excluding income tax)	26	20,841	12,419
Short-term lease liabilities	16	337	550
Income tax payable		409	78
Advances received and other short-term liabilities	26	21,121	41,234
Total short-term liabilities		79,319	71,656
Total liabilities and equity		286,968	275,295

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

PJSC “RussNefl”
Consolidated Statement of Changes in Equity
for the year ended 31 December 2021
(in millions of Russian rubles)

Notes	Equity attributable to Shareholders of the Parent							Non-controlling interests	Total equity
	Share capital	Share premium	Forward to purchase treasury shares	Foreign currency translation reserve	Retained earnings (accumulated loss)	Total equity of PJSC “RussNefl”			
31 December 2019	196	60,289	(21,123)	1,084	21,672	62,118	14,451	76,569	
Loss for the period	-	-	-	-	(16,955)	(16,955)	(4,345)	(21,300)	
Foreign currency translation reserve	-	-	-	(4,074)	-	(4,074)	2,401	(1,673)	
Total comprehensive loss for the period	-	-	-	(4,074)	(16,955)	(21,029)	(1,944)	(22,973)	
Dividends	-	-	-	-	(4,581)	(4,581)	(3)	(4,584)	
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(129)	(129)	129	-	
Other transactions	-	-	-	-	9	9	(18)	(9)	
31 December 2020	196	60,289	(21,123)	(2,990)	16	36,388	12,615	49,003	
Profit for the period	-	-	-	-	32,375	32,375	406	32,781	
Foreign currency translation reserve	-	-	-	(146)	-	(146)	68	(78)	
Total comprehensive income/(loss) for the period	-	-	-	(146)	32,375	32,229	474	32,703	
Dividends	-	-	-	-	(4,330)	(4,330)	(1)	(4,331)	
Non-controlling interests in shareholders' contribution to subsidiaries' equity	-	-	-	-	(129)	(129)	129	-	
Other transactions	-	-	-	-	63	63	(62)	1	
31 December 2021	196	60,289	(21,123)	(3,136)	27,995	64,221	13,155	77,376	

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

PJSC “RussNef”
Consolidated Statement of Cash Flows
for the year ended 31 December 2021
(in millions of Russian rubles)

Notes	Year ended 31 December 2021	Year ended 31 December 2020
Cash flows – operating activities		
Profit/(Loss) before tax	47,228	(20,298)
Adjustments to reconcile profit/(loss) before income tax to net cash flows		
Depreciation, depletion and amortization	11 12,361	14,864
Result from disposal of property, plant and equipment and right-of-use assets, net	14 (367)	55
Impairment of other financial assets	14 593	26,246
Derivative financial instruments at fair value and exercise of options, net	14 5,140	943
Financial guarantee	(41)	78
Income from financial instruments	14 (1,310)	(1,287)
Impairment of property, plant and equipment and exploration assets, net	14 1,919	3,062
Impairment of goodwill	–	1,659
Benefit obligations, allowances for expected credit losses and other provisions	11, 12 1,716	896
Disposal of subsidiaries	14 16	–
Derecognition of provisions	14 2	1
Waiver of advances received and accounts payable	14 (3,835)	–
Finance income	13 (4,383)	(4,080)
Finance expense	13 10,274	9,347
Foreign exchange differences, net	4,872	(4,830)
Other adjustments	(165)	(65)
Net operating cash flows before working capital changes	74,020	26,591
Working capital adjustments		
(Increase)/Decrease in inventories	(2,282)	1,454
Increase in trade and other receivables and prepayments	(2,789)	(2,655)
(Decrease)/Increase in trade and other payables and advances received	(22,804)	10,607
Decrease in other current assets	1	7
Interest paid	(1,080)	(2,137)
Interest received	69	–
Income tax paid	(5,003)	(1,849)
Net cash – operating activities	40,132	32,018
Cash flows – investing activities		
Purchase of property, plant and equipment and other non-current assets	(18,896)	(15,667)
Proceeds from disposal of property, plant and equipment	206	53
Acquisition of exploration and evaluation assets	(370)	–
Loans issued	19 (962)	(6,924)
Proceeds from loans issued	19 1,182	657
Interest received	1,093	389
Net cash – investing activities	(17,747)	(21,492)
Cash flows – financing activities		
Disposal and purchase of treasury shares of subsidiaries	2	(7)
Proceeds from loans and borrowings received	2,603	–
Repayment of loans and borrowings received	24 (9,476)	(656)
Repayment of lease liabilities	(546)	(571)
Interest paid	24 (4,826)	(5,345)
Dividends paid to Shareholders of the Parent	23 (4,391)	(4,622)
Dividends paid to non-controlling shareholders	(1)	(3)
Exercise of options	(472)	454
Proceeds from financial instruments	3	1,287
Settlements under derivative financial instruments	–	(761)
Net cash – financing activities	(17,104)	(10,224)
Effect of foreign exchange rate changes on balances of cash and cash equivalents	(513)	1,000
Change in cash and cash equivalents	4,768	1,302
Cash and cash equivalents at the beginning of the period	4,231	2,929
Cash and cash equivalents at the end of the period	8,999	4,231

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

PJSC “RussNef”
Notes to the Consolidated Financial Statements
for the year ended 31 December 2021
(in millions of Russian rubles)

1. Corporate information

The consolidated financial statements of Public Joint Stock Company “RussNef” (the “Parent”, the “Company” or “PJSC “RussNef”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021 were authorized for issue in accordance with a resolution of management on 25 March 2022.

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

The principal activities of the Group are prospecting, exploration, development, production and marketing of oil, gas and oil products. Principal subsidiaries included in the consolidated financial statements and respective ownership interests of the Company as at 31 December 2021 and 2020 are presented in Note 7.

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

The average number of employees of the Group’s companies as at 31 December 2021 was 7,978 people (2020: 8,594 people).

2. Basis of preparation

Statement of compliance with IFRS

The consolidated financial statements of the Group for the year ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Any differences between comparative amounts and amounts recorded in the consolidated financial statements for the year ended 31 December 2021 represent only the result of reclassification for comparative purposes.

Basis of accounting

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Basis of measurement

These consolidated financial statements are prepared on a historical cost basis, except as disclosed in Note “Summary of significant accounting policies” below.

The consolidated financial statements are presented in Russian rubles, and all values are rounded to the nearest million (“RUB million”), unless otherwise indicated.

Functional currency and foreign currency translation

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

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

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

In the Russian Federation, official exchange rates are set daily by the CBR. The exchange rates used for the translation of USD and EUR-denominated transactions and balances were equal to the official CBR exchange rate presented in the table below:

Currency	31 December	31 December	25 March
	2020	2021	2022
	RUB/Currency	RUB/Currency	RUB/Currency
USD	73.8757	74.2926	96.0458
EUR	90.6824	84.0695	105.4679

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Going concern

These consolidated financial statements have been prepared on a going concern basis that contemplates the sale of assets and the settlement of liabilities (including contractual) in the normal course of business. This statement was made based on the assessment of Group’s ability to continue as a going concern for at least twelve months after the end of the reporting period. The Group’s management considers the facts and events described in Notes 31 *Financial risk management*, *Liquidity risk* and Note 32 *Subsequent events*.

Basis of consolidation

Subsidiaries

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

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

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Basis of consolidation (continued)

Joint arrangements and joint venture

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

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

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

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

Associates

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

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

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

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

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

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Notes to the Consolidated Financial Statements (continued)

2. Basis of preparation (continued)

Basis of consolidation (continued)

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

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

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

Changes in accounting policies

The adopted accounting policies are consistent with those of the previous annual reporting period, except for the adoption of new standards and interpretations mandatory for annual periods beginning on or after 1 January 2021. The Group has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments to the standards listed below effective for the annual periods beginning on or after 1 January 2021 had no material impact on the consolidated financial statements of the Group:

- ▶ *Interest Rate Benchmark Reform – Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.* The amendments provide temporary exemptions that remove consequences for the financial statements of replacing the interbank offered rate (IBOR) with the alternative nearly risk-free interest rate (RFR). Currently, the Group examines changes in mechanisms of calculating interest rates to replace existing LIBOR rates for certain financial instruments of the Group.
- ▶ *Amendment to IFRS 16 – COVID-19-Related Rent Concessions beyond 30 June 2021.* The amendment exempts lessees from the requirement in IFRS 16 to account for rent concessions as lease modifications if such rent concessions occur as a direct consequence of the COVID-19 pandemic. As a practical expedient, lessees may elect not to assess whether a rent concession granted by the lessor in relation to the COVID-19 pandemic is a lease modification. A lessee choosing this option is required to account for any change in rent payments arising from a COVID-19-related rent concession on the same basis as it would have been accounted for under IFRS 16, had it not been a lease modification. This amendment was expected to be applicable until 30 June 2021 but due to the continuing impact of the COVID-19 pandemic, on 31 March 2021, the IASB extended the period of application of the practical expedients through 30 June 2022. The Group applied the above amendments to some of its leases, and their impact is not significant.

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Notes to the Consolidated Financial Statements (continued)

3. Significant accounting judgments, estimates and assumptions

Judgments

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

Note 9 – Investments in associates and joint ventures;

Note 15 – Property, plant and equipment;

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

Note 17 – Goodwill;

Note 18 – Exploration and evaluation assets;

Note 19 – Other long-term and short-term financial assets;

Note 20 – Inventories;

Note 21 – Other non-current assets, trade and other receivables, prepayments and other current assets;

Note 24 – Loans and borrowings;

Note 25 – Decommissioning liability;

Note 26 – Long-term and short-term financial and other liabilities;

Note 27 – Income tax;

Note 29 – Fair value measurement;

Note 30 – Contingencies, commitments and operating risks;

Note 31 – Financial risk management.

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

Reserves base

Oil and gas development and production properties are depreciated on a unit-of-production basis at a rate calculated by reference to total proved or proved developed reserves determined in accordance with the standards set by the Society of Petroleum Engineers (SPE standards for estimating reserves) and incorporating the estimated future cost of developing and extracting those reserves. Commercial reserves are determined using estimates of oil in place, recovery rates and expected oil prices. Future development costs are estimated using assumptions as to production facilities required to extract commercial reserves and their costs. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying amount of any of the Group’s non-current assets, including goodwill, has been impaired. Revaluation according to new data is possible during the process of field development. The Group’s oil and gas reserves were evaluated by Miller and Lents, Ltd. in accordance with the standards of the Society of Petroleum Engineers as at 31 December 2021 on a constant price case (SPE-PRMS standard) using price and cost information provided by the “Exploration, production and related service” segment’s companies and current Russian tax laws. Reserves were measured both within the term of license agreements and beyond – to the point in time when the threshold of economically viable extraction is achieved.

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Notes to the Consolidated Financial Statements (continued)

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

Judgments (continued)

Carrying amount of oil and gas properties

Oil and gas properties, excluding wells, are depreciated using the unit-of-production (UOP) method over proved mineral reserves of certain fields and other oil and gas infrastructure facilities. Wells are depreciated over proved developed reserves. The calculation of the unit-of-production rate of depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved developed reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves.

These factors could include:

- ▶ Changes in proved or proved developed reserves;
- ▶ The effect on total proved or proved developed reserves of differences between actual commodity prices and commodity price assumptions;
- ▶ Unforeseen operational issues.

Impairment indicators

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

Fair value of financial assets and liabilities

Fair value of financial assets and liabilities, except for financial instruments traded in major markets, is determined using various valuation techniques. Management applies professional judgment in accepting assumptions at each reporting date. The discounted cash flow analysis is applied in relation to financial assets and liabilities not traded in major markets. The effective interest rate is determined based on the market interest rates of financial instruments available to the Group. When such instruments are unavailable, the effective interest rate is determined based on the market interest rates as adjusted by the Group’s management for the risks inherent to the Group. Fair values and sensitivity analysis of financial assets and liabilities are disclosed in Notes 29 and 31.

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 significant adjustments to the provisions recognized which, in turn, would affect future financial results.

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Notes to the Consolidated Financial Statements (continued)

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

Judgments (continued)

Useful life of other property, plant and equipment

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

Allowance for expected credit losses

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

Income tax

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

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

Contingencies

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies

Business combinations and goodwill

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

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

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

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

Oil and natural gas exploration and evaluation expenditure

License and property acquisition costs

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

Exploration and evaluation costs

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

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

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

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Oil and natural gas exploration and evaluation expenditure (continued)

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

Development costs

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

Property, plant and equipment

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

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

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

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

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

Depreciation

Oil and gas properties, except for wells, but including related future decommissioning costs are depreciated using the unit-of-production method over proved mineral reserves of the license areas and other infrastructural oil and gas properties. Wells are depreciated over proved developed reserves. The unit-of-production rate for the amortization of field development costs takes into account expenditures incurred to date, together with sanctioned future development expenditure.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Depreciation (continued)

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

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

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

Major maintenance and repairs

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

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

Construction in progress

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

Goodwill and other intangible assets

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

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered mainly through a sale transaction rather than continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale which qualifies for recognition as a completed sale within one year from the date of classification.

In the consolidated statement of profit or loss and other comprehensive income for the reporting period, and the comparable period of the previous year, income and expenses from discontinued operations are reported separately from income and expenses from continuing activities, down to the level of profit after taxes, even when the Group retains a non-controlling interest in the subsidiary after the sale. The resulting profit or loss (after taxes) is reported in the consolidated statement of profit or loss and other comprehensive income.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortized.

Impairment of non-financial assets

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

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

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

Financial instruments

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

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

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Financial instruments (continued)

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

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

At each reporting date, the Group recognizes an allowance for expected credit losses (ECL) on all financial assets measured at amortized cost. The allowance represents the difference between the contractual cash flows and the cash flows that the Group expects to receive, discounted at the original effective interest rate or its approximate value. The impairment allowance is estimated based on either 12-month ECL, representing ECL arising from defaults by the counterparty within 12 months after the reporting date, or lifetime ECL, provided the credit risk has significantly increased since the initial recognition of the asset. Allowances for impairment of trade receivables are assessed using a simplified approach in the amount equal to lifetime ECL. A financial asset is written off if the Group does not have any reasonable expectations regarding the recoverability of contractual cash flows.

Fair value

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

Derivative financial instruments

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

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

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Loans and borrowings and accounts payable

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

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

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

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

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. Other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings.

Cash and cash equivalents

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

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

Inventories

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

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Leases

Right-of-use assets

The Group recognizes right-of-use assets at the commencement of the lease (i.e., the date at which the underlying asset becomes available for use). The Group applies the historical cost model in which the right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, including by exercising the option to purchase, the recognized other right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term (considering the potential renewal options). The Group’s oil and gas right-of-use assets are depreciated using the unit-of-production (UOP) method based on proved mineral reserves of its license areas and other infrastructural oil and gas properties. Right-of-use assets are subject to impairment testing; where there is evidence of impairment, the related losses are recognized in the reporting period.

Lease liabilities

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

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

Provisions

General

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

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Provisions (continued)

Decommissioning liability

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

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

The Group does not recognize the deferred tax asset regarding the temporary difference on the decommissioning liability and the corresponding deferred tax liability regarding the temporary difference on a decommissioning asset.

Taxes

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

Current income tax

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

Deferred income tax

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

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- ▶ Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Taxes (continued)

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

- ▶ Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- ▶ In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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

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

Deferred income tax relating to items recognized directly in equity is recognized in equity. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Equity

Share capital issued and outstanding

Common and preference shares issued are classified as equity.

Share premium

The excess of the cost of common and preference shares over their nominal value due to the additional emission of shares is recognized as share premium.

Forward to purchase treasury shares

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Equity (continued)

Foreign currency translation reserve

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

Non-controlling interests

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

Revenue and income recognition

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

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

Revenue from oil production, where the Group cooperates with other participants, is recognized based on the Group’s share and under respective production-sharing agreements (PSA).

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

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

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

4. Summary of significant accounting policies (continued)

Revenue and income recognition (continued)

Contract assets

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

Contract liabilities

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

Employee benefits

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

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

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

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

5. Future changes in accounting policies

New standards and interpretations issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model, supplemented by:

- ▶ A specific adaptation for contracts with direct participation features (the variable fee approach);
- ▶ A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Earlier application is permitted on condition that the entity also applies IFRS 9 and IFRS 15 on or before the date of initial application of IFRS 17.

This standard is not expected to have a material impact on the Group.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- ▶ What is meant by a right to defer settlement;
- ▶ That a right to defer must exist at the end of the reporting period;
- ▶ That classification is unaffected by the likelihood that an entity will exercise its deferral right;
- ▶ That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Group is currently assessing the impact the amendments may have on the current classification of liabilities and whether existing loan agreements may require renegotiation.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 *Business Combinations – Reference to the Conceptual Framework*. The amendments are intended to replace a reference to the *Framework for the Preparation and Presentation of Financial Statements*, issued in 1989, with a reference to the *Conceptual Framework for Financial Reporting* issued in March 2018, without significantly changing its requirements.

The IASB also added an exception to the recognition principle of IFRS 3 to avoid the issue of potential ‘day 2’ gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 *Levies*, if incurred separately.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

5. Future changes in accounting policies (continued)

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

At the same time, the IASB decided to clarify existing guidance in IFRS 3 for contingent assets that would not be affected by replacing the reference to the *Framework for the Preparation and Presentation of Financial Statements*.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and apply prospectively.

Amendments to IAS 16 – Property, Plant and Equipment – Proceeds before Intended Use

In May 2020, the IASB issued *Property, Plant and Equipment – Proceeds before Intended Use*, which prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendments.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 37 – Onerous Contracts: Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments apply a “directly related cost approach”. The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The Group will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

Amendment to IFRS 9 Financial Instruments – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received by the borrower and the lender, including fees paid or received by either the borrower or lender on the other’s behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which it first applies the amendment.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

5. Future changes in accounting policies (continued)

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

The amendment is effective for annual reporting periods beginning on or after 1 January 2022. Early adoption is permitted.

The amendment is not expected to have a material impact on the Group.

Amendments to IAS 8 – Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of “accounting estimates”. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. In addition, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Early adoption is permitted as long as this fact is disclosed.

The amendments are not expected to have a material impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 *Making Materiality Judgments*, in which it provides guidance and examples to help entities apply materiality judgments to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” accounting policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities should apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023. Early adoption is permitted. Since the amendments to IFRS Practice Statement 2 provide non-mandatory guidance on the application of the definition of materiality to accounting policy information, the effective date of these amendments is not required.

The Group is currently assessing the potential impact of the amendments on the Group’s accounting policy disclosures.

6. Segment information

Operations of the Group are represented by the Exploration, production and related service segment comprising the Parent, production subsidiaries and subsidiaries providing operator and 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 financial and operational decisions.

Revenue from external customers broken down by key products and services and geographical sales segments, as well as information about major customers are disclosed in Note 10 *Revenue*. Geographical distribution of the Group’s non-current assets, except for financial instruments, deferred tax assets and other assets, is disclosed in Note 15 *Property, plant and equipment*.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

7. Subsidiaries of the Group

Company	Principal activity	Country of incorporation	Effective ownership	
			31 December 2021	31 December 2020
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 UAIENP (dissolution)	Other	Russian Federation	–	95%
LLC URONO (dissolution)	Other	Russian Federation	–	95%
LLC PBU (dissolution)	Other	Russian Federation	–	95%
LLC Belye Nochi	Property management and leasing	Russian Federation	100%	100%
LLC Alatau-6 (merger into LLC Belye Nochi)	Evaluation and exploration of oil and gas	Russian Federation	–	100%
JSC ANGG ¹	Property management and leasing	Russian Federation	98%	98%
ST JSC Goloil	Property management and leasing	Russian Federation	100%	100%
JSC Mohtikneft	Property management and leasing	Russian Federation	100%	100%
JSC Chernogorskoe	Property management and leasing	Russian Federation	100%	100%
LLC Alatau-2 ²	Exploration drilling	Russian Federation	100%	–
LLC Alatau-5 ²	Exploration drilling	Russian Federation	100%	–
LLC Alatau-8 ²	Exploration drilling	Russian Federation	100%	–
OJSC NAK Aki-Otyr	Property management and leasing	Russian Federation	100%	100%
JSC Nazymyskaya NGRE	Property management and leasing	Russian Federation	100%	100%
JSC KhMKNK	Property management and leasing	Russian Federation	100%	100%

¹ In accordance with the Charter registered on 28 June 2021, OJSC MPK Aganeftegazgeologiya changed its name to Joint-stock Company Aganeftegazgeologiya (JSC ANGG).

² LLC Alatau-2, LLC Alatau-5 and LLC Alatau-8 purchased jointly with BIZNETA HOLDINGS LTD (Note 18).

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

7. Subsidiaries of the Group (continued)

Company	Principal activity	Country of incorporation	Effective ownership	
			31 December 2021	31 December 2020
PJSC Saratovneftegaz	Property management and leasing	Russian Federation	96%	96%
JSC Saratov-Burenie	Property management and leasing	Russian Federation	96%	96%
LLC Neftebytservis	Other	Russian Federation	96%	96%
JSC Geofizservis	Other	Russian Federation	97%	97%
LLC Saratovenergoneft	Other	Russian Federation	96%	96%
LLC Zavolzhskoe UTT	Transportation services	Russian Federation	96%	96%
LLC RedOil	Property management and leasing	Russian Federation	96%	96%
PI DOC Rovesnik	Other	Russian Federation	96%	96%
JSC Ulyanovskneft	Property management and leasing	Russian Federation	100%	100%
LLC KOLOS	Other	Russian Federation	100%	100%
LLC Tomskaya Neft	Services relating to 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 ²	Other	Republic of Cyprus	100%	-
Russneft Cyprus Limited ³	Other	Republic of Cyprus	20%	20%
Russneft (BVI) Limited ³	Other	BVI	20%	20%
Edmarnton Limited ³	Other	BVI	20%	20%
International Petroleum Grouping S.A. ³	Evaluation and exploration of oil and gas	Islamic Republic of Mauritania	11%	11%
Global Energy Cyprus Limited ³	Other	Republic of Cyprus	20%	20%
GEA Holdings Limited ³	Other	BVI	20%	20%
Kura Valley Holding Company ³	Other	Cayman Islands	20%	20%
Karasu Petroleum Company ³	Other	Cayman Islands	20%	20%
Karasu Development Company ^{3,4}	Extraction and marketing of crude oil under PSA	Cayman Islands	20%	20%

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

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

7. Subsidiaries of the Group (continued)

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

31 December 2021	PJSC Varyeganneft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
	RUB million	RUB million	RUB million
Non-current assets	20,230	6,993	83,137
Current assets	14,052	19,198	11,724
Total assets	34,282	26,191	94,861
Long-term liabilities	(3,631)	(4,587)	(64,788)
Short-term liabilities	(2,283)	(1,792)	(14,381)
Total liabilities	(5,914)	(6,379)	(79,169)
Net assets	28,368	19,812	15,692
Equity attributable to Shareholders of the Parent	26,866	19,125	3,918
Equity attributable to Non-controlling interests	1,502	687	11,774
For the year ended 31 December 2021			
Revenue	22,375	1,197	2,503
Profit for the period	1,915	280	509
Profit attributable to Shareholders of the Parent	1,824	273	116
Profit attributable to Non-controlling interests	91	7	393
For the year ended 31 December 2021			
	PJSC Varyeganneft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
	RUB million	RUB million	RUB million
Operating activities	(120)	(223)	131
Investing activities	303	319	1,758
Financing activities	(184)	(101)	(1,857)
Total change in cash for the period	(1)	(5)	32

PJSC "RussNef"

Notes to the Consolidated Financial Statements (continued)

7. Subsidiaries of the Group (continued)

	PJSC Varyeganeft and its subsidiaries	PJSC Saratovneftegaz and its subsidiaries	Russneft Cyprus Limited and its subsidiaries and joint ventures
31 December 2020	RUB million	RUB million	RUB million
Non-current assets	24,581	23,918	82,433
Current assets	13,118	2,729	10,021
Total assets	37,699	26,647	92,454
Long-term liabilities	(4,453)	(4,949)	(65,956)
Short-term liabilities	(5,482)	(2,079)	(11,566)
Total liabilities	(9,935)	(7,028)	(77,522)
Net assets	27,764	19,619	14,932
Equity attributable to Shareholders of the Parent	26,294	18,940	3,748
Equity attributable to Non-controlling interests	1,470	679	11,184
For the year ended 31 December 2020			
Revenue	30,725	2,185	1,275
Profit/(Loss) for the period	373	(322)	(5,330)
Profit/(Loss) attributable to Shareholders of the Parent	354	(310)	(1,053)
Profit/(Loss) attributable to Non-controlling interests	19	(12)	(4,277)
For the year ended 31 December 2020			
	RUB million	RUB million	RUB million
Operating activities	401	(240)	(121)
Investing activities	(389)	250	757
Financing activities	(12)	-	(679)
Total change in cash for the period	-	10	(43)

8. Non-controlling interests

Non-controlling interests include:

	31 December 2021		2021		31 December 2020		2020	
	Non-controlling interests (%)	Non-controlling interests in net assets	Non-controlling interests in profit	Non-controlling interests (%)	Non-controlling interests in net assets	Non-controlling interests in loss	Non-controlling interests in loss	
		RUB million	RUB million		RUB million	RUB million	RUB million	
Russneft Cyprus Limited and its subsidiaries and joint ventures	80%, 89%	11,774	393	80%, 89%	11,184	(4,277)		
PJSC Varyeganeft and its subsidiaries	5%	1,502	91	5%	1,470	19		
PJSC Saratovneftegaz and its subsidiaries	4%	687	7	4%	679	(12)		
Other	0.4%-49%	(808)	(85)	0.4%-49%	(718)	(75)		
Non-controlling interests at the end of the period		13,155	406		12,615	(4,345)		

PJSC "RussNef"

Notes to the Consolidated Financial Statements (continued)

9. Investments in associates and joint ventures

GEA Holdings Limited Group

The Group recognizes its participation in the production sharing agreements (the "PSA") in the consolidated financial statements as joint operations involving subsidiaries and joint ventures of GEA Holdings Limited Group ("GEA group"). GEA Holdings Limited through its subsidiaries and joint ventures participates in exploration and extraction projects in the Republic of Azerbaijan under the scheme of PSA with the State Oil Company of Republic of Azerbaijan (SOCAR) and SOCAR Oil Affiliate (SOA). Where the control is acquired or exercised jointly, the companies within GEA group are recognized in these consolidated financial statements as subsidiaries of the Group (Note 7) or as joint operations or under the equity method.

Joint ventures and joint operations of GEA group are as follows:

Company	Principal activity	Country of incorporation	Share in equity 31 December 2021 ⁵	Share in equity 31 December 2020 ⁵	Consolidation method
Global Energy Azerbaijan Limited	Other	BVI	50%	50%	Equity method
Global Energy Azerbaijan Management Limited	Other	BVI	50%	50%	Equity method
Neftechala Petroleum Limited	Other	BVI	50%	50%	Equity method
Neftechala Investments Limited	Extraction and marketing of crude oil under PSA	BVI	50%	50%	Equity method
Neftechala Operating Company	Extraction and marketing of crude oil under PSA	BVI	40%	40%	Assets, liabilities, revenue and expenses related to the Group's interest
Absheron Petroleum Limited	Other	BVI	50%	50%	Equity method
Apsheron Investments Limited	Extraction and marketing of crude oil under PSA	BVI	50%	50%	Equity method
Absheron Operating Company Limited	Extraction and marketing of crude oil under PSA	BVI	38%	38%	Assets, liabilities, revenue and expenses related to the Group's interest
Shirvan Petroleum Limited	Other	BVI	50%	50%	Equity method
Shirvan Investments Limited	Extraction and marketing of crude oil under PSA	BVI	50%	50%	Equity method
Shirvan Operating Company Limited	Extraction and marketing of crude oil under PSA	BVI	40%	40%	Assets, liabilities, revenue and expenses related to the Group's interest
Repleton Enterprises Limited	Other	Republic of Cyprus	50%	50%	Equity method
AZEN OIL COMPANY B.V.	Extraction and marketing of crude oil under PSA	Kingdom of the Netherlands	50%	50%	Equity method
Binagadi Oil Company	Extraction and marketing of crude oil under PSA	Cayman Islands	38%	38%	Assets, liabilities, revenue and expenses related to the Group's interest
Global Energy Caspian Limited	Other	BVI	50%	50%	Equity method

As at 31 December 2021 and 31 December 2020, the carrying amount of investments in associates and joint ventures equaled zero.

⁵ Excluding the interest of PJSC "RussNef" in Russneft Cyprus Limited, the parent company of GEA Group (Note 7).

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

10. Revenue

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

The Group operates in three principal geographical areas: Europe and other export, the Commonwealth of Independent States (the “CIS”) and the Russian Federation (Russia). The Group’s non-current non-financial assets are located primarily in the Russian Federation except for those disclosed in Note 9.

