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PJSC GAZPROM

IFRS Consolidated Financial Statements with Independent Auditor's Report

31 December 2022

Moscow | 2023

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Independent Auditor's Report

To the Shareholders
of Public Joint Stock Company Gazprom

Opinion

We have audited the accompanying consolidated financial statements of Public Joint Stock Company Gazprom ("PJSC Gazprom") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2022, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information.

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 2022, and its consolidated financial performance and consolidated cash flows for the year then ended 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 Rules of Independence of Auditors and Audit Organisations and the Code of Professional Ethics of Auditors, as well as with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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.

Revenue recognition

During the audit we specially focused on revenue recognition as the revenue amount was material and revenue streams were formed in different geographic regions with significantly different terms of revenue recognition including price determination and change, transfer of risks and rewards. In 2022, revenue was significantly affected by the sanctions imposed since February 2022 by the US, the European Union ("the EU") and a number of other countries.

We assessed the consistency in the application of the revenue recognition accounting policy applicable to various types of revenue and geographic regions. Our audit procedures in respect of the risk of material misstatement of revenue included, in particular, evaluation of the design of controls, assessment of the risk of material misstatement due to fraud or error and performance of substantive procedures in respect of the sales transactions.

Information about the approaches to revenue recognition is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about sales, including information by geographic segments, is disclosed in Note 27 "Sales" to the consolidated financial statements.

Impairment of property, plant and equipment

Due to the material carrying amount of property, plant and equipment, continued volatility of macroeconomic parameters, aggravated by the impact of fluctuating prices for energy resources, political instability, as well as high level of subjectivity of the underlying assumptions, judgments and estimates made by management to conduct the impairment analysis, we consider this area to be one of the most significant audit areas. The significance of the matter was also affected by the sanctions and restrictive measures imposed in 2022 by the US, the EU and other countries, including those infringing on the interests of PJSC Gazprom and its major subsidiaries.

As at the reporting date, the Group's management measured the recoverable amount of property, plant and equipment that belonged to cash-generating units based on the estimated value in use. Our audit procedures in respect of this area included:

- analysis of the methodology used by the Group to test property, plant and equipment for impairment;
- testing of the principles used to forecast future cash flows;
- analysis of significant assumptions underlying the impairment test procedures in respect of various cash-generating units. The significant assumptions, in particular, included determining discount rates, forecasting prices for energy resources and exchange rates, as well as estimating volumes of production and sales;
- a sensitivity analysis to determine whether the models used for testing were sensitive to changes in the significant assumptions;
- analysis and evaluation of the disclosure of information about the assets impairment testing for compliance with the requirements of IAS 36 Impairment of Assets.

We paid special attention to the impairment of assets with uncertain prospects for use, in particular due to the current political and economic situation.

Information about the measurement methods and significant assumptions applied to test property, plant and equipment for impairment is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about property, plant and equipment and their impairment testing is disclosed in Note 13 "Property, Plant and Equipment" to the consolidated financial statements.

Measurement of expected credit losses on trade receivables

The matter concerning the allowance for expected credit losses on trade receivables was one of most significance in our audit because of the material balances of trade receivables and because the existing political and economic situation, which was caused, among other things, by the impact of the sanctions imposed in 2022, affected the measurement of expected credit losses of both Russian and foreign customers. We also believe that the evaluation of the sufficiency of the allowance for expected credit losses on trade receivables is a higher risk area as it is based on management's judgments on the possibility to recover that debt.

Our audit procedures with respect to the measurement of expected credit losses on trade receivables by management included:

- checking of the methodology used to measure expected credit losses on trade receivables by the Group's management;
- analysis of the assumptions and professional judgments applied by the Group's management, including critical assessment of the information used by the Group to forecast the ability of its customers to repay their debts;
- sample checking of the models and calculations used to measure expected credit losses on trade receivables;
- analysis of external information, including new legislative requirements on the payment of debts by foreign counterparties;
- sufficiency of the information disclosed as required by IFRS 7 Financial Instruments: Disclosures and IAS 1 Presentation of Financial Statements.

Information about the measurement procedure and the key assumptions applied to estimate expected credit losses is disclosed in Note 5 "Summary of Significant Accounting Policies" to the consolidated financial statements, information about accounts receivable and allowance for expected credit losses on trade receivables is disclosed in Notes 10 "Accounts Receivable and Prepayments", 17 "Long-Term Accounts Receivable and Prepayments" and 36 "Financial Risk Factors" to the consolidated financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report of PJSC Gazprom for 2022 and the Issuer's Report of PJSC Gazprom for the 12 months of 2022 but does not include the consolidated financial statements and our auditor's report thereon. The Annual Report of PJSC Gazprom for 2022 and the Issuer's Report of PJSC Gazprom for the 12 months of 2022 are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do 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 when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the Annual Report of PJSC Gazprom for 2022 and the Issuer's Report of PJSC Gazprom for the 12 months of 2022, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

a) identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

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 Group's internal control;

c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Group's 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 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;

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e) 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;

f) obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determined 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.

Engagement partner
on the audit resulting
in this independent auditor's report,
on behalf of the audit company,
power of attorney No. 75/22 dated 4 March 2022 Y.S. Saprykin
(registration number 21606041981)

Date of Independent Auditor's Report
24 April 2023

Audited entity

Name:

Public Joint Stock Company Gazprom
(PJSC Gazprom).

Address of the legal entity within its location:

2/3 Lakhtinsky Avenue, Bldg. 1, St. Petersburg, 197229, Russian Federation.

The registration entry was made in the Unified State Register of Legal Entities on 2 August 2002 under primary state registration number 1027700070518.

Auditor

Name:

FBK, LLC

Address of the legal entity within its location:

44/1 Myasnitskaya St, Bldg 2AB, Moscow, 101990, Russian Federation.

The registration entry was made in the Unified State Register of Legal Entities on 24 July 2002 under primary state registration number 1027700058286.

Primary number of registration entry in the register of auditors and audit organizations of the self-regulatory organization of auditors 11506030481.

PJSC Gazprom
Consolidated Balance Sheet
as of 31 December 2022
(in millions of Russian Rubles)

Notes		31 December 2022	31 December 2021
	Assets		
	Current assets		
8	Cash and cash equivalents	1,157,587	2,013,923
9	Short-term financial assets	22,136	26,237
10	Accounts receivable and prepayments	1,946,428	2,009,951
11	Inventories	1,056,523	1,009,323
12	Other current assets	437,443	1,154,849
		4,620,117	**6,214,283**
	Non-current assets		
13	Property, plant and equipment	17,419,060	16,673,568
14	Right-of-use assets	260,488	226,290
15	Goodwill	130,585	120,768
16	Investments in associates and joint ventures	1,329,416	1,422,308
17	Long-term accounts receivable and prepayments	1,132,881	1,228,979
9	Long-term financial assets	405,997	599,747
22	Deferred tax assets	335,994	-
12	Other non-current assets	494,391	561,287
		21,508,812	**20,832,947**
	Total assets	**26,128,929**	**27,047,230**
	Liabilities and equity		
	Current liabilities		
18	Accounts payable, provisions and other liabilities	1,711,639	2,799,800
	Current profit tax payable	50,614	112,705
19	Taxes other than on profit and fees payable	429,339	413,394
20	Short-term borrowings, promissory notes and current portion of long-term borrowings	709,268	697,046
		2,900,860	**4,022,945**
	Non-current liabilities		
21	Long-term borrowings, promissory notes	4,356,593	4,186,656
24	Provisions	622,025	577,863
22	Deferred tax liabilities	1,456,300	875,099
36	Long-term lease liabilities	219,524	230,630
	Other non-current liabilities	127,782	287,458
		6,782,224	**6,157,706**
	Total liabilities	**9,683,084**	**10,180,651**
	Equity		
25	Share capital	325,194	325,194
25	Treasury shares	(331)	(331)
26	Perpetual notes	298,824	313,190
25	Retained earnings and other reserves	15,126,010	15,613,466
		15,749,697	**16,251,519**
	Non-controlling interest	696,148	615,060
	Total equity	**16,445,845**	**16,866,579**
	Total liabilities and equity	**26,128,929**	**27,047,230**

A.B. Miller
Chairman of the Management Committee
24 April 2023

M.N. Rosseev
Chief Accountant
24 April 2023

The accompanying notes on pages 12 to 65 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Comprehensive Income
for the year ended 31 December 2022
(in millions of Russian Rubles)

Notes		Year ended 31 December 2022	2021
27	Sales	11,673,950	10,241,353
	Net loss from trading activity	(12,207)	(92,397)
28	Operating expenses	(9,307,030)	(7,681,410)
	Impairment loss on financial assets	(419,554)	(56,285)
	Operating profit	**1,935,159**	**2,411,261**
29	Finance income	2,430,787	615,167
29	Finance expenses	(2,342,048)	(499,110)
16	Share of profit of associates and joint ventures	166,660	242,196
	Profit before profit tax	**2,190,558**	**2,769,514**
	Current profit tax expenses	(576,936)	(452,817)
	Deferred profit tax expenses	(301,977)	(157,611)
22	Profit tax	(878,913)	(610,428)
	Profit for the year	**1,311,645**	**2,159,086**
	Other comprehensive income:		
	Items that will not be reclassified subsequently to profit or loss:		
	(Loss) gain arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	(162,298)	121,551
24	Remeasurement of provision for post-employment benefits	(23,119)	68,426
	Total other comprehensive (loss) income that will not be reclassified subsequently to profit or loss	**(185,417)**	**189,977**
	Items that may be reclassified subsequently to profit or loss:		
	Share of other comprehensive (loss) income of associates and joint ventures	(1,044)	2,989
	Translation differences	(178,004)	(58,645)
	Loss from hedging operations, net of tax	(16,707)	(42,304)
	Total other comprehensive loss that may be reclassified subsequently to profit or loss	**(195,755)**	**(97,960)**
	Total other comprehensive (loss) income for the year, net of tax	**(381,172)**	**92,017**
	Comprehensive income for the year	**930,473**	**2,251,103**
	Profit for the year attributable to:		
	Owners of PJSC Gazprom	1,225,807	2,093,071
	Non-controlling interest	85,838	66,015
		1,311,645	**2,159,086**
	Comprehensive income for the year attributable to:		
	Owners of PJSC Gazprom	858,991	2,193,020
	Non-controlling interest	71,482	58,083
		930,473	**2,251,103**
30	**Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)**	**51.11**	**88.07**

A.B. Miller
Chairman of the Management Committee
24 April 2023

M.N. Rosseev
Chief Accountant
24 April 2023

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PJSC Gazprom
Consolidated Statement of Cash Flows
for the Year Ended 31 December 2022
(in millions of Russian Rubles)

Notes		Year ended 31 December 2022	2021
	Cash flows from operating activities		
31	**Net cash from operating activities**	**2,192,682**	**3,015,390**
	Cash flows from investing activities		
	Capital expenditures	(2,191,642)	(1,933,766)
29, 36	Interest capitalised and paid	(182,669)	(151,615)
	Net change in loans issued	8,542	4,247
	Acquisition of subsidiaries, net of cash acquired	(2)	(4,958)
	Investments in associates and joint ventures	(99,962)	(89,663)
	Interest received	221,687	70,364
	Change in long-term financial assets measured at fair value through other comprehensive income	37,661	42,527
	Proceeds from associates and joint ventures	98,274	259,604
	Proceeds from sale of associates and joint ventures	-	1,654
	Proceeds from sale of subsidiaries	14,295	5,487
	Placement of long-term bank deposits	(24,682)	(29,966)
	Repayment of long-term bank deposits	21,447	10,211
	Other	(39,919)	(14,563)
	Net cash used in investing activities	**(2,136,970)**	**(1,830,437)**
	Cash flows from financing activities		
36	Proceeds from long-term borrowings	1,201,822	843,807
36	Repayment of long-term borrowings (including current portion of long-term borrowings)	(590,270)	(742,607)
36	Proceeds from short-term borrowings	136,432	109,089
36	Repayment of short-term borrowings	(283,857)	(103,304)
36	Repayment of lease liabilities	(45,119)	(47,934)
36	Dividends paid	(1,124,080)	(313,396)
29, 36	Interest paid	(70,459)	(44,071)
	Acquisition of non-controlling interests in subsidiaries	(2,918)	(124)
	Proceeds from sale of treasury shares	397	-
26	Proceeds from issuance of perpetual notes	-	120,000
26	Interest paid on perpetual notes	(17,851)	(6,985)
26	Payments related to issuance of perpetual notes	-	(922)
	Proceeds from sale of non-controlling interests in subsidiaries	2,090	13,087
	Other	(162)	(5,571)
	Net cash used in financing activities	**(793,975)**	**(178,931)**
	Effect of foreign exchange rate changes on cash and cash equivalents	(118,073)	(27,018)
	(Decrease) increase in cash and cash equivalents	**(856,336)**	**979,004**
8	Cash and cash equivalents at the beginning of the reporting year	2,013,923	1,034,919
8	**Cash and cash equivalents at the end of the reporting year**	**1,157,587**	**2,013,923**

A.B. Miller
Chairman of the Management Committee
24 April 2023

M.N. Rosseev
Chief Accountant
24 April 2023

The accompanying notes on pages 12 to 65 are an integral part of these consolidated financial statements.

PJSC Gazprom
Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2022
(in millions of Russian Rubles)

Notes		Equity attributable to the owners of PJSC Gazprom						
		Share capital	Treasury shares	Perpetual notes	Retained earnings and other reserves	Total	Non-controlling interest	Total equity
	Balance as of 31 December 2020	**325,194**	**(331)**	**195,616**	**13,717,464**	**14,237,943**	**566,789**	**14,804,732**
	Profit for the year	-	-	-	**2,093,071**	**2,093,071**	**66,015**	**2,159,086**
	Other comprehensive income (loss) – total,	-	-	-	**99,949**	**99,949**	**(7,932)**	**92,017**
	including: Profit arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	121,551	121,551	-	121,551
24	Remeasurement of provision for post-employment benefits	-	-	-	68,226	68,226	200	68,426
	Share of other comprehensive income of associates and joint ventures	-	-	-	2,989	2,989	-	2,989
	Translation differences	-	-	-	(50,503)	(50,503)	(8,142)	(58,645)
	(Loss) gain from hedging operations, net of tax	-	-	-	(42,314)	(42,314)	10	(42,304)
	Comprehensive income for the year	-	-	-	**2,193,020**	**2,193,020**	**58,083**	**2,251,103**
	Change in non-controlling interest in subsidiaries	-	-	-	6,258	6,258	16,879	23,137
	Return of social assets to the balance of governmental authorities	-	-	-	(13)	(13)	-	(13)
	Dividends declared	-	-	-	(296,740)	(296,740)	(26,691)	(323,431)
26	Perpetual notes transactions	-	-	117,574	(6,523)	111,051	-	111,051
	Balance as of 31 December 2021	**325,194**	**(331)**	**313,190**	**15,613,466**	**16,251,519**	**615,060**	**16,866,579**
	Profit for the year	-	-	-	**1,225,807**	**1,225,807**	**85,838**	**1,311,645**
	Other comprehensive loss – total,	-	-	-	**(366,816)**	**(366,816)**	**(14,356)**	**(381,172)**
	including: Loss arising from changes in fair value of financial assets measured at fair value through other comprehensive income, net of tax	-	-	-	(162,242)	(162,242)	(56)	(162,298)
24	Remeasurement of provision for post-employment benefits	-	-	-	(23,175)	(23,175)	56	(23,119)
	Share of other comprehensive loss of associates and joint ventures	-	-	-	(1,044)	(1,044)	-	(1,044)
	Translation differences	-	-	-	(163,645)	(163,645)	(14,359)	(178,004)
	(Loss) gain from hedging operations, net of tax	-	-	-	(16,710)	(16,710)	3	(16,707)
	Comprehensive income for the year	-	-	-	**858,991**	**858,991**	**71,482**	**930,473**
	Change in non-controlling interest in subsidiaries	-	-	-	439	439	35,226	35,665
	Disposal of subsidiaries and joint operations	-	-	-	(134,138)	(134,138)	-	(134,138)
	Return of social assets to the balance of governmental authorities	-	-	-	(21)	(21)	-	(21)
	Dividends declared	-	-	-	(1,206,516)	(1,206,516)	(25,620)	(1,232,136)
	Treasury shares transactions	-	-	-	83	83	-	83
26	Perpetual notes transactions	-	-	(14,366)	(6,294)	(20,660)	-	(20,660)
	Balance as of 31 December 2022	**325,194**	**(331)**	**298,824**	**15,126,010**	**15,749,697**	**696,148**	**16,445,845**

A.B. Miller
Chairman of the Management Committee
24 April 2023

M.N. Rosseev
Chief Accountant
24 April 2023

The accompanying notes on pages 12 to 65 are an integral part of these consolidated financial statements.