The information on revenue is presented in the table below:

	Europe and other export		CIS (other than Russia)		Russian Federation		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
Revenue from external customers								
Crude oil sales	93,725	41,954	3,452	12,207	168,853	75,827	266,030	129,988
Petroleum product sales	-	-	-	-	290	170	290	170
Gas sales	-	-	-	-	2,618	2,529	2,618	2,529
Other sales	-	-	-	-	433	509	433	509
Total revenue	93,725	41,954	3,452	12,207	172,194	79,035	269,371	133,196

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

		Geographical location	2021	2020
			RUB million	RUB million
Major customer 1	Crude oil sales	Russian Federation	87,157	16,127
Major customer 2	Crude oil sales	Europe and other export	40,848	7,925
Major customer 3	Crude oil sales	Europe and other export	23,214	18,403
Total revenue from sales to major customers			151,219	42,455

11. Cost of sales

	2021	2020
	RUB million	RUB million
Mineral extraction tax (MET)	97,489	43,955
Cost of crude oil and petroleum products sold	55,427	23,536
Depreciation, depletion and amortization	11,855	14,289
Payroll and related taxes	7,595	7,761
Utilities	5,262	5,222
Additional income tax	4,268	53
Raw materials and supplies used in production	1,733	1,790
Production services	1,654	2,614
Transportation expenses	1,171	1,175
Equipment repair, operation and maintenance	1,077	1,188
Depreciation of right-of-use assets	506	575
Other expenses	4,612	4,346
Total cost of sales	192,649	106,504

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

12. Selling, general and administrative expenses

Selling expenses comprise:

	2021	2020
	RUB million	RUB million
Pipeline tariffs and transportation expenses	10,833	10,138
Other selling expenses	267	36
Total selling expenses	11,100	10,174

General and administrative expenses comprise the following:

	2021	2020
	RUB million	RUB million
Payroll and related taxes	2,727	2,450
Allowance for expected credit losses (Note 21)	660	1,191
Software	282	298
Entertainment and business travel	274	163
Consulting, management and other services	244	371
Bank services	94	163
Repair and maintenance	53	68
Operating leases	43	31
Allowance for inventory obsolescence	8	95
Other expenses	323	295
Total general and administrative expenses	4,708	5,125

13. Finance income and expense

Finance income comprises the following:

	2021	2020
	RUB million	RUB million
Interest income on loans	4,309	4,029
Interest income for early payments	67	51
Other finance income	7	-
Total finance income	4,383	4,080

Finance expense comprises the following:

	2021	2020
	RUB million	RUB million
Interest expense on loans and borrowings	5,026	5,514
Interest expense for early payments	1,952	2,013
Accretion expense (Note 25)	985	1,046
Interest on lease liabilities (Note 16)	60	93
Other finance expense	2,251	681
Total finance expense	10,274	9,347

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

14. Other operating income and expenses⁶

	2021	2020
	RUB million	RUB million
Waiver of advances received and accounts payable	3,835	9
Management services	1,201	575
Result from disposal of property, plant and equipment and right-of-use assets, net	367	-
Fines and penalties for contractual breaches	139	143
Financial guarantee at fair value	41	-
Change in fair value – options (Note 29)	-	2,281
Exercise of options (Note 29)	-	700
Other income	1,627	1,415
Total other operating income	7,210	5,123

	2021	2020
	RUB million	RUB million
Change in fair value – options (Note 29)	4,491	-
Impairment of property, plant and equipment, net (Note 15)	1,743	3,062
Loss from inventories sale	674	49
Impairment of other financial assets	593	26,246
Charity and other gratuitous expenses	592	127
Exercise of options (Note 29)	539	-
Fines and penalties for contractual breaches	370	102
Impairment of exploration assets	176	-
Change in fair value – swaps (Note 29)	110	3,924
Disposal of subsidiaries and other securities	16	-
Impairment of goodwill (Note 17)	-	1,659
Financial guarantee at fair value	-	78
Result from disposal of property, plant and equipment and right-of-use assets, net	-	55
Other expenses	270	193
Total other operating expenses	9,574	35,495

⁶ According to IAS 1 Presentation of Financial Statements, certain items are presented net.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

15. Property, plant and equipment

	Oil and gas properties	Other property, plant and equipment	Construction in progress	Total
	RUB million	RUB million	RUB million	RUB million
1 January 2020				
Cost	260,630	3,129	-	263,759
Accumulated depreciation and impairment	(110,171)	(2,657)	-	(112,828)
Net book value at 1 January 2020	150,459	472	-	150,931
Additions	13,236	66	8	13,310
Decommissioning liability	(2,454)	-	-	(2,454)
Transfer from construction in progress	-	8	(8)	-
Depreciation	(14,262)	(27)	-	(14,289)
Impairment	(3,328)	(3)	-	(3,331)
Reversal of impairment	269	-	-	269
Disposals, net	(851)	(2)	-	(853)
Foreign currency translation, net	2,608	-	-	2,608
31 December 2020				
Cost	272,937	3,189	-	276,126
Accumulated depreciation and impairment	(127,260)	(2,675)	-	(129,935)
Net book value at 31 December 2020	145,677	514	-	146,191
Additions	20,749	1	3	20,753
Decommissioning liability	(1,033)	-	-	(1,033)
Transfer from construction in progress	-	3	(3)	-
Depreciation	(11,847)	(8)	-	(11,855)
Impairment	(1,942)	-	-	(1,942)
Reversal of impairment	199	-	-	199
Disposals, net	(1,575)	(1)	-	(1,576)
Foreign currency translation, net	83	-	-	83
31 December 2021				
Cost	289,346	3,065	-	292,411
Accumulated depreciation and impairment	(139,035)	(2,556)	-	(141,591)
Net book value at 31 December 2021	150,311	509	-	150,820

The Group’s non-current assets are located primarily in the Russian Federation, except for assets located in the Republic of Azerbaijan and related to the Group’s participation in PSA (Note 9).

In 2020, the Company signed an agreement for the pledge of immovable properties for the total amount of monetary liabilities of RUB 8,170 million with Russian FTS Interregional Inspectorate for Major Taxpayers No. 2. The total value of the pledged property is RUB 12,252 million. At the same time, PJSC Varyeganneft signed a similar agreement for the pledge of immovable properties for the total amount of liabilities of RUB 1,002 million with a total collateral value of RUB 1,632 million. Both the agreements were signed as part of the decision to grant a MET payment installment plan to PJSC “RussNeft” and PJSC Varyeganneft. In July 2021, PJSC “RussNeft” and PJSC Varyeganneft fully discharged their obligations to pay the MET, penalties and interest in accordance with decisions to permit payments in installments. As the above companies discharged their obligations in full, pledges of immovable property of RUB 12,252 million and RUB 1,632 million, provided as collateral for paying tax and interest in installments, ceased to be effective. The release procedures with respect to the immovable property were finalized.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

15. Property, plant and equipment (continued)

As at 31 December 2021, the Group had no significant pledges of property, plant and equipment.

Impairment losses

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. Based on the assessment, in 2021, the Group identified indications of impairment of certain items of property, plant and equipment and recorded an allowance in the amount of RUB 1,942 million and simultaneously recovered previously recognized allowance of RUB 199 million. The accumulated allowance as at 31 December 2021 and 31 December 2020 amounts to RUB 9,408 million and RUB 7,936 million, respectively.

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

16. Right-of-use assets and lease liabilities

	Oil and gas right-of-use assets	Other right-of-use assets	Total right-of-use assets
	RUB million	RUB million	RUB million
Right-of-use assets			
1 January 2020			
Cost	370	1,359	1,729
Accumulated depreciation and impairment	(94)	(394)	(488)
Net book value at 1 January 2020	276	965	1,241
Additions	91	10	101
Disposals, net	(44)	(27)	(71)
Depreciation	(168)	(407)	(575)
Modification and revaluation, net	(15)	(1)	(16)
Foreign currency translation, net	1	8	9
31 December 2020			
Cost	398	1,333	1,731
Accumulated depreciation and impairment	(257)	(785)	(1,042)
Net book value at 31 December 2020	141	548	689
Additions	258	6	264
Disposals, net	(214)	-	(214)
Depreciation	(103)	(403)	(506)
Modification and revaluation, net	170	951	1,121
31 December 2021			
Cost	265	1,250	1,515
Accumulated depreciation and impairment	(13)	(148)	(161)
Net book value at 31 December 2021	252	1,102	1,354

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

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

	31 December 2021	31 December 2020
	RUB million	RUB million
Lease liabilities		
At the beginning of the period	822	1,278
<i>including short-term lease liabilities</i>	550	406
Recognition of lease liabilities	257	102
Disposals	(310)	(70)
Modification and revaluation	1,113	(17)
Interest on lease liabilities	60	93
Payments on lease liabilities	(546)	(571)
Foreign currency translation, net	-	7
At the end of the period	1,396	822
<i>including short-term lease liabilities</i>	337	550

	31 December 2021	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Lease liabilities	1,396	337	375	376	308
31 December 2020					
	RUB million	Within one year	1 to 2 years	2 to 4 years	Over 4 years
	RUB million	RUB million	RUB million	RUB million	RUB million
Lease liabilities	822	550	59	67	146

17. Goodwill

	RUB million
1 January 2020	13,468
Impairment	(1,659)
Foreign currency translation	3
31 December 2020	11,812
Disposal of subsidiaries	(16)
Impairment	-
Foreign currency translation	-
31 December 2021	11,796

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

17. Goodwill (continued)

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

	Segment ⁷	31 December	31 December
		2021	2020
		RUB million	RUB million
PJSC Saratovneftegaz	Exploration, production and related service	9,024	9,024
JSC ANGG	Exploration, production and related service	1,459	1,459
PJSC Varyeganneft	Exploration, production and related service	598	614
JSC Ulyanovskneft	Exploration, production and related service	228	228
OJSC NAK Aki-Otyr	Exploration, production and related service	95	95
Other		392	392
		11,796	11,812

Impairment testing of goodwill

The Group conducts its goodwill impairment test as at 31 December of each reporting annual period or more often if there is evidence of its possible impairment. Based on the test as at 31 December 2021, no impairment of goodwill was identified.

For goodwill impairment test purposes, the Group uses the discounted cash flow model to determine the value in use. The main assumptions used are represented by estimates made by the Company's management with regard to the future development trends in oil and gas sector, and are based on the external and internal data sources. Future cash flows are based on the reports on oil and gas reserves prepared by Miller and Lents, Ltd as at 31 December 2021 within the range of 20 years.

The Company uses the following assumptions, sensitivity to which may significantly affect the valuation results:

- ▶ Discount rate: determines the current estimates of time value of money and risks. It is equal to weighted average cost of capital in Russian rubles (WACC) for the Russian peer companies – 13.24%;
- ▶ Forecast oil price – price basis for Brent oil is in the range of USD 71.5-73.35 per barrel which is adjusted for the difference between Brent and Urals oil prices, transportation expenses and changes in MET and AIT;
- ▶ Sales structure by markets (export, CIS, domestic market) remains the same during the valuation period;
- ▶ Difference in the netback existing in the markets (export, CIS, domestic market) remains unchanged.

⁷ The segment is defined in Note 10.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

17. Goodwill (continued)

Impairment testing of goodwill (continued)

Change in discount rate	Effect on profit before tax	Effect on profit before tax
	2021	2020
%	RUB million	RUB million
1%	–	–
-1%	–	1,659
Change in forecast oil price	Effect on profit before tax	Effect on profit before tax
	2021	2020
USD/bbl	RUB million	RUB million
-10	–	(4,773)
+10	–	1,659

18. Exploration and evaluation assets

The Group's exploration and evaluation assets include an exploration license at the cost of RUB 1,153 million, for which impairment of RUB 135 million was recognized as at the reporting date.

In December 2021, the Company acquired a 100% interest in BIZNETA HOLDINGS LTD with a 100% ownership interests in LLC Alatau-2, LLC Alatau-5 and LLC Alatau-8, with geological exploration licenses recorded on their balance sheets. The acquisition cost was USD 49.5 million (RUB 3,655 million at the exchange rate ruling as at the acquisition date). This acquisition was recorded as an asset acquisition and included into the exploration and evaluation assets of the Group. As at the reporting date, the acquisition was partially paid in cash of RUB 370 million at the exchange rate ruling as at the payment date.

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

	Currency	31 December	31 December
		2021	2020
		RUB million	RUB million
Long-term loans issued to related parties	USD	86,109	83,995
Long-term loans issued to related parties	EUR	18,109	18,568
Long-term loans issued to related parties	RUB	2,469	1,839
Long-term loans issued to other companies	RUB	2,717	2,348
Allowances for expected credit losses from long-term loans issued		(29,726)	(28,657)
		79,678	78,093
Short-term loans issued to related parties	USD	724	1,231
Short-term loans issued to other companies	RUB	–	284
Short-term loans issued to other companies	EUR	2	–
Allowances for expected credit losses from short-term loans issued		–	(285)
		726	1,230

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

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

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

The Parent records loans issued to related parties of GEA group companies under the equity method as long-term financial assets in these consolidated financial statements (Note 9). As at 31 December 2021 and 31 December 2020, the loans receivable (including accumulated interest and allowance for expected credit losses) were USD 608 million and USD 593 million (RUB 45,175 million and RUB 43,800 million at the exchange rate as at the respective reporting dates).

As at 31 December 2021 and 31 December 2020, outstanding balances related to long-term and short-term financial investments (including accumulated interest and allowance for expected credit losses) comprise the outstanding balances of loans issued to related parties by GEA group companies in the amount of USD 101 million and USD 104 million (RUB 7,468 million and RUB 7,674 million), respectively.

During the reporting period, certain loans were extended, and this modification had no significant effect on the consolidated financial statements, however, it affected the determination of the allowance for expected credit losses.

20. Inventories

	31 December 2021	31 December 2020
	RUB million	RUB million
Crude oil	5,027	2,848
Raw materials and components	3,369	3,204
Petroleum products	48	106
Allowance for inventory obsolescence ⁸	(431)	(417)
Total inventories	8,013	5,741

21. Other non-current assets, trade and other receivables, prepayments and other current assets

	31 December 2021	31 December 2020
	RUB million	RUB million
Other long-term receivables	1,323	191
Allowance for expected credit losses	(1,288)	(3)
Long-term prepayments	1,012	755
Allowance for prepayments	(374)	(151)
Other non-current assets	1,927	464
Total other non-current assets	2,600	1,256

⁸ The allowance for inventory obsolescence relates to the Raw materials and components item.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

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

	31 December 2021	31 December 2020
	RUB million	RUB million
Trade receivables	6,134	5,261
Other receivables	698	2,137
Allowance for expected credit losses	(463)	(1,826)
Total trade and other receivables	6,369	5,572

	31 December 2021	31 December 2020
	RUB million	RUB million
Prepayments	9,103	7,940
Other current assets	4	4
Allowance for prepayments	(288)	(273)
Total prepayments and other current assets	8,819	7,671

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

	31 December 2021	31 December 2020
	RUB million	RUB million
As at 1 January	(2,253)	(1,036)
Charge	(660)	(1,191)
Allowance used	9	15
Foreign currency translation	491	(41)
As at 31 December	(2,413)	(2,253)

22. Cash and cash equivalents

	31 December 2021	31 December 2020
	RUB million	RUB million
Foreign currency-denominated cash at bank and on hand	684	3,551
RUB-denominated cash at bank and on hand	215	678
Deposits and other cash equivalents	8,100	2
Total cash and cash equivalents	8,999	4,231

PJSC "RussNef"

Notes to the Consolidated Financial Statements (continued)

23. Equity

	31 December 2021 thousand	31 December 2021 RUB million	31 December 2020 thousand	31 December 2020 RUB million
Common shares (issued and paid) with a nominal value of RUB 0.5 each	294,120	147	294,120	147
Preference shares ⁹ , with a nominal value of RUB 0.5 each	98,032	49	98,032	49
Total share capital	392,152	196	392,152	196

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

Interests in the share capital of the Parent as at the reporting date are presented below (shareholders owning at least 5 percent of share capital or at least 5 percent of common shares):

Name	Percentage of share capital, %	Percentage of common shares, %
RAMBERO HOLDING AG	23.46	31.28
PJSC TRUST Bank	19.23	3.61
BRADINAR HOLDINGS LIMITED	12.05	16.07
PJSC VTB Bank	8.48	-
CJSC Mlada	7.70	10.27
WERIDGE INVESTMENTS LIMITED	7.21	9.61
OJSC IC Nadezhnost	4.95	6.60
Other shareholders, holding less than 5%	16.92	22.56

The 2020 year-end annual general shareholders meeting of the Company held in June 2021 made a decision to allocate USD 60 million (RUB 4,330 million at the exchange rate established by the CBR at the date of accrual), or USD 0.6120450465 per one preference share of the Company, to pay dividends to preference shareholders of PJSC "RussNef". As at the reporting date, the declared dividends were fully paid, with the payment amounting to RUB 4,391 million as at the payment date. No dividends were declared or paid on the Parent's common shares.

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

Earnings per share

Basic earnings per share are calculated by dividing the profit for the year attributable to common equity holders of the Parent, as adjusted, by the weighted average number of common shares outstanding during the year. As the decision to pay dividends for 2021 under the preference shares was not announced at the reporting date, no adjustment for the forecast amount of these dividends for 2021 was made in the reporting period.

⁹ Preference shares of PJSC "RussNef" are not cumulative.

PJSC "RussNef"

Notes to the Consolidated Financial Statements (continued)

23. Equity (continued)

Earnings per share (continued)

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

		2021	2020
Profit/(Loss) attributable to shareholders of the Parent	RUB million	32,375	(16,955)
Dividends on preference shares	RUB million	(4,330)	(4,581)
Profit/(Loss) attributable to shareholders of the Parent, as adjusted	RUB million	28,045	(21,536)
Weighted average number of common shares outstanding	million	294	294
Effect of dilution		-	-
Basic and diluted earnings/(loss) per share	RUB per share	95	(73)

Russneft Cyprus Limited (a subsidiary) acts as a party to a forward contract with LLC Business-Finance to purchase 33,240,827 preference shares of the Parent in 2026. The amount of the forward of RUB 21,123 million is recorded in the equity of the consolidated statement of financial position as Forward to purchase treasury shares. The forward liability measured at amortized cost using the effective interest rate method is recorded in Long-term financial and other liabilities in the amount of RUB 19,021 million and in Trade and other payables and accrued liabilities in the amount of RUB 2,146 million (Note 26). Simultaneously, Russneft Cyprus Limited acts as a party to a currency interest rate swap during the term of the forward contract.

24. Loans and borrowings

	Currency	Weighted average interest rate by type of liability as at 31 December 2021 %	31 December 2021 RUB million
Long-term loans and borrowings			
Bank loans	USD	5.71%	73,530
Loans received	USD	5.50%	1,703
Borrowings	USD	7.46%	5,400
Total long-term loans and borrowings			80,633
Short-term loans and borrowings			
Bank loans	USD	5.71%	6,888
Loans received	USD	5.50%	89
Borrowings	RUB	6.53%	47
Total short-term loans and borrowings			7,024

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

24. Loans and borrowings (continued)

	Currency	Weighted average interest rate by type of liability as at 31 December 2020 %	31 December 2020 RUB million
Long-term loans and borrowings			
Bank loans	USD	5.74%	79,854
Loans received	USD	5.50%	1,831
Borrowings	USD	7.32%	5,212
Total long-term loans and borrowings			86,897
Short-term loans and borrowings			
Bank loans	USD	5.74%	6,859
Borrowings	RUB	6.53%	47
Total short-term loans and borrowings			6,906

The Company’s major lender is CQUR Bank LLC (Qatar), and the terms of the loan agreement are as follows: the interest rate is 3M LIBOR + margin 5.5% p.a., with stage-by-stage repayment of principal maturing in March 2026 (Note 32).

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 4,743 million at the exchange rate as at the date of payment (USD 64.5 million). In the reporting period, principal payments under this loan agreement amounted to RUB 6,710 million at the exchange rate as at the day of payment (USD 91.2 million).

Outstanding principal payable to CQUR Bank LLC amounts to RUB 80,305 million or USD 1,081 million at the exchange rate as at the reporting date, including the current portion payable in the amount of RUB 6,774 million or USD 91 million. Current interest payable amounts to RUB 113 million or USD 1.5 million at the exchange rate as at the reporting date.

The loan from CQUR Bank LLC 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 parties are joint guarantors to the creditor with regard to the Parent’s liabilities (Note 30).

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.

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

24. Loans and borrowings (continued)

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

	2021			2020		
	Long-term and short-term loans and borrowings	Other financial liabilities	Total	Long-term and short-term loans and borrowings	Other financial liabilities	Total
	RUB million	RUB million	RUB million	RUB million	RUB million	RUB million
At the beginning of the period	93,803	-	93,803	79,011	-	79,011
Cash flow – financing activities	(11,694)	-	(11,694)	(5,997)	-	(5,997)
Interest accrued	4,986	-	4,986	5,390	-	5,390
Discounting of financial liabilities	113	-	113	60	-	60
Foreign exchange difference	409	-	409	14,136	-	14,136
Foreign currency translation	40	-	40	1,203	-	1,203
At the end of the period	87,657	-	87,657	93,803	-	93,803
Other cash flows – financing activities, including:	-	(5,410)	(5,410)	-	(4,227)	(4,227)
Dividends paid	-	(4,392)	(4,392)	-	(4,625)	(4,625)
Exercise of derivative financial instruments including options	-	(469)	(469)	-	980	980
Repayment of lease liabilities	-	(472)	(472)	-	454	454
Other movements	-	(546)	(546)	-	(571)	(571)
Other movements	-	(3)	(3)	-	(11)	(11)
Net cash – financing activities	(11,694)	(5,410)	(17,104)	(5,997)	(4,227)	(10,224)

25. Decommissioning liability

	2021		2020	
	Decommissioning liability	Land restoration liability	Decommissioning liability	Land restoration liability
	RUB million	RUB million	RUB million	RUB million
At the beginning of the period	10,807	3,494	12,069	3,762
Acquisitions	209	64	110	231
Disposals	(185)	(117)	(59)	(120)
Change in estimate	(994)	(312)	(2,168)	(627)
Accretion expense	742	243	798	248
Foreign currency translation	1	-	57	-
At the end of the period	10,580	3,372	10,807	3,494

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

25. Decommissioning liability (continued)

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 8.44% (2020: 6.96%).

The decommissioning liability represents the present value of decommissioning costs relating to oil and gas properties which are expected to be incurred up to 2094 depending on the recovery period of proved reserves for each group of oil and gas fields. Management makes assumptions based on the current economic environment and believes that they are a reasonable basis upon which the future liability is estimated. 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 viable rates. This, in its turn, will depend on future oil and gas prices, which are inherently uncertain.

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

	31 December 2021	31 December 2020
	RUB million	RUB million
Long-term financial and other liabilities		
Long-term financial liabilities		
Derivative financial instruments (Note 29)	27,933	25,146
Financial guarantee (Note 30)	216	257
Long-term trade payables	70	791
Other long-term payables and accrued liabilities	-	605
Other long-term liabilities		
Long-term advances received	-	19,569
Total long-term financial and other liabilities	28,219	46,368
Trade and other payables and accrued liabilities		
	31 December 2021	31 December 2020
	RUB million	RUB million
Trade payables	19,027	6,431
Derivative financial instruments (Note 29)	3,942	1,305
Other short-term payables and accrued liabilities	6,618	2,733
Total trade and other payables and accrued liabilities	29,587	10,469
Taxes and levies payable (excluding income tax)		
	31 December 2021	31 December 2020
	RUB million	RUB million
Mineral extraction tax	9,849	9,591
Value added tax	9,074	2,157
Additional income tax	1,193	-
Property tax	387	338
Other taxes and levies (excluding income tax)	338	333
Total taxes and levies payable (excluding income tax)	20,841	12,419

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

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

	31 December 2021	31 December 2020
	RUB million	RUB million
Advances received and other short-term liabilities		
Advances received	18,016	39,060
Other short-term liabilities	3,105	2,174
Total advances received and other short-term liabilities	21,121	41,234

27. Income tax

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

	2021	2020
	RUB million	RUB million
Current income tax		
Current income tax expense	5,489	1,630
Income tax relating to previous years	(3)	1
Deferred income tax		
Relating to origination and reversal of temporary differences	7,874	(1,710)
Change in deferred income tax relating to previous periods	1,087	1,081
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	14,447	1,002

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

	2021	2020
	RUB million	RUB million
Accounting profit/(loss) before tax	47,228	(20,298)
Income tax at applicable tax rate (20%)	9,446	(4,060)
Tax effect of non-deductible expense and non-taxable income	3,958	3,607
Tax effect of rates other than 20%	(112)	295
Change in unrecognized deferred tax assets	71	78
Change in deferred income tax relating to previous periods	1,087	1,081
Income tax relating to previous years	(3)	1
Income tax expense reported in the consolidated statement of profit or loss and other comprehensive income	14,447	1,002

Generally, the subsidiaries of the Group incorporated in the Russian Federation used a 20% tax rate in 2021 and 2020. The subsidiaries incorporated outside the Russian Federation applied rates and exemptions stipulated by local legislation.

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Notes to the Consolidated Financial Statements (continued)

27. Income tax (continued)

Deferred income tax

Deferred tax assets and liabilities as at 31 December 2021 by line of the consolidated statement of financial position as well as their movements in 2021 are presented below:

	Consolidated statement of financial position 31 December 2020	Consolidated statement of profit or loss and other comprehensive income 2021	Acquisition of subsidiaries	Disposal of subsidiaries	Consolidated statement of financial position 31 December 2021
	RUB million	RUB million	RUB million	RUB million	RUB million
Deferred tax liabilities					
Oil and gas properties	(11,923)	(1,235)	-	-	(13,158)
Inventories	(299)	(459)	-	-	(758)
Other	(3,340)	(6,363)	-	-	(9,703)
Deferred tax assets					
Tax loss carry forward	15,315	(5,224)	3	(2)	10,092
Oil and gas properties	24	(5)	-	-	19
Inventories	1	39	-	-	40
Trade and other receivables	32	(3)	-	-	29
Other	7,495	4,362	-	-	11,857
Unrecognized tax assets	(3,248)	(71)	-	-	(3,319)
Total deferred tax liabilities and tax assets	4,057	(8,959)	3	(2)	(4,901)
Deferred income tax expense	-	8,959	-	2	-
Consolidated statement of financial position					
Deferred tax assets	10,855	-	-	-	1,509
Deferred tax liabilities	(6,798)	-	-	-	(6,410)

Deferred tax assets and liabilities as at 31 December 2020 by line of the consolidated statement of financial position as well as their movements in 2020 are presented below:

	Consolidated statement of financial position 31 December 2019	Consolidated statement of profit or loss and other comprehensive income 2020	Disposal of subsidiaries	Consolidated statement of financial position 31 December 2020
	RUB million	RUB million	RUB million	RUB million
Deferred tax liabilities				
Oil and gas properties	(11,432)	(491)	-	(11,923)
Inventories	(531)	232	-	(299)
Other	(461)	(2,879)	-	(3,340)
Deferred tax assets				
Tax loss carry forward	17,095	(1,780)	-	15,315
Oil and gas properties	63	(13)	(26)	24
Inventories	2	(1)	-	1
Trade and other receivables	30	2	-	32
Other	1,858	5,637	-	7,495
Unrecognized tax assets	(3,196)	(78)	26	(3,248)
Total deferred tax liabilities and tax assets	3,428	629	-	4,057
Deferred income tax benefit	-	(629)	-	-
Consolidated statement of financial position				
Deferred tax assets	10,633	-	-	10,855
Deferred tax liabilities	(7,205)	-	-	(6,798)

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Notes to the Consolidated Financial Statements (continued)

27. Income tax (continued)

Deferred income tax (continued)

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

28. Transactions with related parties

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

The nature of the related party relations for those related parties with whom the Group entered into significant transactions in 2021 and 2020 or had significant balances outstanding as at 31 December 2021 and 2020 are detailed below.

Transactions with related parties in 2021 and 2020:

2021	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	3,835	-	-	655
Associates and joint ventures	-	553	26	2,088	78
Other related parties	87,676	23	41,763	1,876	21
Total	87,676	4,411	41,789	3,964	754

2020	Sales	Other transactions	Acquisitions	Finance income	Finance expense
	RUB million	RUB million	RUB million	RUB million	RUB million
Entities/Individuals with significant influence on the Group	-	-	-	-	779
Associates and joint ventures	-	18,573	99	2,221	60
Other related parties	23,581	7,066	9,474	1,824	67
Total	23,581	25,639	9,573	4,045	906

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

28. Transactions with related parties (continued)

As at 31 December 2021 and 31 December 2020, amounts due to and due from related parties are as follows:

31 December 2021	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
Entities/Individuals with significant influence on the Group	-	-	-	-	-	-
Associates and joint ventures	114	52,643	43	1,074	-	-
Other related parties	251	27,761	13,604	-	59	45,847
Total	365	80,404	13,647	1,074	59	45,847

31 December 2020	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
Entities/Individuals with significant influence on the Group	-	-	19,197	-	21,659	-
Associates and joint operations	212	51,473	130	1,063	-	-
Other related parties	7,057	27,850	780	-	59	51,759
Total	7,269	79,323	20,107	1,063	21,718	51,759

Pricing policy

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

Key management personnel

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

In 2021, key management personnel compensation expense, consisting of salaries and payroll taxes, totaled RUB 1,077 million (2020: RUB 1,028 million).

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

28. Transactions with related parties (continued)

Key management personnel (continued)

In 2020, the Company adopted another three-year long-term motivation program for senior and medium management for the period of 2020-2022. 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 2021, the Company accrued RUB 188 million (including insurance contributions) from calculation for time actually worked for the second year of the long-term motivation program based on the preliminary estimate of planned performance progress.

At the end of 2020, the Company accrued RUB 48 million (including insurance contributions) for the first year of the long-term motivation program based on the preliminary estimate of planned performance progress; in 2021, the actual first year-end payment for 2020 amounted to RUB 47 million (including insurance contributions).

29. Fair value measurement

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

Management believes that the fair value of the Group’s cash, short-term financial assets, short-term trade payables and short-term loans and borrowings is equal to their carrying amount. The fair value of long-term loans and borrowings received by the Group, long-term trade payables and receivables and loans issued is determined using a discounted cash flow model based on the discount rates that are equal to the market rates effective at the reporting date. As at 31 December 2021, management classified the risk of default as insignificant.

The accounting classification of each category of financial instruments, their carrying amounts and fair values are as follows below. The fair value of lease liabilities as well as other financial liabilities at fair value through profit or loss approximates their carrying amount, these items are not included in the disclosure below as the information on their fair value is presented in Notes 16 and 30.

	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	RUB million		RUB million	
Financial assets				
Loans issued	80,404	95,494	79,323	77,541
Trade and other receivables	6,294	6,276	5,550	5,394
Cash and cash equivalents	8,999	8,999	4,231	4,231
Financial liabilities measured at amortized cost				
Trade and other payables	23,170	23,170	8,096	8,007
Loans and borrowings	87,657	91,634	93,803	88,468

PJSC “RussNefl”

Notes to the Consolidated Financial Statements (continued)

29. Fair value measurement (continued)

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

	Change in the discount rate	Effect on profit before tax	Effect on profit before tax
		2021	2020
		RUB million	RUB million
Long-term loans issued	+1%	(3,198)	(3,160)
Long-term loans issued	-1%	3,349	3,335
Long-term trade and other receivables	+1%	(1)	(1)
Long-term trade and other receivables	-1%	1	1
Long-term loans and borrowings received	+1%	2,970	3,272
Long-term loans and borrowings received	-1%	(2,870)	(3,048)
Long-term trade and other payables	+1%	-	11
Long-term trade and other payables	-1%	-	(11)

In order to hedge adverse oil price fluctuations, in April 2021, the Company entered into an agreement to hedge future cash flows: non-deliverable put options (in Russian rubles) and call options (in Russian rubles). Fair values of derivative financial instruments (options) were measured using designated mathematical models at the reporting date; the revaluation effect (loss) of RUB 4,491 million was recognized in the “Change in fair value – options” within other operating expenses in the consolidated statement of profit or loss and other comprehensive income (Note 14).

In December 2019, the Group acted as a party of the derivative contracts measured at fair value (currency interest rate swap) and amortized cost through profit or loss (forward to purchase preference shares of the Parent). The measurement of the Group’s derivative financial instruments broken down by fair value or amortized cost is presented in the following table.

Derivative financial instruments	31 December 2021	31 December 2020
	RUB million	RUB million
Long-term derivative financial assets – options	1,046	-
Long-term derivative financial liabilities – options	(3,741)	-
Long-term derivative financial liabilities – forward	(19,021)	(19,074)
Long-term derivative financial liabilities – swaps	(6,217)	(6,072)
Long-term derivative financial instruments, net	(27,933)	(25,146)
Short-term derivative financial assets – options	303	-
Short-term derivative financial liabilities – options	(2,099)	-
Short-term derivative financial liabilities – forward	(2,146)	(1,305)
Short-term derivative financial instruments, net¹⁰	(3,942)	(1,305)

¹⁰ The fair value of derivative instruments is measured on a net basis and recorded in other long-term liabilities and payables (Note 26).

PJSC “RussNefl”

Notes to the Consolidated Financial Statements (continued)

30. Contingencies, commitments and operating risks

Operating environment of the Group

The Group’s principal activities are performed in the Russian Federation. Russian economy is characterized by significant vulnerability to the world price for crude oil, fluctuations of commodity and financial markets, economic slowdowns elsewhere in the world and aggravation of geopolitical risks. The pertaining and new sanctions imposed against the Russian Federation (Note 32) induce reduced capital availability at increased costs, boost inflation and limit access to high-end technologies and up-to-date equipment, create uncertainty regarding economic growth, thus giving rise to the risk of an adverse effect on the Group’s financial position, performance and business prospects. The above trends can persist and aggravate for an indefinite period of time.

During the reporting period, the Company was not subject to any sanctions or business restrictions.

In the reporting period, oil production restrictions in accordance with OPEC+ arrangements were effective. In July 2021, OPEC+ participants agreed an incremental increase of oil production; the agreement will be in effect until December 2022. Oil production forecasts for the Russian Federation were revised upwards. At the same time, global hydrocarbon prices continued to grow in the second quarter of 2021.

Due to the rapid spread of the COVID-19 pandemic in 2020-2021, many countries, including Russia, have imposed quarantine measures that have had a major impact on the level and scope of business activity of global and domestic market players. The current economic situation reflects the consequences of the pandemic as well as measures aimed at mitigating its impact on the business of companies from various industries and geographical regions. The possibility of recurring cyclic waves of new coronavirus variants or other viruses with similar effects remains high (Note 32). The Group’s management takes all measures to ensure the security and health protection of employees and their families, employees of organizations engaged under joint contracts in all the regions where the Group is present.

The consolidated financial statements reflect management assessment of the impact of the Russian business environment on the financial position and performance of the Group. The future business environment may differ from the current management assessment. The Company’s management regularly monitors the potential risks, including the analysis of country risks. Should any risk occur, the Company will develop measures to minimize potential adverse effects on the Group.

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 (Note 32). 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.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

30. Contingencies, commitments and operating risks (continued)

Taxation (continued)

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

Russian transfer pricing legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional profits tax liabilities in respect of all “controlled” transactions if the transaction price differs from the market price. In case a domestic transaction results in 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.

In October 2020, amendments to the Russian Tax Code were adopted (Federal Law No. 342-FZ dated 15 October 2020), whereby from 1 January 2021 tax incentives for fields with a high depletion rate were abolished, however, these fields may be transferred to the AIT regime (payment of additional income tax from hydrocarbon extraction). The Company notified the tax authority of the exercise of the right to perform the taxpayer's obligations to pay the tax on additional income from hydrocarbon extraction with respect to 34 license areas from 1 January 2021 in addition to two license areas to which the Company previously applied additional income tax from hydrocarbon extraction due to other reasons.

The Company is the Parent of a multinational corporation (MNC). In 2020 and 2021, the Parent submitted a notification of its participation in the MNC and Country-by-Country (CbC) reports for the years ended 31 December 2019 and 2020, respectively, to the tax authorities within a time frame established by regulation.

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

In 2021, PJSC “RussNeft” discharged an obligation to pay the amounts payable, penalties and interest in installments in accordance with decisions of the Russian Federal Tax Service on permitting to pay the full amount of tax in installments in 2020 as stipulated by the established schedule till July 2021. During the reporting period, PJSC Varyeganneft discharged its obligation to pay the entire amounts payable, penalties and interest in installments, as stipulated by the installment schedule prepared in 2020 to pay the entire amount of tax. In August 2021, the Group received notifications from Russian FTS Interregional Inspectorate for Major Taxpayers No. 2 of PJSC “RussNeft” and PJSC Varyeganneft discharging their obligations to pay tax of RUB 7,970 million and RUB 1,002 million, respectively, in installments (as permitted in 2020), as well as the related penalties and interest. As the above companies discharged their obligations in full, pledges of immovable property in the amount of RUB 12,252 million and RUB 1,632 million provided as collateral for paying tax and interest in installments ceased to be effective and the immovable property was released (Note 15).

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 Consolidated Financial Statements (continued)

30. Contingencies, commitments and operating risks (continued)

Compliance with the terms and conditions for subsoil use

Licenses for subsoil use are issued by the Russian Federal Subsoil Use Agency. Management believes that under current legislation, the Group is entitled to renew the licenses for all available fields after expiry of the initially stated periods.

Authorized state agencies regularly review the Group's activity for compliance with the terms and conditions for subsoil use. Failure to meet the terms and conditions for subsoil use may result in penalty accruals and sanctions, including license suspension or revocation. Management takes appropriate measures to comply with the terms and conditions for subsoil use, including rectification of all shortcomings identified in reviews and instructions from the authorized state agencies within the established timeframes.

Liabilities concerning environmental and safety matters

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

Management of the Group understands its responsibilities concerning environmental and safety matters and undertakes to comply with the requirements of federal, regional and industry regulations concerning environmental protection, rational use of mineral resources and safety, including international environmental and labor safety management standards. The Group implements the corporate policy on environmental protection and safety matters that complies with 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 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 Federal Law No. 225-FZ *On Compulsory Insurance of Civil Liability of the Owner of a Hazardous Facility for Damages Caused by an Accident at a Hazardous Facility* dated 27 July 2010. The Group also provides selective car insurance for vehicles. In addition, the Group purchases mandatory car liability insurance policies for all automobiles, special purpose equipment, trailers and other vehicles.

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

Retirement and post-retirement benefit obligations

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

30. Contingencies, commitments and operating risks (continued)

Litigations

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

Guarantees issued

The Group’s subsidiaries are joint guarantors to CQUR Bank LLC (Qatar) with regard to the Parent’s liabilities under the loan agreement with an outstanding balance (including interest) of RUB 80,418 million, or USD 1,082 million at the exchange rate at the reporting date (Notes 24 and 32).

The Parent issued a financial guarantee for a related party to PJSC VTB Bank in the total amount of EUR 267 million or RUB 22,458 million at the exchange rate as at the reporting date (the underlying liability is to be repaid by 2027). This financial guarantee is recorded in these consolidated financial statements in Long-term financial and other liabilities in the amount of RUB 216 million (Note 26).

The Parent together with several subsidiaries issued a RUB 72,000 million guarantee for Russneft Cyprus Limited (a subsidiary) to JSC VTB Capital under the forward contract to purchase preference shares of PJSC “RussNeft” in 2026 (Note 23). Simultaneously, the Parent issued a guarantee to LLC Business-Finance to pay, upon its request, RUB 23,000 million (within a guarantee limit) for a related party.

As at the reporting date, the Parent acts as a guarantor with respect to the obligations of a related party for advances received under oil supply contracts for the total amount of RUB 389 million.

31. Financial risk management

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

In December 2019, the Group acted as a party to derivative contracts measured at fair value (currency interest rate swap) and amortized cost through profit or loss (forward to purchase preference shares of the Parent).

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

Market risk

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

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Commodity price risk

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

The Group’s management calculates budgets by scenario depending on projected oil prices, exchange rates and other indicators in order to assess a potential effect of the risk of changes in the price of main commodities in the Group’s management reports. The Group enters into standard agreements on sale of oil and oil products with customers. In order to hedge the adverse oil price fluctuations, in April 2021, the Company entered into the agreement to hedge future cash flows: non-deliverable put options (in Russian rubles) and call options (in Russian rubles) (Note 29).

Foreign currency risk

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

As at 31 December 2021 and 2020, the carrying amount of the Group’s financial assets and liabilities denominated in the currency used by the Group’s companies is as follows:

Financial assets	31 December 2021				Other currencies RUB million
	RUB million	RUB million	USD RUB million	EUR RUB million	
Trade and other receivables	6,294	700	5,427	167	-
Loans issued	80,404	2,226	65,500	12,678	-
Cash and cash equivalents	8,999	8,346	568	48	37
Derivative financial instruments ¹¹	1,349	1,349	-	-	-
Financial liabilities	31 December 2021				Other currencies RUB million
	RUB million	RUB million	USD RUB million	EUR RUB million	
Loans and borrowings received		(87,657)	(47)	(87,610)	-
Trade and other payables		(23,170)	(8,254)	(14,700)	(216)
Derivative financial instruments ¹¹		(33,224)	(27,007)	(6,217)	-
Financial assets	31 December 2020				Other currencies RUB million
	RUB million	RUB million	USD RUB million	EUR RUB million	
Trade and other receivables	5,550	3,458	1,911	181	-
Loans issued	79,323	1,837	64,489	12,997	-
Cash and cash equivalents	4,231	681	3,190	348	12

¹¹ Recorded net with derivative financial liabilities in the consolidated statement of financial position.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Foreign currency risk (continued)

Financial liabilities	31 December 2020			
	RUB million	RUB million	USD RUB million	EUR RUB million
Loans and borrowings received	(93,803)	(47)	(93,756)	-
Trade and other payables	(8,096)	(5,883)	(1,897)	(316)
Derivative financial instruments ¹¹	(26,451)	(20,379)	(6,072)	-

A (-15.00% and -16.00%) strengthening or (15.00% and 16.00%) weakening of RUB against USD and EUR as at 31 December 2021 and 31 December 2020, respectively, with all other variables held constant, would have changed profit before tax by the amounts shown below and relates to financial instruments denominated in foreign currency, i.e., the currency other than the functional currency in which they are measured. This analysis has been determined assuming that the change in foreign exchange rates had occurred at the reporting date and had been applied to the foreign currency balances to which the Group has significant exposure, and that all other variables, in particular interest rates, remain constant.

Currency	Relative weakening/ (strengthening) of RUB exchange rates	Effect on profit before tax 2021	Effect on profit before tax 2020
		RUB million	RUB million
USD	+15.00%	(4,897)	-
USD	-15.00%	4,897	-
USD	+16.00%	-	(4,414)
USD	-16.00%	-	4,414
EUR	+15.00%	1,399	-
EUR	-15.00%	(1,399)	-
EUR	+16.00%	-	2,101
EUR	-16.00%	-	(2,101)
RUB ¹²	+15.00%	2,737	-
RUB ¹²	-15.00%	(3,703)	-
RUB ¹²	+16.00%	-	2,745
RUB ¹²	-16.00%	-	(3,791)

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

Interest rate risk

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

11 Recorded net with derivative financial liabilities in the consolidated statement of financial position.

12 Analysis of sensitivity of RUB-denominated financial instruments to currency fluctuations for the Group companies whose functional currency is other than Russian rubles.

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Interest rate risk (continued)

The Group’s management analyzes risks related to a possible increase of interest rates which are assessed as significant, as the Parent’s borrowings are mostly represented by the foreign currency denominated loan with a floating interest rate pegged to the 3M LIBOR. As for the financial assets, the Group measures its interest rate risk (1Y LIBOR) for loans issued.

Financial instrument		Effect on profit before tax 2021	Effect on profit before tax 2020
		RUB million	RUB million
Loans and borrowings received	+1.25%	(995)	-
	-0.25%	199	-
	+1.00%	-	(846)
	-0.25%	-	211
Loans issued	+1.25%	482	-
	-0.25%	(96)	-
	+1.00%	-	377
	-0.25%	-	(94)

As at 31 December 2021, the Group did not enter into any transactions aimed to reduce its interest rate risk exposure, in particular, any interest rate swaps (except for currency interest rate swap under the forward contract, Note 29).

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

Credit risk

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

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

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

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

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Credit risk (continued)

It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The Group has a policy to negotiate advance payment terms where excessive concentration of credit risk exists. In addition, trade receivable balances are monitored on an ongoing basis to ensure that the Group’s exposure to bad debts is not significant. Although collection of receivables is exposed to economic factors, management believes that there is no significant risk of loss to the Group beyond the allowance for expected credit losses. The details of the allowance for expected credit losses are disclosed in Notes 19 and 21. The information on the major types of financial assets and their maturity is presented below:

Financial assets	31 December	Within	1 to 2 years	2 to 4 years	Over 4 years
	2021	one year			
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans issued	80,404	726	17,777	2,912	58,989
Trade and other receivables	6,294	6,259	–	–	35
Derivative financial instruments	1,349	303	686	360	–

Financial assets	31 December	Within	1 to 2 years	2 to 4 years	Over 4 years
	2020	one year			
	RUB million	RUB million	RUB million	RUB million	RUB million
Loans issued	79,323	1,230	–	20,108	57,985
Trade and other receivables	5,550	5,362	–	–	188

As at 31 December 2021, the Group believes that its maximum exposure to credit risk is the carrying amount of its financial assets recognized in the consolidated statement of financial position.

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

Liquidity risk

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

As at 31 December 2021, the Group’s short-term liabilities exceeded its current assets by RUB 44,924 million (31 December 2020: RUB 46,586 million).

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Liquidity risk (continued)

In 2021, the Group decreased the excess of short-term liabilities over current assets by RUB 1,662 million; key performance indicators demonstrate a significant growth. The Company fully settled the advances received for oil supplies, including long-term portions, with Glencore Energy UK Ltd. and VTB COMMODITIES TRADING DESIGNATED ACTIVITY COMPANY, DUBLIN, ZUG BRANCH.

The Group’s management considers the current global situation, new sanction restrictions relating to the Russian Federation in general and certain companies in particular, including key oil companies, banks and financial institutions.

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 advances to cover cash shortages;
- ▶ Negotiating with the major creditor to restructure the debt.

The Group has good credit reputation and focuses on maintaining it. Its debt portfolio mainly contains long-term liabilities. The Group ensures short-term liquidity through raising long-term advances received for oil supplies. The above measures of the Group’s management are aimed at ensuring the Group’s ability to continue as a going concern.

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

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

The following table shows undiscounted contractual cash flows for financial liabilities, including estimated interest liability, as at 31 December 2021 and 2020.

Financial liabilities	31 December	Within	1 to 2 years	2 to 4 years	Over 4 years
	2021	one year			
	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other payables	23,170	22,884	–	–	286
Loans and borrowings received	107,088	11,994	11,467	24,236	59,391
Derivative financial instruments	33,224	4,245	2,701	3,405	22,873

Financial liabilities	31 December	Within	1 to 2 years	2 to 4 years	Over 4 years
	2020	one year			
	RUB million	RUB million	RUB million	RUB million	RUB million
Trade and other payables	8,096	7,049	224	447	376
Loans and borrowings received	116,081	11,863	11,404	24,401	68,413
Derivative financial instruments	26,451	1,305	816	895	23,435

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

31. Financial risk management (continued)

Capital management

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

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

32. Subsequent events

In February 2022, CQUR Bank LLC transferred all of its rights of claim from PJSC “RussNef” under the loan agreement dated 6 May 2015 to PJSC VTB Bank (Note 24). The pledge holder in pledge agreements under the loan agreement is changed to PJSC VTB Bank, and the pledges total RUB 181 million.

In view of current events in Ukraine, several packages of sanctions were successively imposed by the USA, several EU member countries, the UK, Canada, Australia, Japan and other countries. Major Russian banks were sanctioned, with several banks subject to freezing of currency-denominated assets and restrictions on attracting new financing and all transactions with foreign securities. The USA and the EU banned all transactions with the Bank of Russia and froze its assets. In March 2022, the USA announced an embargo on oil and gas imports from the Russian Federation to the USA. The EU approved additional sanctions against a number of large Russian oil companies, including primarily investment project financing, equipment supply and technology transfers. At the same time, EU member countries intend to continue purchasing oil from Russian producers. EU credit rating agencies are banned from assigning ratings to Russia and Russian companies, as well as from providing rating services to Russian customers.

The imposed sanctions have caused a spike in hydrocarbon prices, while Russian oil producers meet regulatory tightening both in the EU, the USA, Canada, Australia, and Russia. There has been a significant growth in volatility on equity markets, and the Russian ruble has significantly depreciated against the US dollar and the euro. These events are expected to affect operations of Russian entities in different economic sectors.

Movements in global oil prices may also be affected by new restrictions imposed in China due to yet another COVID-19 outbreak.

Measures aimed to protect and support Russian businesses have been promptly introduced:

- ▶ A moratorium has been introduced on initiation of debtor bankruptcy by the Russian Federal Tax Service and on suspension of blocking of taxpayers’ accounts, application of procedures of payment in installments and amicable agreements, as established by the applicable legislation;
- ▶ The Russian Federal Tax Service has suspended its currency compliance audits, except for restrictions stipulated in Decree No. 79 of the President of the Russian Federation of 28 February 2022 and other decrees;

PJSC “RussNef”

Notes to the Consolidated Financial Statements (continued)

32. Subsequent events (continued)

- ▶ The Bank of Russia has recommended debt restructuring until 31 December 2022 with no fines or penalties imposed under loans and borrowings, in case borrowers’ financial position has deteriorated since 18 February 2022 following the sanctions imposed;
- ▶ The Russian Government has introduced a moratorium on planned reviews in the exercise of government control (supervision) and municipal control, which are organized and performed under the Federal Law *On State Control (Supervision) and Municipal Control in the Russian Federation* and the Federal Law *On the Protection of Rights of Legal Entities and Individual Entrepreneurs in the Exercise of Government Control (Supervision) and Municipal Control*, except as stated in clause 2 of Resolution No. 336 of the Russian Government of 10 March 2022.

The duration of sanctions depends on future arrangements reached by Russia and Western countries on key geopolitical issues. Such arrangements can currently hardly be determined. Management is closely monitoring developments and measures taken by both the parties to ensure prompt response to rapidly changing business conditions.

PJSC “RussNeft”

Notes to the Consolidated Financial Statements (continued)

Contact information

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**Independent auditors's
report on annual
accounting (financial)
statements of PJSC «RussNeft»
for 2021**

INDEPENDENT AUDITOR'S REPORT

on annual accounting
(financial) statements
of PJSC "RussNef"
for 2021

Interkom-Audit LLC

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Intercom-Audit LLC

INDEPENDENT AUDITOR'S REPORT
To the shareholders of PJSC "RussNef"

Qualified opinion

We have audited the accompanying annual financial statements of PJSC "RussNef" (Full name: Public Joint Stock Company "RussNef"; OGRN 1027717003467; located at: Russian Federation, 115054, Moscow, Pyatnitskaya street, 69), which comprise Balance sheet as at 31 December 2021, Income statement for 2021 and appendices to Balance sheet and Income statement, which consist of Statement of changes in equity, Statement of cash flows and Explanatory notes to Balance sheet and Income statement for 2021, including summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the Basis for qualified opinion paragraph the accompanying annual financial statements fairly present the financial position of PJSC "RussNef" (hereinafter - the Company) as at 31 December 2021, its performance and cash flows for the year 2021 in accordance with Russian financial reporting standards.

Basis for qualified opinion

1. There were signs of impairment of a number of financial investments in shares of companies in the amount of RUB 35,621,958 thous. as at 31 December 2020, RUB 36,909,646 thous. as at 31 December 2019, represented in line 1170 "Financial investments" of the Balance sheet, which is the basis for creating an impairment loss provision. We were unable to obtain sufficient appropriate audit evidence in respect of the quantitative assessment of the probable impairment of these financial investments as at 31.12.2020 and 31.12.2019, as the required information was not provided to us. Therefore, we could not determine whether the adjustments to the indicated amounts were required. Our audit opinion for the previous reporting period was modified in a similar way.

2. There were signs of impairment of a number of financial investments into the provided borrowings in the amount of RUB 57,859,483 thous. as at 31 December 2021, represented in line 1170 "Financial investments" of the Balance sheet, which is the basis for creating an impairment loss provision. We were unable to obtain sufficient appropriate audit evidence in respect of the quantitative assessment of the probable impairment of these financial investments as at 31.12.2021, as the required information was not provided to us. Therefore, we could not determine whether the adjustments to the indicated amounts were required.

3. Also we were unable to obtain sufficient appropriate audit evidence in respect of the quantitative assessment of allowance for doubtful debts on accounts receivable in the amount of RUB 30,847,847 thous. accrued on loans given, represented in line 1230 "Accounts receivable" of the Balance Sheet as at 31.12.2021, as the required information was not provided to us. Therefore, we could not determine whether the adjustments to the indicated amounts were required.

Intercom-Audit LLC

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibility under those standards is further disclosed in the “Auditor’s responsibility for the Audit of the annual financial statements” section of this report. We are independent of the Company in accordance with the Rules of independence of auditors and audit organisations, Code of professional Ethics of auditors, complying with International Code of Ethics for professional Accountants (including international independence standards), developed by the International Ethics Standards Board for Accountants and we have fulfilled our other responsibilities in accordance with these requirements of professional ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that, with the exception of the matter set out in the Basis for qualified opinion, there are no other key audit matters that need to be reported.

Other information

The management is responsible for other information. Other information comprises information from the annual report for 2021 but does not include the annual financial statements of the Credit and our audit report thereon. Annual report for 2021 is expected to be provided to us after the date of this auditor’s report.

Our opinion on the annual 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 annual financial statements, our responsibility is to read the other information identified above when provided to us and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If upon review of the annual report for 2021, we come to the conclusion that such other information contains material misstatement, we will report this fact to those charged with governance.

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

Management is responsible for the preparation and fair presentation of these annual financial statements in compliance with Russian financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of the annual financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s annual financial statements preparation.

Auditor’s responsibility for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual 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 warranty 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

Intercom-Audit LLC

reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

- a) identify and assess the risks of material misstatement of the annual 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;
- b) 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 Company’s internal control;
- c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- d) 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 Company’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 annual 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 Company to cease to continue as a going concern;

e) evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

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 the internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual 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.