1 General Information

Public Joint Stock Company Gazprom (PJSC Gazprom) and its subsidiaries (the "Group" or "Gazprom Group") operate one of the largest gas pipeline systems in the world, and provide for the major part of natural gas production and its transportation by high-pressure pipelines in the Russian Federation. The Group is engaged in oil production, oil refining, electric and heat energy generation. The Russian Federation is the ultimate controlling party and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

The Group is involved in the following activities:

- exploration and production of gas;
- transportation of gas;
- sales of gas within the Russian Federation and abroad;
- gas storage;
- production of crude oil and gas condensate;
- processing of oil, gas condensate and other hydrocarbons and sales of refined products;
- electric and heat energy generation and sales.

2 Economic Environment in the Russian Federation

The economy of the Russian Federation displays certain characteristics of an emerging market. Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations and causes additional challenges for companies operating in the Russian Federation.

The political and economic instability, the situation in Ukraine, the current situation with sanctions, uncertainty and volatility of financial and trade markets and other risks have had and may continue to have effects on the Russian economy.

The official Russian Ruble ("RUB") to US Dollar ("USD") exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 December 2022 – 70.3375;
- as of 31 December 2021 – 74.2926 (as of 31 December 2020 – 73.8757).

The official RUB to Euro ("EUR") exchange rate as determined by the Central Bank of the Russian Federation was as follows:

- as of 31 December 2022 – 75.6553;
- as of 31 December 2021 – 84.0695 (as of 31 December 2020 – 90.6824).

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the Government of the Russian Federation to sustain growth and to change the tax, legal and regulatory frameworks. The management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. The future economic situation and the regulatory environment and their impact on the Group's operations may differ from management's current expectations.

In 2022, the United States of America, the European Union and some other countries imposed additional sanctions against the Russian Federation (see Note 35). These circumstances have led to the volatility of financial markets, as well as significantly increased the level of economic uncertainty in the conditions of activity in the Russian Federation. At the moment, the Group's management is analyzing the current economic conditions and their possible impact on the Group's activities. At the time of signing this consolidated financial information, according to the estimates of the Group's management, the described circumstances do not call into question the continuity of the Group's activities.

3 Basis of Presentation

These consolidated financial statements are prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards and Interpretations issued by the International Accounting Standards Board and effective in the reporting period.

The consolidated financial statements of the Group are prepared under the historical cost convention except for certain financial assets and liabilities presented at the fair value (see Note 37). The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies

3 Basis of Presentation (continued)

have been consistently applied to all the periods presented in these consolidated financial statements, unless otherwise stated.

4 Scope of Consolidation

As described in Note 5, the consolidated financial statements include consolidated subsidiaries, associates, joint ventures and operations of the Group.

During 2022 the Group disposed of several subsidiaries and joint operations that had impact on the dynamics of indicators of the consolidated financial statements. There were no significant changes in the Group's structure in 2021.

5 Summary of Significant Accounting Policies

The significant accounting policies followed by the Group are set out below.

5.1 Consolidation of Subsidiaries, Associates and Joint Arrangements

Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has substantive rights over the investee. Protective rights of other investors, such as those that relate to making fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date when control over their operations is transferred to the Group (the acquisition date) and are deconsolidated from the date on which control ceases.

All inter-company transactions, balances and unrealised gain and losses on transactions between companies of the Group have been eliminated. Separate disclosure is made for non-controlling interests.

The acquisition method of accounting is used to account for the acquisition of subsidiaries, including entities under common control. The costs of an acquisition are measured at the fair value of the assets transferred, shares issued and liabilities incurred or assumed at the date of acquisition. Acquisition-related costs are expensed as incurred. The acquisition date is a date when a business combination is achieved, and when a business combination is achieved in stages the acquisition date is a date of each equity interest purchase.

An acquirer should recognise at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability which relate to measurement period adjustments are adjusted against goodwill. Changes which arise due to events occurring after the acquisition date will be recognised in accordance with other applicable IFRSs, rather than by adjusting goodwill.

Goodwill and Non-Controlling Interest

The excess of the consideration transferred, the amount of any non-controlling interest and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share in the identifiable net assets acquired is recorded as goodwill. If actual cost of acquisition is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the consolidated statement of comprehensive income. Goodwill is tested annually for impairment as well as when there are indications of impairment. For the purpose of impairment testing goodwill is allocated to a cash-generating unit or a group of cash-generating units.

A non-controlling interest represents that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly, through subsidiaries, by the parent. The Group treats transactions with non-controlling interest as transactions with equity owners of the Group. In accordance with IFRS 3 Business Combinations, the acquirer recognises the acquiree's identifiable assets, liabilities and contingent liabilities that satisfy the recognition criteria at their fair value at the acquisition date, and any non-controlling interest in the acquiree is stated at the non-controlling interest in the net fair value of those items.

5 Summary of Significant Accounting Policies (continued)

Joint Arrangements

Joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligation for the liabilities, relating to the arrangement. Where the Group acts as a joint operator, the Group recognises in relation to its interest in a joint operation: its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output of the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets. With regards to joint arrangements, where the Group acts as a joint venture participant, the Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method.

Associates

Associates are entities over which the Group has significant influence and that are neither a subsidiary nor an interest in a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. Associates are accounted for using the equity method. The Group's share of its associates' post-acquisition profit or loss is recognised in the consolidated statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless there is an evidence of the impairment of the asset transferred.

The Group's interest in each associate is carried in the consolidated balance sheet in the amount that reflects cost of acquisition, including the goodwill at the acquisition date, the Group's share of profit or loss and its share of post-acquisition movements in reserves recognised in equity. Corresponding allowances are recorded for any impairment in value of such investments.

Recognition of losses under the equity method is discontinued when the carrying amount of the investment in the associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

5.2 Financial Instruments

5.2.1 Classification and Measurement of Financial Assets

The Group classifies financial assets into three measurement categories: those measured subsequently at amortised cost, those measured subsequently at fair value with changes recognised in other comprehensive income, and those measured subsequently at fair value with changes recognised in profit or loss.

Financial Assets Measured Subsequently at Amortised Cost

Such category of financial assets includes assets held to obtain contractual cash flows and it is expected that they will result in cash flows being solely payments of principal and interest.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of difference between that initial amount and the maturity amount and, for financial assets, adjusted for any allowance for expected credit losses.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or to the amortised cost of the financial liability. When calculating the effective interest rate, the Group estimates expected cash flows considering all contractual terms of the financial instrument but does not consider expected credit losses. The calculation includes all fees and amounts paid or received between parties of the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating and recognising the interest income or interest expense in profit or loss over the relevant period.

5 Summary of Significant Accounting Policies (continued)

This category of financial assets of the Group mainly includes cash and cash equivalents, restricted cash, deposits, accounts receivable, including loans receivable.

Cash and Cash Equivalents and Restricted Cash

Cash comprises cash on hand and bank balances. Cash equivalents comprise short-term financial assets which are readily convertible to cash and have an original maturity of three months or less. Restricted cash includes cash and cash equivalents which are not to be used for any purposes other than those specified in the terms of the financing and other agreements or under banking regulations. Restricted cash are excluded from cash and cash equivalents in the consolidated statement of cash flows.

Accounts Receivable

Accounts receivable, including loans receivable, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Accounts receivable are carried at amortised cost using the effective interest method.

Financial Assets Measured Subsequently at Fair Value with Changes Recognised Through Other Comprehensive Income

Such category of financial assets includes debt-type assets held within business models whose objective is achieved by both collecting contractual cash flows and selling financial assets and it is expected that they will result in cash flows being solely payments of principal and interest.

Gain or loss associated with this category of financial assets are recognised in other comprehensive income, except for impairment gain or loss, interest income and foreign exchange gain and loss, which are recognised in profit or loss. When a financial asset is disposed of, cumulative gains or losses that have been previously recognised in other comprehensive income are reclassified from equity to profit or loss in the consolidated statement of comprehensive income. Interest income from these financial assets is calculated using the effective interest method and included in financial income.

The Group’s management can make an irrevocable decision to recognise changes in the fair value of equity instruments in other comprehensive income if the instrument is not held for trading. The Group’s management has made a decision to recognise changes in the fair value of the majority of equity instruments in other comprehensive income as such instruments are considered to be long-term strategic investments which are not expected to be sold in the short and medium term. Other comprehensive income or loss from changes in the fair value of such instruments shall not be subsequently reclassified to profit or loss in the consolidated statement of comprehensive income.

This category of financial assets of the Group mainly includes equity instruments for which the Group has made a decision to recognise changes in fair value in other comprehensive income and derivative financial instruments recognised as hedging instruments.

Financial Assets Measured Subsequently at Fair Value with Changes Recognised Through Profit or Loss

Financial assets that do not meet the criteria of recognition as financial assets measured at amortised cost or measured at fair value through other comprehensive income are measured at fair value through profit or loss.

Such financial assets of the Group mainly include derivative financial instruments and financial instruments held for trading, as well as some equity instruments for which the Group has not made a decision to recognise changes in their fair value in other comprehensive income.

Impairment of Financial Assets

The Group applies the expected credit losses model to financial assets measured at amortised cost and at fair value through other comprehensive income, except for investments in equity instruments, sublease receivables and to contract assets resulted from transactions that are within the scope of IFRS 15 Revenue from Contracts with Customers.

The allowance for expected credit losses for a financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on that financial asset has increased significantly since initial recognition.

At each balance sheet date the Group assesses whether there is objective evidence of a significant increase in credit risk for a financial asset or a group of financial assets. If, at the reporting date, the credit risk on a financial asset has not increased significantly since initial recognition, the allowance for expected credit losses for financial asset is measured at an amount equal to 12-month expected credit losses.

5 Summary of Significant Accounting Policies (continued)

For trade accounts receivable, sublease receivables and contract assets, whether they contain a significant financing component or not, measurement based on lifetime expected credit losses is applied.

The accrual (reversal) of the allowance for expected credit losses for financial assets is recognised in the consolidated statement of comprehensive income within impairment loss (reversal of impairment loss) on financial assets.

5.2.2 Classification and Measurement of Financial Liabilities

The Group classifies all financial liabilities as measured subsequently at amortised cost, except for:

- financial liabilities measured at fair value through profit or loss;
- financial guarantee contracts;
- contingent consideration recognised in a business combination for which IFRS 3 Business Combinations is applied. Such contingent consideration is measured subsequently at fair value with changes recognised in profit or loss.

Financial liabilities of the Group measured at amortised cost mainly include borrowings and accounts payable.

Financial liabilities of the Group measured at fair value through profit or loss mainly include derivative financial instruments not recognised as hedging instruments. The Group does not choose to classify any financial liabilities as measured at fair value through profit or loss.

Borrowings

Borrowings are recognised initially at fair value of the proceeds which is determined using the prevailing market rate of interest for a similar instrument in case of significant difference from the interest rate of the borrowing, net of transaction costs incurred. In subsequent periods, borrowings are recognised at amortised cost, using the effective interest method; the difference between the fair value of the proceeds (net of transaction costs) and the redemption amount is recognised as interest expense over the period of the borrowings.

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at fair value. After initial recognition financial guarantee contracts are measured at the higher of the allowance for expected credit losses and the amount initially recognised less total income recognised in accordance with IFRS 15 Revenue from Contracts with Customers.

Financial guarantee contracts of the Group mainly include guarantees issued and independent guarantees provided.

5.2.3 Derivative Financial Instruments

The Group uses a variety of derivative financial instruments, including forward and foreign currency, commodities and securities option contracts. The derivative financial instruments are recognised in the consolidated financial statements at fair value. A gain or a loss from a change in the fair value of the derivative financial instruments is recognised in profit or loss of the consolidated statement of comprehensive income in the period in which it occured.

The fair value of the derivative financial instruments is determined using market information and valuation techniques based on prevailing market interest rates for similar financial instruments.

As part of its activities, the Group enters into contracts to buy / sell gas, electric power and other commodities at the European liquid trading platforms. This activity provides for a large number of buy / sell transactions completed within short periods, which, coupled with the Group's transportation and storage capacities, aims to generate profit.

5 Summary of Significant Accounting Policies (continued)

Some of these contracts can be settled net in accordance with IFRS 9 Financial Instruments, because a contract to buy / sell a commodity is settled within a short period for the purpose of generating profit from short-term fluctuations in price or dealer's margin. Such contracts are, therefore, concluded not for the purpose of the receipt or delivery of a non-financial asset in accordance with the Group's expected purchase, sale or usage requirements. Consequently, such contracts to buy or sell a non-financial item are regulated by IFRS 9 Financial Instruments and are recognised as derivative financial instruments at fair value, with changes in fair value recognised in "Gain (loss) on derivative financial instruments" within operating expenses of the consolidated statement of comprehensive income.

5.2.4 Hedge Accounting

For derivative financial instruments recognised as hedging instruments, the Group applies hedge accounting in accordance with the requirements of IFRS 9 Financial Instruments. The Group applies the cash flow hedge to manage variability in cash flows that results from fluctuations in foreign exchange rates attributable to highly probable forecast transactions.

A qualifying hedging instrument is designated in its entirety as a hedging instrument.

The effective portion of fair value changes of hedging instrument is recognised in other comprehensive income. Gain or loss related to the ineffective portion of changes in the fair value of the hedging instrument is immediately transferred to profit or loss.

The effective portion of hedging is reclassified from equity to profit or loss as a reclassification adjustment in the same period during which the hedged expected future cash flows affect profit or loss. However, if full or a portion of that amount is not expected to be recovered in one or more future periods, the amount that is not expected to be recovered is immediately reclassified into profit or loss as a reclassification adjustment.

If the hedging instrument expires or is sold or the instrument no longer meets the criteria for hedge accounting, the cumulative gains and losses that have been recognised in equity remain in equity until the forecast transaction occurs. If the forecast transaction on hedging instrument is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in equity is immediately reclassified to profit or loss.

The fair value of the hedge instruments is determined at the end of each reporting period with reference to the value, which is typically determined by the credit institutions.

5.3 Fair Value

Fair value is a price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of accounts receivable in the consolidated financial statements is measured by discounting the value of future cash flows at the current market rate of interest used for similar instruments at the reporting date.

The fair value of financial liabilities and other financial instruments (except for publicly quoted) in the consolidated financial statements is measured by discounting the future contractual cash flows at the current market interest rate available to the Group to make borrowings for similar financial instruments.

The fair value of publicly quoted financial instruments in the consolidated financial statements is measured based on quoted market closing prices at the date nearest to the reporting date.

5.4 Value Added Tax

In the Russian Federation the value added tax ("VAT") is payable on the difference between output VAT on sales of goods (works, services) and recoverable input VAT charged by suppliers of goods (works, services). Starting from 1 January 2019 the VAT rate changed from 18 % to 20 %. The output VAT tax base is determined on the earliest of the following dates: either the date of the shipment of goods (works, services) or the date of payment or advance payment received for future supplies of goods (works, services). Input VAT is recovered when purchased goods (works, services) are accounted for and other necessary VAT recovery requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to a 0 % VAT rate upon the submission of confirmation documents required by the current tax legislation to the tax authorities. Input VAT related to operations that are subject to a 0 % VAT rate is recoverable. A limited list of goods, works and services are exempted from VAT. Input VAT related to supply of goods, works and services, which are non-taxable by VAT, generally is not recoverable and is included in the value of acquired goods, works and services.

5 Summary of Significant Accounting Policies (continued)

Deductible VAT related to purchases of goods (works, services) (input VAT) and also VAT overpayments (recoverable VAT) are recognised in the consolidated balance sheet within current assets, while VAT payable to the state budget is disclosed separately as a current liability. VAT presented within other non-current assets relates to assets under construction and is expected to be recovered more than 12 months after the balance sheet date.

5.5 Mineral Extraction Tax

Mineral extraction tax ("MET") applied to the extraction of hydrocarbons, including natural fuel gas, gas condensate and oil, is accrued in proportion to the volume of extracted minerals.

MET is included in operating expenses.

5.6 Customs Duties

The export of hydrocarbons, including natural gas and crude oil, outside of the Customs union countries, which includes the Russian Federation, the Republic of Belarus and the Republic of Kazakhstan, is subject to export customs duties. According to Resolution of the Government of the Russian Federation dated 27 November 2021 No.2068 "On the rates of export customs duties on goods exported from the Russian Federation outside the customs territory of the Eurasian Economic Union" export of natural gas outside the boundaries of the Customs union is subject to a fixed 30 % export customs duty rate levied on the customs value of the exported natural gas.

Pertaining to the sales of oil and oil products to countries outside the Customs union according to Federal Law dated 3 December 2012 No.239-FZ "On amendments to the Law of the Russian Federation "On Customs Tariff", starting from 1 April 2013 under Resolution of the Government of the Russian Federation dated 29 March 2013 No.276 "On the calculation of export customs duty rates for crude oil and certain categories of goods produced from oil, and the invalidation of certain decisions of the Government of the Russian Federation" the export customs duty calculation methodology for crude oil and oil products was established based on which the Ministry of Economic Development of the Russian Federation determines export customs duty rates for the following calendar month.

Sales are recognised net of the amount of customs duties.

5.7 Excise Tax

Effective from 1 January 2015, natural gas is subject to a 30 % excise tax rate, if provided by international treaties of the Russian Federation. Thus, at the present moment excisable oil products include gasoline, motor oil, diesel fuel and natural gas, while oil and gas condensate do not apply to excisable goods.