Head of Audit Department acting on behalf of the auditor on the basis of the Power of Attorney dated 30.04.2021 [Signature] Elena Korotkikh

(PRNE 21706002663)

Intercom-Audit LLC

Head of the audit, on the results of which the audit report was made (PRNE 21706007220) [Signature] Lyubov Alekseeva

[Seal]

Auditor:
Limited liability company "Intercom-Audit" ("Intercom-Audit" LLC), OGRN 1137746561787; located at: 125124, Russian Federation, Moscow, 3d street Yamskogo polya, 2-13, floor 7, office XV, room 6, member of self-regulatory organization of auditors: Association "Sodruzhestvo", PRNE 11606074492

February 12, 2022

Balance Sheet
as of December 31, 2021

Organization Public Joint Stock Company "RussNef"	Form acc. to OKUD	0710001
Date (day, month, year) 31 12 2021	acc. to OKPO	59107064
Taxpayer Identification Number	INN	7717133960
Economic activity Crude oil production	acc. to OKBED	06.10.1
Legal form / form of ownership Joint private and foreign Public Joint Stock Companies / ownership	acc. to OKOPF/OKFS	12247 34
Unit: thous. RUB	acc. to OKEI	384
Location (address) 115054, Moscow, 69 Pyatnitskaya st.		
Accounts are subject to mandatory auditing <input type="checkbox"/> YES <input type="checkbox"/> NO		
Name of auditing firm/family name, first name, patronymic (if any) of individual auditor Limited Liability Company INTERCOM-AUDIT		
Tax identification number of the auditing organization/individual auditor	INN	7729744770
General state registration number of the auditing organization/individual auditor	OGRN/ OGRNIP	1137746561787

Comments	Indicator description	Code	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
	Asset				
	I. NON-CURRENT ASSETS				
1.1,1.2,1.3	Intangible assets	1110	538	446	446
	Research and development results	1120	-	-	-
1.4,1.5	Intangible exploring assets	1130	30 445	446 914	169 722
1.5	Tangible exploring assets	1140	-	-	3 279
2.1, 2.2, 2.3, 2.4	Fixed assets	1150	65 746 448	59 827 699	58 658 659
	Income-producing investments in tangible assets	1160			
3.1,3.2	Financial investments	1170	121 356 610	157 449 545	149 784 943
12.1	Deferred tax assets	1180	16 432 624	18 235 210	15 332 663
Section 7	Other non-current assets	1190	2 911 423	1 931 626	1 733 559
	Total under Section I	1100	206 478 088	237 891 440	225 683 271
	II. CURRENT ASSETS				
4.1, 11	Reserves	1210	8 506 690	4 742 193	4 551 924
	Value added tax on purchased assets	1220	152 990	338 817	259 288
5.1,5.2	Accounts receivable	1230	54 137 551	28 004 517	48 872 132
	Accounts receivable (payments on which are expected more than 12 months after the reporting date)	1231	41 650 818	18 253 780	34 996 206
	Accounts receivable (payments on which are expected within 12 months after the reporting date)	1232	12 486 733	9 750 737	13 875 926
3.1,3.2	Financial investments (excluding cash equivalents)	1240	16 280 311	17 560 919	13 428 015
	Cash and cash equivalents	1250	8 469 271	4 069 447	1 355 006
	Other current assets	1260	1 210	448	247
	Total under Section II	1200	87 548 023	54 716 341	68 466 612
	BALANCE	1600	294 026 111	292 607 781	294 149 883

Comments	Indicator description	Code	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
LIABILITIES					
III. SHAREHOLDERS' FUNDS					
	Equity capital (share capital, statutory fund, partnership contributions)	1310	196 076	196 076	196 076
	Shares repurchased	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional paid-in capital (without revaluation)	1350	64 972 376	64 972 376	64 972 376
	Reserve capital	1360	9 804	9 804	9 804
	Retained earnings (uncovered loss)	1370	30 546 233	15 432 181	34 574 407
	Total under Section III	1300	95 724 489	80 610 437	99 752 663
IV. LONG-TERM LIABILITIES					
5.5	Borrowed funds	1410	76 381 200	82 593 471	69 047 140
12.2	Deferred tax liabilities	1420	4 231 012	3 449 737	3 333 049
7	Estimated liabilities	1430	1 286 713	1 184 772	1 051 154
5.3	Other liabilities	1450	70 636	59 408 601	23 955 100
	Total under Section IV	1400	81 969 561	146 636 581	97 386 443
V. SHORT-TERM LIABILITIES					
5.5	Borrowed funds	1510	6 887 745	6 858 523	5 763 031
5.3,5.4	Accounts payable	1520	109 126 153	58 348 712	91 132 916
	Deferred income	1530	-	-	-
7	Estimated liabilities	1540	318 163	153 528	114 830
	Other liabilities	1550	-	-	-
	Total under Section V	1500	116 332 061	65 360 763	97 010 777
	BALANCE	1700	294 026 111	292 607 781	294 149 883

CEO
21.02.2022
[Seal]

[Signature]

Evgeniy Tolochek

**Statement of financial performance
for January - December 2021**

		Codes	
Form acc. to OKUD		0710002	
Date (day, month, year)		31	12 2021
acc. to OKPO		59107064	
Taxpayer Identification Number		INN 7717133960	
Economic activity	Crude oil production		
Legal form / form of ownership	Joint private and foreign		
Public Joint Stock Companies/ ownership		12247	34
Unit:	thous. RUB	acc. to OKPF/OKFS 384	

Comments	Indicator description	Code	January - December 2021	January - December 2020
13	Revenue	2110	229 260 842	131 813 241
14	Cost of sales	2120	(164 855 409)	(111 933 195)
14	Gross profit (loss)	2100	64 405 433	19 880 046
15	Commercial costs	2210	(10 830 551)	(9 931 906)
16	Management costs	2220	(5 290 117)	(4 600 465)
	Profit (loss) from sales	2200	48 284 765	5 347 675
17	Income from participation in other organizations	2310	9 178	23 731
18	Interest receivable	2320	4 689 266	4 675 125
19	Interest payable	2330	(6 706 754)	(7 492 247)
20	Other income	2340	24 938 128	8 080 959
21	Other costs	2350	(45 056 297)	(27 235 301)
	Profit (loss) before tax	2300	26 158 286	(16 600 058)
p.18	Income tax	2410	(5 620 311)	3 123 023
	including: current income tax	2411	(4 129 893)	(746 634)
23.1	deferred income tax	2412	(1 490 418)	3 869 657
24	Other	2460	(1 093 759)	(1 083 921)
	including:			
	Net profit (loss)	2400	19 444 216	(14 560 956)

**Statement of financial performance
for January - December 2021**

Form 0710002 p.2

Comments	Indicator description	Code	January - December 2021	January - December 2020
FOR REFERENCE				
	Result from revaluation of non-current assets not included in net profit (loss) of the period	2510		
	Result from other operations not included in net profit (loss) of the period	2520		
	Income tax on transactions the result of which is not included in the net profit (loss) of the period	2530		
	Cumulative financial result of the period	2500	19 444 216	(14 560 956)
p.19	Basic profit (loss) per share	2900	0.046	(0.050)
	Diluted profit (loss) per share	2910	-	-

CEO
21.02.2022

[Signature]

Evgeniy Tolochek

[Печать]



Statement of changes in equity for January - December 2021

Organization Public Joint Stock Company "RussNefl"	Form acc. to OKUD Date	0710004
Taxpayer Identification Number	(day, month, year)	31 12 2021
Economic activity Crude oil production	cc. to OKPO	59107064
Legal form / form of ownership Joint private and foreign	INN acc. to	7717133960
Public Joint Stock Companies / ownership	OKBEDZ	06.10.1
Unit: thous. RUB	acc. to OKOPF/OKFS	12247 34
	acc. to OKEI	384

1. Capital flows

Indicator description	Code	Registered capital	Shares repurchased	Additional paid-in capital	Reserve capital	Retained earnings (uncovered loss)	Total
The amount of capital as at 31 December	3100	196 076	-	64 972 376	9 804	34 574 407	99 752 663
For 2020							
Increase of Capital - total:	3210	-	-	-	-	-	-
including:							
net profit	3211	X	X	X	X	-	-
property revaluation	3212	X	X	-	X	-	-
income directly attributable to capital appreciation	3213	X	X	-	X	-	-
additional issue of shares	3214	-	-	-	X	X	-
increase in the nominal value of shares	3215	-	-	-	X	-	X
reorganization of legal entity	3216	-	-	-	-	-	-
	3217	-	-	-	-	-	-
Reduction of capital - total:	3220	-	-	-	-	(19 142 226)	(19 142 226)
including:							
loss	3221	X	X	X	X	(14 560 956)	(14 560 956)
property revaluation	3222	X	X	-	X	-	-
expenses directly attributable to a decrease in equity	3223	X	X	-	X	-	-
reduction in the nominal value of shares	3224	-	-	-	X	-	-
reduction in the number of shares	3225	-	-	-	X	-	-
reorganization of legal entity	3226	-	-	-	-	-	-
dividends	3227	X	X	X	X	(4 581 270)	(4 581 270)

2. Adjustments due to changes in accounting policy and correction of errors

Indicator description	Code	As of December 31, 2019	Capital changes for 2020		As of December 31, 2020
			from net profit (loss)	due to other factors	
Capital - total					
before adjustments adjustment due to:	3400	98 065 838	(14 560 956)	(4 581 270)	78 923 612
changes in accounting policy correction of errors	3410	1 686 825	-	-	1 686 825
after adjustments	3420	-	-	-	-
	3500	99 752 663	(14 560 956)	(4 581 270)	80 610 437
including:					
retained earnings (uncovered loss): before adjustments	3401	32 887 582	(14 560 956)	(4 581 270)	13 745 356
adjustment due to: changes in accounting policy correction of errors	3411	1 686 825	-	-	1 686 825
after adjustments	3421	-	-	-	-
	3501	34 574 407	(14 560 956)	(4 581 270)	15 432 181
on other items of capital					
before adjustments adjustment due to:	3402	65 178 256	-	-	65 178 256
changes in accounting policy correction of errors	3412	-	-	-	-
after adjustments	3422	-	-	-	-
	3502	65 178 256	-	-	65 178 256

3. Net assets

Indicator description	Code	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Net assets	3600	95 724 489	80 610 437	99 752 663

Indicator description	Code	Registered capital	Shares repurchased	Additional paid-in capital	Reserve capital	Retained earnings (uncovered loss)	Total
Change in additional paid-in capital	3230	X	X	-	-	-	X
Change in reserve capital	3240	X	X	X	-	-	X
	3245	-	-	-	-	-	-
Amount of capital as at 31 December 2020	3200	196 076	-	64 972 376	9 804	15 432 181	80 610 437
For 2021							
Increase of capital - total:	3310	-	-	-	-	19 444 216	19 444 216
including:							
net profit	3311	X	X	X	X	19 444 216	19 444 216
revaluation of property	3312	X	X	-	X	-	-
income directly attributable to capital appreciation	3313	X	X	-	X	-	-
additional issue of shares	3314	-	-	-	X	X	-
increase in the nominal value of shares	3315	-	-	-	X	-	X
reorganization of legal entity	3316	-	-	-	-	-	-
	3317	-	-	-	-	-	-
Reduction of capital - total:	3320	-	-	-	-	(19 142 226)	(19 142 226)
including:							
loss	3321	X	X	X	X	(14 560 956)	(14 560 956)
revaluation of property	3322	X	X	-	X	-	-
expenses directly attributable to a decrease in equity	3323	X	X	-	X	-	-
reduction in the nominal value of shares	3324	-	-	-	X	-	-
reduction in the number of shares	3325	-	-	-	X	-	-
reorganization of legal entity	3326	-	-	-	-	-	-
dividends	3327	X	X	X	X	(4 581 270)	(4 581 270)
Change in additional paid-in capital	3330	X	X	-	-	-	X
Change in reserve capital	3340	X	X	X	-	-	X
	3345	-	-	-	-	-	-
Amount of capital as at 31 December 2021	3300	196 076	-	64 972 376	9 804	15 432 181	80 610 437

**Cash flow statement
for January - December 2021**

	Codes 0710005
Form acc. to OKUD	
Date (day, month, year) 31 12 2021	
acc. to OKPO	59107064
INN	7717133960
acc. to OKBED	06.10.1
acc. to OKOPF/OKFS	12247 34
acc. to OKEI	384

Organization **Public Joint Stock Company "RussNeft"**
Taxpayer Identification Number _____

Economic activity **Crude oil production**
Legal form / form of ownership **Joint private and foreign
Public Joint Stock Companies / ownership**

Unit: _____
thous. RUB

Indicator description	Code	January - December 2021	January - December 2020
Cash flows from current operations			
Income - total	4110	212 401 099	133 694 986
including:			
sale of products, goods, works and services	4111	195 650 536	123 946 235
rents, licence fees, royalties, commissions and other similar payments	4112	2 571 651	7 428 662
resale of financial investments	4113	-	-
other income	4119	14 178 912	2 320 089
Payments - total	4120	(181 209 266)	(117 098 851)
including:			
to suppliers (contractors) for raw materials, works and services	4121	(56 245 175)	(56 656 833)
in connection with employee wages	4122	(7 494 572)	(5 064 345)
interest on debt obligations	4123	(5 809 881)	(7 724 980)
corporate income tax	4124	(3 804 904)	(901 018)
other payments	4129	(107 854 734)	(46 751 675)
Cash flow balance from current operations	4100	31 191 833	16 596 135
Cash flows from investment operations			
Income - total	4210	6 702 341	4 623 384
including:			
from the sale of non-current assets (excluding investments)	4211	234	24
from the sale of shares in other organisations (participatory interests)	4212	-	-
from the repayment of loans granted, from the sale of debt securities (rights to claim money from other persons)	4213	4 229 285	3 993 682
dividends, interest on debt financial investments and similar income from interests in other organisations	4214	2 425 627	576 625
other income	4219	47 195	53 053
Payments - total	4220	(21 374 430)	(15 554 697)
including:			
in connection with the acquisition, establishment, modernisation, reconstruction and preparation for the use of organisations (shareholdings)	4221	(19 174 548)	(13 124 496)
in connection with the purchase of debt securities (rights to claim money from others), granting loans to others	4223	(1 825 008)	(2 414 189)
interest on debt obligations included in the value of the investment asset	4224	-	-
other payments	4229	-	-
Cash flow balance from investment operations	4200	(14 672 089)	(10 931 313)

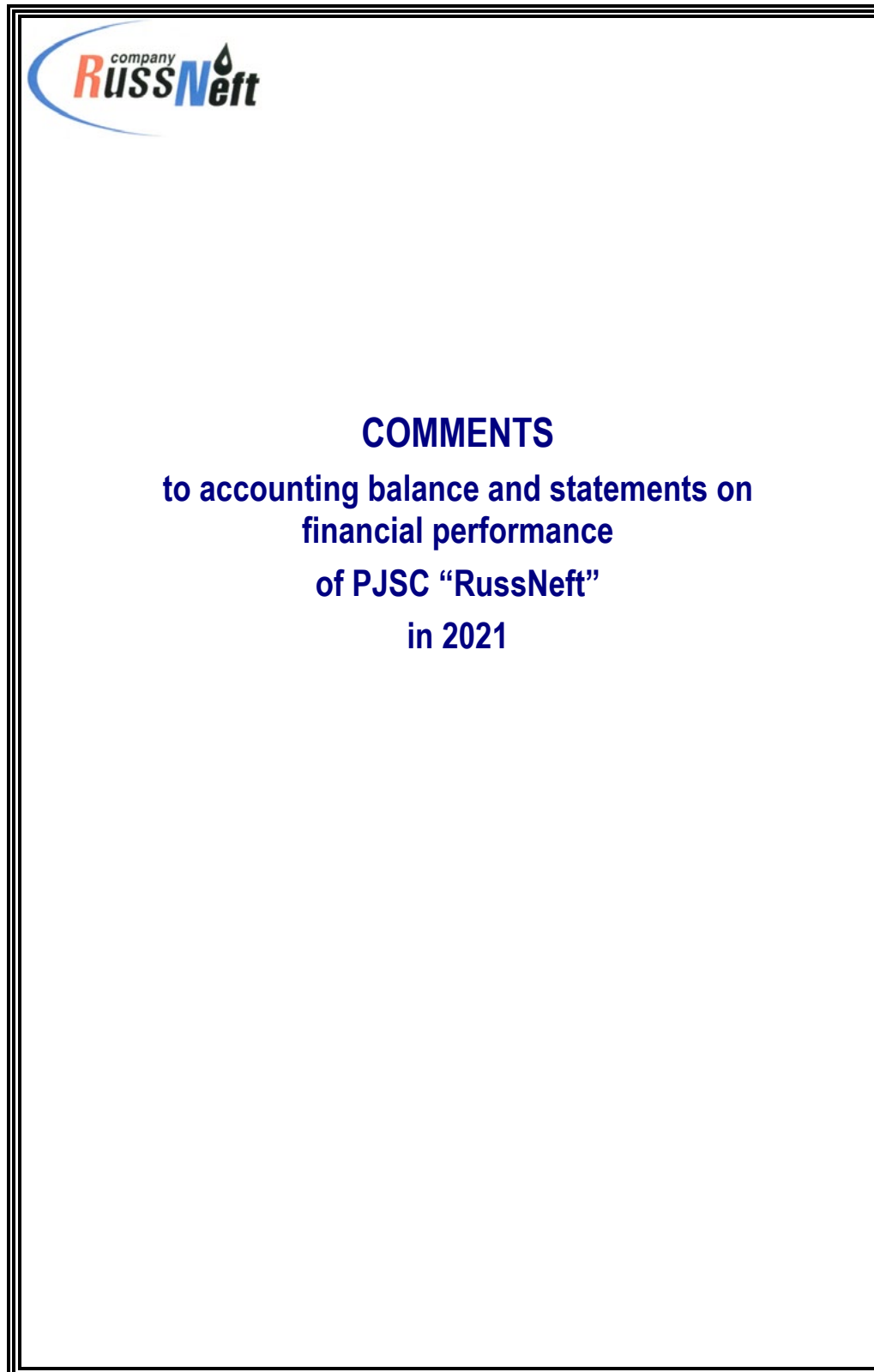
Indicator description	Code	January - December 2021	January - December 2020
Cash flows from financial operations			
Income - total	4310		1 328 822
including:			
taking loans and credits	4311		535 267
monetary contributions by owners (participants)	4312	-	-
from the issuance of shares, increase in participation interests	4313	-	-
from the issuance of bonds, bills of exchange and other debt securities, etc.	4314	-	-
other income	4319	-	793 555
Payments - total	4320	(11 602 418)	(5 016 532)
including:			
to owners (participants) in connection with the redemption or their shares (participation interests) in the organisation or their withdrawal from the membership	4321		
to pay dividends and other profit-sharing payments to owners (participants)	4322	(4 391 424)	(4 621 932)
in connection with the redemption (repurchase) of bills of exchange and other debt securities, repayment of loans and borrowings	4323	(6 710 455)	
other payments	4329	(500 539)	(394 600)
Cash flow balance from financial operations	4300	(11 602 418)	(3 687 710)
Cash flow balance for the reporting period	4400	4 917 326	1 977 112
Balance of cash and cash equivalents at the beginning of the reporting period	4450	4 069 447	1 355 006
Balance of cash and cash equivalents at the end of the reporting period	4500	8 469 271	4 069 447
Impact of changes in foreign currency exchange rates against the Rouble	4490	(517 502)	737 329

CEO
21.02.2022

[Signature]

Evgeniy Tolochev

[Печать]



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1. Company and its activities

1.1. General

Full name: Public Joint Stock Company "RussNeft"
 Short name: PJSC "RussNeft"
 Legal address (location): Russian Federation, 115054, Moscow, Pyatnitskaya str., 69
 State registration date: September 17, 2002
 OGRN: 1027717003467
 Legal form of organization: public joint stock company
 Form of ownership: joint private and foreign

1.2. Authorized capital and major shareholders

As of 31.12.2021, the Company's authorized capital in the amount of 196,076 thousand rubles consists of 392,152,000 uncertified shares with a nominal value of 0.5 rubles each, including:

- 294,120,000 ordinary shares (75% of the total number of shares);
- 98,032,000 preferred shares (25% of the total number of shares).

Shareholders of the Company owning at least 5 percent of its authorized capital or at least 5 percent of its ordinary shares as of 31.12.2021:

Description	Authorized capital percentage, %	Ordinary shares percentage, %
ОАО ИК "Надежность"	4.95	6.60
ЗАО "Млада"	7.70	10.27
RAMBERO HOLDING AG	23.46	31.28
BELYRIAN HOLDINGS LIMITED	12.05	16.07
WERIDGE INVESTMENTS LIMITED	7.21	9.61
Bank "Trust" (PJSC)	19.23	3.61
VTB Bank (PJSC)	8.48	-
Other shareholders owning 5%	16.92	22.56

1.3. Registrar

The registrar in the reporting year was Joint Stock Company "Servis-Reestr", acting on the basis of the license for realization of activity on register maintenance No. 045-13983-000001, issued March 2, 2004, FCSM of Russia. Location of the Registrar: 107045, Moscow, Sretenka str., 12.

1.4. Headcount

In 2021 the average number of the Company's employees, including the branches, was 5,617 people and 1,522 people as of the end of 2019.

1.5. Company's management bodies

According to the Charter, the management bodies of the Company are:

- General Shareholders Meeting;
- Board of Directors;
- President (sole executive body).

1.5.1. General Shareholders Meeting

The General Shareholders Meeting is the supreme governing body of the Company. The General meeting carries out its activities in the manner and within the competence in accordance with the Federal legislation and the

Articles of Association of the Company.

1.5.2. Board of Directors

The Board of Directors performs general management of the Company's activities, except for matters within the competence of the General Shareholders Meeting.

Members of the Board of Directors as of 31.12.2021:

Viktor Georgievich Martynov	Chairman of the Board of Directors of PJSC "RussNeft" (Independent director)
Vyacheslav Vladimirovich Marchenko	
Yana Robertovna Tikhonova	
Andrei Mikhailovich Derekh	Independent director
Andrey Leonidovich Zarubin	
Olga Yevgeniyevna Prozorovskaya	
Dmitry Vyacheslavovich Romanov	
Robert Jacobs Alexander Skidelsky	Independent director
Sergey Vadimovich Stepashin	Independent director
Mariya Vladimirovna Sergeyeva	
Roman Nikolayevich Tyan	
Sergey Gennadiyevich Chernyshev	

1.5.3. President

The sole executive body of the Company is the President of PJSC "RussNeft". Tolochek Yevgeny Viktorovich was appointed as the President of PJSC "RussNeft" by decision of the Board of Directors dd. November 7, 2016. The powers of Tolochek Yevgeny Viktorovich were extended for another 5-year term by the resolution of the BoD dd. October 25, 2021.

1.6. Audit Committee of the Company

Members of the Audit Committee of the Company as of 31.12.2021:

Samorukova Elena Vladislavovna	Director of the Tax policy department of PJSC "RussNeft"
Sergeyeva Elena Aleksandrovna	Head of the Internal audit department of PJSC "RussNeft"
Chernyshev Sergey Gennadiyevich	Financial controller of Glencore international AG representative office
Shkaldova Veronika Vyacheslavovna	Deputy chief accountant of PJSC "RussNeft"

1.7. Main activities of the Company

The main activities of PJSC "RussNeft" in 2021 were: search, exploration and production of oil, gas condensate and gas in the subsoil licenses located in the territory of Khanty-Mansi Autonomous District-Yugra, Yamalo-Nenets Autonomous District Tomsk region, Saratov region, Volgograd region, Penza region, Ulyanovsk region, as well as wholesale of own and purchased oil and gas on the domestic market and outside the Russian Federation, leasing of real estate.

The company owns 104 licenses for subsoil use at 119 fields. Information on licenses for subsoil use is disclosed in Table 25 (Comments in a table).

1.8. Branches and separate subdivisions

PJSC "RussNeft" has three branches:

- in Khanty-Mansiysk. Branch name: Khanty-Mansiysk Branch of Public Joint Stock Company "RussNeft". Location of the branch: 628010, Russia, Khanty-Mansiysk Autonomous District – Yugra, Khanty-Mansiysk, Mikhail Znamensky str., 1.

- in Ulyanovsk. Branch name: Ulyanovsk Branch of Public Joint Stock Company "RussNeft". Location of the branch: 432017, Russia, Ulyanovsk region, Ulyanovsk, Leninskiy district, Minaeva str., 32, floor 1, room 20.
- in Saratov. Branch name: Saratov Branch of Public Joint Stock Company "RussNeft". Location of the branch: 410038, Russia, Saratov region, Saratov, 1 Sokolovogorskiy pr-d.11, floor 2, room 11.
- in Raduzhnyi. Branch name: Nizhnevartovsk Branch of Public Joint Stock Company "RussNeft". Location of the branch: Khanty-Mansiysk Autonomous District – Yugra, Raduzhny, industrial zone South Industrial Zone, 2 Promyshlennaya str. 20.

1.9. Reorganization of the Company

No reorganization was carried out in the reporting year.

2. Accounting policy, accounting, financial statements

2.1. Accounting policy of the Company

In 2021, the Company had an accounting policy approved by order dated 30.12.2020 No. 240 as edited by the Orders as of 30.12.2020 No. 243, as of 01.03.2021 No. 30/1, as of 01.09.2021 No. 115/1, as of 01.11.2021 No. 152/3. Amendments in the accounting policy are related to:

- amendments introduced in Chapter 23 of the Tax Code of the Russian Federation;
- the start of application of the Federal accounting standard "Provisions" (FSA 5/2019), approved by the order of the Ministry of Finance of the Russian Federation dd. 15.11.2019 No. 180h
- establishing of Nizhnevartovsk Branch of PJSC "RussNeft" and start of the new operations.

accounting policy of the Company for accounting purposes complies with the requirements of the legislation of the Russian Federation on accounting. Information about the details of the accounting policy is disclosed in the relevant sections of the Comments.

2.2. Accounting management. Software products used

Accounting in the Company is conducted in accordance with the Federal law "On accounting" № 402-FZ of 06.12.2011 and the Regulations on accounting in the Russian Federation, approved by the Order of the Ministry of Finance of the Russian Federation № 34n of 29.07.1998.

Accounting in the Company in the reporting period was carried out using the following software products:

- 1C: Holding management, version 1.3
- 1C: Salary and personnel management CORP, version 3.1

2.3. Legal acts, the requirements of which were taken into account in the preparation of financial statements

When preparing the financial statements for 2020, the Company was guided by the following regulatory documents in the current editions:

- Federal law of 06.12.2011 No. 402-FZ "On accounting";
- Regulation on accounting and financial reporting in the Russian Federation, approved by order of the Ministry of Finance of 29.07.1998 № 34n;
- Regulation on accounting "Accounting statements of organization" (PBU 4/99), approved by the order of the Ministry of Finance of Russia dated 06.07.1999 № 43n;
- The order of the Ministry of Finance of Russia of 02.07.2010 № 66n "On forms of financial statements".

2.4. Adjustment of opening balances in the statement for 2021

Due to a technical error in the preparation of the statement of financial performance, the following types of other income and expenses were not offset:

- allowances for doubtful debts;
 - execution/non-execution of commodity options (hedging transactions);
 - allowance for impairment of financial investments;
 - fines and penalties, forfeits for breach of contract;
- as a result, the figures of lines 2340 "Other income:" and 2350 "Other expenses" were overstated by 2,378,942 thousand rubles.

This technical failure did not lead to a distortion of profit (loss) before taxation, net profit (loss), retained earnings, cost of property and liabilities and does not affect the economic decisions of the users of accounting (financial) statements.

Information on adjustments to opening balances in the financial statements is represented in the Comments in the table:

- Table 29 "Adjusting opening balances".

2.5. Comments to the statement on financial results

Income and expenses for the following similar operations in the statement of financial results for 2020 are shown on a net basis:

- positive and negative exchange rate differences;
- income and expenses from currency purchase and sale operations;
- income and expenses from hedging transactions;
- income and expenses from the revaluation of reserves;
- income and expenses from operations of transferring inseparable improvements of leased fixed assets;
- income and expenses from the sale of fixed assets;
- income and expenses from the sale of other property;
- fines, penalties, penalties for violation of the terms of contracts.

2.6. Comments to the Cash flow statement

The cash flow statement of the Company is formed in the currency of the Russian Federation taking into account the following features:

- cash deposited with credit institutions is classified as cash equivalents, the transfer of funds to and return from the Deposit account is not recognized as cash flow;
- the amount of cash flows in foreign currency is converted into rubles at the official exchange rate of this foreign currency against the ruble established by the Central Bank of the Russian Federation on the date of payment or receipt of payment;
- balances of cash and cash equivalents in foreign currency at the beginning and end of the reporting period are recorded in rubles in the amount determined in accordance with the Accounting regulation on "Accounting for assets and liabilities, the value of which is expressed in foreign currency" (PBU 3/2006);
- the difference arising from the translation of the Company's cash flows and balances of cash and cash equivalents in foreign currency at rates at different dates is recorded separately from the current, investment and financial cash flows of the Company as the impact of changes in the exchange rate of foreign currency against the ruble;
- cash flows of the Company between it and related parties are disclosed separately in the Comments in a table form (Table 28.5 "Cash flows with related parties»);
- cash flows are curtailed in the following cases:
 - a) on receipt and return of funds in one reporting period;
 - b) on payment of the value added tax as a part of receipts from buyers and customers, payments to suppliers and contractors, payments to the budget system of the Russian Federation and compensation from it.

The company did not apply other approaches than those described in the Accounting regulation on "Cash flow statement " (PBU 23/2011), approved by the Order of the Ministry of Finance of the Russian Federation as of 02.02.2011 N 11n, for the classification of cash flows, for the conversion into rubles of the amount of cash flows

in foreign currency, for the curtailed presentation of cash flows.

Breakdown of the Cash flow statement material items is presented in the table below.

thousand RUB

Indicator description	Code	for January-December 2021	for January-December 2020
Other payments, including:	4129	107 854 734	46 751 675
Taxes and fees related payments (excluding income tax)		93 801 004	36 407 935
Advance payments for oil customs clearance		7 146 698	6 878 040
Charity		566 523	96 416
Concise VAT turnover (branches)		4 759 417	2 633 148
Other payments		1 581 092	736 136

In line 4119 "Other proceedings" is represents a concise VAT turnover of the Company excl. cash flows of the Branches in the amount of RUB 13,544,388 thous. (general indicator RUB 14,178,912 thous.). Similar turnover in 2020 made up RUB 2,168,762 thous. (general indicator was RUB 2,320,089 thous.)

The interrelation of the Cash flow statement separate items with the corresponding items of the Balance sheet is presented in the table below.

thousand RUB

Indicator description	Code	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019	Form of statement
Cash and cash equivalents	1250	8 469 271	4 069 447	1 355 006	Balance sheet
Cash and cash equivalents balance at the beginning and end of the reporting period	4450	4 069 447	1 355 006	2 438 854	Cash flow statement
	4500	8 469 271	4 069 447	1 355 006	

3. Intangible assets

In accordance with the accounting policy, intangible assets are taken into account at the original cost of their acquisition (creation). Intangible assets are not revalued.

The company determines the useful life of intangible assets and makes depreciation in accordance with the rules established by the Accounting regulation on "Accounting of intangible assets" (PBU 14/2007), approved by the Order of the Ministry of Finance of the Russian Federation dd. 27.12.2007 N153n.

The method of depreciation - linear.

In the reporting year, the Company did not carry out research and design activities.

Line 1110 of the Balance sheet shows the intangible assets at residual value and incomplete expenses on formation of objects of intangible assets.

Information on intangible assets is given in the Explanations in tabular form:

- Table 1.1 "Availability and movement of intangible assets";
- Table 1.2 "Intangible assets with fully repaid value";
- Table 1.3. "Intangible assets in the process of formation".

4. Exploration assets

In accordance with the accounting policy, the tangible exploration assets include the following items used in the search and appraisal of mineral deposits and mineral exploration:

- facilities (wells, well pads, pipeline systems, etc.);
- equipment (specialized drilling rigs, pumping units, tanks, etc.);
- means of transport.

The intangible exploration assets include:

- right to perform work on the search and appraisal of mineral deposits and (or) exploration of minerals, supported by an appropriate license;
- information obtained as a result of topographic, geological and geophysical studies.

The remaining exploration costs are recognized as expenses for ordinary activities and form the cost of finished products of own production of the reporting period in which the costs are actually incurred.

Exploration assets are accepted for accounting in the amount of actual acquisition (creation) costs.

Exploration assets depreciation is charged on a straight-line basis over a specified useful life, starting with the month following the month in which it is recognized as the exploration assets in accounting. The depreciation period is determined based on the expected useful life of the asset.

At the end of each reporting year, the Company conducts an analysis of the circumstances indicating the possible impairment of the exploration assets in accordance with the requirements of Paragraph 19 of the Accounting regulations "Accounting for the cost of natural resources" (PBU 24/2011), approved by the Order of the Ministry of Finance of the Russian Federation dd. 06.10.2011 N125n.

When the commercial feasibility of mining in the subsoil block is confirmed, the exploration assets are checked for impairment and transferred to the fixed assets, intangible assets or other non-current assets that are intended for the development and extraction of minerals.

During the reporting period, the Company incurred exploration costs for RUB 285,439 thousand. As of the reporting date, the intangible exploration assets were RUB 446,914 thousand worth. There are no tangible exploration assets as of the reporting date.

For the reporting period, the Company incurred exploration costs for RUB 36,645 thousand. As of the reporting date, the intangible exploration assets were RUB 30,445 thousand rubles worth. There were no tangible exploration assets as of the reporting date.

In the reporting period, intangible exploration assets were written off in the amount of accumulated costs for a prospecting well, due to the early termination of the right to use subsoil (the handover of a license for Pikoviy subsoil site, Zapadno-Uzunskiy subsoil site, subsoil sites containing the flanks of Tagrinskoye field).

For the previous period, the Company incurred exploration costs for RUB 285,439 thousand. As of 31.12.2020 date, the intangible exploration assets were RUB 446,914 thousand rubles worth. There were no tangible exploration assets as of the reporting date.

As of 31.12.2019 the intangible assets were RUB 169,722 thousand rubles worth, and tangible exploration assets were RUB 3,279 thous.

Information about the intangible and tangible exploration assets is given in the Comments in tabular form:

- Table 1.4 "Exploration assets";
- Table 1.5 "Exploration assets in the process of formation".

5. Fixed assets and capital construction in progress

The fixed assets include land plots, buildings, structures, transmission devices, machinery, equipment, vehicles worth more than 40,000 RUB (excl. VAT) with a useful life of more than 12 months.

Real estate objects which construction was completed, which were taken into operation and are actually used, ownership of which is not registered in the manner prescribed by law, are recorded separately in the fixed assets.

In the financial statements, fixed assets are shown at their original costs, taking into account the costs of upgrade, expansion, retrofitting and partial liquidation, minus the amount of depreciation accumulated over the entire period of operation.

Objects of fixed assets are taken to accounting for the actual cost of acquisition (construction).

Assets that have the characteristics of fixed assets, but have a value of not more than 40 000 rubles per unit, along their transfer to production or operation, were written off into the general expenses or costs associated with the formation of the cost of goods, works, services, depending on the type of their use. At the same time, in order to ensure the safety of these objects, they were recorded at their original cost on the off-balance sheet account of the MC.05 "Low-value assets" in the context of objects, materially responsible persons, locations. Such objects were completely written off from the account with impossibility of their further operation on the basis of the act of write-off. As of 31.12.2021, 27,158 such objects were registered on the off-balance sheet account, the cost of these objects is RUB 128,985 thousand.

As of 31.12.2020, the value of such objects was RUB 108,628 thousand, as of 31.12.2019 – RU 70,084 thousand.

Depreciation of fixed assets was carried out in a linear manner, by applying the depreciation rates calculated on the basis of the lower limit of useful life defined for the depreciation group, the composition of which is determined by the Order of the Government of the Russian Federation dated 01.01.2002 № 1 "On the classification of fixed assets included in the depreciation group" (subject to changes and additions), technical documentation or recommendations of the manufacturer. The useful lives of fixed assets are established at commissioning by the Commission on acceptance and transfer of fixed assets.

Useful life (UL) of the objects accepted on balance, on the main groups are:

Fixed asset group	UL (years)
Buildings	from 5 to 30
Constructions	from 3 to 30
Vehicles	from 2 to 10
Machinery and equipment	from 1 to 30
Production and household inventory	from 1 to 20
Other fixed assets	from 7 to 15

No depreciation is charged on:

- land plots and objects of nature use;
- objects transferred for conservation for a period of more than three months, as well as during the restoration of the object, the duration of which exceeds 12 months;

No revaluation of the fixed assets was carried out in the previous and reporting periods.

The indicator of Line 1150 "Fixed assets" includes the value of incomplete capital investments in fixed assets, the amount of costs associated with their reconstruction, upgrade, revamp, as well as an asset created in the amount of the reserve provision for future expenses for the liquidation of oil-producing fixed assets.

Information on the availability and movement of fixed assets and incomplete capital investments is reflected in the tables:

- Table 2.1 "Availability and movement of fixed assets";
- Table 2.2 "Incomplete capital investments";
- Table 2.3 "Change in the value of fixed assets as a result of completion, retrofitting, reconstruction and partial liquidation".

Fixed assets received for temporary use under lease agreements are recorded on the off-balance sheet account 001 "Leased fixed assets" in the context of the object, lease agreement, landlord, in the assessment adopted in the lease agreement.

Information on fixed assets received for rent, on own and leased fixed assets, as well as on real estate objects in operation, but for which the state registration process is not completed, is reflected in a table:

- Table 2.4 "Other use of fixed assets".

6. Financial investments

In accordance with the accounting policy, financial investments in the form of securities for which it is impossible to determine the current market value are recorded in the accounting at the original cost.

For all financial investments for which the current market value is not determined and there are signs of impairment, the Company conducts an impairment test.

The Company performs this audit once a year as at 31 December of the reporting year.

If the impairment test confirms a significant (not less than 20% of the carrying amount of financial investments) decrease in the value of financial investments, the Company makes a reserve provision for impairment of financial investments by the amount of the difference between the accounting value and the estimated value of such financial investments.

The specified reserve provision is formed at the expense of financial results of the Company (as a part of other expenses).

In the financial statements, the value of such financial investments is stated at cost less the amount of reserve provision for impairment.

In 2021, according to the results of the impairment test of financial investments, the reserve provision for impairment of financial investments was adjusted. The reserve provision was increased by RUB 37,701,793 thousand, resumed in the amount RUB 203 thous.

As of 31.12.2021, the reserve provision amount was RUB 47,141,901 thousand. As of 31.12.2020 – 9,440,311 thousand rubles. As of 31.12.2019 – RUB 8,434,123 thousand.

The Company does not have financial investments that can be used to determine the current market value.

Financial investments for which the current market value is not determined, upon disposal, are written off at the initial cost of each unit of financial investments.

In the Balance sheet, financial investments are divided into short-term and long-term depending on the maturity.

Financial investments are recorded as short-term, if the period of circulation (repayment) for them is not more than 12 months after the reporting date, the remaining financial investments are presented as long-term.

Information on financial investments is given in the Comments in tabular form:

- Table 3.1 "Availability and movement of financial investments»;
- Table 3.2 "Other use of financial investments".

7. Other non-current assets

The line "Other non-current assets" reflects the amount of advance payments under contracts for the construction of industrial infrastructure, excluding value added tax, which is accounted for in accounts receivable, materials intended for the creation of non-current assets.

Besides, line 1190 "Other non-current assets" reflects provisions for future costs for reclamation of the disturbed lands on lease.

thous. RUB

Indicator description	Initial cost of assets		
	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Other non-current assets, total, including:	2 911 423	1 931 626	1 733 559
Advances for the construction of industrial infrastructure facilities	260 000	160 000	389 091
Materials intended to create non-current assets	2 050 782	996 452	632 677
Provision for future expenses for restoration of the area of disturbed lands	600 641	775 174	711 791

8. Inventories

In accordance with the accounting policy, the valuation and accounting of inventories is carried out at the actual cost of their acquisition (procurement) for each type (group) of inventories. Accounting for the acquisition and procurement of inventories is carried out without the use of Account 15 "Procurement and acquisition of tangible assets" and Account 16 "Deviation in the value of tangible assets". The effects of a change in accounting policy due to the adoption of FAS 5/2019 are reflected prospectively for business events that took place after the adoption of FAS 5/2019, without changing of the previously generated accounting data.

At transfer of materials into production and other disposal, the assessment is made at cost of each unit.

When inventories are acquired under contracts that require payment in full or in part by non-cash consideration, the costs included in the cost of the inventories (for non-cash consideration) are the fair value of the property transferred.

Materials, intended for creating non-current assets, accounted on the account 10 "Materials", shall be represented in line 1190 "Other non-current assets".

Items purchased for sale are valued at their purchase price. The costs of procurement and delivery of goods to the places of transfer for sale are included in the cost of sale.

The costs of production of finished products are recorded on Account 20 "Main production". Direct costs directly related to the production of finished products are directly related to the respective types of finished products.

Calculation of the cost of oil, associated gas, natural gas, gas condensate and by-products obtained in the gas processing is made without reflecting the work in progress and semi-finished products.

Hydrocarbon production (hereinafter referred to as HC) is carried out independently by the Company's branch and by third parties (operators) on the basis of concluded contracts for performance of works and provision of services for HC production.

The cost of the operator, related to the HC production that cannot be directly attributed to a particular type, are accumulated during the reporting month on Account 20.01 "Main production" per item group "HC production costs under operator contracts," which is used to calculate the actual production costs to be distributed by types of finished products.

To determine the share of costs attributable to each type of finished product produced by the operator from the mined hydrocarbons, costs are distributed in proportion to the share of proceeds from sales (excluding value added tax) of the corresponding types of finished products in the amount of estimated proceeds from the sale of finished products in the reporting period, produced in within the framework of operator agreements. At the same time, the estimated revenue of the reporting period is calculated based on the average selling price of each type of finished product in the period preceding the reporting period and the amount of the type of finished product produced by the operator in the reporting period. The average selling price of each type of finished product in the period preceding the reporting period is calculated based on the proceeds from the sale of the type of finished product for the period preceding the reporting period and the volume of the type of finished product sold in the previous reporting period. In the absence of sales of a type of finished product in the period preceding the reporting period, for distribution purposes, the average sales price is applied for the reporting period in which the last sale of the corresponding type of finished product was.

The costs of the branches of the Company associated with the production of finished products during the reporting period are on Account 20.01 "Main production" in the context of cost centers, nomenclature groups, cost items. The costs of "Auxiliary production" and "General production costs", recorded respectively on Accounts 23 and 25, are written off in accordance with the rules described in the "Regulations on cost accounting and calculation of the cost of finished products, works and services", approved by order of the Company dated 30.12.2020 No. 244. The costs of the branch associated with the production of finished products at the end of the reporting period are fully on Account 43 "Finished products" by types of finished products.

Inventories in the reporting period were not transferred:

The inventories also include expenses of future periods - expenses incurred by the Company in the reporting period, but related to the following reporting periods, which do not lead to the formation of assets, the types of which are established by regulatory legal acts on accounting.

In the reporting period the Company testes its reserves for impairment. As a result of the audit, a provision was created for the reduction in the cost of inventory amounted to RUB 5,357 thous. As of the reporting date (as of 31.12.2020 – RUB 5,308 thous.)

Information on inventories is shown in the Comments in the table:

- Table 4.1 "Availability and movement of inventories";
- Table 11 "Breakdown of future periods expenses".

9. Accounts receivable

Accounts receivable include the debt of buyers and customers to the Company for goods, works, services, debt of suppliers on advances issued by the Company, settlements on claims, settlements with other debtors.

Accounts receivable are recorded on the basis of the terms of contracts concluded by the Company with counterparties, net of reserve provision for doubtful debts.

Bad debt, for which no reserve provision was previously created, is written off at the expense of the financial result.

As of 31.12.2021 The Company considerably decreased its provision on doubtful debt due to recovery of previously accrued reserves, which amounted to RUB 1 466 901 thousand as of the reporting date (31.12.2020 - RUB 22,261,878 thousand).

Long-term accounts receivable include the debt on interest accrued on loans issued by the Company to other organizations with a maturity of more than 12 months from the reporting date and other indebtedness.

The size of long-term debt as of 31.12.2021 compared to the same of the previous reporting period increased by RUB 23,397,038 thousand, including due to increasing indebtedness on interests receivable and reversal of provisions for doubtful debt on interests on loans issued in foreign currency by RUB 24,989,425 thous.; on the issued advances - by RUB 201,661 thous. and on other receivables - by RUB 1,285,137 thous.; and by decreasing

indebtedness on interests on the loans issued in rubles by RUB 3,079,185 thous.

As of 31.12.2020 the Company established provision for the doubtful indebtedness in the amount of RUB 22,261,878 thous., majorly for the amounts of the accrued interests. As of 31.12.2019 the sum of the provision was insignificant and made up RUB 1,824 thous. The amount of accounts receivable in the balance sheet is shown less provision.

The amount of short-term receivables as of 31.12.2021 compared to the same of the previous reporting period increased by RUB 2,735,996 thousand, while the prepayment short-term indebtedness and customers decreased by RUB 3 062 727 thous., receivables on short-term borrowings interests issued increased by RUB 822,000 thous., short-term receivables of buyers and customers decreased by RUB 640,559 thous., and receivables on settlements with customs increased by RUB 64,186 thous., other receivables decreased by RUB 434,438 thous., receivables on the settlements with the budget decreased by RUB 9,548 thous.

Information on receivables is reflected in the Comments in tabular form:

- Table 5.1, "Availability and movement of receivables";
- Table 5.2 "Overdue receivables".

10. Cash

Article "Cash and cash equivalents" covers the Company's cash on hand, on bank accounts, deposits (placed for a period of up to 3 months), other cash. Cash in foreign currency is recorded and reported in rubles at the official exchange rate of the Central Bank of the Russian Federation, respectively, at the date of the transaction with cash in foreign currency and at the reporting date. The value of the banknotes on hand and on bank accounts (bank deposits), expressed in foreign currency, is not recalculated as the exchange rate changes.

Information on the Company's cash at the end of the reporting period is set out in the Comments in tabular form - Table 10 "Cash breakdown".

11. Capital

The Authorized capital as of 31.12.2021 is RUB 196,076 thousand and is divided into 294,120,000 ordinary shares and 98,032,000 preferred shares of 0.5 rubles each. The authorized capital is fully paid, its value corresponds to the constituent documents (with changes registered in the established manner). During the reporting period, the authorized capital did not change.

In the reporting year, dividends for 2020 on preferred shares were paid in the amount of \$ 60 million which was RUB 4,391,424 thousand at the exchange rate on the date of payment.

In 2019 the amount of the paid dividends made up 60 mln USD (RUB 4,621,932 thous. at exchange the rate as of the payment date).

At the reporting date there were zero changes on additional paid-in and reserve capital.

As of 31.12.2021 additional paid-in capital is RUB 64,972,376 thousand.

As of the reporting date the reserve capital makes up RUB 9,804 thousand, making up 5% of the Authorized capital.

The Company does not have its own shares purchased from shareholders.

Retained earnings at the end of the reporting period is RUB 30,546,233 thousand.

As of 31.12.2021, the net assets are RUB 95,724,489 thousand.

As of 31.12.2020, the net assets amounted to RUB 80,610,437 thousand, as of 31.12.2019 – RUB 99,752,663 thousand.

Calculation of the net assets is presented in the Comments in

- Table 27 "Calculation of net assets".

12. Borrowed funds

In accordance with the accounting policy, the loans and credits received are taken into account as short-term liabilities (if the maturity of the obligations under the contract does not exceed 12 months) or long-term liabilities (if the maturity of the obligations under the contract exceeds 12 months).

Transfer of long-term debt to short-term debt is carried out when the period till repayment of the principal amount under the terms of the loan agreement becomes 365 days.

Debt, related to the interest payable by the end of the reporting period under the received loans and borrowings, is recorded as short-term (if the maturity under the terms of the contract does not exceed 12 months) and long-term (if the maturity under the terms of the contract exceeds 12 months).

In the financial statements the debt on loans and borrowings at the reporting date is reflected taking into account the accrued interest.

The total amount of borrowed funds at the reporting date is RUB 83,268,945 thousand.

The debt on debt obligations is distributed by maturity as follows:

thousand rubles				
Maturity	Under 1 year	From 1 to 2 years	From 2 to 4 years	Over 4 years
Amount of debt including accrued interest	6 887 745	6 774 408	13 548 816	56 057 976

As of 31.12.2020, the amount of the liabilities was RUB 89,451,994 thousand, as of 31.12.2019 – RUB 74,810,171 thousand rubles.

Information on the received long-term and short-term loans and borrowings is presented in the Comments in tabular form:

- in Table 5.5 "Availability and movement of borrowed funds".

13. Accounts payable

Accounts payable include the Company's debt to suppliers and contractors for received inventory, work performed, services rendered, the Company's debt to the personnel on wages, indebtedness on payments to the budget and off-budget funds, indebtedness on the advances received from buyers and customers, settlements on claims, settlements with other creditors.

The amount of accounts payable as of 31.12.2021 was RUB 109,196,789 thousand and compared to the same indicator of the previous reporting period it was decreased by RUB 8,560,524 thousand. The major factor influencing the changes of the accounts payables, is the decrease of indebtedness on the advances received in the amount of RUB 29,553,276 thousand. Herewith the amount of debt to the suppliers and contractors was increased by RUB 9,514,969 thousand and the amount of debt on payments to the budget – by RUB 8,818,924 thousand.

The amount of accounts payable as of 31.12.2020 was RUB 117,757,313 thousand, as of 31.12.2019 – RUB 115,088,016 thousand.

Information on accounts payable is given in the Comments in tabular form:

- Table 5.3 "Availability and movement of accounts payable";
- Table 5.4 "Overdue payables".

14. Contingent liabilities

In accordance with the Accounting Policy, the Company forms the following estimated provisions:

- provision for the forthcoming vacation payments;
- provision for forthcoming expenses for liquidation of oil-producing fixed assets and restoration of disturbed lands. Estimated liabilities are represented in the account of provisions for future expenses.

The provision for future expenses on liquidation of oil-producing fixed assets and the restoration of disturbed lands is created on a quarterly basis as of the reporting date by revising the previously created reserve, by changing the number of fixed assets to be liquidated, and by changing the area of disturbed lands to be restored.

The provision is created in relation to oil-producing fixed assets owned by the Company, as well as in relation to the area of disturbed lands (own and leased), subject to restoration and bringing to a condition suitable for their further use.

The provision is created as a whole for the group of fixed assets and disturbed land in the context of subgroups formed according to the date of the onset of the obligation to liquidate fixed assets and restore disturbed lands. The maturity date is defined as the completion date for the development of reserves for a group of fields in the context of assigned geographic regions, which is determined based on the estimate of oil and gas reserves in the total proved reserves category as of December 31 of the reporting year, presented in the report of an independent appraiser of oil and gas.

If there is no independent appraiser report in the reporting period, the data presented in the last available report are used with additional adjustments:

- reduction of the development period of total proved reserves by the number of years that have passed since the date of the last estimate;
- a decrease in proved reserves by the amount of actual oil and gas production for the period starting from the date of the last estimate;
- other justified adjustments affecting the completion date of reserves development.

The asset created for the amount of the allowance is depreciated and expensed in the ordinary course of business. Depreciation is charged on a unit-of-manufactured basis based on an estimate of proved reserves.

At the end of the reporting year, as well as in the event of new events related to the recognized estimated liability, the Company checks the validity of recognition and the amount of the estimated liability. In accordance with clause 23 of PBU 8/2010 "Estimated Liabilities, Contingent Liabilities and Contingent Assets", approved by Order No. 167n of the Ministry of Finance of the Russian Federation of 13.12.2010, based on the results of such a check, the amount of the estimated liability may be:

- a) increased in accordance with the procedure established for the recognition of the estimated liability (without including it in the cost of the asset), upon receipt of additional information that makes it possible to clarify the amount of the estimated liability;
- b) reduced in accordance with the procedure established for writing off the estimated liability, upon receipt of additional information that makes it possible to clarify the amount of the estimated liability;

The procedure described above for accounting for changes in the amount resulting from changes in the estimates of the recognized estimated liability by the Company does not apply.

During the reporting period, oil and gas reserves were estimated by Miller and Lents, Ltd.

Based on the results of the verification of the recognition validity and the amount of the estimated liability created by the Company in 2021, the amount of the estimated liability was increased and included in the cost of the asset created for the amount of the corresponding liability, which complies with the rules for preparing financial statements in accordance with International Financial Reporting Standards.

Information on estimated liabilities is presented in the Notes in:

- Table 7 "Estimated liabilities".

15. Conditional liabilities

In accordance with the accounting policy, the financial statements reflect the conditional facts of economic activity that take place at the date of preparation of the financial statements, the consequences of which depend on whether or not one or more uncertain events will occur in the future. The amounts constituting at least 5% of the total amount of the relevant data are recognized as material. The assessment of consequences of a conditional fact in monetary terms is calculated on the basis of information available by the date of signing of financial statements.

15.1. Conditional liabilities. Guarantees issued to third parties

Before the reporting date in favor of third parties, the Company issued sureties, pledges and guarantees to secure the fulfillment of obligations and payments by third parties, the due dates for which did not occur, in the amount of RUB 118,027,463 thousand, which is less than the similar value of the previous year by RUB 27,570,888 thousand.

The amount of guarantees and securities issued as of 31.12.2020 amounted to RUB 145,598,351 thousand, as of 31.12.2019 – RUB 132,026,417 thousand.

Information on the conditional liabilities is presented in Table 9.2 "Issued liabilities guarantees breakdown" (Comments in the table).

15.2. Conditional liabilities. Hedging operations

In 2021 the Company entered into the agreement on a series of related commodity option transactions (hedging transactions) for a period of three years.

The accrued premiums of RUB 2,729,470 thousand on the put option and call option transactions were offset in full. In accordance with the accounting policy, income and expenses on these transactions are recorded on a net

basis in the Statement of Financial Performance.

During the reporting period, the Company made payments of RUB 472,246 thousand as a result of the exercise of call options. No payments were made to the Company on put options.

Debt on transactions for December 2021 in the amount of RUB 67,142 thousand was repayed in January 2022). Information on option exercises in 2021 is disclosed in the Notes in tabular form:

- table 21 "Other expenses".

16. Income and expenses over ordinary activities. Segment information

In accordance with the accounting policy of the Company, income from ordinary activities of the Company is recognized as revenue from the sale of goods (trade), from the sale of products of its own production, from the performance of works, provision of services, including the provision of property for rent (sublease). Revenue from the sale of finished products, goods (works, services) is reflected in the financial statements minus value added tax and export customs duties paid when exporting oil.

Expenses for ordinary activities of the Company are expenses related to the purchase of goods (trade), the production of its own products, the performance of work and the provision of services.

At formation of expenses on ordinary activities the Company provides their grouping by elements.

Information on costs grouped by elements is presented

- in Table 6 "Production costs" in the Comments in the table part.

Expenses associated with the sale of goods and finished products, form business expenses and are written off in full on a monthly basis on Account 90 "Sales" by type of nomenclature. Sales expenses that cannot be attributed to a particular type of nomenclature are written off monthly in full, except for the balance of the cost of transportation of goods to the warehouse of storage (points of transshipment of goods, finished products), falling on the balance of the goods in the warehouse, debiting Account 90 "Sales" with the distribution by type of nomenclature in proportion to the share of revenue without VAT and excise duties in the total revenue amount without VAT and excise duties.

Expenses incurred by the Company for the needs of management, which are not directly related to the production process, as well as the amount of accrued property tax and transport tax, form management costs and are written off monthly in full debiting Account 90 "Sales" with the distribution by activity in proportion to the share of revenue without VAT and excise duties in the total revenue amount without VAT and excise duties.

In the reporting period, revenues from provision of services and revenues from sales together with simultaneous decrease of the revenues from sales of the own production.

In the reporting period the share of net revenue from the sales of minerals in the accumulated revenue made up 84.14% (in 2020 the similar indicator amounted to 74.62%).

The gross profit share from the sales of oil and gas in the reporting period made up 97.47% on the cumulative gross profit from sales (in 2020 the similar indicator made up 88.89%).

Information on income and expenses for ordinary activities is given in the Comments in tabular form:

- Table 13 "Revenue breakdown";
- Table 14 "Breakdown of cost of sales and gross profit";
- Table 15 "Commercial expenses";
- Table 16 "Management costs".

The company recognizes the following segments of statements:

- operating;
- geographical.

The operating segments include:

- production and sale of oil, gas condensate, gas;
- production of petroleum products;
- wholesale of purchased oil and gas;
- other activities.

In 2021, the production facilities of the Nizhnevartovsk branch of the Company started producing petroleum products.

The volumes of production, acquisition and sale of oil, gas condensate and gas in the context of activities are presented in the table¹:

¹ Unaudited information

Activity	Indicator	in 2021		in 2020	
		Oil and gas condensate (ton)	Gas and liquefied HCF (thou. m³)	Oil and gas condensate (ton)	Gas and liquefied HCF (thou. m³)
Oil and gas production	Produced	6 179 365	1 801 218	5 866 101	1 852 665
	Sold	6 116 261	1 670 208	5 858 364	1 744 234
Wholesale	Purchased	1 069 360	-	1 463 837	7 567
	Sold	1 068 218	-	1 463 260	7 567
Production of petroleum products	Produced	7 455	-	-	-
	Sold	2 281	-	-	-

The share of each segment in the total volume is:

Activity	Share by segment for 2021, %			Share by segment for 2020, %		
	Revenue	Cost	Gross profit	Revenue	Cost	Gross profit
Wholesale trade of purchased oil and gas	14,47%	18,94%	3,04%	17,76%	19,35%	8,86%
Production and sale of oil, gas condensate, gas, production and sale of petroleum products	84,14%	78,93%	97,47%	74,62%	72,08%	88,89%
Other activities	1,39%	2,13%	(0,51%)	7,62%	8,57%	2,25%

Information on operating segments is given in the Comments in the table:

- Table 13 "Revenue breakdown"
- Table 14 "Breakdown of cost of sales and gross profit".

Geographical segments include:

- sales in the domestic market;
- export sales to far-abroad countries;
- export sales to the near-abroad countries (Republic of Belarus).

Geographical segments are based on the location of markets for goods and finished products.²⁾

Revenue from oil and gas sales by sales markets was distributed as follows:

Type of products/goods/services	Sales market	2021			2020		
		Revenue-net	Cost	Gross profit	Revenue-net	Cost	Gross profit
Oil and gas condensate	Domestic market	168 974 032	(121 188 484)	47 785 548	75 847 363	(66 308 146)	9 539 217
	Far abroad	51 364 484	(36 412 235)	14 952 249	31 500 373	(24 728 448)	6 771 925
	States-members of EEU	3 452 378	(2 561 086)	891 292	12 207 032	(9 404 918)	2 802 114
Natural gas, associated gas	Domestic market	2 296 379	(1 189 985)	1 106 394	2 221 812	(1 902 459)	319 353
Services	Far abroad	3 173 569	(3 503 619)	(330 050)	10 036 661	(9 589 224)	447 437
TOTAL		229 260 842	229 260 842	(164 855 409)	64 405 433	131 813 241	(111 933 195)

²⁾ Unaudited information

Net revenue for major buyers (more than 5% of sales by market) by geographical segments (sales markets) is shown in the table:

Sales market	Buyer	Revenue, excluding VAT and export duties		Change in sales volume
		2021	2020	
Domestic market	AO FortelInvest	87 157 082	16 126 624	71 030 458
	PJSC Varioganneft	3 626 347	10 143 543	(6 517 196)
	PJSC Gazprom Neft	18 770 082	10 547 093	8 222 989
	OOO Gazneftetrading	-	6 768 532	(6 768 532)
	OOO Slavyansk ECO	14 734 820	7 718 277	7 016 543
Far-abroad countries	Russneft UK Ltd	33 731 840	19 218 387	14 513 453
	VTB COMMODITIES TRADING DESIGNATED ACTIVITY COMPANY, DUBLIN, ZUG BRANCH	14 427 504	12 281 987	2 145 517
Near-abroad countries	IP Slavneftekhim ZAO	3 452 379	12 207 032	(8 754 653)

During the reporting period the Company received the revenue under the contract of counter deliveries with PJSC Gazprom neft, involving execution of liabilities by counter claims set-off.

The revenue under the Contract of counter deliveries with PJSC Gazprom neft made up RUB 7,323,512 thous. (in 2019 it amounted to RUB 2,957,049 thous.).

The contracts for counter crude oil deliveries with PJSC Gazprom Neft are based on the formulaic pricing of the crude oil delivered using "Urals fip West Siberia FORMULA" quotations published by Argus Media Limited in its daily report "Russian Oil Market" and PJSC Transneft transport tariff. Revenues under the counter oil deliveries contract with PJSC Gazprom Neft, paid by non-monetary assets, amounted to RUB 8,266,020 thousand (2020: RUB 7,323,512 thousand).

The Company's activities are carried out in the Russian Federation.

The main assets, capital investments, reserves are located in the territory of the Russian Federation and belong to one geographical segment - "Domestic market".

In terms of operating segments, the main assets and liabilities are related to hydrocarbon production.