Within the Group's activities, excise tax is imposed on the transfers of excisable refined oil products produced at the Group's refineries from customer-supplied raw materials to the Group companies owning the raw materials. The Group considers the excise tax on refined oil products produced from customer-supplied raw materials as operating expenses. These taxes are not netted with sales of refined oil products presented in the consolidated statement of comprehensive income.

5.8 Inventories

Inventories are valued at the lower of net realisable value and cost. Cost of inventory is determined on the weighted average basis. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less selling expenses and production completion costs.

5.9 Property, Plant and Equipment

Property, plant and equipment are carried at historical cost of acquisition or construction after deduction of accumulated depreciation and accumulated impairment. Gas and oil exploration and production activities are accounted for in accordance with the successful efforts method ("successful exploratory wells"). Under the successful efforts method, costs of successful development and exploratory wells are capitalised. Costs of unsuccessful exploratory wells are expensed as they are recognised unproductive. Other exploration costs are expensed as incurred. Exploration costs are classified as research and development expenses within operating expenses.

(in millions of Russian Rubles)

5 Summary of Significant Accounting Policies (continued)

Major renewals and improvements are capitalised. Maintenance, repairs and minor renewals are expensed as incurred. Minor renewals include all expenditures that do not result in a technical enhancement of the asset beyond its original capability. Gain or loss arising from the disposal of property, plant and equipment is included within the profit or loss in the consolidated statement of comprehensive income as incurred.

Property, plant and equipment include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

Borrowing costs are capitalised as part of the cost of assets under construction during the period of time that is required to construct and prepare the asset for its intended use. To the extent that funds are borrowed for general purposes and used for obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by the Group by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Foreign exchange rate differences to the extent that they are regarded as an adjustment of interest costs are included in the borrowing costs eligible for capitalisation.

Depreciation of acquired production licenses is calculated using the units-of-production method for each field based upon proved reserves. Oil and gas reserves for this purpose are generally determined in accordance with the guidelines set by Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers, the World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, and were estimated by independent engineers.

Depreciation of property, plant and equipment (other than production licenses) is calculated using the straight-line method over their estimated remaining useful lives, as follows:

	Years
Pipelines	25-40
Wells	15-54
Machinery and equipment	1.5-40
Buildings and roads	7-100
Social assets	10-40

Depreciation on wells has been calculated on cost using the straight line method rather than on the unit-of-production method, as it is the more generally accepted international industry practice. The difference between straight line and units-of-production methods is not material for these consolidated financial statements. Assets under construction are not depreciated until they are placed in service.

The return to a governmental authority of state social assets (such as rest houses, housing, schools and medical facilities) retained by the Group at privatisation is recorded in the consolidated financial statements only upon the termination of responsibilities of operational management of such assets. The Group does not possess ownership rights for the assets, but records them on its consolidated balance sheet up to the return to a governmental authority because the Group controls the future benefits which are expected to flow from the use of the assets and bears all associated operational and custody risks. Disposals of these assets are considered to be shareholders transactions because they represent a return of assets for the benefit of governmental authorities, as contemplated in the original privatisation arrangements. Consequently, such disposals are accounted for as a reduction directly in equity.

5.10 Impairment of Non-Financial Assets

At each balance sheet date, management assesses whether there is any indication that the recoverable value of the assets has declined below the carrying value. When such a decline is identified, the carrying amount is reduced to the estimated recoverable amount which is the higher of fair value less costs to sell and value in use.

For the impairment test the Group's assets are grouped into cash-generating units (“CGU”) and their recoverable amount has been determined as value in use. Value in use of assets in each unit has been calculated by the Group as the present value of forecasted cash flows discounted using the rate derived from the weighted average cost of capital of the Group, as adjusted, where applicable, to take into account any specific risks of business operations associated with the respective assets.

Goodwill acquired in a business combination is assessed for the recoverability of its carrying value annually irrespective of whether there are any indications that impairment exists at the balance sheet date. Goodwill is allocated to cash-generating unit. In assessing whether goodwill has been impaired, the carrying amount of the cash-generating unit, including goodwill, is compared with its recoverable amount.

5 Summary of Significant Accounting Policies (continued)

The amount of the reduction of the recoverable amount of assets below the carrying value is recorded within the profit or loss of the consolidated statement of comprehensive income in the period in which the reduction is identified. Impairment allowances, except for those relating to goodwill, are reversed with recognition of respective gain as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Impairment losses recognised for goodwill are not reversed in subsequent reporting periods.

5.11 Deferred Tax

Deferred tax assets and liabilities are calculated in respect of temporary differences using the balance sheet method. Deferred tax assets and liabilities are recorded in the consolidated financial statements for all temporary differences arising between the tax basis of assets and liabilities and their carrying value included in the consolidated financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised or to the extent that the assets can be set off against existing deferred tax liabilities. Deferred tax assets and liabilities are measured at tax rates that are expected to apply in the period when the assets are realised or the liabilities are settled, based on tax rates that have been enacted or enactment of which in the foreseeable future was reliably known as of the reporting date.

Deferred tax liabilities are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, except when it is possible to control the timing of the decrease in the temporary differences and when it is probable that the temporary differences will not decrease in the foreseeable future.

Deferred tax assets are recognised for all temporary differences associated with investments in subsidiaries and associates, as well as joint arrangements, to the extent that it is probable that the temporary difference will be reduced in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

5.12 Foreign Currency Transactions

Items included in the financial statements of each of the Group's subsidiaries are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in the Russian Rubles, which are the presentation currency of the Group's consolidated financial statements.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the official foreign exchange rates at the reporting date. Foreign currency transactions are accounted for at the foreign exchange rate prevailing at the date of the transaction. Gain or loss resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies into functional currency at the reporting date is recognised as foreign exchange gain or loss within the profit or loss of the consolidated statement of comprehensive income.

The balance sheets of foreign subsidiaries, associates and joint arrangements are translated into the Russian Rubles at the official foreign exchange rates at the reporting date. Statements of comprehensive income of these entities are translated at average foreign exchange rates for quarter. Foreign exchange rate differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements are recognised as translation differences and recorded directly in equity.

There are currency control rules relating to conversion of the Russian Rubles into other currencies. The Russian Ruble is not freely convertible currency in most countries outside of the Russian Federation.

5.13 Provisions

Provisions, including the provision for post-employment benefits and the provision for decommissioning and site restoration costs, are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the monetary value of the obligation. As obligations are determined, they are recognised immediately based on the present value of the expected future cash flows required to settle the obligations. Costs of dismantling the property, plant and equipment and site restoration are capitalised as property, plant and equipment.

5 Summary of Significant Accounting Policies (continued)

5.14 Equity

Treasury Shares

The cost of acquisition of the shares of PJSC Gazprom by the Group's entities, including any attributable transaction costs is deducted from total equity until they are re-sold. When such shares are subsequently sold, any consideration received net of profit tax is included in equity. Treasury shares are recorded at weighted average cost. Gain (loss) arising from treasury shares transactions is recognised in the consolidated statement of changes in equity, net of associated costs including tax payments.

Dividends

Dividends are recognised as liabilities and deducted from equity in the period when they are recommended by the Board of Directors and approved at the General Meeting of Shareholders.

Perpetual notes

Russian Ruble perpetual callable notes and foreign currency perpetual callable loan participation notes issued by the Group are reported as an equity instrument within equity provided that the notes have no stated maturity and the Group, acting in its sole discretion, may, at any time and on any number of occasions, decide to postpone interest payments or decide to refuse to pay interest. The par value of foreign currency perpetual notes is recognised in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition.

The issuer may decide to postpone interest payments on the foreign currency perpetual callable loan participation notes. To reflect the best estimate of the rights of perpetual notes holders and a potential cash outflow, the Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings and other reserves item and increasing the perpetual notes item at the interest rate effective for the current interest period until an interest payment liability arises. Interest on foreign currency perpetual callable loan participation notes is accrued in the consolidated statement of changes in equity at the official exchange rate as at the date of initial recognition. A liability to pay interest on foreign currency perpetual callable loan participation notes is recognised in the consolidated balance sheet at the official exchange rate as at the date when an interest payment obligation arises.

To reflect the best estimate of the rights of foreign currency perpetual callable loan participation notes holders and a potential cash outflow, the par value of foreign currency perpetual notes and interest recognised in equity are translated into Russian Rubles as at the reporting date and as at the date of their transfer to liabilities at the official exchange rate. Gain or loss from translating the par value of foreign currency perpetual notes and interest into Russian Rubles is reported within perpetual notes and retained earnings and other reserves in the consolidated statement of changes in equity.

The issuer may decide to refuse to pay interest on the Russian Ruble perpetual callable notes. The Group accrues interest in the consolidated statement of changes in equity by decreasing the retained earnings and other reserves item as at the date when an interest payment obligation arises.

Costs associated with the issuance of perpetual notes and the tax effect of transactions related to perpetual notes and recognised in equity (except for the tax effect of transactions related to interest) are reported within retained earnings and other reserves in the consolidated statement of changes in equity. The tax effect of interest accrual is reported within profit or loss in the consolidated statement of comprehensive income, as defined by IAS 12 Income Taxes.

5.15 Revenue Recognition

Revenue from contracts with customers is measured at the fair value of the consideration received or receivable. Revenue is recognised when (or as) the entity satisfies a performance obligation by transfer of the promised good or service (i.e. the asset) to the customer. The asset is transferred when (or as) the customer obtains control over such an asset. The moment of control transfer varies depending on the terms of the contract with customer.

Sales of gas, refined products, crude oil and gas condensate and electric and heat energy are recognised for financial reporting purposes when products are delivered to customers and the title passes and are stated in the consolidated financial statements net of VAT and other similar compulsory payments. Gas transportation sales are recognised when gas transportation services are provided, as evidenced by delivery of gas in accordance with the contract.

5 Summary of Significant Accounting Policies (continued)

Prices of natural gas and tariffs for transportation of gas to final consumers in the Russian Federation are regulated by the Federal Antimonopoly Service ("FAS"). Prices for gas sold to European countries are mainly calculated by formulas based on the number of oil product prices, in accordance with the terms of long-term contracts. Prices for gas exported to countries of the former Soviet Union are defined in various ways, including using formulas similar to those used in contracts with European customers.

Net Gain (Loss) From Trading Activity

Contracts to buy or sell commodities at the European liquid trading platforms, where gas, electric power and other commodities are traded, entered into at the European liquid trading platforms for the purpose of generating profit from short-term fluctuations in price rather than out of the Group's expected purchase, sale or usage requirements are recognised at fair value. These contracts are considered as derivative financial instruments and regulated by IFRS 9 Financial Instruments. Income and expenses which arise at the moment of contract fulfilment are recognised on a net basis in profit or loss in the line "Net gain (loss) from trading activity" of the consolidated statement of comprehensive income.

5.16 Interest

Interest income and expense are recognised in profit or loss of the consolidated statement of comprehensive income for all interest-bearing financial instruments on an accrual basis using the effective interest method. Interest income includes nominal interest and accrued discount and premiums. If the collection of loans issued becomes doubtful, they are written down to their recoverable amounts (using the original effective rate) and interest income is thereafter recognised based on the same effective rate of interest.

5.17 Research and Development

Research expenditures are recognised as operating expenses as incurred. Development expenditures are recognised as intangible assets (within other non-current assets) if only future economic benefits are expected to flow from such expenditures. Other development expenditures are recognised as operating expenses as incurred. However, development expenditures previously recognised as expenses are not capitalised in subsequent periods, even if the asset recognition criteria are subsequently met.

5.18 Employee Benefits

Pension and Other Post-Employment Benefits

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Pension benefits are provided to the majority of the Group's employees. The costs of providing pension benefits are recognised using the projected unit credit method. The costs of providing pension benefits are accrued and recognised in operating expenses in the consolidated statement of comprehensive income within staff costs with the simultaneous recognition of a provision for post-employment benefits to allocate regular expenses over the service lives of employees.

The provision for post-employment benefits is measured at the present value of the projected cash outflows using interest rates applied to government securities, which have the term to maturity approximately corresponding to the term of maturity of the related provision.

Actuarial gains and losses on pension plan assets and liabilities arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they occur (see Note 24).

Past service cost is recognised immediately in profit or loss in the consolidated statement of comprehensive income when it occurs for the period of a pension plan amendment.

Interest income or expense on the net liability (asset) of the plan and liability for other post-employment benefits is recognized on a net basis as finance income or expense in profit or loss of the consolidated statement of comprehensive income.

Plan assets are measured at fair value and subject to certain limitations (see Note 24). Fair value of pension plan assets is based on market quotes. When no pension plan assets' market price is available, the fair value of assets is estimated by different valuation techniques, including the use of discounted expected cash flows calculated using a discount rate that reflects both the risk associated with the pension plan assets and maturity or expected disposal date of these assets.

5 Summary of Significant Accounting Policies (continued)

In the normal course of business the Group pays contributions to the Pension Fund of the Russian Federation on behalf of its employees. Mandatory contributions to the state pension fund, which are recorded as a defined contribution plan, are recognised within staff costs in operating expenses in the consolidated statement of comprehensive income as incurred. The costs of providing other discretionary pension benefits (including constructive obligations) are accrued and recognised in profit or loss in the consolidated statement of comprehensive income to allocate regular expenses over the average remaining service lives of employees.

Social Expenses

The Group incurs expenses for the social needs of employees, in particular, related to the provision of medical services and maintenance of social infrastructure facilities. These amounts represent inherent costs associated with the employment of production personnel and, accordingly, are charged to operating expenses in the consolidated statement of comprehensive income.

5.19 Lease Contracts

At inception of a contract the Group estimates whether the contract contains a lease. A contract contains a lease if it contains enforceable rights and obligations under which the right to control the use of an identified asset is conveyed for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the commencement date – the date when the asset is available for use by the lessee.

Liabilities arising from a lease are initially measured at the present value of the lease payments that are not paid at that date. Lease liabilities include the value of the following payments:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate initially measured using the index or rate as of the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option;
- penalties for early terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The Group applies a practical expedient to the contracts with fixed payments which include a service component and accounts for each lease component and associated non-lease components as a single lease component for all the classes of underlying assets except for vessels. The Group recognises a service component for vessel lease contracts as current period expenses if the share of such non-lease payments can be reliably determined.

The lease payments are discounted using interest rate implicit in the lease, if that rate can be readily determined, and, if not - the Group's incremental borrowing rate being the rate that as of the commencement date the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs;
- an estimate of costs of dismantling and removing the underlying asset, restoring the site on which it is located or the underlying asset.

The Group does not recognise a right-of-use asset and a lease liability for short-term leases, the term of which does not exceed 12 months taking into account the probability of exercising the option to extend the lease (if available), and for leased assets of low value.

A right-of-use asset is depreciated on a straight-line basis from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful life of a right-of-use asset is determined on the same basis as of the fixed asset. In addition, the value of a right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

5 Summary of Significant Accounting Policies (continued)

5.20 Insurance Contracts

Insurance Contracts

Insurance contracts are defined as contracts that transfer to the Group (the insurer) significant insurance risk from another party (the policyholder) with the insurer agreeing to compensate the policyholder if an uncertain future event (the insured event) adversely affects the policyholder. As a rule, the Group assesses the significance of insurance risk by comparing monetary amounts payable if the insured event occurs and if it does not occur. Insurance contracts are accounted for under IFRS 4 Insurance Contracts. If a contract has been classified as an insurance contract, it remains classified as such until it expires, even if insurance risk decreases significantly during that period.

Deferred Acquisition Costs

All direct acquisition costs incurred during the financial period associated with the origination of new insurance contracts, other than life insurance contracts, and the renewal of existing contracts but related to subsequent financial periods are capitalised at the amount recoverable out of future income. All other acquisition costs are recognised as expenses when incurred.

Deferred acquisition costs are amortised on a straight-line basis over the contract term. Amortisation is recognised as an expense in the consolidated statement of comprehensive income.

As a result of an impairment test conducted as of each reporting date, the carrying value of deferred acquisition costs is written down to their recoverable value. Deferred acquisition costs are also accounted for when liabilities are tested for completeness as of each reporting date.

Deferred acquisition costs are derecognised when the related insurance contract is settled or terminated.

Provisions Under Insurance Contracts

Provisions under insurance contracts are based on the estimated total amount of all claims incurred but not handled as of the reporting date irrespective of whether they have been reported, as well as claims handling costs less the estimated cost of selling the insured property and other proceeds. A significant period of time may pass between the dates of a notification of claim and the date of extinguishment, so the total amount of claims cannot be determined reliably as of the reporting date.

Application of Amendments to Standards

The following amendments to current standards became effective beginning on 1 January 2022:

- The amendments to IFRS 9 Financial Instruments (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments clarify which fees should be included when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- The amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments specify which costs are included in determining the cost of fulfilling a contract for assessing whether the contract is onerous.
- The amendments to IAS 16 Property, Plant and Equipment (issued in May 2020 and effective for annual reporting periods beginning on or after 1 January 2022). The amendments prohibit deducting from the cost of property, plant and equipment amounts received from selling items produced while the asset is preparing for its intended use. Instead, such sales proceeds and related cost are recognised in profit or loss.