Production of hydrocarbons is carried out by the Company on its own and with the involvement of third-party companies on the basis of operator contracts for the provision of production services with the involvement of fixed assets and personnel of the companies providing such services.

17. Income and expenses from other activities

Costs over other activities in 2021 exceeded the income by RUB, 22,126,479 thousand. The main factors that influenced this result are: forming the provision for the doubtful debts and the provision for the impairment of financial investments in the amount of RUB 16,906,613 thous. (provisions were accrued in the amount of RUB 37,701,590 thousand and recovered - RUB 20,794,977 thousand.), the excess of negative exchange differences over positive by RUB 4,465,757 thousand, the received income from debt forgiveness – RUB 3,810,755 thousand, and the excess of interest payable over interest receivable by RUB 2,017,488 thousand.

In the previous reporting period the costs over the other activities increased the income by RUB 21,947,733 thous. The main factors that influenced that result are formation of provision for doubtful debts in the amount of RUB 22,261,325 thousand, provision for impairment of financial investments in the amount of RUB 1 006 188 thousand, excess of the interest payable over the interest receivable in the amount of RUB 2 817 122 thousand.

Information on other income and other expenses is given in the Comments in tabular form:

- Table 17 "Income from participation in other organizations";
- Table 18 "Interest receivable";
- Table 19 "Interest payable";
- Table 20 "Other income";
- Table 21 "Other expenses";

- Table 26 "Information on charitable assistance provided to non-profit organizations".

18. Calculations for income tax. Deferred income tax. Permanent tax expense (income)

The difference between the accounting profit and the taxable profit in 2021 was formed as a result of application of various rules of recognition of the income and expenses established in regulatory legal acts on accounting and in the legislation of the Russian Federation on taxes and fees. Formation and reflection of the corresponding deferred tax liabilities and assets and permanent tax liabilities (assets) were carried out in accordance with the Regulation on accounting "Corporate income tax calculation accounting" (PBU 18/02), approved by the Order of the Russian Federation dd. 19.11.2002 No. 114 n.

In its Balance Sheet the Company represents deferred tax assets and deferred tax liabilities in detail.

Formation of current income tax based on accounting data in 2021

thousand rubles

	Indicators	2021	2020
1.	Profit (loss) before tax	26 158 286	(16 600 058)
1a	including:		
	- profit (loss) at the rate of 20%	26 149 108	(16 623 706)
	- profit (loss) at the rate of 0%	9 178	23 648
2.	Income tax (page 2a + page 2b or page 3 + page 4):	(5 620 311)	3 123 023
	including:		
2a	Conditional expense (income) over the profit tax*:	(5 229 822)	3 324 741
	- expense (income) at the rate of 20%	(5 229 822)	3 324 741
	- expense (income) at the rate of 0%	-	-
2b	Permanent tax cost(income)	(390 489)	(201 718)
3	Deferred income tax (page 3a+page 3b)	(1 490 418)	3 869 657
3a	-Change in deferred tax asset (decrease)	(709 143)	3 986 346
3b	-Change in deferred tax liability (increase)	(781 275)	(116 689)
4	Current income tax (Tax Return of the Company)	(4 129 893)	(746 634)

*) The conditional profit tax expense is equal to the amount determined as the product of the accounting profit formed in the reporting period and the corresponding income tax rate.

Information on permanent and deferred tax liabilities (assets) is presented in the Comments in tabular form:

- Table 22 "Permanent tax liabilities (assets)";
- Table 23.1 "Change in deferred tax liabilities";
- Table 23.2 "Change in deferred tax assets".

19. Earnings per share

The Company's net profit for 2021 is 19 444 216 thousand rubles.

The weighted average number of ordinary shares is 294,120,000.

The value of the basic loss used to calculate the basic earnings (loss) per share in 2021 is RUB 13 500 808 thousand rubles.

Basic earnings per share is 45.90 rubles.

Similar indicators in 2020 (incl. adjustment of the undistributed profit) amounted to:

Net profit was RUB (14 560 956) thousand.

The weighted average number of shares is 294,120,000.

Basic loss value used to calculate the basic profit (loss) per share in 2020 is RUB (14 560 956) thousand.

Basic loss per share amounted to (49.51) rubles.

Securities that could potentially have a diluting effect were not issued into circulation.

20. Foreign currency transactions

20.1. Exchange differences

The official exchange rates of the Central Bank of the Russian Federation established for the corresponding currency as of the transaction date were applied to account for the economic transactions made in a foreign currency including those to be paid in rubles.

Exchange rates of the Central Bank of Russia

Currency description	Exchange rate as of 31.12.2021	Exchange rate as of 31.12.2020	Change
US Dollar	74,2926	73,8757	0.4169
Euro	84,0695	90,6824	-6.6129

Exchange differences for the reporting period resulting from the operations of recalculation of the assets and liabilities costs expressed and payable in a foreign currency:

- positive – RUB 25,764,870 thousand (for the previous period – RUB 57,725,845 thousand);
- negative – RUB 30,230,219 thousand (for the previous period – RUB 53,083,388 thousand)

Exchange differences for the reporting period resulting from the operations of recalculation of the assets and liabilities costs expressed in a foreign currency and payable rubles:

- positive – RUB 1,027 thousand (for the previous period – RUB 1,191 thousand);
- negative – RUB 1,435 thousand (for the previous period – RUB 1,132 thousand).

The effect from the currency exchange differences for 2021 is represented in other income in the amount RUB 14 thous. and costs in the amount of RUB 4 465 771 thous. The statement of financial results for 2020 reflects the effect of foreign exchange differences in other expenses in the amount of RUB 4,642,516 thousand.

20.2. Loan liabilities in foreign currency

As of the beginning of the reporting period, the Company's total debt on loan liabilities (including accrued and unpaid interest) amounted to RUB 89,451,994 thousand.

The Company's debt on borrowings in foreign currency (including accrued and unpaid interest) at the beginning of the reporting period is USD 1,180,821 thousand, which is equivalent to RUB 87,234,005 thousand at the exchange rate on December 31, 2020. The share of loans and borrowings denominated in foreign currency in the volume of all borrowings of the Company at of 31.12.2020 is 97.52%.

During the reporting period:

- no loans and borrowings denominated in foreign currencies have been taken out by the Company.
- repayment of the loan principal was made in accordance with the signed schedule in the amount of USD 91,186 thousand
- accrued interest on foreign currency liabilities in the amount of USD 64,625 thousand;
- accrued interest which were repaid – USD 64,452 thousand.

In accordance with the signed schedule, the principal debt on foreign currency liabilities was not repaid in the reporting period.

The company's debt on the loan liabilities (including accrued and unpaid interest) as of December 31, 2021 is RUB 83,268,945 thousand.

Debt of the Company on loan liabilities in foreign currency (including accrued interest) at the end of the reporting period is USD 1,089,809 thousand, which is RUB 80,964,767 thousand in ruble equivalent at the rate on December 31, 2020. The share of loans and borrowings denominated in foreign currency in the total debt of the Company at the end of the reporting period is 97.23%.

20.3. Revenue in foreign currency

The gross revenue from the sale of oil for export in foreign currency amounted in the reporting period USD 855,309 thousand, which amounted to RUB 62,026,825 thousand in ruble equivalent on the date of recognition of revenue in accounting.

Export duties for the reporting period made up RUB 7,209,963 thousand, which is USD 98,214 thousand in foreign currency equivalent (RUB 6,813,088 thousand and USD 94,419 thousand for 2020 respectively).

The net revenue (excluding export duties) for sales in foreign currency amounted to RUB 54,816,863 thousand in ruble equivalent, which is by RUB 11,109,458 thousand less against the similar indicator of the previous year (RUB 43,707,405 thousand).

Total net revenue for the reporting period amounted to RUB 229,260,842 thousand (including foreign currency

earnings in ruble equivalent). The share of foreign exchange earnings in the total revenue from the sale of goods (works, services) for the reporting period amounted to 23.91%, the same figure last year was 33.16%.

20.4. Financial investments in foreign currency

At the beginning of the reporting period, the total debt to the Company for issued loans was RUB 90,890,459 thousand.

Debt on borrowed funds in foreign currency amounted to Euro 193,653 thousand and USD 878,529 thous., which amounts to 82,462,827 thousand rubles in ruble equivalent at the exchange rate as of December 31, 2020.

The share of the loans issued in foreign currency in the amount of all loan liabilities to the Company at the beginning of the reporting period is 90.73%.

Accrued and outstanding interest in foreign currency at the end of the reporting period is given within the accounts receivable of the Company and is Euro 11,102 thous. and USD 428,037 thousand, which is RUB 32,628,328 thousand in ruble equivalent at the rate as of 31.12.2020.

During the reporting period:

- no foreign currency loans were issued in the reporting period.
- received funds to repay the principal debt on loans in the amount of USD 26,721 thous.
- received cash to repay the loan principals in the amount of USD 4,231 thousand;
- accrued interest on foreign currency loans receivable in the amount of Euro 10,651 thousand and USD 38,549 thous.;

As of the end of the reporting period, the total debt to the Company on issued borrowings is RUB 87,558,442 thousand.

The debt on borrowed funds in foreign currency at the end of the reporting period is Euro 193,653 thous. and USD 851,807 thousand, which is RUB 79,563,293 thousand in ruble equivalent at the exchange rate as of 31.12.2021.

The share of loans issued in foreign currency in the amount of all borrowed funds issued by the Company at the end of the reporting period amounted to 90.87%.

The amount of accrued and outstanding interest in foreign currency at the end of the reporting period is given in the Company's accounts receivable and amounts to Euro 21,753 thous. and USD 462,356 thousand, which is RUB 36,178,366 thousand in ruble equivalent at the exchange rate as of 31.12.2021.

21. Related parties

Bearing in mind priority of substance over form, the Company determined the following list of groups of the related parties, the information on which shall be disclosed in accounting reports:

- subsidiaries;
- affiliated companies;
- predominant (participating) companies;
- key management personnel;
- other related parties.

In view of the nature of relations between the Company and the related party, the Company refers the legal entities that are controlled or significantly influenced (directly or through third legal entities) by the same legal entity and (or) the same individual (by the same group of individuals) to other related parties.

A natural person exercising beneficial control over the Company through third legal entities – Sait-Salam Safarbekovich Gutseriev. During the reporting period, there were no transactions with this related party.

Due to the large number of related parties, information on types of business transactions is disclosed in summary in the context of each group of related parties. Financial and business transactions with related parties were carried out by means of monetary settlement or offsetting mutual claims. The types of transactions, on which VAT is imposed, have been disclosed with VAT included.

For transactions with related parties, the Company did not write off receivables, for which the limitation period has expired, as well as other uncollectible debts, including on the accounts of doubtful debts provision.

Information on related party transactions is disclosed in the Notes in tabular format:

- table 28.1 Types and Volumes of the Operations with the Related Parties
- table 28.2 Value Indicators, Terms, Conditions and Methods of Payment for Transactions in Progress as of

December 31, 2018;
 - table 28.3 Value Indicators, Terms, Conditions and Methods of Payment for Transactions in Progress as of December 31, 2019;
 - table 28.4 Value Indicators, Terms, Conditions and Methods of Payment for Transactions in Progress as of December 31, 2020;
 - table 28.5 Cash Flows Linked to Related Parties.

Information on the amount of remuneration paid to the key management personnel in the reporting year..

Key management personnel include:

- President;
- Senior Vice President;
- Vice Presidents;
- Chief Accountant;
- Officials of the Company with authority and responsibility in matters pertaining planning, managing and control of the activities of the organization;
- BoD members;
- Auditing commission members.

Remuneration for the key management personnel

Remuneration to members of the Board of Directors and members of the Audit Commission for participation in the management bodies of the Company is approved by the General Shareholders Meeting and for the year ended December 31, 2021 and December 31, 2020 was RUB 68,427 thousand and RUB 74,400 thousand. Short-term remuneration of key management personnel, including salary and bonuses, amounted to RUB 498,767 thousand for the year 2021 and RUB 396,933 thousand for the year 2020. These amounts include personal income tax. Remuneration for key management personnel is determined by the terms of the employment contracts.

Bonuses of the key management personnel assessed in the reporting period, but pertaining to the previous period amounted to RUB 208,617 thousand in 2021 and RUB 391,867 thousand in 2020.

Payment of remuneration to members of the Board of Directors, short-term remuneration and bonuses to key management personnel amounted to RUB 661,804 thousand in 2021 and RUB 754,274 thousand in 2020.

Long-term remuneration of the key management personnel under the Agreement on non-state pension provision was not paid in 2021 and 2020.

In accordance with the Russian legislation, the Company charges and pays insurance premiums for statutory pension insurance, medical insurance, statutory social insurance in case of short-term disability and maternity, as well as insurance premiums for statutory social insurance against industrial accidents and occupational diseases (hereinafter insurance premiums). The amount of assessed insurance contributions for key management personnel amounted to RUB 126,802 thousand and RUB 136,814 thousand for 2021 and 2020, respectively.

The company also provides voluntary health insurance and insurance against accidents and diseases of the key management personnel. The amount of insurance premiums for voluntary health insurance for 2021 and 2020 amounted to RUB 1,915 thousand and RUB 10 thousand accordingly, there were no insurance premiums related to insurance from accidents and diseases in 2021 and 2020.

22. Risk management

The operating and financial activities of the Company depend on many factors that may affect its results.

The Company has an integrated risk management system based on the minimization of possible consequences of external and internal factors, for which a set of measures to identify, assess and manage risks is carried out. The Company adopted the Risk Management Policy, which establishes the basic principles of the risk management system and includes procedures for risks identification and assessment in the main areas of activity, as well as for assessment of the possible impact of the consequences of the identified risks. Based on the results of the risk assessment, the company's management may revise the existing approaches to the management of each of these types of risks in order to take timely measures to eliminate or mitigate them.

Besides, in order to increase effectiveness of the internal control system, the Board of Directors of the Company approved an internal control policy aimed at:

- effective functioning of this system to protect the rights and legitimate interests of shareholders and investors for developing reasonable confidence in reaching the goals;
- maintaining a fair and equitable view on the current state and prospects of the Company;
- compliance with the requirements of the applicable legislation for the continuous operation of the Company;
- creation of control procedures for preparation of financial statements of the Company;
- ensuring the safety of assets.

The main risks that may adversely affect the company's financial assets, liabilities and future cash flows include financial risks, legal risks, country and regional risks, and reputational risks. The most significant risks for fuel and energy sector enterprises, and their impact on the Company are presented hereafter.

22.1. Financial risks

The financial risks, to which the Company is exposed, include: market risk, credit exposure and liquidity risk.

Market risk is the risk that the Company may have adverse consequences if certain market parameters change. Market parameters include the following types of risk: the risk of instability of financial markets, the risk of changes in commodity prices, the risk of changes in interest rates, the risk of changes in foreign exchange rates. The company's balance sheet items exposed to market risk primarily include loans and borrowings.

The company exercises control over market risk by periodically assessing potential losses that may arise as a result of negative changes in market situation.

Risk of financial market instability

Current adverse market conditions affecting the customers of the Company can affect its financial results in respect of cash flows, as well as lead to impairment of financial and other assets. Using the available information, the management has made the most accurate assumptions at assessing the possible impairment of the Company's assets. Nevertheless, taking into account all uncertainties, the reliable assessment of the potential impact of further liquidity reduction and deterioration of the financial markets situation on the financial position of the Company does not appear possible.

Commodity price risk

The company's activity may be significantly affected by the risks of changes in the price environment for hydrocarbons and refinement products, both in the global and in domestic market of the Russian Federation.

The Company believes that high commodity prices volatility on the markets will persist, and, in the event of further reduction, may lead to decrease in cash flows, as well as may have an impact on the Company's ability to fulfill its obligations under the contracts.

To protect its operating cash flow, in 2017 the Company entered into three-year oil price hedging transactions. As of December 31, 2020, the Company had no valid hedging agreements.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows relating to the company's assets and liabilities, will fluctuate due to changes in market interest rates.

The main sources of financing the development of the Company's activities and expansion of its resource base have been borrowed funds. Since the composition of financial assets and the structure of borrowed capital includes loans and loans with floating interest rates, changes in interest rates can have a significant impact on the Company. Nevertheless, in the reporting period, the trend in interest rates favored the interests of the Company. Thus, in 2021, 3M US Dollar (USD) LIBOR interest rate declined from 0,23725% as of 04.01.2021 to 0,20913% as of 31.12.2021, and the 1Y LIBOR interest rate grew from 0.34063% as of 04.01.2021 to 0.58313% as of 31.12.2021.

Currency risks

The company is exposed to the risk of adverse changes in the exchange rate of its transactions. Currency risk of transactions is associated with the sale and borrowings in currencies other than the relevant functional currency. Significant changes in foreign exchange rates increase the company's liabilities denominated in foreign currency and the costs of servicing them and, as a result, lead to generation of lower profits and reduction of the company's ability to service debts. Further significant devaluation of the ruble may lead to additional financial burden at the discharge of these obligations by the Company. As a result of significant changes in foreign exchange rates, the

company's liquidity indicators may change, including in a negative way. The currency structure of the Company's debt largely reflects the structure of its income, which reduces the dependence on exchange rate fluctuations. The Company does not use hedging instruments as a way to diminish this risk. It controls currency risk by monitoring changes in the exchange rates, in which its cash is denominated, as well as loans and borrowings. At the same time, the Company is a party to foreign exchange contracts for the sale of oil to the far abroad and EEA countries.

As of December 31, 2021, the Company did not have existing derivative financial instruments to minimize currency risk.

Credit risk

The Company is exposed to credit risk, which may result in losses due to the partial or complete inability of the counterparty to repay accounts receivable, repay the loan or cash placed on bank accounts. To manage this risk, the Company continuously monitors the completeness and timeliness of settlements with counterparties, analyzes accounts receivable and the rational use of financial resources, conducts a comprehensive audit of potential debtors in view of their credit history and financial position.

When placing funds, the Company uses the services of reliable banks with high credit ratings. The Company opens accounts only with reliable banks and financial institutions and believes, therefore, that it is not exposed to significant credit risk in respect of its cash or cash equivalents. The company enters into transactions only with recognized creditworthy unrelated parties. The risk of an individual counterparty is managed through an evaluation of its creditworthiness.

Financial and economic activity of the Company is influenced by political and economic changes in the country and the world, which are not possible to influence. At the same time, the company's financial strategy is aimed at maintaining sustainable growth, a balanced financial policy and financial risk mitigation.

The Company has introduced the Risk Management Policy, which assesses the credit risk of all counterparties. In case of credit risk concentration, the Company switches over to advance payments. In addition, the accounts receivable balances are continuously monitored, resulting in insignificance of bad debt risk. Despite the fact that the ageing of accounts receivable is exposed to economic factors impact, the Company's management believes that there is no significant risk of losses in excess of the provision for impairment of receivables, taking into account the term of its formation.

The provision for doubtful debts is shown in table 5.1. of the Notes in tabular form.

The company believes that as of December 31, 2021, its maximum credit risk is equal to the carrying amount of financial assets recorded in the statements.

Liquidity risk

Liquidity risk is associated with the Company's ability to timely and fully repay the financial liabilities available at the reporting date: the accounts payable to suppliers and contractors, loans and (or) borrowings payable by the Company.

The company manages liquidity risk through selecting the optimal capital leverage in accordance with management plans. This approach allows the Company to maintain the adequate level of liquidity and financing resources in such a way as to minimize borrowing costs, as well as to optimize the debt structure and maturity. The company analyzed the concentration of risk in relation to refinancing its debt and concluded that it was low. Currently, the Company believes that it has sufficient access to financing resources, as well as to both engaged and unengaged credit resources that will meet the expected borrowing demands.

22.2. Legal risks

Legal risks are associated with changes in currency and customs regulation, as well as tax legislation.

The Company closely follows current changes in legislation, focusing on workshops and meetings with the participation of leading experts in these areas.

22.3. Country and regional risks

The Company's principal business activities are within the Russian Federation. Due to the imposition of sectoral sanctions by certain EU countries and the United States, including those targeting companies in the fuel and

energy sector and a number of state-owned banks in the Russian Federation. The Company may face shortages or serious increases in the cost of various services.

Despite the fact that the Company is not subject to the sanctions imposed, the Company may face an increase in the cost of debt financing for newly attracted loans.

Due to the rapid development of the coronavirus pandemic (COVID-19) in 2020-2021, many countries, including the Russian Federation, have imposed quarantine measures, which has had a significant impact on the level and scale of business activity by global and domestic market participants. The current economic situation reflects the results, both of the pandemic itself and of measures to minimize its impact on companies across sectors and geographies. The likelihood of further cyclical waves of new strains of coronavirus, or forms similar in effect, remains high. The management of the Company is taking active steps to ensure the safety and protection, health of workers and their families, organizations performing work under joint contracts.

22.4. Reputational risks

The company strives to create the image of a reliable and attractive partner both in the public space and in relation with customers, suppliers, contractors and other interested parties.

The Company makes significant efforts to form an integral and objective view of PJSC "RussNef" activities.

Reputational risk management steps taken include:

- timely, reliable and complete disclosure of information on the Company's activities both in accordance with RF applicable legislation and additional disclosure, including press releases on key events, comments for the media and the investment community, provision of other materials, information and explanations;
- constant dialogue with the media, as well as with investors, analysts, clients and counterparties, government and local authorities, industry organizations and other interested parties, providing them with all the necessary information and explanations;
- carrying out various events in pursuit of increased awareness of the Company's activities (for example, participation in industry conferences, etc.);
- regular monitoring of information in the media and other sources concerning the activities of PJSC "RussNef" and the oil and gas industry as a whole;
- prompt response to negative media information about the activities of the Company by sounding objective information and the official position of the Company.

The risk of losses incurred by the Company as a result of reputational risk is considered minimal.

23. Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. The management of the Company' interpretation of this legislation with regard to the Company's operations and activities may be challenged by the relevant regional or federal regulatory authorities. The tax authorities may take harder line in legislation interpretation and review of tax returns. As a result, the tax authorities may submit claims for transactions and accounting methods for which they have not previously done it.

Tax audits may cover three calendar years of operation immediately preceding the year in which the audit was ordered. Under certain conditions, earlier accounting periods may also be reviewed. Conducting a tax audit for a given year or an audit of any tax return relating to that year does not mean that a repeated tax audit cannot be conducted during the said three-year period.

Since 2019, significant changes have been made to the taxation of controlled transactions. Regarding transactions between related parties being the residents of the Russian Federation, the amount of income from transactions between which exceeds 1 billion rubles for the relevant calendar year, the circumstances in which the transaction is considered controlled, have been changed. As a result of these changes, there was no additional income tax charge on controlled transactions for 2019 and 2020.

In 2015, amendments to the Tax Code of the Russian Federation concerning the taxation of profits of controlled foreign companies came into force, in particular:

- controlling person is obliged to submit a notification on controlled foreign companies to the inspection;
- procedure for profits accounting of a controlled foreign company in determining the tax base of the controlling person is introduced;
- cases of exemption of profits of a controlled foreign company from taxation are established.

The date of receipt of income in the form of profits of controlled foreign companies is December 31 of the calendar year following the tax period, which falls on the end date of the period for which the financial statements are prepared in accordance with the personal law of the controlled foreign company. In accordance with the current tax legislation, the amount of profit of controlled foreign companies for 2018, 2019 and 2020, to be included in the tax base for the company's income tax in 2019, 2020 and 2021, is zero.

In addition, the Company is the parent company of an international group of companies (hereinafter - IGC).

In addition, the Company is the parent company of an international group of companies (hereinafter referred to as "MGK"). For the year 2020, the Company submitted to the tax authority a notification of participation in the MGK and a country report.

Due to the transfer of subsoil use rights in 2014-2020 to the Company in accordance with Article 17.1 of the Law of the Russian Federation No. 2395-1 dd. 21.02.1992 "On Subsoil Resources" and obtaining subsoil licenses, the Company is a taxpayer of the mineral extraction tax. The mineral extraction tax (MET) expenses increased by RUB 50,386 million, or 128%, to RUB 89,748 million for 2021 against RUB 39,362 million for the previous year.

The increase in MET expenses is mainly due to higher oil prices, an increase in the rate due to the impact of the tax manoeuvre.

In 2021, the Company fulfilled its obligations in full, according to the approved repayment schedule on the provided installment payment of MET for February-May 2020 (Decision of the Federal Tax Service of Russia No. SD-29-8/70 dated 12.08.2020, as amended on 18.09.2020 No. KCh-29-8/79 and 09.04.2021 No. KCh-29-8/47@).

As of 1 January 2019, there is a new chapter in the Russian Tax Code about Tax on Additional Income from Hydrocarbons Production (AIT). AIT applies to certain groups of fields, such as greenfields in Eastern Siberia, brownfields and greenfields in Western Siberia. Two license areas of the Company located in Khanty-Mansi Autonomous Area - Yugra fall under this regime. In accordance with the amendments to the Tax Code of the Russian Federation adopted in October 2020, providing for the abolition of MET incentives for highly depleted fields from January 1, 2021 and with the possibility of transferring these areas to the AIT tax regime. The Company has transferred 34 license areas located mainly in the Saratov and Ulyanovsk regions to the NDP payment system. The AIT rate is set at 50% and applied to estimated revenues from sales less actual and estimated expenses, where actual expenses include both operating expenses and capital expenditures. In addition, the tax payable cannot be lower than the minimum amount of tax.

For crude oil produced at license areas subject to AIT regime and transferred to AIT for 2021, the amount of calculated AIT amounted RUB 4,369 million.

Management believes that the Company complies with all regulatory requirements, and reports and pays all applicable taxes.

24. Business continuity of the Company

The company assessed its ability to continue its business operations for at least 12 months following the reporting year.

As of December 31, 2021 short-term liabilities of the company amounted to RUB 116,332,061 thousand, current assets made up RUB 87,548,023 thousand. Amount of short-term liabilities increased from the previous year by RUB 50,971,298 thousand, and current assets – by RUB 32,831,682 thousand.

The financial performance of the Company in 2021 improved against 2019. Thus, the amount of revenue increased by RUB 97,447,601 thousand (the decrease in revenue last year was – RUB 60,489,611 thousand), gross profit - by RUB 44,525,387 thousand (reduction in 2020 – RUB 23,080,841 thousand), profit from sales - by RUB 42,937,090 thousand (the decrease in 2020 made up RUB 23,848,434 thousand.). Profit in the reporting period amounted to RUB 19 444 216 thousand. In the previous year the loss amounted to RUB 14,560,956 thousand.

The Company:

- has the subsoil rights and produces hydrocarbons in accordance with the license agreements (the information is disclosed in table 25 "List of licenses for the subsoil use right");
- has liquid assets on the balance sheet that generate income. In 2021, dividends in favor of the Company in the amount of RUB 9,178 thousand were accrued;

- has no overdue debts to the budget for tax liabilities;
- complies with the obligation to pay to its employees;
- has no claims of creditors.

The company complies with all the requirements of Federal laws: No. 208-FZ "On Joint Stock Companies" dd. 26.12.1995 and No. 129-ФЗ "On State Registration of Legal Entities and Individual Entrepreneurs" dd. 08.08.2001 in terms of disclosure of the value of net assets of a legal entity. The Company has no signs of bankruptcy established by article 3 of the Federal Law No. 127-FZ "On Insolvency (Bankruptcy)" dd. 26.10.2002.

Therefore, the Company's management takes the necessary actions to ensure its ability to continue as a going concern and to repay its obligations in a timely manner. The Company has no intention and no need to liquidate or significantly reduce its activities.

In the opinion of the management, the accounting (financial) statements of the Company have been prepared in accordance with the going concern principle.