The Group reviewed these amendments to standards while preparing the consolidated financial information. The amendments to standards have had no significant impact on the Group’s consolidated financial information.

5 Summary of Significant Accounting Policies (continued)

The Standard and Amendments to Existing Standards that are not yet Effective and have not been Early Adopted by the Group

New standard and certain amendments to standards are mandatory for the annual periods beginning on or after 1 January 2023. In particular, the Group has not early adopted the following standard and amendments to standards:

- IFRS 17 Insurance contracts (issued in May 2017 and amended in June 2020 and in December 2021, effective for annual reporting periods beginning on or after 1 January 2023) replaces IFRS 4 Insurance Contracts and establishes a single framework for the accounting for insurance contracts and contains requirements for related disclosures.
- The amendments to IAS 1 Presentation of Financial Statements (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how the concept of materiality could be applied in making decisions about the disclosure of accounting policies.
- The amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (issued in February 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify how distinguish changes in accounting estimates from changes in accounting policies.
- The amendments to IAS 12 Income Taxes (issued in May 2021 and effective for annual reporting periods beginning on or after 1 January 2023). The amendments clarify that the recognition exemption does not apply to transactions in which equal deductible and taxable temporary differences arise on initial recognition.
- The amendments to IAS 1 Presentation of Financial Statements (issued in January 2020 and effective for annual reporting periods beginning on or after 1 January 2024). The amendments clarify the criteria for classifying obligations as short-term or long-term.
- The amendments to IAS 1 Presentation of Financial Statements (issued in October 2022 and effective for annual reporting periods beginning on or after 1 January 2024). The amendments clarify the criteria for classifying obligations with covenants as short-term or long-term and contain requirements for related disclosures.
- The amendments to IFRS 16 Lease (issued in September 2022 and effective for annual reporting periods beginning on or after 1 January 2024). The amendments clarify the procedure for the subsequent valuation of assets and liabilities for sale and leaseback transactions.

The Group is currently assessing the impact of these amendments on its financial position and performance.

6 Critical Judgements and Estimates in Applying Accounting Policies

The preparation of consolidated financial statements requires management to make estimates and assumptions that may affect the reported amount of assets and liabilities as well as information in notes to the consolidated financial statements. Management also makes certain judgements in the process of applying the accounting policies. These estimates and judgements are continually analysed based on historical experience and other information, including forecasts and expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from specified estimates, and management's estimates can be revised in the future, either negatively or positively, depending upon the outcome of changes in expectations based on the facts surrounding each estimate.

Judgements that may have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause significant adjustments to the carrying amount of assets and liabilities within the next financial year are reported below.

6.1 Consolidation of Subsidiaries

Management's judgements are involved in the assessment of control and the method of accounting of various investments in subsidiaries in the Group's consolidated financial statements taking into account voting rights and contractual arrangements with other owners.

6 Critical Judgements and Estimates in Applying Accounting Policies (continued)

6.2 Tax Legislation

Tax, currency and customs legislation of the Russian Federation is subject to varying interpretations (see Note 35).

Profit tax liabilities are determined by management in accordance with the current tax legislation. Liabilities for penalties, fines and taxes other than profit tax are recognised based on management's best estimate of the expenditure required to settle tax obligations at the balance sheet date.

6.3 Assumptions to Determine Amount of Allowances

Loss Allowance for Expected Credit Losses of Accounts Receivable

An allowance for expected credit losses of accounts receivable is based on the Group's management's assessment of expected credit losses for the accounts receivable lifetime. Credit losses are the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive (i.e. all cash shortfalls), discounted at the original effective interest rate. If there is deterioration in any major customer's creditworthiness or actual losses as a result of defaults by debtors are higher or lower than the estimates, the actual results could differ from these estimates. The accruals (and reversals) of allowance for expected credit losses of accounts receivable may be material (see Notes 10, 17).

Impairment of Property, Plant and Equipment, Right-of-Use Assets and Goodwill

The estimation of forecasted cash flows for the purposes of impairment testing involves the application of a number of significant judgements and estimates in relation to certain variables as volumes of production and extraction, prices on natural gas, oil and refined products, electrical power, operating costs, capital expenditures, hydrocarbon reserves estimates, and also macroeconomic factors such as inflation and discount rates.

In addition, assumptions are applied in determining the cash-generating units assessed for impairment. For the purposes of goodwill impairment test, management considers gas production, transportation and distribution activities as part of single gas cash-generating unit and assesses associated goodwill at this level. The Group's pipelines constitute a unified gas supply system, providing gas supply to customers in the Russian Federation, Former Soviet Union countries and Europe. The interaction of production of gas, transportation and distribution of gas activities provides the basis for capturing the benefits from synergies.

The value in use of assets or cash-generating units related to oil and gas production are based on their expected production volumes, which include both proved and explored reserves as well as certain volumes of those that are expected to constitute proved and probable reserves in the future.

Change in impairment allowance of property, plant and equipment, right-of-use assets and goodwill is disclosed in Notes 13, 14 and 15.

Accounting for Impairment

Accounting for impairment includes allowances against assets under construction, other non-current assets and inventory obsolescence. Because of the Group's production cycle, the year end carrying values are assessed in light of forward looking plans prepared on or around the reporting date.

Because of the Group's production cycle, some important decisions about capital construction projects are taken at the end of the fiscal year. Accordingly, the Group usually has larger impairment charges or releases in the fourth quarter of the reporting year as compared to other quarters.

6.4 Decommissioning and Site Restoration Costs

Decommissioning and site restoration costs that may occur at the end of the operating life of certain Group's production facilities are recognised 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 the obligation can be made. The cost is depreciated through profit or loss of the consolidated statement of comprehensive income on a straight-line basis over the asset's productive life.

6 Critical Judgements and Estimates in Applying Accounting Policies (continued)

Changes in the measurement of decommissioning and site restoration provision that result from changes in the estimated timing or amount of cash outflows, or from changes in the discount rate adjust the cost of the related asset in the current period. IFRSs prescribe the recording of provisions for these costs. Estimating the amounts and timing of those obligations that should be recorded requires significant judgement. This judgement is based on cost and engineering studies using currently available technology and is based on current environmental regulations. Provisions for decommissioning and site restoration are subject to change because of change in laws and regulations, and their interpretation.

6.5 Useful Lives of Property, Plant and Equipment

The estimation of the useful life of an item of property, plant and equipment is a matter of management judgement based upon experience with similar assets. In determining the useful life of an asset, management considers such factors as production and reserve estimates, estimated technical obsolescence, physical wear and tear and the physical environment in which the asset is operated. Changes in any of these conditions or estimates may result in adjustments to future depreciation rates.

Were the estimated useful lives to decrease by 10 % or increase by 10 % from Group's management estimates, the impact on depreciation would be an increase by RUB 82,832 million or a decrease for the year ended 31 December 2022 (2021: by RUB 79,268 million).

Based on the terms included in the licenses and past experience, management believes that hydrocarbon production licenses, which are expected to be productive after their current expiration dates, will be extended at insignificant additional costs. Because of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

6.6 Fair Value Estimation of Financial Instruments

Determination of the fair value of contracts for the purchase (sale) of energy carriers, commodity futures and swaps is based on market data received on measurement date (Level 1 in accordance with the fair value hierarchy). Customary valuation models are used to value financial instruments which are not traded in active market. The fair value is calculated based on inputs that are observable either directly or indirectly (Level 2 in accordance with the fair value hierarchy).

Contracts not based on observable market data belong to Level 3 in accordance with the fair value hierarchy. Management's best estimates based on models internally developed by the Group are used for the valuation of fair value these instruments. Where the valuation technique employed incorporates significant volume of input data for which market information is not available, such as long-term price assumptions, contracts have been categorised as Level 3 in accordance with the fair value hierarchy (see Note 37).

6.7 Fair Value Estimation for Acquisitions

In accounting for business combinations, the purchase price paid to acquire a business is allocated to its assets and liabilities based on the estimated fair value of the assets acquired and liabilities received as of the date of acquisition. The excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired is recorded as goodwill. A significant amount of judgement is involved in estimating the individual fair value of property, plant and equipment and identifiable intangible assets.

The estimates used in determining fair value are based on assumptions believed to be reasonable but which are inherently uncertain. Accordingly, actual results may differ from the projected results used to determine fair value.

6.8 Accounting for Pension Plan Assets and Liabilities

Pension plan liabilities are estimated using actuarial techniques and assumptions (see Note 24). Actual results may differ from the estimates, and the Group's estimates may be adjusted in the future based on changes in economic and financial conditions. In addition, certain pension plan assets related to JSC NPF GAZFOND are recorded at fair value, determined using estimation techniques. Management makes judgements with respect to the selected models, the amount of cash flows and their distribution over time, as well as other indicators including discount rate. The recognition of pension plan assets is limited to the estimated present value of future benefits available to the Group in relation to this plan. The value of future benefits is determined using actuarial techniques and assumptions. The impact of the limitation of the net pension plan asset in accordance with IAS 19 Employee Benefits is disclosed in Note 24. The value of pension plan assets and the limitations may be adjusted in the future.

6 Critical Judgements and Estimates in Applying Accounting Policies (continued)

6.9 Joint Arrangements

Upon adopting of IFRS 11 Joint Arrangements the Group applied judgement whether its joint arrangements represent a joint operation or a joint venture. The Group determined the type of joint arrangement based on its rights and obligations arising from the arrangement including the assessment of the structure and legal form of the arrangement, the decision making terms agreed by the parties in the contractual arrangement and, when relevant, other factors and circumstances.

6.10 Accounting for Lease Liabilities and Right-of-use Assets

When measuring the present value of lease payments, the Group applies professional judgement to determine the incremental borrowing rate if the discount rate is not implicit in the lease. When determining the incremental borrowing rate, the Group management analyses borrowings over a similar term in a similar period. If there are no borrowings with similar characteristics the discount rate is determined on the basis of the risk-free rate, adjusted for the credit risk of the Group determined on the basis of its quoted bonds.

Assessment of the non-cancellable period is subject to management judgement, which takes into account all relevant facts and circumstances that create an economic incentive for the Group to exercise or not to exercise an option to extend the lease. These facts and circumstances include the need to extend the lease to continue operations, the period of construction and exploitation of assets on leased lands, useful lives of leased assets, potential dismantling and relocation costs.

6.11 Provisions Under Insurance Contracts

Estimation of the amount of provisions under insurance contracts requires the application of a series of significant assumptions regarding such indicators as the estimated amount of claims reported as of the reporting date and the amount of claims incurred but not reported as of the reporting date.

The main technique used to estimate the amount of claims is to apply historical trends of claims origination to forecast future trends of claims extinguishment. In accordance with the method used, paid claims development is extrapolated based on historical data about paid claims development in prior periods and the expected loss ratio. Estimates based on historical information about claims development are also used and adjustments are made to eliminate deviations of historical trends from expected future development to obtain the most probable result from a set of claims development scenarios taking into account all inherent uncertainties.

As of each reporting date, the estimate of claims made in prior years is re-estimated and the amounts of provisions are adjusted. General insurance provisions are not discounted to reflect the time value of money.

7 Segment Information

The Board of Directors, the Chairman of the Management Committee and the Management Committee of PJSC Gazprom (the “Governing bodies”) make key decisions managing the Group’s activity, assess operating results and allocate resources using different internal financial information.

Due to changes in the economic environment in which the Group operates, the Group’s management revised the principles of segmentation and measurement of key indicators of operating segments in 2022 as compared to the Group’s latest annual consolidated financial statements. As a result, the following reportable segments were identified:

- Gas business – a type of the Group’s business mainly related to the exploration, production, processing, storage, transportation, distribution and sale of gas, gas and gas condensate processing products in the Russian Federation and abroad, and activities that enable these business processes;
- Oil business – a type of the Group’s business mainly related to the exploration, production, refining, storage, transportation and sale of oil and refined oil products in the Russian Federation and abroad;
- Electric power business – a type of the Group’s business mainly related to electricity and heat generation and sale in the Russian Federation and abroad.

The Governing bodies of the Group assess the performance, assets and liabilities of the reportable segments on the basis of the data generated following measurement principles that correspond to the principles used to measure indicators in the consolidated financial statements. Inter-segment sales are calculated based on market prices.

(in millions of Russian Rubles)

7 Segment Information (continued)

Due to changes in the structure of the reportable segments and the principles used to measure their indicators, comparative segment information items for the year ended 31 December 2021 and as of 31 December 2021 were restated.

Sales and profit of the reportable segments, as well as depreciation and share in profit of associates and joint ventures are presented below. Finance income and expenses, profit tax expenses are considered by the Governing bodies of the Group for the Group as a whole without distribution by reportable segments.

	Gas business	Oil business	Electric power business	Total
Year ended 31 December 2022				
Sales of segments	**8,146,194**	**3,636,313**	**567,256**	**12,349,763**
Inter-segment sales	417,595	247,641	10,577	675,813
External sales	7,728,599	3,388,672	556,679	11,673,950
Profit of segments	**1,165,325**	**691,787**	**78,047**	**1,935,159**
Depreciation	573,946	230,996	57,438	862,380
Share of profit of associates and joint ventures	99,705	66,940	15	166,660
Year ended 31 December 2021				
Sales of segments	**7,187,475**	**3,043,198**	**558,562**	**10,789,235**
Inter-segment sales	334,005	205,050	8,827	547,882
External sales	6,853,470	2,838,148	549,735	10,241,353
Profit (loss) of segments	**1,901,452**	**522,756**	**(12,947)**	**2,411,261**
Depreciation	554,031	206,693	67,303	828,027
Share of profit of associates and joint ventures	146,072	96,100	24	242,196

The revenue from external sales of segments by type of revenue is provided below.

	Gas business	Oil business	Electric power business	Total
Year ended 31 December 2022				
Gas sales	6,475,936	36,931	-	**6,512,867**
Sales of crude oil, gas condensate and refined products	708,442	3,233,912	-	**3,942,354**
Electric and heat energy sales	49,318	7,630	538,036	**594,984**
Other sales	494,903	110,199	18,643	**623,745**
Total external sales of segments	**7,728,599**	**3,388,672**	**556,679**	**11,673,950**
Year ended 31 December 2021				
Gas sales	5,640,023	16,010	-	**5,656,033**
Sales of crude oil, gas condensate and refined products	738,637	2,738,695	-	**3,477,332**
Electric and heat energy sales	60,286	3,338	531,854	**595,478**
Other sales	414,524	80,105	17,881	**512,510**
Total external sales of segments	**6,853,470**	**2,838,148**	**549,735**	**10,241,353**

The reconciliation of segments profit to profit before profit tax in the consolidated statement of comprehensive income is provided below.

Notes		Year ended 31 December 2022	2021
	Profit of segments	**1,935,159**	**2,411,261**
29	Finance income	2,430,787	615,167
29	Finance expenses	(2,342,048)	(499,110)
16	Share of profit of associates and joint ventures	166,660	242,196
	Total profit before profit tax in the consolidated statement of comprehensive income	**2,190,558**	**2,769,514**

Segment assets consist primarily of property, plant and equipment, accounts receivable and prepayments, investments in associates and joint ventures and inventories. Cash and cash equivalents, VAT recoverable, goodwill, financial assets and other current and non-current assets are not allocated to the segments and managed on a central basis.

(in millions of Russian Rubles)

7 Segment Information (continued)

The Group's assets are primarily located in the Russian Federation. Information on non-current assets by geographic regions is not disclosed due to the fact that the carrying value of non-current assets located outside the Russian Federation is insignificant.

	Gas business	Oil business	Electric power business	Total
As of 31 December 2022				
Assets of segments	20,602,262	5,348,091	883,875	**26,834,228**
Investments in associates and joint ventures	865,026	463,915	475	**1,329,416**
Capital expenditures[1]	2,107,564	627,039	107,219	**2,841,822**
Liabilities of segments	7,608,220	2,525,171	254,992	**10,388,383**
As of 31 December 2021				
Assets of segments	21,918,013	5,172,668	894,758	**27,985,439**
Investments in associates and joint ventures	977,280	444,568	460	**1,422,308**
Capital expenditures[2]	1,511,868	562,551	90,302	**2,164,721**
Liabilities of segments	8,426,334	2,446,375	246,151	**11,118,860**

[1] Capital expenditures for the year ended 31 December 2022.
[2] Capital expenditures for the year ended 31 December 2021.

The reconciliation of reportable segments assets to total assets in the consolidated balance sheet is provided below.

	31 December 2022	31 December 2021
Assets of reportable segments	26,834,228	27,985,439
Inter-segment assets	(705,299)	(938,209)
Total assets in the consolidated balance sheet	**26,128,929**	**27,047,230**

The reconciliation of reportable segments liabilities to total liabilities in the consolidated balance sheet is provided below.

	31 December 2022	31 December 2021
Liabilities of reportable segments	10,388,383	11,118,860
Inter-segment liabilities	(705,299)	(938,209)
Total liabilities in the consolidated balance sheet	**9,683,084**	**10,180,651**

8 Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, balances with banks, term deposits with the original maturity of three months or less and other cash equivalents.

	31 December 2022	31 December 2021
Cash on hand and bank balances payable on demand	720,818	1,642,711
Term deposits with original maturity of three months or less and other cash equivalents	436,769	371,212
Total cash and cash equivalents	**1,157,587**	**2,013,923**

The fair value of cash and cash equivalents approximates their carrying value.

As of 31 December 2022 cash and cash equivalents are mainly held in accounts with Russian banks whose credit rating according to the national scale of JSC Expert RA is ruAA+ or higher. As of 31 December 2021 cash and cash equivalents are mainly held in accounts with Russian banks whose international credit rating is BBB- or higher (the rating is provisionally brought to the classification applied by Standard & Poor’s).

(in millions of Russian Rubles)

9 Financial Assets

Short-term financial assets are provided in the table below.

Notes		31 December 2022	31 December 2021
37	Debt securities measured at fair value with changes recognised through profit or loss	16,829	23,706
37	Equity securities measured at fair value with changes recognised through profit or loss	1,413	1,305
37	Debt securities measured at fair value with changes recognised through other comprehensive income	2,378	1,092
37	Equity securities measured at fair value with changes recognised through other comprehensive income	1,390	-
	Debt securities measured at amortised cost	126	134
	Total short-term financial assets	**22,136**	**26,237**

Long-term financial assets are provided in the table below.

Notes		31 December 2022	31 December 2021
37	Equity securities measured at fair value with changes recognised through profit or loss	942	2,343
37	Debt securities measured at fair value with changes recognised through other comprehensive income	9,837	338
37	Equity securities measured at fair value with changes recognised through other comprehensive income[1]	394,785	597,066
	Debt securities measured at amortised cost	433	-
	Total long-term financial assets	**405,997**	**599,747**

[1] Equity securities measured at fair value with changes recognised through other comprehensive income include PJSC NOVATEK shares in the amount of RUB 327,108 million and RUB 527,769 million as of 31 December 2022 and 31 December 2021, respectively.

As of 31 December 2022 and 31 December 2021 debt securities measured at fair value with changes recognised through other comprehensive income primarily relate to issuers whose credit rating according to the national scale of JSC Expert RA is ruAAA. As of 31 December 2022 and 31 December 2021 debt securities measured at amortised cost include bonds and promissory notes on the balance sheets of the Group's entities whose credit quality is assessed by management as high.

10 Accounts Receivable and Prepayments

	31 December 2022	31 December 2021
Financial assets		
Trade accounts receivable	1,256,790	1,609,728
Loans receivable	195,652	98,925
Other accounts receivable	92,519	109,970
	1,544,961	**1,818,623**
Non-financial assets		
Advances paid and prepayments	401,467	191,328
Total accounts receivable and prepayments	**1,946,428**	**2,009,951**

The estimated fair value of short-term accounts receivable approximates their carrying value.

Trade accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 1,457,501 million and RUB 1,024,873 million as of 31 December 2022 and 31 December 2021, respectively.

Loans receivable are presented net of allowance for expected credit losses in the amount of RUB 6,707 million and RUB 15,748 million as of 31 December 2022 and 31 December 2021, respectively.

Other accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 52,674 million and RUB 35,010 million as of 31 December 2022 and 31 December 2021, respectively.

Advances paid and prepayments are presented net of impairment allowance in the amount of RUB 9,650 million and RUB 6,749 million as of 31 December 2022 and 31 December 2021, respectively.

Other accounts receivable are mainly represented by accounts receivable from Russian customers for various types of goods, works and services.

(in millions of Russian Rubles)

10 Accounts Receivable and Prepayments (continued)

	Trade accounts receivable 31 December 2022	Trade accounts receivable 31 December 2021	Other accounts receivable and loans receivable 31 December 2022	Other accounts receivable and loans receivable 31 December 2021
Short-term accounts receivable neither past due nor credit-impaired	795,181	1,486,883	258,106	144,342
Short-term accounts receivable past due or credit-impaired	1,919,110	1,147,718	89,446	115,311
Amount of allowance for expected credit losses of accounts receivable	(1,457,501)	(1,024,873)	(59,381)	(50,758)
Total short-term accounts receivable	**1,256,790**	**1,609,728**	**288,171**	**208,895**

Management's experience indicates customer payment histories in respect of trade accounts receivable neither past due nor credit-impaired vary by geography. Analysis of credit quality of trade and other receivable, loans receivable is provided below.

	31 December 2022	31 December 2021
Outside the Russian Federation countries gas, crude oil, gas condensate and refined products trade accounts receivable	390,938	1,093,094
The Russian Federation gas, crude oil, gas condensate and refined products trade accounts receivable	281,596	211,273
Electricity and heat trade accounts receivable	45,813	76,033
Other trade accounts receivable	76,834	106,483
Other accounts receivable	62,454	45,417
Loans receivable	195,652	98,925
Total accounts receivable neither past due nor credit-impaired	**1,053,287**	**1,631,225**

As of 31 December 2022 and 31 December 2021 credit-impaired receivables mainly relate to trade receivables. In management's view the accounts receivable will be settled. The ageing analysis of overdue or credit-impaired receivables is presented below:

Ageing from the due date	Gross book value 31 December 2022	Gross book value 31 December 2021	Allowance for expected credit losses 31 December 2022	Allowance for expected credit losses 31 December 2021	Net book value 31 December 2022	Net book value 31 December 2021
up to 6 months	586,777	256,607	(217,277)	(99,368)	369,500	157,239
from 6 to 12 months	390,935	54,936	(320,229)	(35,791)	70,706	19,145
from 1 to 3 years	195,016	168,072	(149,470)	(159,573)	45,546	8,499
more than 3 years	835,828	783,414	(829,906)	(780,899)	5,922	2,515
	2,008,556	**1,263,029**	**(1,516,882)**	**(1,075,631)**	**491,674**	**187,398**

Change in the Group's allowance for expected credit losses of trade and other accounts receivable is provided in the table below.

	Trade receivables Year ended 31 December 2022	Trade receivables Year ended 31 December 2021	Other receivables and loans receivable Year ended 31 December 2022	Other receivables and loans receivable Year ended 31 December 2021
Allowance for expected credit losses of accounts receivable at the beginning of the year	**1,024,873**	**975,910**	**50,758**	**56,795**
Changing the perimeter of the group	(3,999)	-	(2,790)	(1,705)
Accrual of allowance for expected credit losses of accounts receivable[1]	413,291	125,819	26,165	10,126
Write-off of accounts receivable during the year[2]	(656)	(3,824)	(11,279)	(3,033)
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(37,407)	(75,552)	(6,811)	(10,996)
Reclassification to other lines	8,257	(236)	13	(105)
Foreign exchange rate differences	53,142	2,756	3,325	(324)
Allowance for expected credit losses of accounts receivable at the end of the year	**1,457,501**	**1,024,873**	**59,381**	**50,758**

[1] The accrual and release of allowance for expected credit losses of accounts receivable have been included in the line "Impairment loss on financial assets" in the consolidated statement of comprehensive income.
[2] If there is no probability of cash receipt for the credit-impaired accounts receivable which were previously provided for, the amount of respective accounts receivable is written-off by means of that allowance.

(in millions of Russian Rubles)

11 Inventories

	31 December 2022	31 December 2021
Gas in pipelines and storages	587,424	491,829
Materials and supplies	233,100	202,094
Goods for resale	35,318	151,933
Crude oil and refined products	200,681	163,467
Total inventories	**1,056,523**	**1,009,323**

The amount of inventories write-down to the net realisable value was RUB 8,685 million and RUB 77 million for the years ended 31 December 2022 and 31 December 2021, respectively.

12 Other Current and Non-Current Assets

Other current assets are provided in the table below.

Notes		31 December 2022	31 December 2021
	Financial assets		
	Short-term deposits	28,376	200,758
37	Derivative financial instruments	1,570	537,949
		29,946	**738,707**
	Non-financial assets		
	Prepaid VAT	166,082	174,491
	VAT recoverable	93,761	105,425
	Prepaid profit tax	19,090	11,177
	Other	128,564	125,049
		407,497	**416,142**
	Total other current assets	**437,443**	**1,154,849**

Other non-current assets are provided in the table below.

Notes		31 December 2022	31 December 2021
	Financial assets		
	Long-term deposits	32,002	18,903
37	Derivative financial instruments	5,002	140,635
		37,004	**159,538**
	Non-financial assets		
	Intangible assets	99,438	92,505
24	Net pension plan assets	31,817	40,802
	VAT related to assets under construction	17,051	15,907
	Other	309,081	252,535
		457,387	**401,749**
	Total other non-current assets	**494,391**	**561,287**

The estimated fair value of short-term and long-term deposits approximates their carrying value.

(in millions of Russian Rubles)

13 Property, Plant and Equipment

	Pipelines	Wells	Machinery and equipment	Buildings and roads	Production licenses	Social assets	Assets under construction	Total
As of 31 December 2020								
Cost	5,252,293	2,533,183	6,235,303	5,089,889	668,498	94,444	4,664,513	24,538,123
Accumulated depreciation	(1,789,768)	(809,051)	(3,203,330)	(1,844,776)	(303,232)	(49,585)	-	(7,999,742)
Impairment allowance	(445)	(128,528)	(102,880)	(42,879)	(6,900)	-	(153,654)	(435,286)
Net book value as of 31 December 2020	**3,462,080**	**1,595,604**	**2,929,093**	**3,202,234**	**358,366**	**44,859**	**4,510,859**	**16,103,095**
Cost								
Additions	2,280	10,051	20,551	3,020	17,988	1,620	2,190,934	2,246,444
Transfers	114,431	220,895	624,098	452,349	1,253	214	(1,413,240)	-
Disposals	(2,341)	(176,896)	(79,194)	(95,345)	(55,211)	(1,619)	(144,715)	(555,321)
Translation differences	(41,478)	(9,742)	(17,570)	(9,625)	441	(198)	(57,989)	(136,161)
Accumulated depreciation and impairment allowance								
Depreciation	(108,230)	(108,610)	(390,134)	(174,014)	(8,998)	(2,696)	-	(792,682)
Disposals	1,498	43,937	61,392	34,709	9,408	610	38,693	190,247
Translation differences	(126)	1,941	7,871	2,528	(426)	93	32	11,913
Change in impairment allowance:	-	(8,864)	(83,144)	(66,484)	-	-	(235,475)	(393,967)
allowance accrual	-	(8,864)	(83,144)	(66,484)	-	-	(235,475)	(393,967)
allowance release	-	-	-	-	-	-	-	-
As of 31 December 2021								
Cost	5,325,185	2,577,491	6,786,924	5,440,438	632,969	94,461	5,235,617	26,093,085
Accumulated depreciation	(1,896,626)	(871,292)	(3,525,199)	(1,981,562)	(303,210)	(51,578)	-	(8,629,467)
Impairment allowance	(445)	(137,883)	(188,762)	(109,504)	(6,938)	-	(346,518)	(790,050)
Net book value as of 31 December 2021	**3,428,114**	**1,568,316**	**3,072,963**	**3,349,372**	**322,821**	**42,883**	**4,889,099**	**16,673,568**
Cost								
Additions[1]	328	50,961	27,087	64,239	4,706	31	2,798,595	2,945,947
Transfers	89,633	234,043	687,925	661,277	311	242	(1,673,431)	-
Disposals[2]	(4,317)	(143,385)	(274,241)	(176,035)	(84,144)	(1,599)	(68,069)	(751,790)
Translation differences	(59,676)	(27,076)	21,491	(28,578)	(19,128)	(562)	(83,386)	(196,915)
Accumulated depreciation and impairment allowance								
Depreciation	(121,242)	(107,431)	(391,477)	(197,351)	(8,617)	(2,202)	-	(828,320)
Disposals[2]	3,596	65,030	164,838	92,959	55,310	1,241	14,226	397,200
Translation differences	6,029	15,674	(3,574)	10,666	14,107	(600)	(198,015)	(155,713)
Change in impairment allowance:	(417)	(95,051)	(47,887)	(82,633)	(300)	(2,089)	(436,540)	(664,917)
allowance accrual	(417)	(95,051)	(55,893)	(91,515)	(300)	(2,089)	(523,598)	(768,863)
allowance release	-	-	8,006	8,882	-	-	87,058	103,946
As of 31 December 2022								
Cost	5,351,153	2,692,034	7,254,778	5,961,577	534,714	92,573	6,203,498	28,090,327
Accumulated depreciation	(2,008,276)	(905,314)	(3,778,916)	(2,077,957)	(242,740)	(52,377)	-	(9,065,580)
Impairment allowance	(829)	(225,639)	(218,737)	(189,704)	(6,908)	(2,851)	(961,019)	(1,605,687)
Net book value as of 31 December 2022	**3,342,048**	**1,561,081**	**3,257,125**	**3,693,916**	**285,066**	**37,345**	**5,242,479**	**17,419,060**

[1] Including a result of the acquisition of subsidiaries.
[2] Including a result of the disposal of subsidiaries and joint operations.

At each consolidated balance sheet date management assesses whether there is any indication that the recoverable amount of assets, including goodwill, has declined below their carrying value.

As of 31 December 2022 and 31 December 2021 the Group conducted a test of assets for the purposes of making a decision on the possible accrual or release of previously recognised impairment.

(in millions of Russian Rubles)

13 Property, Plant and Equipment (continued)

The Group applied discount rates ranging from 9.75 % to 19.50 % and from 5.76 % to 14.80 % as of 31 December 2022 and 31 December 2021, respectively. Cash flows were forecasted based on actual operating results, budgets and other corporate documents containing forward-looking data.

The cash flow forecast covered the period commensurate with the expected useful life of the respective assets. To extrapolate cash flows beyond the periods which are not included in the corporate documents containing forecast data, estimated growth rates were used.

The most significant CGU is the group of assets that constitute the Unified Gas Supply System and assets for production, transportation and refining of gas in the Eastern Siberia and the Far East (gas business segment). As of 31 December 2022 and 31 December 2021 the test did not reveal impairment of assets in this CGU.

Based on the result of the test for impairment of other CGUs and testing of certain assets for impairment on an individual basis, the Group recognised an asset impairment loss in the amount of RUB 245,265 million and RUB 158,492 million as of 31 December 2022 and 31 December 2021, respectively, associated with the following reportable segments:

- Gas business;
- Oil business;
- Electric power business.

Impairment allowance for assets under construction primarily relates to projects for which it is unlikely that there will be future economic benefits.

Included in additions above are capitalised borrowing costs of RUB 324,126 million and RUB 206,129 million for the years ended 31 December 2022 and 31 December 2021, respectively. Capitalisation rates of 8.57 % and 5.16 % were used representing the weighted average borrowing cost including exchange differences on foreign currency borrowings for the years ended 31 December 2022 and 31 December 2021, respectively. Capitalisation rate excluding exchange losses on foreign currency borrowings were 4.47 % and 4.87 % for the years ended 31 December 2022 and 31 December 2021, respectively.

The information regarding the Group's exploration and evaluation assets (included within production licenses and assets under construction) is presented below:

	Year ended 31 December	
	2022	**2021**
Exploration and evaluation assets at the beginning of the year	**328,562**	**371,815**
Additions	96,684	77,060
Translation differences	(164)	(814)
Reclassification	(3,894)	(18,489)
Disposals	(21,538)[1]	(101,010)[2]
Exploration and evaluation assets at the end of the year	**399,650**	**328,562**

[1] Including impairment loss in the amount of RUB 8 million.
[2] Including impairment loss in the amount of RUB nil million.

(in millions of Russian Rubles)

14 Right-of-Use Assets

	Year ended 31 December	
	2022	**2021**
Right-of-Use Assets at the beginning of the year		
Cost	350,076	280,243
Accumulated depreciation and impairment allowance	(123,786)	(84,930)
Net book value	**226,290**	**195,313**
Cost		
Additions as a result of new leases	132,761	71,466
Disposals	(126,463)	(14,591)
Effect of modification and changes of estimates in lease contracts	(28,292)	13,428
Translation differences	6,148	(470)
Accumulated depreciation and impairment allowance		
Depreciation	(44,883)	(46,019)
Disposals	52,042	7,893
Impairment allowance accrual	(319)	(1,373)
Effect of modification and changes of estimates in lease contracts	43,204	-
Translation differences	-	643
Right-of-Use Assets at the end of the year		
Cost	334,230	350,076
Accumulated depreciation and impairment allowance	(73,742)	(123,786)
Net book value	**260,488**	**226,290**

Right-of-use assets are mainly represented by leases of ships, used for transportation of liquefied natural gas and refined products, and leases of properties and land occupied by operating assets.

The total cash outflow under lease agreements amounted to RUB 64,719 million and RUB 64,858 million for the years ended 31 December 2022 and 31 December 2021, respectively.

15 Goodwill

Change in goodwill occurred as a result of subsidiaries acquisition is presented in the table below.

	Year ended 31 December	
	2022	**2021**
Goodwill at the beginning of the year	**120,768**	**119,854**
Additions	8,370	415
Translation differences	1,559	499
Disposals	(112)	-
Goodwill at the end of the year	**130,585**	**120,768**

Goodwill acquired through business combinations has been allocated to the related cash-generating units and segments within the following operations:

	31 December	
	2022	**2021**
Gas business	62,239	53,981
Oil business	40,020	38,461
Electric power business	28,326	28,326
Total goodwill	**130,585**	**120,768**

Management has assessed the existence of indications of goodwill impairment. The procedure of calculating of the recoverable amount of a group of cash-generating units is described in Note 13.