25. Events after the reporting date

No significant events occurring after the reporting date

President of PJSC "RussNeft"

E.V. Tolochek

February 21, 2021

[Signature]
[Seal]

Annex to the Notes to Balance Sheet and Accounting (Financial) Statements in tabular form

1.1. Availability and movement of intangible assets

Indicator description	Code	Period	Beginning of the year		Changes during the period						End of the period	
			original cost	accumulated depreciation and impairment losses	received	retired		impairment loss	revaluation		original cost	accumulated depreciation and impairment losses
						original cost	accumulated depreciation and impairment losses		original cost	accumulated depreciation		
Intangible assets – total, including:	5100	2021	6 720	(6 720)	-	-	-	-	-	-	6 720	(6 720)
	5110	2020	6 720	(6 720)	-	-	-	-	-	-	6 720	(6 720)
Trademarks	5101	2021	123	(123)	-	-	-	-	-	-	123	(123)
	5111	2020	123	(123)	-	-	-	-	-	-	123	(123)
Other intangible assets	5101	2021	6 597	(6 597)	-	-	-	-	-	-	6 597	(6 597)
	5111	2020	6 597	(6 597)	-	-	-	-	-	-	6 597	(6 597)

1.2. Intangible assets with fully repaid value

Indicator description	Code	The original cost of the assets		
		as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Total, including:	5130	6 720	6 720	6 720
Trademarks	5131	123	123	123
Board of Directors' portal	5132	6 597	6 597	6 597

1.3. Intangible assets in the process of formation

Indicator description	Code	Period	Beginning of the year	Changes during the period			End of the period
				costs for the period	written off	accepted to accounting as intangible assets	
Formation of the value of intangible assets	5 141	2021	446	92	-	-	538
	5 142	2020	446	-	-	-	446

1.4. Exploration assets

Indicator description	Code	Period	Beginning of the year		Changes during the period						End of the period		
			original cost	accumulated depreciation and impairment losses	received	retired		impairment loss	revaluation		original cost	accumulated depreciation and impairment losses	
						original cost	accumulated depreciation and impairment losses		depreciation charge	original cost			accumulated depreciation
Intangible exploration assets	5151	2021	187 930	(26 320)	286 026	(443 511)	119 288	(92 968)	-	-	-	30 445	-
	5152	2020	187 930	(18 208)	-	-	-	(8 112)	-	-	-	187 930	(26 320)

1.5. Exploration assets in the process of formation

Indicator description	Code	Period	Beginning of the year	Changes during the period			End of the period
				costs for the period	written off	accepted for accounting as an exploration asset	
Formation of the value of tangible exploration assets	5161	2021	-	-	-	-	-
	5162	2020	3 279	135	(3 414)	-	-
Formation of the value of intangible exploration assets	5163	2021	285 304	36 645	(35 923)	286 026	-
	5164	2021	-	285 304	-	-	285 304

2.1. Availability and movement of fixed assets

Indicator description	Code	Period	Beginning of the year		Changes during the period					End of the period		
			Original cost	Accumulated depreciation	Received	Retired		Depreciation accrued	Revaluation		Original cost	Accumulated depreciation
						Original cost	Accumulated depreciation		Original cost	Accumulated depreciation		
Fixed assets (excluding profitable investments) – Total, including:	5200	2021	78 612 763	(24 031 440)	19 856 844	(611 855)	335 415	(12 776 639)	-	-	97 857 752	(36 472 664)
	5210	2020	63 786 661	(13 302 127)	15168100	(341 998)	118 731	(10 848 044)	-	-	78 612 763	(24 031 440)
Buildings, constructions	5201	2021	74 200 477	(22 336 076)	16 371 507	-	-	(11 167 061)	-	-	90 571 984	(33 503 137)
	5211	2020	61 425 988	(12 474 532)	12 782 002	(7 513)	972	(9 862 516)	-	-	74 200 477	(22 336 076)
Machinery, equipment, tools	5202	2021	3 839 680	(1 503 512)	2 850 106	(559 809)	325 934	(1 502 205)	-	-	6 129 977	(2 679 783)
	5212	2020	1 849 706	(681 423)	2 208 631	(218 657)	117 595	(939 684)	-	-	3 839 680	(1 503 512)
Production and household inventory	5203	2021	53176	(51 073)	2 822	-	-	(656)	-	-	55 998	(51 729)
	5213	2020	52 446	(49 143)	894	(164)	164	(2 094)	-	-	53176	(51 073)
Other fixed assets	5204	2021	1274	(1 063)	-	-	-	(80)	-	-	1 274	(1 143)
	5214	2020	1 274	(964)	-	-	-	(99)	-	-	1 274	(1 063)
Vehicles	5205	2021	174 832	(107 070)	339101	(9 481)	9 481	(77 295)	-	-	504 452	(174 884)
	5215	2020	144 292	(83 197)	30 540	-	-	(23 873)	-	-	174 832	(107 070)
Land plots and objects of nature management	5206	2021	10427	-	8508	-	-	-	-	-	18 935	-
	5216	2020	8 835	-	1592	-	-	-	-	-	10 427	-
Provision for future expenses for liquidation of producing fixed assets	5207	2021	332 897	(32 646)	284 800	(42 565)	-	(29 342)	-	-	575 132	(61 988)
	5217	2020	304 120	(12 868)	144 441	(115 664)	-	(19 778)	-	-	332 897	(32 646)

2.2. Capital investments in progress

Indicator description	Code	Period	Beginning of the year	Changes during the period			End of the period
				costs for the period	written off	accepted for accounting as fixed assets, financial investments/ increased value	
Construction in progress and uncompleted transactions on acquisition, upgrade etc of fixed assets or other assets – Total, including	5240	2021	5 246 376	23 823 638	(1 118 199)	(23 590 455)	4 361 360
	5250	2020	8174125	13 301 097	(998 863)	(15 229 983)	5 246 376
Acquisition of specific fixed assets	5 241	2021	44	1 193 983	-	(1 191 892)	2 135
	5 251	2020	-	615 249	-	(615 205)	44
Construction of fixed assets objects	5 242	2021	5 012 605	18 398 019	(979 350)	(18 380 098)	4 051 176
	5 252	2020	7 949 715	12 238 124	(766 781)	(14 408 453)	5 012 605
Formation of the value of the object of long-term financial investments	5 243	2021	-	3 660 063	-	(3660 063)	-
	5 253	2020	-	16012	-	(16 012)	-
Equipment to be installed	5244	2021	233 727	571 573	(138 849)	(358 402)	308 049
	5254	2020	224 410	431 712 J	(232 082)	(190 313)	233 727

5.2. Overdue accounts receivable

Indicator description	Code	As of December 31, 2021		As of December 31, 2020		As of December 31, 2019	
		accounted under the terms of the contract	balance value	accounted under the terms of the contract	balance value	accounted under the terms of the contract	balance value
Total, including:	5540	784 268	783 338	276 109	276 109	148 351	146 527
Settlements with budget	5541	-	-	-	-	-	-
Settlements on dividends	5542	-	-	-	-	-	-
Settlements on advances issued	5544	531 403	530 953	-	-	-	-
Settlements with buyers and customers	5545	83 746	83 746	78 236	78 236	146 377	146 377
Other debtors	5546	169 119	168 639	198 363	197 873	1 974	150

5.3. Availability and movement of accounts payable

Indicator description	Code	Period	Balance as of beginning of the year	Changes over the period					Balance as of the end of the period
				received		retired		transfer from short-term debt to long-term debt	
				as a result of business transactions (the amount of debt on the transaction) (*)	interest, penalties and other charges due (**)	repayment	write-off for financial result, including exchange rate difference (*)		
Long-term accounts payable - Total, including:	5551	2021	59 408 601	535 728	-	(4 421 019)	(2 784 459)	(52 668 215)	70 636
	5571	2020	23 955 100	1 751 557	-	(199 221)	-	33 901 165	59 408 601
Suppliers and contractors	5552	2021	39 183 784	535 728	-	(1 271 712)	-	(38 377 164)	70 636
	5572	2020	57 320	1 751 557	-	(199 221)	-	37 574 128	39 183 784
Settlements on advances received (**)	5553	2021	19 540 698	-	-	(3 149 307)	(2 313 273)	(14 078 118)	-
	5573	2020	23 148 117	-	-	-	-	(3 607 419)	19 540 698
Early payment interest	5554	2021	684 119	-	-	-	(471 186)	(212 933)	-
	5574	2020	749 663	-	-	-	-	(65 544)	684 119
Short-term accounts payable - Total, including:	5560	2021	58 348 712	95 494 215	405 556	(97 203 329)	(587 216)	52 668 215	109 126 153
	5580	2020	91 132 916	57 829 818	391 984	(57 526 589)	421 748	(33 901 165)	58 348 712
Suppliers and contractors	5561	2021	19055 719	30 336 572	-	(20 085 500)	(119)	38 377 164	67683 836
	5581	2020	59139 174	26 513 547	-	(29 022 874)	-	(37 574 128)	19055 719
Settlements with budget	5562	2021	9869 329	18 686 253	-	(9 869 329)	-	-	18 688 773
	5582	2020	7 554 445	9 869 329	-	(5 554 695)	-	-	9 869 329
Settlements on advances received (**)	5563	2021	28 504 794	41 031 995	-	(65 722 691)	-	14 078 118	18 492 216
	5583	2020	23 496 092	19 958 555	-	(18 778 692)	221 420	3 607 419	68404 794
Early payment interest	5564	2021	593 596	-	405 556	(213 985)	(587 097)	212 933	411 003
	5584	2020	499 611	-	391 984	(563 912)	200 369	65 544	593 596
Settlements with personnel	5565	2021	115 254	164 415	-	(115 254)	-	-	164 415
	5585	2020	75 272	115 254	-	(75 272)	-	-	115 254
Other lenders	5566	2021	210 020	5 272 980	-	(1 796 570)	-	-	3 686 430
	5586	2020	368 322	1 373 133	-	(1 531 394)	(41)	-	210 020
Total	5550	2021	117 757 313	96 029 943	405 556	(101 624 348)	(3 371 675)	421 748	109 196 789
	5570	2020	115 088 016	59 581 375	391 984	(57 725 610)	421 748	-	117 757 313

Note.*) The data are disclosed minus accounts payable received and repaid (written off) in one reporting period.

***) The debt on advances is given with the value added tax. (VAT amount as of 31.12.2021 – RUB 1,253,913 thou., VAT amount as of 31.12.2020 – RUB 199,851 thou.).

5.4. Overdue accounts payable

Indicator description	Code	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Total, including:	5590	8 473	5 599	696 308
Settlements of interest on loans obtained	5591	-	-	-
Settlements under Agency and Commission agreements	5592	-	-	-
Settlements with suppliers and contractors	5593	8 473	4 972	696 308
Settlements of advances	5594	-	-	-
Other lenders	5594	-	627	-

5.5. Availability and movement of borrowed funds

Indicator description	Code	Period	As of beginning of the period	Changes during the period					End of the period	
				received	accrued interest	repaid	Exchange difference (+/-)	transfer from long-term to short-term or short-term to long-term		other movement
Long-term - Total, including:	5301	2021	82 593 471	-	108 420	-	391 594	(6 712 285)	-	76 381 200
	5311	2020	69 047 140	535 267	90 570	-	12 551 742	368 752	-	82 593 471
Bank loans	5302	2021	79 854 280	-	-	-	388 516	(6 712 285)	-	73 530 511
	5312	2020	66 915 577	-	-	-	12 569 951	368 752	-	79 854 280
Loans received	5303	2021	2739 191	-	108 420	-	3 078	-	-	2850689
	5313	2020	2131 563	535 267	90 570	-	(18 209)	-	-	2 739 191
Debt securities in foreign currency (promissory notes)	5305	2021	6 858 523	-	4 750 442	(11 453 582)	20 077	6 712 285	-	6 887 745
	5315	2020	5 763 031	-	5129 881	(5 231 227)	1 565 590	(368 752)	-	6 858 523
Short-term - Total, including:	5306	2021	6 858 523	-	4 750 442	(11 453 582)	20 077	6 712 285	-	6 887 745
	5316	2020	5 763 031	-	5 129 881	(5 231 227)	1 565 590	(368 752)	-	6 858 523
Bank loans	5306	2021	-	-	-	-	-	-	-	-
	5316	2020	-	-	-	-	-	-	-	-
Loans received	5300	2021	89 451 994	-	4 858 862	(11 453 582)	411 671	-	-	83 268 945
	5310	2020	74 810 171	535 267	5 220 451	(5 231 227)	14 117 332	-	-	89 451 994

6. Production costs

Indicator description	Code	2021	2020
Material costs	5610	45 308 686	50473442
Payroll	5620	6123188	4 351 830
Social contributions	5630	1 580151	992 566
Depreciation	5640	12 720 927	10 815 540
Other costs	5650	117 817 086	59 847 203
Total over the components	5660	183 550 038	126 480 581
Change in balances (increase [-], reduction [+]):	5670, 5680	(2 573 961)	(15 015)
Feedstock and materials		-	-
Uncompleted work		-	-
Goods for resale		(39 911)	(3 634)
Finished products		(2 534 050)	(11 381)
Selling expenses		-	1 -
Goods shipped		-	1 -
Total expenditure on ordinary activities	5600	180 976 077	126 465 566

7. Estimated liabilities

Indicator description	Code	Period	Balance as of the beginning of year	Accepted	Repaid	Written off as an excessive amount	Balance as of end of the period
Estimated liabilities – Total, including:	5700	2021	1 338 300	840 513	(517 593)	(56 344)	1 604 876
		2020	1 165984	835 762	(630 528)	(32 918)	1 338 300
Provision for coming vacation pay	5710	2021	153 528	712 499	(517 250)	(30 614)	318163
		2020	114 830	375 887	(337 156)	(33)	153 528
Provision for liquidation of fixed assets and restoration of disturbed lands	5720	2021	1 184 772	128 014	(343)	(25 730)	1 286 713
		2020	1 051 154	459 875	(293 372)	(32 885)	1 184 772

8. Guarantees of obligations

Indicator description	Code	As of December 31, 2021	As of December 31, 2020	As of December 31, 2019
Received – Total, including:	5800	79 525	77 402	91 411
Guarantees received by the Company (reserve amount)		79 525	77 402	91411
Issued – Total, including:	5810	118 268 951	158 091 359	132 447 676
Guarantees issued by the Company for third parties		-	21 658 945	18 502 659
Guarantees of liabilities issued (pledge)		360 787	12 612 307	360 187
including: Guarantees of liabilities issued (the pledge) for third parties		180 245	180 245	-
Other guarantees issued (guarantee liabilities)		117 908 164	123 820 107	113 584 830
including: Guarantees (guarantee liabilities, issued for third parties)		117 847 218	123 759 161	113 523 758

9.1. Breakdown of provisions of liabilities received

Counterparty (from whom the liability was received)	Counterparty (for whom the liability was issued)	Type of liability	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
OOO "Yugraspetsmontazh"	20 293	Guarantee liabilities	20 293	20 266	30 955
OOO "RusIntegral-Engineering"	24 730	Guarantee liabilities	24 730	17 602	21 452
OOO "Sibkhimservis"	4 514	Guarantee liabilities	4 514	13 942	12 633
OOO "Severavtostroy - montazh"		Guarantee liabilities		4 731	4 731
OOO "Standart"	19 267	Guarantee liabilities	19 267	15443	7 055
OOO "MontazhEnergServis"	-	Guarantee liabilities	-	838	3 793
OOO Varioganenergoneft	-	Guarantee liabilities	-	-	8 394
ZAO "Strimer"	-	Guarantee liabilities	-	-	682
OOO "StroyGarant"	-	Guarantee liabilities	-	-	483
OOO "SO "KVADRAT"	-	Guarantee liabilities	-	-	412
OOO NIPI "EleSy"	-	Guarantee liabilities	-	-	291
Urals State Forestry University		Guarantee liabilities			58
OOO "SibNIPIRP – Tyumen"	2 384	Guarantee liabilities	2 384	1 802	472
OOO "StroyNefteTrans"	-	Guarantee liabilities	-	-	-
AO "ASU TEKHNLOGIYA"	-	Guarantee liabilities	-	19	-
AO "NPIIEK"	364	Guarantee liabilities	364	296	-
AO "SIBNIPIRP"	5 803	Guarantee liabilities	5 803	827	-
OOO "SINTEK"	1 636	Guarantee liabilities	1 636	1 636	-
Urals-Siberian Representative Office of OOO GK TEK	47	Guarantee liabilities	47	-	-
OOO SIBGEOINZHINIRING	180	Guarantee liabilities	180	-	-
OOO GLOBALTELSTROY	307	Guarantee liabilities	307	-	-
TOTAL			79 525	77 402	91 411

9.2. Breakdown of provisions of liabilities issued

Counterparty (to whom the liability was issued)	Counterparty (for whom it was issued)	Type of liability	Repayment date	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Glencore Energy UK Ltd	Russneft (UK) Limited	Guarantee	31.12.2021	-	21 658 945	18 502 659
VTB Bank (PAO)	PJSC "RussNef"	Pledge	22.03.2026	-	-	180 245
OOO Business Center "Pyatnitsky"	PJSC "RussNef"	Guarantee liabilities	31.12.2024	56 680	56 680	56 680

OOO Business Center "Pyatnitsky"	PJSC "RussNefl"	Guarantee liabilities	31.08.2022 (with annual renewal)	2127	2127	2 253
OOO "Izhenergosbyt"	PJSC "RussNefl"	Guarantee liabilities	31.12.2022 (with annual renewal)	2134	2135	2134
OAO "Pervy avtokombinat im. G.L. Krauze"	PJSC "RussNefl"	Guarantee liabilities	30.11.2022 (with annual renewal)	5	5	5
Federal Tax Service inspectorate for the largest taxpayers № 2	PJSC "RussNefl"	Pledge	25.06.2021 (until full performance of the obligations for repayment of debt repayment)	-	12 251 520	-
CQUR Bank LLC	PJSC "RussNefl"	Pledge	22.03.2026	180 542	-	-
VTB COMMODITIES TRADING DESIGNATED ACTIVITY COMPANY, DUBLIN, ZUG BRANCH	JSC "FortInvest"	Guarantee liabilities	-	388 758	4 534 120	-
OOO "Business-Finance"	Meraholl Holdings Limited	Guarantee liabilities	31.12.2023	23 000 000	23 000 000	23 000 000
VTB Bank (PAO)	OOO "Omega"	Guarantee liabilities	22.04.2027	22 458 460	24 225 040	18 523 758
AO VTB CAPITAL	Russneft Cyprus Limited	Guarantee liabilities	31.03.2029	72 000 000	72 000 000	72 000 000
AO VTB CAPITAL	Russneft Cyprus Limited	Pledge	31.03.2029	180 245	180 245	179 942
Total				118 268 951	158 091 359	132 447 676

10. Breakdown of cash

Group of cash	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Cash account	468	304	364
Settlement accounts	200 032	657 325	68 411
Currency accounts	168 742	3 411 818	1 286 231
Short-term deposits	8 100 000	-	-
Other cash	29	-	-
TOTAL	8 469 271	4 069 447	1 355 006

11. Breakdown of deferred expenses

with a maturity of more than 12 months after the reporting date

Type of expenditure	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Computer programs, rights to use the software	41 914	50 703	37 130
Costs of hydrocarbon production	1 533 787	1 431 805	1 218 196
Sand mining costs	1 575 701	818	1 091
Provision for reclamation of the leased lands	41 914	-	0
TOTAL	1 533 787	1 483 326	1 256 417

with a maturity within 12 months after the reporting date

Type of expenditure	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Computer programs, rights to use the software	118 782	88 539	67 843
Costs of hydrocarbon production and other common mineral resources	8 416	16 825	13 645
TOTAL	127 198	105 364	81 488
TOTAL deferred expenses	1 702 899	1 588 690	1 337 905

12.1. Breakdown of deferred tax assets

Item	as of December 31, 2021		as of December 31, 2020		as of December 31, 2019	
	Amount	Deferred tax	Amount	Deferred tax	Amount	Deferred tax
Allowance for impairment of financial investments	47 141 901	9 428 380	9440 311	1 888 062		
Loss on sale of securities	16 677 249	3 335 450	22 143 109	4 428 622	27 282 413	5 456 483
Loss of previous years	13 293 184	2 658 637	33 856 003	6 771 201	37 589 187	7 517 837
Loss from liquidation of Benodet Investments limited (non-convertible shares) 2016	3 131 125	626 225	3131 125	626 225	3131 125	626 225
Provisions for doubtful debts	1 466 901	293 380	22 261 877	4 452 375	1 824	365
Estimated liabilities and reserve provisions	318163	63 633	153 528	30 706	8 548 954	1 709 791
Deferred expenses	66 749	13 350	76 937	15 387	2 240	448
Fixed assets	19 742	3 949	8 264	1 653	2679	537
Loss of previous years (NTC)	16 852	3 370	104 857	20 971	104 857	20 971
Materials	44	9	9	2	-	-
Financial investments	31	6	31	6	31	6
Loss on sale of fixed assets (NTC)	1	-	1	-	1	-
Total	82 163 119	16 432 624	91 176 052	18 235 210	76 663 311	15 332 663

12.2. Breakdown of deferred tax liabilities

Item	as of December 31, 2021		as of December 31, 2020		as of December 31, 2019	
	Amount	Deferred tax	Amount	Deferred tax	Amount	Deferred tax
Fixed assets	16 741 909	3 348 382	14 785 698	2 957 140	14 185 282	2 837 057
Finished products	3 669 371	733 874	1 660 398	332 079	1 824 640	364 928
Deferred expenses	742 805	148 561	498 328	99 666	485 361	97 072
Cost of development of natural resources (intangible exploration assets)	869	174	304 262	60 852	169 722	33 944
Deficiencies and losses resulting from spoilage of values	105	21	-	-	238	48
Total	21 155 059	4 231 012	17 248 686	3 449 737	16 665 243	3 333 049



13. Breakdown of revenue

Type of activity	2021				2020				
	Gross revenue	VAT	Excise duties	Customs duty	Net revenue	Gross revenue	VAT	Customs duty	Net revenue
Sales of goods, including:	39 317 524	(5 649 323)	-	(482 766)	33 185 435	27 523 571	(3 721 118)	(387 069)	23 415 384
Oil and gas condensate	39 317 524	(5 649 323)	-	(482 766)	33 185 435	27 488 519	(3 715 276)	(387 069)	23 386 174
Natural gas	-	-	-	-	-	35 052	(5 842)	-	29 210
Sales of finished products, including:	228 241 456	(28 606 036)	(6 386)	(6 727 196)	192 901 838	116 679 932	(11 892 717)	(6 426 019)	98 361 196
Oil and gas condensate	225 357 422	(28 125 364)	-	(6 727 196)	190 504 862	114 048 810	(11 454 197)	(6 426 019)	96 168 594
Natural combustible gas	1 312 609	(218 768)	-	-	1 093 841	1 200 522	(200 087)	-	1 000 435
Associated gas	1 443 045	(240 507)	-	-	1 202 538	1 430 600	(238 433)	-	1 192 167
Petroleum products	128 380	(21 397)	(6 386)	-	100 597	-	-	-	-
Sales of services	3 809 248	(634 867)	(812)	-	3 173 569	12 043 993	(2 007 332)	-	10 036 661
TOTAL	271 368 228	(34 890 226)	(7 198)	(7 209 962)	229 260 842	156 247 496	(17 621 167)	(6 813 088)	131 813 241

14. Breakdown of cost of sales and gross profit

Type of activity	2021			2020		
	Net revenue	Cost	Gross profit	Net revenue	Cost	Gross profit
Sales of goods, including:	33 185 435	(31 225 165)	1 960 271	23 415 384	(21 653 575)	1 761 810
Oil and gas condensate	33 185 435	(31 225 165)	1 960 271	23 386 174	(21 631 630)	1 754 545
Natural gas	-	-	-	29 210	(21 945)	7 265
Sales of finished products, including:	192 901 838	(130 126 625)	62 775 212	98 361 196	(80 690 396)	17 670 799
Oil and gas condensate	190 504 862	(128 867 207)	61 637 655	96 168 594	(78 809 882)	17 358 712
Natural combustible gas	1 093 841	(470 770)	623 071	1 000 435	(675 546)	324 889
Associated gas	1 202 538	(719 215)	483 323	1 192 167	(1 204 968)	(12 802)
Petroleum products	100 597	(69 433)	31 163	-	-	-
Sales of services	3 173 569	(3 503 619)	(330 050)	10 036 661	(9 589 224)	447 437
TOTAL	229 260 842	(164 855 409)	64 405 433	131 813 241	(111 933 195)	19 880 046

15. Commercial expenses

Type of expenses	2021	2020
Oil transportation services	9 713 990	8 746 266
Railway tariff (oil)	578 930	593 186
Transshipment, loading and unloading services	296 857	359 947
Technological losses during transportation of oil	118 716	67 773
Oil compounding services	94 463	124 556
Storage services	20 104	29 912
Customs broker services, feasibility study	4 361	5 687
Agency fee	1 286	2 382
Customs duties on Temporary customs declarations, Provisional cargo customs declarations	922	1 047
Shipping services	633	701
Certification services	289	449
TOTAL	10 830 551	9 931 906

16. Administrative expenses

Type of expenses	2021	2020
Salary	3 142 881	2 936 751
Expenses on taxes and fees	615 080	541 716
Rent (premises, vehicles)	483 438	459 468
Information services and software support	320 709	318 896
Depreciation of fixed assets and intangible assets	119 241	108 236
Security costs	56 224	62 005
Repair and maintenance of vehicles, premises and computer equipment and other fixed assets	60 607	38 815
Audit, consulting, notary, legal services	70 899	24 515
Other management expenses	28 443	22 748
Insurance	34 751	18 346
Transport expenses	11 850	16 228
Communication service	32 750	15 239
Material expenses	22 485	8 986
Expenses for stationery and household supplies	11 702	8 852
Advertising expenses	173 224	6 333
Oil and gas reserves assessment services	72 666	3 727
Other management expenses	20 424	3 686
Energy expenses	5 987	3 264
Travel expenses	6 756	2 654
TOTAL	5 290 117	4 600 465

17. Acquisition of regulatory and technical documentation

Issuer	2021	2020
PAO "Varioganneft"	7 308	16 977
PAO "Saratovneftegaz"	1 870	6 671
AO «Nefterazvedka»	-	83
TOTAL	9178	23 731

18. Interest receivable

Type of income / Counterparty	2021	2020
Interest receivable (in foreign currency)	3 775 446	4 100 005
Interest receivable (in rubles)	499 214	543 585
Interest on deposited cash	413 589	30 867
Interest on current account balances	1 017	668
TOTAL	4 689 266	4 675 125

19. Interest payable

Type of expense / Counterparty	2021	2020
Interest payable (in foreign currency)	4 772 672	5 134 027
Interest payable (in rubles)	86189	86 425
Interest for early payment for oil	1 812 472	2 164 064
Interest on use of budgetary funds	35421	107 731
TOTAL	6 706 754	7 492 247

20. Other income

Type of income	2020	2019
Provision on doubtful debts	20 794 977	-
Debt release	3 810 755	-
Income from liquidation of fixed assets	142 770	83 716
Sale of materials	92 238	22 446
Annual leave reserve	30 615	-
Fines and penalties for breaches of contracts	26 288	34 778
Income from write-offs of materials	19 777	26122
Financial support for preventive measures	3 528	1 997
Surplus identified in inventory (inventories)	2 776	902
Profit of previous years revealed in the reporting year	2 380	1 665
Other income	2 333	961
Sales of fixed assets and equipment for installation	6 785	7 574
Allowance for impairment of inventories	1631	-
Provision for remediation and rehabilitation of affected land on lease	1 261	33
Exchange differences	14	4 642 516
Execution/non-execution of a commodity option	-	700 110
Sale (purchase) of foreign currency	-	156 739

Savings for the general contractor based on the results of the construction work	-	21 462
Return of workwear	-	996
TOTAL	24 938 128	5 702 017

21. Other expenses

Type of expenses	2021	2020
Provisions for impairment of financial investments	37 701 590	1 006 188
Exchange rate differences	4 465 771	-
Charity, grant aid and the transfer of property	566 523	96 416
Execution/non-execution of a commodity option	539 388	-
Disposal of exploration assets	324 223	-
Costs of leases and subleases	201 018	107 348
Fines and penalties for breaches of contracts	200 608	3 580
Air travel costs	197 986	85 320
Staff expenses	126120	57 007
Excessive losses of oil and gas	110 763	92 050
Contribution to property	107166	122 969
Depreciation of fixed and intangible assets	93 079	8 275
Remuneration, compensation to members of the Board of Directors	68 896	74 782
Tax and levy expenses	57 642	7 256
Services of banks and credit institutions	54127	138 631
Sale of foreign currency	48 659	-
Corporate, festive events	40162	37 578
Reforestation (reclamation) costs under Art. 261	27 670	4 720
Compensation payments under agreements with the administration and the indigenous peoples of the North	24 230	23 099
Other expenses	23 489	16 456
Social advertising	13 045	20 000
Other services	10 466	34430
Write-off of materials	9 716	7 316
Payments for negative impact on the environment	9 214	2 796
Training of non-employees	8 020	9189
Costs of holding shareholder meetings	7112	6 485
Energy costs	5119	5 338
Expenses from other asset disposals (write-offs)	4 941	272 924
Losses from previous years identified in the reporting year	3 413	-
Allowance for depreciation of inventories	1681	5 308
Demurrage	1 579	59 293
Sports and recreational activities	1 336	-
Maintenance of mothballed facilities	1 037	7 305
Design and maintenance of the office	508	1 294

Allowance for doubtful debts	-	22 261 325
Liquidation of a joint stock company	-	279 754
Expenses on liquidation of fixed assets	-	1 927
TOTAL	45 056 297	24 856 359