As a result of this assessment no impairment loss on goodwill were recognized by the Group for the years ended 31 December 2022 and 31 December 2021.

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures

Notes		Carrying amount as of 31 December		Share of profit (loss) for the year ended 31 December	
		2022	2021	2022	2021
	LLC Sakhalin Energy[1]	278,285	209,384	141,944	73,829
24, 33, 35	Gazprombank (Joint Stock Company) and its subsidiaries	203,261	227,503	(17,956)	37,812
	Other associates	295,891	274,214	(35,371)	(30,991)
	Joint ventures	551,979	711,207	78,043	161,546
	Total investments in associates and joint ventures	**1,329,416**	**1,422,308**	**166,660**	**242,196**

[1] In August 2022, LLC Sakhalin Energy was established to which all rights and obligations of Sakhalin Energy Investment Company Ltd. were transferred with the Group retaining its ownership interest.

Investments in associates and joint ventures are accounted net of allowance for investments impairment in the amount of RUB 180,409 million and RUB 71,047 million as of 31 December 2022 and 31 December 2021, respectively.

For the years ended 31 December 2022 and 31 December 2021 the Group recognised the impairment loss in the amount of RUB 146,486 million and RUB 52,207 million respectively.

Material Associates

	Nature of relationship	Country of primary operations	Nature of operations	Ownership interest (%)[1] as of 31 December 2022	2021
Gazprombank (Joint Stock Company)[2]	Associate	Russia	Banking	49.88	49.88
LLC Sakhalin Energy	Associate	Russia	Production of oil, LNG	50	50

[1] Cumulative share of the Group in share capital of investees.
[2] Share in voting shares.

Investments in the Group's material associates and joint ventures are accounted for using the equity method.

Summarised financial information on the Group's material associates and its reconciliation to the carrying amount of its ownership interests is presented below.

The disclosed values of assets, liabilities, revenues, profit (loss) of the Group's material associates represent total values and not the Group's share of them.

This financial information may differ from the financial statements of an associate prepared and presented in accordance with IFRS due to adjustments required in application of the equity method, such as fair value adjustments to identifiable assets and liabilities at the date of acquisition and adjustments for differences in accounting policies.

	Gazprombank (Joint Stock Company) and its subsidiaries[1]	LLC Sakhalin Energy
As of 31 December 2022 and for the year ended 31 December 2022		
Current assets	4,413,032	380,238
Non-current assets	8,032,596	693,415
Total assets	**12,445,628**	**1,073,653**
Current liabilities	8,992,146	113,899
Non-current liabilities	2,690,708	395,395
Total liabilities	**11,682,854**	**509,294**
Net assets	762,774	564,359
Ownership interest	49.88%	50%
Group's share of net assets	380,506	282,180
Impairment, goodwill and other effects	(177,245)	(3,895)
Carrying amount of investment	**203,261**	**278,285**

(in millions of Russian Rubles)

16 Investments in Associates and Joint Ventures (continued)

	Gazprombank (Joint Stock Company) and its subsidiaries[1]	LLC Sakhalin Energy
Revenue	188,050	682,817
(Loss) profit for the year	**(16,150)**	**283,887**
Other comprehensive loss for the year	**(7,815)**	**-**
Comprehensive (loss) income for the year	**(23,965)**	**283,887**
Dividends received from associates	**(6,519)**	**(22,500)**
As of 31 December 2021 and for the year ended 31 December 2021		
Current assets	3,064,971	133,019
Non-current assets	5,556,528	824,369
Total assets	**8,621,499**	**957,388**
Current liabilities	6,276,002	157,355
Non-current liabilities	1,613,675	381,266
Total liabilities	**7,889,677**	**538,621**
Net assets	731,822	418,767
Ownership interest	49.88%	50%
Group's share of net assets	365,066	209,384
Impairment, goodwill and other effects	(137,563)	-
Carrying amount of investment	**227,503**	**209,384**
Revenue	281,903	422,629
Profit for the year	**95,768**	**147,658**
Other comprehensive (loss) income for the year	**(3,107)**	**381**
Comprehensive income for the year	**92,661**	**148,039**
Dividends received from associates	**(2,625)**	**(81,965)**

[1] The amount of revenue of Gazprombank (Joint Stock Company) and its subsidiaries includes revenue of media business, machinery business and other non-banking entities.

17 Long-Term Accounts Receivable and Prepayments

	31 December 2022	31 December 2021
Financial assets		
Long-term trade accounts receivable	87,316	82,123
Long-term loans receivable	155,609	253,895
Long-term other accounts receivable	65,225	82,417
	308,150	**418,435**
Non-financial assets		
Long-term prepayments	9,089	24,451
Advances for assets under construction	815,642	786,093
	824,731	**810,544**
Total long-term accounts receivable and prepayments	**1,132,881**	**1,228,979**

Long-term accounts receivable are presented net of allowance for expected credit losses in the amount of RUB 55,840 million and RUB 23,018 million as of 31 December 2022 and 31 December 2021, respectively. Prepayments and advances paid for assets under construction are presented net of impairment allowance in the amount of RUB 8,808 million and RUB 8,324 million as of 31 December 2022 and 31 December 2021, respectively.

As of 31 December 2022 and 31 December 2021 long-term accounts receivable and prepayments with carrying value RUB 308,150 million and RUB 418,435 million have an estimated fair value RUB 308,150 million and RUB 418,435 million, respectively.

(in millions of Russian Rubles)

17 Long-Term Accounts Receivable and Prepayments (continued)

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2022	2021	2022	2021
Long-term accounts receivable neither past due nor credit-impaired	87,302	82,123	220,834	335,145
Long-term accounts receivable past due or credit-impaired	479	8,772	55,375	15,413
Allowance for expected credit losses of long-term accounts receivable	(465)	(8,772)	(55,375)	(14,246)
Total long-term accounts receivable	**87,316**	**82,123**	**220,834**	**336,312**

Management experience indicates that long-term loans to other entities granted mainly for capital construction purposes are of strong credit quality.

Movement of the Group's allowance for expected credit losses of long-term accounts receivable is presented in the table below.

	Trade accounts receivable 31 December		Other accounts receivable and loans receivable 31 December	
	2022	2021	2022	2021
Allowance for expected credit losses of accounts receivable at the beginning of the year	**8,772**	**5,927**	**14,246**	**10,156**
Changing the perimeter of the group	-	-	(3,433)	-
Accrual of allowance for expected credit losses of accounts receivable[1]	868	3,491	24,478	5,317
Adjustment of an investment using the equity method	-	-	20,882	-
Write-off of accounts receivable	-	-	(670)	-
Reversal of previously accrued allowance for expected credit losses of accounts receivable[1]	(664)	(909)	(366)	(1,011)
Reclassification to other line of assets	(8,257)	236	(13)	105
Foreign exchange rate differences	(254)	27	251	(321)
Allowance for expected credit losses of accounts receivable at the end of the year	**465**	**8,772**	**55,375**	**14,246**

[1] The accrual and release of allowance for expected credit losses of long-term accounts receivable have been included in the line "Impairment loss on financial assets" in the consolidated statement of comprehensive income.

18 Accounts Payable, Provisions and Other Liabilities

Notes		31 December 2022	31 December 2021
	Financial liabilities		
	Trade accounts payable	602,589	1,113,471
	Accounts payable for acquisition of property, plant and equipment	412,231	396,856
	Provisions	134,858	99,506
	Liabilities towards employees	81,376	70,034
	Lease liabilities	51,587	53,079
37	Derivative financial instruments	1,604	555,753
	Other accounts payable	206,928	190,193
		1,491,173	**2,478,892**
	Non-financial liabilities		
	Advances received	217,365	318,768
	Accruals and deferred income	3,101	2,140
		220,466	**320,908**
	Total accounts payable, provisions and other liabilities	**1,711,639**	**2,799,800**

The fair value of these liabilities approximately equal to their carrying value.

(in millions of Russian Rubles)

19 Taxes Other than on Profit and Fees Payable

	31 December 2022	31 December 2021
VAT	172,090	183,678
MET	110,621	121,450
Property tax	59,021	34,067
Excise tax	43,814	31,215
Other taxes	43,793	42,984
Total taxes other than on profit and fees payable	**429,339**	**413,394**

20 Short-Term Borrowings, Promissory Notes and Current Portion of Long-Term Borrowings

	31 December 2022	31 December 2021
Short-term borrowings and promissory notes:		
Borrowings and promissory notes denominated in Russian Rubles	128,771	115,900
Foreign currency denominated borrowings	313	11,343
	129,084	127,243
Current portion of long-term borrowings (see Note 21)	580,184	569,803
Total short-term borrowings, promissory notes and current portion of long-term borrowings	**709,268**	**697,046**

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December 2022	31 December 2021
Fixed rate short-term borrowings denominated in Russian Rubles	7.17 %	8.67 %
Fixed rate foreign currency denominated short-term borrowings	2.05 %	0.50 %
Variable rate short-term borrowings denominated in Russian Rubles	5.81 %	9.32 %
Variable rate foreign currency denominated short-term borrowings	-	0.15 %

The fair value of these liabilities approximates their carrying value.

21 Long-Term Borrowings, Promissory Notes

	31 December 2022	31 December 2021
Long-term borrowings, promissory notes:		
Bank borrowings	2,497,273	1,809,661
Loan participation notes	1,468,874	2,026,399
Russian bonds	514,840	420,626
Loans	414,323	451,494
Other bonds	34,171	41,560
Promissory notes	7,296	6,719
Total long-term borrowings, promissory notes	**4,936,777**	**4,756,459**
Less current portion of long-term borrowings	(580,184)	(569,803)
	4,356,593	**4,186,656**

	31 December 2022	31 December 2021
Long-term borrowings and promissory notes		
denominated in Russian Rubles (including current portion of RUB 270,554 million and RUB 123,665 million as of 31 December 2022 and 31 December 2021, respectively)	1,953,308	1,045,927
denominated in foreign currency (including current portion of RUB 309,630 million and RUB 446,138 million as of 31 December 2022 and 31 December 2021, respectively)	2,983,469	3,710,532
	4,936,777	**4,756,459**

(in millions of Russian Rubles)

21 Long-Term Borrowings, Promissory Notes (continued)

The maturity analysis of long-term borrowings and promissory notes is presented in the table below.

	31 December	
Maturity of long-term borrowings, promissory notes	**2022**	**2021**
between one and two years	614,870	591,465
between two and five years	2,037,569	1,643,345
after five years	1,704,154	1,951,846
	4,356,593	**4,186,656**

Long-term liabilities include fixed interest rate borrowings with a carrying value of RUB 2,214,796 million and RUB 2,786,826 million and fair value of RUB 2,045,396 million and RUB 3,003,568 million as of 31 December 2022 and 31 December 2021, respectively.

All other long-term borrowings have variable interest rates generally linked to LIBOR and EURIBOR. Their carrying value is RUB 2,721,981 million and RUB 1,969,633 million and fair value is RUB 2,704,076 million and RUB 2,146,438 million as of 31 December 2022 and 31 December 2021, respectively.

The weighted average effective interest rates at the balance sheet date were as follows:

	31 December	
	2022	**2021**
Fixed interest rate long-term borrowings denominated in Russian Rubles	10.87 %	7.49 %
Fixed interest rate foreign currency denominated long-term borrowings	3.99 %	4.69 %
Variable interest rate long-term borrowings denominated in Russian Rubles	9.27 %	9.21 %
Variable interest rate foreign currency denominated long-term borrowings	4.88 %	2.80 %

As of 31 December 2022 and 31 December 2021 according to the agreements signed within the framework of financing the Nord Stream 2 project, 100 % of shares of Nord Stream 2 AG were pledged until a full settlement of the secured obligations.

As of 31 December 2022 and 31 December 2021 according to the agreements signed in December 2019 within the framework of financing the construction of the Amur gas processing plant, 99.99 % of interest in the charter capital of LLC Gazprom pererabotka Blagoveshchensk (a subsidiary) was pledged until a full settlement of the secured obligations. As of 31 December 2022 and 31 December 2021 the secured obligations to agent banks amounted to RUB 650,773 million and RUB 636,701 million, respectively.

The Group has no subordinated borrowings and no debt obligations that may be converted into shares of the Group (see Note 30).

22 Profit Tax

Profit before profit tax for financial reporting purposes is reconciled to profit tax expense as follows:

		For the year ended 31 December	
Notes		**2022**	**2021**
	Profit before profit tax	2,190,558	2,769,514
	Theoretical tax charge calculated at applicable tax rates	(438,112)	(553,903)
	Tax effect of items which are not deductible or assessable for taxation purposes:		
	Non-deductible expenses	(742,179)	(158,709)
16	Non-taxable share of profit of associates and joint ventures	33,332	48,439
	Income on exchange and sum differences	90,429	12,228
	The effect of applying different income tax rates	114,463	178
	Other non-taxable income	63,154	41,339
	Profit tax expenses	**(878,913)**	**(610,428)**

The change in non-deductible expenses was mainly caused by MET expenses for the year ended 31 December 2022 due to amendments made to the Tax Code of the Russian Federation (see Note 28).

Differences between the recognition criteria of assets and liabilities reflected in the consolidated financial statements and for the purposes of taxation give rise to certain temporary differences. The tax effect of the movement in these temporary differences is reported at the rates set forth by the applicable legislation of the Russian Federation. Certain entities of the Gazprom Group enjoy preferential tax treatment, which allows them to pay income tax at a reduced rate.

(in millions of Russian Rubles)

22 Profit Tax (continued)

Recognised deferred tax assets and liabilities in the Consolidated Financial Statements are attributable to the following:

	Deferred tax assets	Deferred tax liabilities	Net
As of 31 December 2022			
Property, plant and equipment	285,192	(1,509,941)	(1,224,749)
Right-of-use assets	-	(49,676)	(49,676)
Financial assets	22,204	(3,396)	18,808
Account receivables	162,097	(29,208)	132,889
Inventories	33,161	(64,646)	(31,485)
Tax losses carry forward	63,199	-	63,199
Retroactive gas price adjustments	-	-	-
Lease liabilities	36,902	-	36,902
Other deductible temporary differences	326,819	(393,013)	(66,194)
Netting	(593,580)	593,580	-
Total deferred income tax assets / (liabilities)	**335,994**	**(1,456,300)**	**(1,120,306)**
As of 31 December 2021			
Property, plant and equipment	270,300	(1,291,488)	(1,021,188)
Right-of-use assets	-	(35,744)	(35,744)
Financial assets	5,413	(41,947)	(36,534)
Account receivables	156,436	(372)	156,064
Inventories	15,928	(28,136)	(12,208)
Tax losses carry forward	48,886	(2)	48,884
Retroactive gas price adjustments	17,063	-	17,063
Lease liabilities	43,152	-	43,152
Other deductible temporary differences	64,035	(98,623)	(34,588)
Netting	(621,213)	621,213	-
Total deferred income tax liabilities	**-**	**(875,099)**	**(875,099)**

	31 December 2020	Temporary differences recognition and reversals in profit or loss	Temporary differences recognition and reversals in other comprehensive income	31 December 2021	Temporary differences recognition and reversals in profit or loss	Temporary differences recognition and reversals in other comprehensive income	31 December 2022
Property, plant and equipment	(987,598)	(41,964)	8,374	(1,021,188)	(212,048)	8,487	(1,224,749)
Right-of-use assets	(29,832)	(5,912)	-	(35,744)	(13,932)	-	(49,676)
Financial assets	4,980	(215)	(41,299)	(36,534)	14,775	40,567	18,808
Account receivables	172,187	(16,123)	-	156,064	(23,175)	-	132,889
Inventories	(2,693)	(9,515)	-	(12,208)	(19,277)	-	(31,485)
Tax losses carry forward	114,866	(65,982)	-	48,884	15,295	(980)	63,199
Retroactive gas price adjustments	8,164	8,899	-	17,063	(17,063)	-	-
Lease liabilities	40,421	2,731	-	43,152	(6,250)	-	36,902
Other deductible temporary differences	11,781	(29,530)	(16,839)	(34,588)	(40,302)	8,696	(66,194)
Total net deferred tax liabilities	**(667,724)**	**(157,611)**	**(49,764)**	**(875,099)**	**(301,977)**	**56,770**	**(1,120,306)**

Other taxable temporary differences as of 31 December 2022 include temporary differences of RUB 321,393 million caused by the fact that from 1 January 2022 foreign exchange gains are not taxable until claims and liabilities are paid.

23 Derivative Financial Instruments

The Group has outstanding commodity contracts measured at fair value. The fair value of derivative financial instruments is based on market quotes on measurement date or calculation using an agreed price formula.

Where appropriate, in order to manage currency risk the Group uses foreign currency derivatives.

The following table provides an analysis of the Group's position and fair value of derivative financial instruments outstanding as of the end of the reporting year. Fair values of assets and liabilities classified as derivative financial instruments are reflected in the consolidated balance sheet on a gross basis within other assets and other liabilities.

(in millions of Russian Rubles)

23 Derivative Financial Instruments (continued)

Fair value	**31 December 2022**	**2021**
Assets		
Commodity contracts	6,459	665,262
Foreign currency derivatives and currency and interest rate swaps	-	10,095
Other derivative financial instruments	113	3,227
	6,572	**678,584**
Liabilities		
Commodity contracts	6,455	661,486
Foreign currency derivatives and currency and interest rate swaps	-	3,857
Other derivative financial instruments	2,172	655
	8,627	**665,998**

Derivative financial instruments are mainly denominated in US dollars and Euros.
The decrease in derivative financial instruments is due to the disposal of subsidiaries.

24 Provisions

	31 December 2022	**2021**
Provision for post-employment benefits	314,870	298,822
Provision for decommissioning and site restoration costs	267,878	249,306
Other	39,277	29,735
Total provisions	**622,025**	**577,863**

The Group applies pension and other post-employment benefits system, which is recorded as defined benefit plan in the consolidated financial statements under IAS 19 Employee Benefits. Pension benefits are provided to the majority of the Group's employees. These benefits include pension benefits provided by the non-governmental pension fund, JSC NPF GAZFOND, and lump-sum payments provided by the Group upon retirement.

The amount of benefits provided depends on the time of service rendered by employees (length of service), salary in the last years preceding retirement, a predetermined fixed amount or a combination of these factors.

The principal actuarial assumptions used:

	31 December 2022	**2021**
Discount rate (nominal)	10.3 %	8.4 %
Future salary and pension increase (nominal)	6.0 %	5.0 %
Average expected retirement age, years	women 58, men 62	
Employee turnover ratio	age-related probability of resignation curve, 3.8 % on average	

The weighted average term of obligations to maturity is 10.1 years.

The assumptions related to the remaining life expectancy of employees at expected retirement age were 16.3 years for 62 year old men and 25.8 years for 58 year old women in 2022 and 2021.

Net post-employment benefits liabilities or assets recorded in the consolidated balance sheet are presented below.

	31 December 2022		**31 December 2021**	
	Pension plan provided through JSC NPF GAZFOND	**Other post-employment benefits**	**Pension plan provided through JSC NPF GAZFOND**	**Other post-employment benefits**
Present value of obligations	(411,978)	(314,870)	(401,560)	(298,822)
Fair value of plan assets	443,795	-	442,362	-
Total net assets (liabilities)	**31,817**	**(314,870)**	**40,802**	**(298,822)**

The net pension plan assets related to benefits provided through JSC NPF GAZFOND in the amount of RUB 31,817 million and RUB 40,802 million as of 31 December 2022 and 31 December 2021, respectively, are included within other non-current assets in the consolidated balance sheet (see Note 12).

(in millions of Russian Rubles)

24 Provisions (continued)

Changes in the present value of the defined benefit plan obligations and in the fair value of pension plan assets for the years ended 31 December 2022 and 31 December 2021 are presented below.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2021	**401,560**	**(442,362)**	**(40,802)**	**298,822**
Current service cost	10,836	-	10,836	13,370
Past service cost	134	-	134	617
Interest expense (income)	33,727	(36,907)	(3,180)	24,642
Other[1]	-	-	-	(7,214)
Total included in profit or loss (see Note 29)	**44,697**	**(36,907)**	**7,790**	**31,415**
Remeasurement of provision for post-employment benefits:				
Actuarial gains – changes in financial assumptions	(29,012)	-	(29,012)	(31,044)
Actuarial gains – changes in demographic assumptions	(143)	-	(143)	(51)
Actuarial losses – experience adjustments	15,174	-	15,174	37,918
Expense on plan assets excluding amounts included in interest expense	-	29,489	29,489	-
Translation differences	-	-	-	788
Total included in other comprehensive income	**(13,981)**	**29,489**	**15,508**	**7,611**
Benefits paid	(20,298)	20,298	-	(22,978)
Employer's contributions	-	(14,313)	(14,313)	-
As of 31 December 2022	**411,978**	**(443,795)**	**(31,817)**	**314,870**

[1] Including as a result of subsidiaries disposals.

	Provision for pension plan provided through JSC NPF GAZFOND	Fair value of plan assets	Net (assets) liabilities	Provision for other post-employment benefits
As of 31 December 2020	**435,828**	**(434,534)**	**1,294**	**328,110**
Current service cost	10,216	-	10,216	12,706
Past service cost	(6,878)	-	(6,878)	(2,722)
Interest expense (income)	27,022	(26,862)	160	19,823
Effect of business combinations	-	-	-	241
Total included in profit or loss (see Note 29)	**30,360**	**(26,862)**	**3,498**	**30,048**
Remeasurement of provision for post-employment benefits:				
Actuarial gains – changes in financial assumptions	(36,053)	-	(36,053)	(38,680)
Actuarial losses – changes in demographic assumptions	81	-	81	61
Actuarial gains – experience adjustments	(8,789)	-	(8,789)	(1,001)
Expense on plan assets excluding amounts included in interest expense	-	16,488	16,488	-
Translation differences	-	-	-	(533)
Total included in other comprehensive income	**(44,761)**	**16,488**	**(28,273)**	**(40,153)**
Benefits paid	(19,867)	19,867	-	(19,183)
Employer's contributions	-	(17,321)	(17,321)	-
As of 31 December 2021	**401,560**	**(442,362)**	**(40,802)**	**298,822**

The major categories of plan assets allocation broken down by fair value and percentage of total plan assets are presented below.

	31 December 2022		31 December 2021	
	Fair value	Percentage of plan assets	Fair value	Percentage of plan assets
Quoted plan assets, including:	**286,869**	**64.7 %**	**315,495**	**71.3 %**
Bonds	204,011	46.0 %	207,607	46.9 %
Mutual funds	55,477	12.5 %	75,398	17.0 %
Shares	27,381	6.2 %	32,490	7.4 %
Unquoted plan assets, including:	**156,926**	**35.3 %**	**126,867**	**28.7 %**
Equities	79,496	17.9 %	88,977	20.1 %
Mutual funds	46,607	10.5 %	21,748	4.9 %
Deposits	9,925	2.2 %	9,800	2.2 %
Other assets	20,898	4.7 %	6,342	1.5 %
Total plan assets	**443,795**	**100 %**	**442,362**	**100 %**

(in millions of Russian Rubles)

24 Provisions (continued)

The amount of investment in ordinary shares of PJSC Gazprom included in the fair value of plan assets comprises RUB 609 million and RUB 1,948 million as of 31 December 2022 and 31 December 2021, respectively.

Unquoted equities within the pension plan assets are represented by equity stake in Gazprombank (Joint Stock Company), which is measured at fair value (Level 2 in accordance with the fair value hierarchy) using market approach valuation techniques based on available market data.

For the years ended 31 December 2022 and 31 December 2021 the actual return on pension plan assets was a gain in the amount of RUB 7,418 million and in the amount of RUB 10,374 million, respectively, primarily caused by the change in the fair value of assets.

The sensitivity analysis of the present value of defined benefit pension plan obligations to changes in the principal actuarial assumptions as of 31 December 2022 is presented in the table below.

	Increase (decrease) of obligation	Increase (decrease) of obligation, %
Mortality rate lower by 20 %	24,662	3.5%
Mortality rate higher by 20 %	(20,964)	(2.9)%
Discount rate lower by 1 pp	57,980	8.1%
Discount rate higher by 1 pp	(49,692)	(7.0)%
Pension and other benefits growth rate lower by 1 pp	(52,010)	(7.3)%
Pension and other benefits growth rate higher by 1 pp	59,919	8.4%
Staff turnover lower by 1 pp for all ages	36,946	5.2%
Staff turnover higher by 1 pp for all ages	(32,145)	(4.5)%
Retirement age lower by 1 year	30,020	4.2%
Retirement age higher by 1 year	(29,998)	(4.2)%

The Group expects to contribute in the amount of RUB 39,113 million to the defined benefit pension plan in 2023.

Pension Plan Parameters and Related Risks

As a rule, the above benefits are indexed in line with inflation or salary growth for salary-dependent benefits and are exposed to inflation risk.

In addition to the inflation risk, the pension plans of the Group are exposed to mortality risks and longevity risks.

25 Equity

Share Capital

The share capital authorised, issued and paid totals RUB 325,194 million as of 31 December 2022 and 31 December 2021 and consists of 23,674 million ordinary shares, each with a par value of 5 Russian Rubles.

Dividends

In 2022 PJSC Gazprom declared and paid interim dividends in the nominal amount of 51.03 Russian Rubles per share based on the results for the half-year 2022. In 2021 PJSC Gazprom declared and paid dividends in the nominal amount of 12.55 Russian Rubles per share based on the results for the year ended 31 December 2020.

Treasury Shares

As of 31 December 2022 and 31 December 2021 subsidiaries of PJSC Gazprom held 29 million PJSC Gazprom's ordinary shares, which are accounted for as treasury shares.

The management of the Group controls the voting rights of treasury shares.

Retained Earnings and Other Reserves

Retained earnings and other reserves include the effect of the consolidated financial statements restatement to the Russian Ruble purchasing power equivalent as of 31 December 2002, when the economy of the Russian Federation ceased to be hyperinflationary under IAS 29 Financial Reporting in Hyperinflationary Economies. Also, retained earnings and other reserves include translation differences arising on the translation of the net assets of foreign subsidiaries, associates and joint arrangements in the amount of RUB 750,511 million and RUB 914,156 million as of 31 December 2022 and 31 December 2021, respectively.

(in millions of Russian Rubles)

25 Equity(continued)

Retained earnings and other reserves include a statutory fund for social assets, created in accordance with Russian legislation at the time of privatisation. From time to time, the Group negotiates to return certain of social assets to the balance of local governmental authorities and this process may be continued in the future.

Number of shares outstanding

The number of PJSC Gazprom shares outstanding (the number of issued ordinary shares less treasury shares) amounted to 23,645 million shares as of 31 December 2022 and 31 December 2021.

Perpetual notes

Information about perpetual notes is disclosed in Note 26.

26 Perpetual Notes

In October 2020 the Group issued in the international market perpetual callable loan participation notes with a par value of USD 1,400 million and EUR 1,000 million under the EUR 30,000 million Programme for the Issuance of Loan Participation Notes. When the note issues were offered, the interest rate was set at 4.5985 % for the issue in USD and 3.8970 % for the issue in EUR. The interest rate for the perpetual notes in USD and EUR is reviewed every five years. Interest is cumulative.

Under the terms of the foreign currency perpetual loan participation notes, the Group, acting in its sole discretion, may refuse to redeem the notes and may, at any time and on any number of occasions, decide to postpone interest payments. Conditions which give rise to an interest payment liability are under the control of PJSC Gazprom. In particular, an interest payment liability arises when PJSC Gazprom decides to pay or declare dividends.

The Group may decide to redeem the foreign currency perpetual loan participation notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, including those caused by changes in the regulation of accounting for and taxation of perpetual notes.

In June and September 2021 the Group issued in the Russian market perpetual callable notes with a par value of RUB 60,000 million and RUB 60,000 million, respectively, under the RUB 150,000 million Programme for the Issuance of Series 001B Notes. When the note issues were offered, the interest rate was set at 8.4500 % in June 2021 issue and 8.6000 % in September 2021 issue. The interest rate is reviewed every five years. The issuer may, on a unilateral basis, decide to refuse to pay interest. Interest is not cumulative. In case the issuer decides to refuse to pay interest, Resolution of the Government of the Russian Federation No.2337 dated 29 December 2020 provides for the reimbursement for the investors' lost income.

The Group may decide to redeem the ruble perpetual notes no earlier than five years after their offering and then has the right to call them on each interest payment due date. The Group may also call the notes in case of certain events, caused by changes in the regulation of accounting for perpetual notes.

As the notes have no stated maturity and the Group may postpone payment of any interest on any number of occasions or decide to refuse to pay interest, the Group classifies these perpetual callable loan participation notes as an equity instrument within equity.

Transactions related to perpetual notes for the years ended 31 December 2022 and 31 December 2021 are presented below.

	Ruble perpetual notes	Foreign currency perpetual loan participation notes	Retained earnings and other reserves	Total
Balance as of 31 December 2021	**120,000**	**193,190**	**(7,470)**	**305,720**
Translation differences arising on the translation of the par value of perpetual notes	-	(13,951)	13,951	-
Accrued interest	-	7,027	(7,027)	-
Recognition of an interest payment liability[1]	-	(7,696)	(10,174)	(17,870)
Translation differences arising on the translation of accrued interest	-	254	(254)	-
Cumulative tax effect of transactions related to perpetual notes	-	-	(2,790)	(2,790)
Balance as of 31 December 2022	**120,000**	**178,824**	**(13,764)**	**285,060**

[1] Interest was paid in the amount of RUB 17,851 million.

(in millions of Russian Rubles)

26 Perpetual Notes (continued)

As of 31 December 2022 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 23,340 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 4,696 million.

	Ruble perpetual notes	Foreign currency perpetual loan participation notes	Retained earnings and other reserves	Total
Balance as of 31 December 2020	**-**	**195,616**	**(947)**	**194,669**
Issuance of perpetual notes	120,000	-	-	120,000
Costs related to issuance of perpetual notes[1]	-	-	(950)	(950)
Translation differences arising on the translation of the par value of perpetual notes	-	(6,030)	6,030	-
Accrued interest	-	8,140	(8,140)	-
Recognition of an interest payment liability[2]	-	(4,455)	(2,528)	(6,983)
Translation differences arising on the translation of accrued interest	-	(81)	81	-
Cumulative tax effect of transactions related to perpetual notes	-	-	(1,016)	(1,016)
Balance as of 31 December 2021	**120,000**	**193,190**	**(7,470)**	**305,720**

[1] Including payment in cash amounted to RUB 922 million.
[2] Interest was paid in the amount of RUB 6,985 million.

As of 31 December 2021 cumulative translation differences arising on the translation of the par value of perpetual notes amounted to RUB 9,389 million, and cumulative interest taking into account translation differences arising on its translation amounted to RUB 5,111 million

27 Sales

	Year ended 31 December 2022	2021
Gas sales gross of excise tax and customs duties:		
the Russian Federation	1,086,002	1,080,256
Outside the Russian Federation	7,333,223	5,724,662
	8,419,225	6,804,918
Customs duties	(1,645,111)	(1,084,761)
Excise tax	(270,170)	(73,661)
Retroactive gas price adjustments	8,923	9,537
Total gas sales	6,512,867	5,656,033
Sales of crude oil, gas condensate and refined products:		
the Russian Federation	1,991,390	1,803,496
Outside the Russian Federation	1,950,964	1,673,836
Total sales of crude oil, gas condensate and refined products	3,942,354	3,477,332
Electric and heat energy sales:		
the Russian Federation	565,733	554,111
Outside the Russian Federation	29,251	41,367
Total electric and heat energy sales	594,984	595,478
Other sales:		
the Russian Federation	577,206	456,933
Outside the Russian Federation	46,539	55,577
Total other sales	623,745	512,510
Total sales	**11,673,950**	**10,241,353**

Prepayments received from customers as of the beginning of the corresponding period were recognised within sales in the amount of RUB 149,366 million and RUB 101,113 million for the years ended 31 December 2022 and 31 December 2021, respectively.

(in millions of Russian Rubles)

28 Operating Expenses

	Year ended 31 December	
	2022	2021
Taxes other than on profit	2,875,097	1,539,507
Purchased gas and oil	1,590,674	1,924,908
Staff costs	953,671	840,153
Depreciation	862,380	828,027
Impairment loss on non-financial assets	843,985	448,229
Transit of gas, oil and refined products	593,734	680,216
Materials	355,564	261,921
Goods for resale, including refined products	334,428	290,799
Foreign exchange differences on operating items	219,175	69,171
Repairs and maintenance	211,025	177,979
Other	753,572	708,778
	9,593,305	**7,769,688**
Change in balances of finished goods, work in progress and other effects	(286,275)	(88,278)
Total operating expenses	**9,307,030**	**7,681,410**

Gas purchase expenses included within purchased gas and oil amounted to RUB 865,214 million and RUB 1,275,668 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Line item «Other» for the year ended 31 December 2022 includes loss on disposal of subsidiaries.

Taxes other than on profit consist of:

	Year ended 31 December	
	2022	2021
MET	2,894,745	1,357,679
Property tax	245,650	140,753
Excise tax	(354,640)	(39,425)
Other	89,342	80,500
Total taxes other than on profit	**2,875,097**	**1,539,507**

Mineral extraction tax (MET) expenses included in the line "Taxes other than on profit" increased by RUB 1,537,066 million, or 113 %, for the year ended 31 December 2022 compared to the prior year. The MET expenses increase is mainly due to changes in the Tax Code of the Russian Federation.

The impairment loss on assets is mainly comprises of impairment loss on property, plant and equipment and assets under construction and impairment loss on investments in associates and joint ventures (see Note 13 and Note 16 respectively).