22. Permanent tax expense (income)

Permanent differences	2021	2020
By expenses	1 982 570	1 075 620
Charitable contributions	566 523	96 416
Write-off of future expenses provision (liquidation assets)	214 007	83 127
Costs of leases and subleases	204 719	134 167
Costs of charter flights	197 986	85 320
Amortization of provision for future expenses for the fixed assets liquidation	157185	22 833
Other expenses	119 429	81 446
Penalties on taxes, insurance contributions	114 688	35 877
Investment into property	107166	122 969
Expenses on the Board of Directors Maintenance	68 989	74 975
Corporate and festive events	40151	36 057
Organization of hot meals	30 396	23 425
Write-off of future expenses provision (liquidation assets)	29 979	18 903
Excessive loss of gas	26114	53 496
Excessive loss of oil	25 819	20 459
Compensation payments under agreements with the administration and the indigenous peoples of the North	24 230	23 099
Payments for negative impact on the environment	13 899	854
Expenses for the placement of advertising materials on a social basis	13 045	20 000
Additional credit costs	8 548	79 894
Training of non-employees	8 020	9189
Travel expenses	2 509	412
Legal and notary services	2 415	6 222
Registration fee	1 911	1 925
Demurrage	1 579	59 293
Fines and penalties for breaches of contracts	1 290	1 381
Interest payable (in currency)	900	(23 236)
Property donated	589	1 316
Office decoration (maintenance of plants, aquarium, floral products)	508	1 294
Amortization of the fixed assets	100	86
Organization of special events	10	1 521
Business card manufacturing and other printing services	1	-
Electricity	(135)	2 900
Permanent differences on expenses (at the rate of 20%)	1 982 570	1 075 620
Tax withheld at source of payment (dividends to foreign organizations)	-	-
Permanent differences in expenses (rate 0%)	-	-
Permanent tax expense	396 513	215124
On income	30122	67 032
Reserve for recovery of affected lands	25 763	32 885
Profit (loss) of previous years, identified (recognized) in the reporting year	2718	1 664

Reserve provision for impairment of inventories	1 631	-
Other income	10	185
Penalties for taxes, insurance premiums (restoration of previously accrued)	-	32 298
Permanent income differences (20% rate)	30122	67 032
Permanent tax income	6 024	13 406
TOTAL Permanent tax expense (income)	390 489	201 718

23.1. Changes in deferred tax liabilities

Item	2021		2020	
	Amount	Deferred liability	Amount	Deferred liability
Difference in finished product	(2 530 181)	(506 036)	319 829	63 966
Losses and damages of valuables	(105)	(21)	238	48
Difference in future periods costs	(244 477)	(48 895)	(12 967)	(2 593)
Difference in natural resources development costs (intangible exploration assets)	303 392	60 678	(134 540)	(26 908)
Difference in fixed assets	(1 435 003)	(287 001)	(756 003)	(151 202)
TOTAL, including	(3 906 374)	(781 275)	(583 443)	(116 689)
- at 20% rate	(3 906 374)	(781 275)	(583 443)	(116 689)
- at 0% rate	-	-	-	-

23.2. Changes in deferred tax assets

Item	2021		2020	
	Amount	Deferred asset	Amount	Deferred asset
Difference in reserves of doubtful debts	(20 794 977)	(4 158 995)	22 260 054	4 452 011
Difference in estimated liabilities and reserves	164 634	32 927	(8 395 425)	(1 679 085)
Losses of previous years from operations with securities	-	-	279 672	55 934
Difference in future periods costs	(10 188)	(2 038)	74 697	14 939
Difference in fixed assets	11 480	2 296	5 584	1 117
Materials	36	7	9	2
Losses from the sale of depreciable property	-	-	-	-
Loss on income tax in 2014	(20 649466)	(4 129 893)	(3 733171)	(746 634)
Allowance for impairment of financial investments	31 177	6 235	-	-
TOTAL, including	37 701 590	7 540 318	9 440 311	1 888 062
- at 20% rate	(3 545 716)	(709 143)	19 931 731	3 986 346

24. Other

Tax	2021		2020	
	Term	Amount	Term	Amount
Income tax of previous years	2020	(272)	2020	(3)
Writing off losses for 2014	2020	(272)	2020	(3)
Penalties on taxes and fees	-	(43)	-	(121)
Write-off of deferred tax asset 20% of loss on sale of non-negotiable securities for 2013	-	(1 093172)	-	(1 083 794)
TOTAL		(1 093 759)		(1 083 921)

25. List of licenses for subsoil use

№	Subsoil area	License №	License validity	Field
Ulyanovsk region				
1	Zimnitsky	ULN 16181 NE	15.11.2016-31.12.2122	Zimnitskoye
				Severo-Zimnitskoye (part)
2	Severo-Zimnitsky	ULN 16182 NE	15.11.2016-31.12.2086	Severo-Zimnitskoye
3	Vostochny	ULN 09198 NE	01.03.2017-31.12.2051	Vostochnoye
4	Birlinsky	ULN 09199 NE	01.03.2017-31.12.2089	Birlinskoye
5	Yuzhno-Filippovsky	ULN 09200 NE	01.03.2017-31.12.2081	Yuzhno-Filippovskoye
6	Varvarovsky	ULN 09201 NE	01.03.2017-31.12.2047	Varvarovskoye
7	Baranovsky	ULN 09202 NE	01.03.2017-31.12.2075	Baranovskoye
8	Volodarsky	ULN 09203 NE	01.03.2017-31.12.2108	Volodarskoye
9	Vishensky	ULN 09204 NE	01.03.2017-31.12.2099	Vishenskoye
10	Golodyaevsky	ULN 09205 NE	01.03.2017-31.12.2059	Golodyaevskoye
11	Repyevsky	ULN 09206 NE	01.03.2017-01.07.2039	Repyevskoye
12	Novospassky	ULN 09207 NE	01.03.2017-31.12.2054	Novospasskoye
13	Zapadny	ULN 09208 NE	01.03.2017-31.12.2068	Zapadnoye
14	Novobesovsky	ULN 09209 NE	01.03.2017-31.12.2099	Novobesovskoye
15	Novolabitsky	ULN 09210 NE	01.03.2017-31.12.2099	Novolabitskoye
16	Rudnevsky	ULN 09211 NE	01.03.2017-31.12.2084	Rudnevskoye
				Mordovoozerskoye (Eastern part)
17	Filippovsky	ULN 09212 NE	01.03.2017-31.12.2110	Filippovskoye
18	Yuzhno-Vishensky	ULN 09213 NE	01.03.2017-31.12.2129	Yuzhno-Vishenskoye
19	Pravdinsky	ULN 09214 NE	01.03.2017-31.12.2087	Pravdinskoye

№	Subsoil area	License №	License validity	Field
20	Ravninny	ULN 09215 NE	01.03.2017-31.12.2120	Ravninnoye
21	Allagulovsky	ULN 09216 NE	01.03.2017-31.12.2125	Allagulovskoye
22	Mordovoozersky	ULN 09217 NE	01.03.2017-31.12.2092	Mordovoozerskoye
23	Vostocho-Filippovsky	ULN 09218 NE	01.03.2017-01.07.2037	Vostochno-Filippovskoye
24	Bezmyanny	ULN 09219 NE	31.03.2017-31.12.2088	Bezmyannoye
25	Ovrazhny	ULN 09220 NE	31.03.2017-31.12.2050	Ovrazhnoye
26	Zapadno-Raduzhny	ULN 09221 NE	31.03.2017-31.12.2056	Zapadno-Raduzhnoye
			31.03.2017-31.12.2097	
27	Kudryashovsky	ULN 09222 NE	31.03.2017-31.12.2097	Kudryashovskoye
28	Yuzhno-Lebyazhinsky	ULN 09228 NE	01.10.2019-31.12.2051	Yuzhno-Lebyazhinskoye
29	Primorskiy	ULN 09229 NE	09.12.2019-31.12.2074	Primorskoye
Republic of Kalmykia				
30	Bairsky	ELI 00397 NE	26.12.2016-31.12.2078	Bairskoye
Penza region				
31	Verkhozimsky	PNZ 01450 NE	27.12.2016-01.01.2068	Verkhozimskoye
32	Komarovsky	PNZ 01451 NE	27.12.2016-31.12.2069	Komarovskoye
Volgograd region				
33	Belokamennoye field	VLG 02240 NE	18.01.2017 - 31.12.2033	Belokamennoye
Saratov region				
34	Zapadno-Stepnoy	SRT 01791 NE	28.02.2017 - 31.12.2066	Zapadno-Stepnoye
35	Yazykovsky	SRT 01792 NE	28.02.2017-31.12.2053	Yazykovskoye

№	Subsoil area	License №	License validity	Field
36	Zapadno-Rybushansky	SRT 01793 NE	28.02.2017-31.12.2065	Zapadno-Rybushanskoye
37	Vostochno-Suslovsky	SRT 01794 NE	28.02.2017-31.12.2075	Vostochno-Suslovskoye
38	Generalsky	SRT 01795 NE	28.02.2017-31.12.2044	Generalskoye
39	Danilovsky	SRT 01796 NE	28.02.2017-31.12.2078	Danilovskoye
40	Vasnetsovsky	SRT 01797 NE	28.02.2017-31.12.2071	Vasnetsovskoye
41	Belokamenny	SRT 01798 NE	28.02.2017-31.12.2110	Belokamennoye
42	Rodionovsky	SRT 01799 NE	28.02.2017-31.12.2038	Rodionovskoye
43	Rogozhinsky	SRT 01800 NE	28.02.2017-31.12.2046	Rogozhinskoye
44	Malinoovrazhny	SRT 01801 NE	28.02.2017-31.12.2101	Malinoovrazhnoye
45	Mayaksky	SRT 01802 NE	28.02.2017 - 31.12.2038	Mayakskoye
46	Luzyaninsky	SRT 01803 NE	28.02.2017 - 31.12.2085	Luzyaninskoye
47	Mechetkinsky	SRT 01804 NE	28.02.2017 - 31.12.2069	Mechetkinskoye
48	Mikhalkovsky	SRT 01805 NE	28.02.2017-31.12.2068	Mikhalkovskoye
49	Uritsky	SRT 01806 NE	28.02.2017 - 31.12.2037	Uritskoye
50	Osinovsky	SRT 01807 NE	28.02.2017 - 31.12.2044	Osinovskoye
51	Furmanovsky	SRT 01808 NE	28.02.2017 - 31.12.2029	Furmanovskoye
52	Teplovsky	SRT 01809 NE	28.02.2017 - 31.12.2080	Teplovskoye
				Pridorozhnoye
				Yuzhno-Teplovskoye
53	Tambovsky	SRT 01810 NE	28.02.2017 - 31.12.2042	Tambovskoye
54	Kvasnikovsky	SRT 01811 NE	28.02.2017 - 31.12.2056	Kvasnikovskoye
55	Zapadno-Vishnevsky	SRT 01812 NE	28.02.2017 - 31.12.2070	Zapadno-Vishnevskoye

№	Subsoil area	License №	License validity	Field
56	Oktyabrsky	SRT 01813 NE	28.02.2017 - 31.12.2062	Oktyabrskoye
57	Razinsky	SRT 01814 NE	28.02.2017 - 31.12.2045	Razinskoye
58	Radischevsko-Gartovsky	SRT 01815 NE	28.02.2017 - 31.12.2085	Radischevsko-Gartovskoye
59	Razumovsky	SRT 01816 NE	28.02.2017 - 31.12.2053	Razumovskoye
60	Guselsky	SRT 01817 NE	28.02.2017-31.12.2083	Guselskoye
61	Zarechny	SRT 01818 NE	28.02.2017-31.12.2080	Zarechnoye
62	Ilovinsky	SRT 01819 NE	28.02.2017-31.12.2070	Ilovinskoye
63	Kolotovskiy	SRT 01820 NE	28.02.2017-31.12.2058	Kolotovskoye
				Mayakskoye (part)
64	Zvezdny	SRT 01821 NE	28.02.2017-30.12.2026	Zvezdnoye
65	Pionersky	SRT 01822 NE	28.02.2017 - 31.12.2066	Pionerskoye
66	Yuzhno-Pervomaisky	SRT 01823 NE	28.02.2017 - 31.12.2061	Yuzhno-Pervomaiskoye
				Kamelik-Pervomaiskoye
67	Pogranichny	SRT 01824 NE	28.02.2017 - 31.12.2051	Pogranichnoye
68	Sokolovogorsky	SRT 01825 NE	28.02.2017 - 31.12.2052	Sokolovogorskoye
69	Suslovsky	SRT 01826 NE	28.02.2017 - 31.12.2045	Suslovskoye
70	Alekseevsky	SRT 01827 NE	28.02.2017 - 31.12.2047	Alekseevskoye
71	Limano-Grachevsky	SRT 01828 NE	28.02.2017 - 31.12.2057	Limano-Grachevskoye
72	Kulikovskiy	SRT 01829 NE	28.02.2017 - 31.12.2073	Kulikovskoye
73	Aleksandrovskiy	SRT 01830 NE	28.02.2017 - 31.12.2061	Aleksandrovskoye
74	Irinovskiy	SRT 01848 NE	29.03.2017-31.12.2098	Irinovskoye
75	Perelyubskiy	SRT 01857 NE	19.05.2017 - 31.12.2097	Perelyubskoye

№	Subsoil area	License №	License validity	Field
				Zapadno-Stepnoye
76	Smolenskiy	SRT 01911 NE	18.05.2020 – 31.12.2082	Ushakovskoye
Tomsk region				
77	Duklinsky	TOM 02115 NE	01.03.2017-31.12.2119	Duklinskoye
78	Yuzhno-Myldzhinsky	TOM 02116 NE	01.03.2017 -31.12.2070	Verkhnesalatskoye
				Yuzhno-Myldzhinskoye
				Rechnoye
79	Grushevyy	TOM 02117 NE	01.03.2017-31.12.2055	Grushevoye
80	Stolbovoy	TOM 02118 NE	01.03.2017-31.12.2081	Stolbovoye
				Olenye (part)
81	Poselkovyy	TOM 02119 NE	01.03.2017-31.12.2073	Poselkovoye
82	Fedyushkinsky	TOM 02120 NE	01.03.2017-31.12.2062	Fedyushkinskoye
83	Soboliny	TOM 02121 NR	01.03.2017-31.12.2118	Gurarinskoye
				Yasnoye
84	Sobolinoye field	TOM 02122 NE	01.03.2017-31.12.2069	Sobolinoye
Khanty-Mansiysk Autonomous District				
85	Sredne-Shapshinky	KHMN 03338 NE	06.04.2017-31.12.2128	Sredne-Shapshinskoye
86	Ovalny	KHMN 03339 NR	06.04.2017-31.12.2060	Arzhanovskoye
				Ovalnoye
87	Mokhtikovskyy	KHMN 03340 NE	06.04.2017-31.12.2080	Mokhtikovskoye
88	Nizhne-Shapshinsky	KHMN 03341 NE	06.04.2017-31.12.2060	Nizhne-Shapshinskoye
89	Zapadno-Mogutlorskiy	KHMN 03342 NE	07.04.2017-31.12.2079	Zapadno-Mogutlorskoye
				Mogutlorskoye

№	Subsoil area	License №	License validity	Field
				Vat-Eganskoye
				Zhilinskoye
				Severo-Pokachevskoye
90	Roslavskiy	KHMN 03343 NE	07.04.2017-31.12.2100	Roslavskoye
91	Chukhlorskiy	KHMN 03344 NR	07.04.2017-31.12.2074	Chukhlorskoye
				Yuzhno-Roslavskoye
				Roslavskoye (part)
92	Tagrinsky	KHMN 03345 NE	07.04.2017 - 31.12.2089	Tagrinskoye
93	Peschany	KHMN 03346 NR	10.04.2017 - 22.09.2024	Peschanoye
94	Novo-Aganskyy	KHMN 03347 NE	10.04.2017 - 29.06.2038	Novoaganskoye
95	Zapadno-Varioganskyy	KHMN 03348 NE	10.04.2017 - 31.12.2113	Zapadno-Varioganskoye
96	Verkhne-Shapshinsky	KHMN 03350 NE	11.04.2017 - 31.12.2095	Verkhne-Shapshinskoye
97	Chernogorskoye field	KHMN 03351 NE	11.04.2017-31.12.2065	Chernogorskoye
98	Eguryakhskyy	KHMN 03352 NR	11.04.2017 - 31.12.2098	Eguryakhskoye
				Golevoye
				Yuzhno-Eguryakhskoye
				Vostochno-Golevoye
99	Vodorazdelny	KHMN 03363 NR	10.05.2017 - 31.12.2132	Vostochno-Kamennoye
100	Valyuninsky	KHMN 16431 NE	01.12.2017 - 31.12.2117	Valyuninskoye Vyangapurovskoye (part)
101	Khantymansiysko-Frolovskyy	KHMN 03425 NR	22.05.2018- 31.12.2069	Khanty-Mansiyskoye

№	Subsoil area	License №	License validity	Field
102	Lower horizons of Nizhne-Shapshinskoye filed	KHMN 03740 NP	09.11.2021-08.11.2026	Geological study
103	Snegiriniy 3	KHMN 03425 NR	16.11.2021- 15.11.2046	Geological study
Yamalo-Nenets Autonomous District				
104	Yuzhno-Yarainersky	SLKh 16398 NR	24.07.2017 - 31.12.2072	Yuzhno-Yarainerskoye
				Tagrinskoye (Northern part)

Note.
Total number of licenses - 104, number of fields - 119 (Severo-Zimnitskoye, Mordovoozerskoye, Mayakskoye, Tagrinskoye, Roslavl'skoye fields are located on two different subsoil areas).

26. Charitable aid provided to non-profit organizations

Beneficiary organization	2021	2020
SAFMAR charitable foundation	363 490	25 472
ANO YUGORSKIY SVET	50 000	-
Public organizations and foundations of Khanty-Mansi Autonomous District-Yugra	28 816	100
Lomonosov Moscow State University	20 714	11 899
Dari Dobro Foundation	16 500	-
Khanty-Mansiysk Autonomous District - Yugra municipalities administrations	15 506	6 700
Tomsk region municipal administrations	15 000	1 500
"Neftyanik" Football Club	14 500	9 500
Rovesnik children recreational center	121 000	11 300
Saratov region municipal administrations	12 100	8 850
Russian Union of Industrialists and Entrepreneurs	7 000	11 400
Ulyanovsk region municipal administrations	4 091	5 989
Public organizations and foundations, cultural and health organizations in the Ulyanovsk region	1 791	136
Public organizations and foundations, cultural and health organizations in the Saratov region	1 450	1 650
Administration of Staropoltavskiy district, Volgograd region	1 200	500
Administration of the Purovsky District, Yamal-Nenets Autonomous Okrug	1 000	600
Administration of Penza region	615	520
Administration of the Iki-Burul district of Kalmykia	600	300
TOTAL:	566 523	96 416

27. Calculation of the net assets

ASSETS

Indicator description	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Intangible asset	538	446	446
Intangible and tangible exploration assets	30 445	446 914	173 001
Fixed assets	65 746 448	59 827 699	58 658 659
Income investments in tangible assets	-	-	-
Long-term and short-term investments	137 636 921	175 010 464	163 212 958
Deferred tax assets	16 432 624	18 235 210	17 066 222
Other non-current assets	2 911 423	1 931 626	1 733 559
Inventories	8 506 690	4 742 193	4 551 924
Value added tax on acquired values	152 990	338 817	259 288
Receivables	54 137 551	28 004 517	48 872 132
Cash	8 469 271	4 069 447	1 355 006
Other current assets	1 210	448	247
Total assets in calculation	294 026 111	292 607 781	294 149 883

LIABILITIES

Indicator description	as of December 31, 2021	as of December 31, 2020	as of December 31, 2019
Long-term liabilities on loans and borrowings	76 381 200	82 593 471	69 047 140
Other long-term liabilities	70 636	59 408 601	23 955 100
Estimated liabilities	1 286 713	1 184 772	1 051 154
Deferred tax liabilities	4 231 012	3 449 737	3 333 049
Short-term liabilities on loans and borrowings	6 887 745	6 858 523	5 763 031
Creditor indebtedness	109 126 153	58 348 712	91 132 916
Debt to members (founders) on payment of income	-	-	-
Reserve provisions for future expenses	3181^3	153 528	114 830
Other short-term liabilities	-	-	-
Total liabilities in calculation	198 301 622	211 997 344	194 397 220
Net assets value	95 724 489	80 610 437	99 752 663

28. Transactions with related parties

28.1. Types and volumes of transactions with related parties

(thnd. RUB.)

Operations	Year	Prevailing business entities	Subsidiaries	Affiliated companies	Other related parties	TOTAL on related parties
Sale of goods, works and services on the domestic market	2021	-	6198 363	-	105 280 885	111 479 248
	2020	-	13 934 596	-	28 338 915	42 273 511
Sale of goods, works and services for export	2021	-	38 416 039	-	-	38 416 039
	2020	-	23 777 111	-	-	23 777 111
Purchase of goods, works and services	2021	-	39 821 876	-	4181 990	44 003 866
	2020	-	53 424 385	-	1 544 916	54 969 301
Interest receivable accrued	2021	-	195 306	-	2 685 267	2 880 573
	2020	-	299 473	-	2842 811	3 142 284
Accrued interest payable	2021	-	108420	-	-	108 420
	2020	-	90 570	-	-	90 570
Interest accrued for early payment	2021	-	1 175 539	-	-	1 175 539
	2020	-	1 315 914	-	-	1 315 914
Accrual of dividends and other income from participation in companies	2021	-	9178	-	-	9178
	2020	-	23^*1	-	-	23 731
The contribution to the property was transferred in accordance with the adopted Resolution	2021	-	107166	-	-	107166
	2020	-	122 969	-	-	122969
Demurrage accrued	2021	-	1579	-	-	1579
	2020	-	59 293	-	-	59 293
Loan provided	2021	-	73 858	-	77 700	151 558
	2020	-	900 394	-	197 400	1 097 794
Loan received	2021	-	1 -	-	-	-
	2020	-	535 267	-	-	535 267
Repayment of issued loan	2021	-	806 818	-	2084 316	2 891 134
	2020	-	2 677 287	-	-	2 677 287
Debt release	2021	-	3 810 755	-	-	3 810 755
	2020	-	-	-	-	-
Acquisition of subsidiaries shares	2021	-	5 313	-	-	5 313
	2020	-	16 012	-	-	16 012
Charitable contributions	2021	-	1 -	-	363 490	363 490
	2020	-	-	-	25 472	25 472
Other operations	2021	-	12	-	891	903
	2020	-	116	-	242	358

Financial and business transactions with related parties were conducted using monetary settlement. Types of transactions subject to VAT are disclosed inclusive of VAT.

28.2. Value, terms, conditions, maturity and form of settlement of pending transactions as of 31.12.2019

(thnd. RUB.)

Operations	Prevailing business entities	Subsidiaries	Affiliated companies	Other related parties	TOTAL on related parties	Terms, maturity and form of settlements
Indebtedness on the loan issued to the Counterparty		6 929 641		4 886 901	11 816 542	Cash. Maturity - in more than 12 months
Accounts receivable from customers	-	5 475 402		4 796 613	10 272 015	Cash
Accounts receivable on interests due	-	9 808 207		2 2137 327	31 945 534	Cash. Maturity - in more than 12 months
Accounts receivable on advances paid	-		-	849 522	849 522	Cash
Right to claim the debt	-	-	-	47 201 766	47 201 766	Cash. Maturity - in more than 12 months
Other receivables	-	-	-	451 912	451 912	Maturity - in more than 12 months
TOTAL on debit					102 537 291	
Accounts payable for delivered goods	-	54 595 534		412 256	55 007 790	Cash
Accounts payable for advances received	-	26 085 432	-	8 413	26 093 845	Sales of goods, works and services
Indebtedness on the received loan and accrued interest payable		2 131 563		-	2 131 563	Cash
Accounts payable on interest for early payment	-	1 214 065		-	1 214 065	Cash
TOTAL on credit					84 447 263	

28.3. Value, terms, conditions, maturity and form of settlement of pending transactions as of 31.12.2020.

(thnd. RUB.)

Operations	Prevailing business entities	Subsidiaries	Affiliated companies	Other related parties	TOTAL on related parties	Terms, maturity and form of settlements
Indebtedness on the loan issued to the Counterparty	-	5 151 386	-	5 634 921	10 786 307	Cash. Maturity - in more than 12 months
Accounts receivable from customers		2 695 135	-	2 453 070	5 148 205	Cash
Accounts receivable on interests due	-	7 424 036	-	29 010 993	36 435 029	Cash. Maturity - in more than 12 months
Accounts receivable on advances paid	-	-	-	844 797	844 797	Cash
Right to claim the debt	-	-	-	56 328 634	56 328 634	Cash. Maturity - in more than 12 months
Other receivables	-	-	-	545 313	545 313	Cash
TOTAL on debit					110 088 285	
Accounts payable for delivered goods		54 204 145	-	582 464	54 786 609	Cash
Accounts payable for advances received		27 551 407	-	99 840	27 651 247	Sales of goods, works and services
Indebtedness on the received loan and accrued interest payable	-	2 739 191	-	-	2 739 191	Cash
Accounts payable on interest for early payment	-	1 220 646	-	-	1 220 646	Cash
Accounts payable on demurrage	-	3 769	-	-	3 769	Cash
Other accounts payable	-	54	-	147	201	Cash
TOTAL on credit					86 401 663	

28.4. Value, terms, conditions, maturity and form of settlement of pending transactions as of 31.12. 2020.

(thnd. RUB.)

Operations	Prevailing business entities	Subsidiaries	Affiliated companies	Other related parties	TOTAL on related parties	Terms, maturity and form of settlements
Indebtedness on the loan issued to the Counterparty	-	4 418 210	-	3 634 328	8 052 538	Cash. Maturity - in more than 12 months
Accounts receivable from customers	-	4 679 897		23751	4 703 648	Cash
Accounts receivable on interests due	-	5 430 807	-	31 705 042	37 135 849	Cash. Maturity - in more than 12 months
Accounts receivable on advances paid	-			129 979	129 979	Cash
Right to claim the debt				56 646 511	56 646 511	Cash. Maturity - in more than 12 months
Other receivables		-	-	552 928	552 928	Cash
TOTAL on debit					107 221 453	
Accounts payable for delivered goods	-	59 132 246	-	729 486	59 861 732	Cash
Accounts payable for advances received	-	10 968 548	-	2 093 791	13 062 339	Sales of goods, works and services
Indebtedness on the received loan and accrued interest payable	-	2 850 689		-	2 850 689	Cash
Accounts payable on interest for early payment	-	411 003	-	-	411 003	Cash
Other accounts payable	-	9 220	-	-	9 220	Cash
TOTAL on credit					76 194 983	

28.5. Cash flows with related parties

Operations	Subsidiaries		Other related parties		TOTAL on related parties	
	2021	2020	2021	2020	2021	2020
Cash flows from current operations	(665 645)	(898 236)	88 198 812	24 598 599	87 533 167	23 700 363
from the sale of products, goods, works and services	22 310 044	25 903 862	91 385 610	25 620 126	113 695 654	51 523 988
lease payments, license payments, royalties, commissions and other similar payments	2 534 556	7 391 440	22 947	24 755	2 557 503	7 416 195
other income	90124	69 460	189	30 849	90 313	100 309
suppliers (contractors) for feed stock, materials, works, services	(25 215 341)	(32 520 239)	(3 168 788)	(1 056 102)	(28 384 129)	(33 576 341)
interest on debt obligations	(272 108)	(1 561 550)	-	-	(272 108)	(1 561 550)
other payments	(112 920)	(181 209)	(41 146)	(21 029)	(154 066)	(202 238)
Cash flows from investment operations	(957 352)	(3 204 723)	1 974 914	(138 071)	1 017 562	(3 342 794)
from the sale of non-current assets (excluding financial investments)	-	-	-	24	-	24
from return of the provided loans, from sale of debt securities (rights of claim of cash to other persons)	806 818	2 677 287	2 084 317	-	2891 135	2 677 287
dividends, interest on debt financial investments and similar income from equity participation in other organizations	2 188 850	492 218	181 015	62 660	2 369 865	554 878
Other proceeds	10 775	25 748	9 548	-	20 323	25 748

Operations	Subsidiaries		Other related parties		TOTAL on related parties	
	2021	2020	2021	2020	2021	2020
in connection with acquisition, creation, upgrade and preparation for the use of non-current assets	(3 884 624)	(5 483 570)	(222 266)	(3 355)	(4 106 890)	(5 486 925)
in connection with acquisition of shares of other organizations (participation interest)	(5 313)	(16 012)	-	-	(5 313)	(16 012)
in connection with acquisition of debt securities (rights of claim of cash to other persons), provision of loans to other persons	(73 858)	(900 394)	(77 700)	(197 400)	(151 558)	(1 097 794)
Cash flows from financial operations	-	535 267	-	-	-	535 267
Obtaining loans and credits	-	535 267	-	-	-	535 267
Cash flow balance for the reporting period	(1 622 997)	(3 567 692)	90 173 726	24 460 528	88 550 729	20 892 836

29. Adjustment of opening balances

Statement of financial results.

Data on column "For January-December 2020"

Line code	Indicator name	Amount before adjustment	Adjustment	Adjusted amount
2340	Other income	8 080 959	2 378 942	5 702 017
2350	Other expenses	(27 235 301)	(2 378 942)	(24 856 359)

The document contains 83 pages, sewn together and sealed.

E.V. Korotkikh

[Signature]

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Перевод с русского языка на английский выполнен
 Паймулиной Юлией Анатольевной, дипломированным переводчиком
 и сотрудником Департамента ВЭД ПАО НК «РуссНефть»

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