29 Finance Income and Expenses

	Year ended 31 December	
	2022	2021
Foreign exchange gain	2,220,920	544,183
Interest income	209,867	70,984
Total finance income	**2,430,787**	**615,167**
Foreign exchange loss	2,218,442	404,239
Interest expense	123,606	94,871
Total finance expenses	**2,342,048**	**499,110**

Total interest paid amounted to RUB 253,128 million and RUB 195,686 million for the years ended 31 December 2022 and 31 December 2021, respectively.

Interest expense includes interest expense on provision for post-employment benefits and interest expense on lease liabilities under IFRS 16 Leases (see Note 24 and Note 36 respectively).

(in millions of Russian Rubles)

30 Basic and Diluted Earnings per Share Attributable to the Owners of PJSC Gazprom

Basic earnings per share attributable to the owners of PJSC Gazprom is shown in the table below.

Notes		Year ended 31 December 2022	2021
	Profit for the year attributable to the owners of PJSC Gazprom	**1,225,807**	**2,093,071**
26	Interest accrued on perpetual notes	(17,201)	(10,668)
26	Translation differences arising on the translation of interest accrued on perpetual notes	(254)	81
	Profit for the year attributable to the ordinary shareholders of PJSC Gazprom	**1,208,352**	**2,082,484**
	Weighted average number of ordinary shares outstanding (millions of shares)	23,644	23,645
	Basic and diluted earnings per share attributable to the owners of PJSC Gazprom (in Russian Rubles)	**51.11**	**88.07**

The Group has no dilutive financial instruments.

31 Net Cash from Operating Activities

Notes		Year ended 31 December 2022	2021
	Profit before profit tax	**2,190,558**	**2,769,514**
	Adjustments to profit before profit tax		
28	Depreciation	862,380	828,027
29	Net finance income	(88,739)	(116,057)
16	Share of profit of associates and joint ventures	(166,660)	(242,196)
	Impairment loss on assets and change in provision for post-employment benefits	1,281,282	518,077
	Derivative financial instruments loss (gain)	28,621	(53,905)
	Other	(25,052)	22,088
	Total effect of adjustments	1,891,832	956,034
	Cash flows from operating activities before working capital changes	4,082,390	3,725,548
	Decrease (increase) in non-current assets	22,171	(32,369)
	Increase in non-current liabilities	19,027	1,664
		4,123,588	3,694,843
	Changes in working capital:		
	Increase in accounts receivable and prepayments	(794,577)	(754,004)
	Increase in inventories	(116,210)	(113,518)
	Decrease (increase) in other current assets	259,368	(254,968)
	(Decrease) increase in accounts payable, excluding interest, dividends and capital construction	(724,726)	664,795
	Settlements on taxes and fees payable (other than profit tax)	31,864	119,467
	Decrease in financial assets	24,194	3,619
	Total effect of working capital changes	(1,320,087)	(334,609)
	Profit tax paid	(610,819)	(344,844)
	Net cash from operating activities	**2,192,682**	**3,015,390**

32 Subsidiaries

More than 300 subsidiaries are included in the scope of consolidation of the Group in these consolidated financial statements. The Group's business is divided into three operating segments – Gas business, (includes all entities of the Group excluding entities from Oil business and Electric power business), Oil business (mainly includes PJSC Gazprom Neft and its subsidiaries) and Electric power business (mainly includes PJSC MIPC, PJSC Mosenergo, PJSC OGK-2, PJSC TGC-1). Financial information by segment is presented in Note 7.

The Group's Gas and Oil business subsidiaries are engaged in the exploration and development of oil and gas deposits mostly located in the Russian Federation. In addition, the Group's subsidiaries implement gas and oil production projects in countries of the Middle East and other countries. The majority of the Group's oil and gas refining capacities are located in Moscow, Salavat, Omsk, Tomsk and Yaroslavl.

The Group sells products in the Russian Federation, as well as to neighbouring and other countries. Petroleum products are sold in the Russian Federation in particular via a network of over two thousand filling stations.

32 Subsidiaries (continued)

The Group also owns large electric power assets in the Russian Federation.

The Group's subsidiaries are mainly registered in the Russian Federation.

The Group’s ownership interest in the majority of subsidiaries that are significant for the Group is 100 %. The Group does not have material non-controlling interests.

As of 31 December 2022 and 31 December 2021 the Group does not have significant restrictions on its ability to access or use the Group’s assets and settle the Group’s liabilities, including restrictions to transfer cash and other assets between entities within the Group, to pay dividends.

33 Related Parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making operational and financial decisions as defined by IAS 24 Related Party Disclosures. Related parties may enter into transactions, which unrelated parties would not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

The nature of relationships with those related parties with whom the Group entered into significant transactions or had significant balances outstanding is detailed below.

Government (the Russian Federation)

The Russian Federation is the ultimate controlling party of PJSC Gazprom and has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

As of 31 December 2022 the Government directly owns 38.373 % of PJSC Gazprom’s issued shares. JSC ROSNEFTEGAZ and JSC Rosgazifikatsiya controlled by the Government own 11.859 % of PJSC Gazprom’s issued shares.

The Government does not prepare consolidated financial statements for public use. The Governmental economic and social policies affect the Group’s financial position, performance and cash flows.

As a condition of privatisation in 1992, the Government of the Russian Federation imposed an obligation on the Group to provide an uninterrupted supply of gas to customers in the Russian Federation at government-controlled prices.

Government-Related Entities

The Group applied an exception from IAS 24 Related Party Disclosures permitting not to disclose all transactions with government-related entities due to the fact that the Russian Federation, as the ultimate controlling party, has a controlling interest (including both direct and indirect ownership) of over 50 % in PJSC Gazprom.

In the normal course of business the Group enters into transactions with other entities under the Government control.

As of 31 December 2022 prices of natural gas and gas transportation, electricity tariffs in the Russian Federation are regulated by the FAS.

Bank borrowings are provided on the basis of market interest rates. As of 31 December 2022 and 31 December 2021 borrowings in banks influenced by the Government accounted for about 27 % and 7 %, respectively (see Note 21).

Taxes are accrued and paid in accordance with the applicable current legislation. Balances and transactions are presented in Notes 12, 19, 27 and 28.

As of 31 December 2022 and 31 December 2021 balances of cash and cash equivalents on accounts in banks influenced by the Government accounted for about 46 % and 44 % respectively (see Note 8).

The share of the Group's operations with state-controlled entities in revenue from the sale of electric and heat energy amounted to about 37 % and 36 % for the years ended 31 December 2022 and 31 December 2021, respectively (see Note 27).

The other transactions and balances are insignificant individually and in aggregate and mainly performed using market or regulated prices.

(in millions of Russian Rubles)

33 Related Parties (continued)

Transactions with JSC FSC

Some of the transactions on the wholesale electricity and capacity market are conducted through commission agreements with JSC FSC. The current financial settling system of JSC FSC does not provide the ultimate counterparties with automatically generated information about transactions and outstanding balances with the participants of the wholesale electricity and capacity market.

Revenue from the sale of electric and heat energy through JSC FSC accounted for about 32 % of total sales revenue from the sale of electric and heat energy for for the years ended 31 December 2022 and 31 December 2021.

Compensation for Key Management Personnel

Key management personnel (the members of the Board of Directors and the Management Committee of PJSC Gazprom) receive short-term compensation, including salary, bonuses and remuneration for serving on the management bodies of the Group's entities, amounted to approximately RUB 3,723 million and RUB 2,625 million for the years ended 31 December 2022 and 31 December 2021, respectively.

The members of the Board of Directors, who are government officials, do not receive compensation from the Group.

The compensation of the members of the Board of Directors is approved by the annual general meetings of shareholders of the Group's entities. The compensation of key management personnel (other than compensation of the members of the Board of Directors) is determined by the terms of the employment contracts. Short-term compensation of key management personnel also includes benefits related to healthcare.

According to the Russian legislation, the Group makes contributions to the Pension Fund of the Russian Federation for all of its employees including key management personnel.

Key management personnel are also entitled to long-term post-employment benefits. These benefits include non-governmental pension benefits provided by JSC NPF GAZFOND and lump-sum payments provided by the Group's entities upon retirement (see Note 24).

The Group also provides key management personnel with medical insurance and liability insurance.

Associates and Joint Ventures

For the years ended 31 December 2022 and 31 December 2021 and also as of 31 December 2022 and 31 December 2021 the Group's significant transactions and balances with associates and joint ventures are presented below.

	Year ended 31 December	
	2022	**2021**
	Income	
Gas sales		
Associates	16,697	26,503
Joint ventures	121,556	128,762
Crude oil, gas condensate and refined products sales		
Joint ventures	43,551	67,650
Interest income		
Associates	61,408	28,829
	Expenses	
Purchased gas		
Associates	22,651	39,989
Joint ventures	43,296	47,381
Transit of gas		
Joint ventures	70,531	142,631
Purchased crude oil and refined products		
Joint ventures	403,642	253,819
Gas and gas condensate production		
Joint ventures	26,463	84,437

(in millions of Russian Rubles)

33 Related Parties (continued)

Gas is sold to and purchased from the Group's associates and joint ventures in the Russian Federation mainly at the rates established by the FAS. Gas is sold and purchased outside the Russian Federation generally on a long-term basis at prices based on world prices of oil products.

Crude oil is sold to and purchased from the Group's associates and joint ventures in the ordinary course of business at prices not significantly different from average market prices.

	As of 31 December 2022		As of 31 December 2021	
	Assets	Liabilities	Assets	Liabilities
Short-term accounts receivable and prepayments				
Associates	76,566	-	45,015	-
Joint ventures	187,636	-	23,065	-
Cash and cash equivalents				
Associates	452,745	-	554,861	-
Other current assets				
Associates	3,020	-	197,419	-
Other non-current assets				
Associates	31,851	-	-	-
Long-term accounts receivable and prepayments				
Associates	291,545	-	449,232	-
Joint ventures	63,184	-	40,032	-
Short-term accounts payable				
Associates	-	99,533	-	91,081
Joint ventures	-	157,953	-	209,770
Short-term borrowings (including current portion of long-term borrowings)				
Associates	-	10,149	-	11,891
Joint ventures	-	14,075	-	9,671
Long-term borrowings				
Associates	-	210,816	-	195,624

Allowance for expected credit losses for accounts receivable due from associates and joint ventures were RUB 651,868 million and RUB 564,237 million as of 31 December 2022 and 31 December 2021, respectively.

Borrowings from Gazprombank (Joint Stock Company) were obtained on terms not substantially different from those on financial instruments with similar characteristics and equally exposed to influence of changes in economic or other factors.

Under the loan facility agreements concluded in 2019–2020 the Group has commitments to provide loans to the Group's associate to repay its loan liabilities towards the bank in case of late payment. As of 31 December 2022 the limit of loan facilities according to the concluded agreements amounted to RUB 237,002 million (RUB 40,000 million with the loan facilities valid until 31 December 2023, RUB 197,002 million – until 31 December 2027), as of 31 December 2021 – RUB 297,002 million (RUB 60,000 million with the loan facilities valid until 29 November 2022, RUB 40,000 million – until 15 December 2022, RUB 197,002 million –until 31 December 2027). As of 31 December 2022 and 31 December 2021 the Group did not provide loans. The loan commitments of the Group are limited by the loan liabilities of the associate to the bank.

Information on investments in associates and joint ventures is disclosed in Note 16.

Information on transactions performed by the Group with JSC NPF GAZFOND is disclosed in Note 24.

Information on financial guarantees issued by the Group for associates and joint ventures is disclosed in Note 36.

34 Commitments and Contingencies

Capital Commitments

The total investment utilisation in accordance with the investment programme of the Group for 2023 (for gas, oil, electricity, heat generating and other assets) and current similar intentions of the Group is RUB 3,056,208 million.

Supply Commitments

The Group has entered into long-term supply contracts with various entities operating outside Russian Federation. The volumes and prices in these contracts are subject to change due to various contractually defined factors. As of 31 December 2022 and 31 December 2021 no loss is expected to result from these long-term commitments.

Gas Transportation Commitments

The Group is a party to a number of long-term agreements on booking capacity for gas transportation. As of 31 December 2022 these agreements are not expected to be onerous for the Group.

Other

The Group has transportation agreements with certain associates and joint ventures (see Note 33).

35 Operating Risks

Taxation

Russian tax, currency and customs legislation is subject to varying interpretations and frequent changes. Tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments. Management believes that its interpretation of the relevant legislation as of 31 December 2022 is appropriate and the Group's position in terms of tax, currency and customs legislation will remain stable.

Legal Proceedings

The Group is involved in a number of legal and arbitration proceedings concerning price revision under natural gas supply contracts, and concerning the termination of such contracts. The Group continues to assess the effect of these legal and arbitration proceedings and claims on its operations, and at the moment the Group's management does not expect that they can have a material adverse effect on the Group's financial position.

The Group is also a party to certain other legal and arbitration proceedings arising in the ordinary course of business and subject to various regulations of environmental protection issued by various governmental authorities regarding handling, storage and disposal of certain products. The Group continues to assess the effect of these legal and arbitration proceedings and claims on its operations, and at the moment the Group's management does not expect that they can have a material adverse effect on the Group's financial position.

On 10 May 2022 the Swiss court rendered a decision to grant a provisional bankruptcy moratorium to Nord Stream 2 AG for four months from the adoption of the decision with Transliq AG (Switzerland) being appointed as an administrative receiver. On 8 September 2022 the moratorium on bankruptcy proceedings was extended until 10 January 2023. On 27 December 2022 the Swiss court rendered a decision to introduce a definitive moratorium for six months from the expiration date of the provisional moratorium, i.e. until 10 July 2023 (with an option to extend). The maximum duration of the definitive moratorium is 24 months (excluding the duration of the provisional moratorium).

Sanctions

Starting from 2014 the EU, the United States ("U.S.") and some other countries introduced, for the first time, a series of sanctions against the Russian Federation and some Russian legal entities. Starting from February 2022, western countries significantly expanded existing sanctions and started to impose new packages of sanctions against Russian entities and various sectors of the Russian economy.

Some of these sanctions are aimed directly against PJSC Gazprom, PJSC Gazprom Neft and their subsidiaries and other companies, including Gazprombank (Joint Stock Company), and some of them include general restrictions of economic activity in certain sectors of the Russian Federation economy.

The U.S. sanctions prohibit any U.S. citizen and legal entities incorporated in the U.S. (including their foreign branches) and any person or entity in the U.S. or related to the territory of the U.S. from:

35 Operating Risks (continued)

1) transactions in new debt and new equity of PJSC Gazprom issued after 26 March 2022 of longer than 14 days maturity. The respective restrictions also apply to entities owned 50 % or more, directly or indirectly, by PJSC Gazprom. Any transactions that have the purpose of evading those restrictions are also prohibited. Apart from PJSC Gazprom, those restrictions were imposed on PJSC Gazprom Neft, a subsidiary of the Gazprom Group, and Gazprombank (Joint Stock Company), an associate of the Gazprom Group. The ability of PJSC Gazprom and the Gazprom Group's entities to raise debt financing from U.S. persons is thus restricted.

2) providing, exporting, or reexporting, directly or indirectly, goods, services (except for financial services), or technology in support of potential exploration and production of oil in deep water, Arctic offshore, or shale formations in the Russian Federation, inland or in territorial waters claimed by the Russian Federation with participation of Russian companies, including PJSC Gazprom and PJSC Gazprom Neft. Since 7 August 2015 the restriction has included the Yuzhno-Kirinskoye field located in the Sea of Okhotsk. According to the changes of 31 October 2017 the scope of the stated restriction was extended for projects that meet three criteria at the same time:

- the start date of projects – after 29 January 2018;
- projects relate to oil production around the world;
- Russian companies included in the Sectoral Sanctions Identifications List, including PJSC Gazprom and PJSC Gazprom Neft and their subsidiaries, own a share of 33 % and more in such project or control the majority of voting rights.

On 23 February 2022, the U.S. imposed blocking sanctions on Nord Stream 2 AG and its CEO Matthias Warnig. The blocking sanctions mean that assets located in the U.S. are frozen (including when they are transferred to third parties) and U.S. persons are prohibited from dealings with such sanctioned persons. In addition, there is a risk of secondary sanctions being imposed on any foreign person for significant transactions and dealings with a person subject to the U.S. blocking sanctions.

On 8 March 2022 the U.S. President signed Executive Order No. 14066, which prohibited the importation into the U.S. from the Russian Federation of crude oil and refined oil products, liquefied natural gas, coal and coal products, and prohibited new investment in the energy sector in the Russian Federation by U.S. persons and any approval, financing, facilitation or guarantee by U.S. persons of the respective prohibited transactions by foreign persons. At the same time, the U.S. Department of the Treasury's Office of Foreign Assets Control issued Licence No. 16 of 8 March 2022 providing for an exception from the restrictive measures introduced by the U.S. President's Executive Order No. 14066 to execute until 22 April 2022 contracts and agreements entered into prior to 8 March 2022.

The U.S. Ending Importation of Russian Oil Act became effective on 8 April 2022 and prohibited the importation into the U.S. of Russian energy products, including oil and gas, in a manner consistent with actions issued under the U.S. President's Executive Order No. 14066 of 8 March 2022. However, the U.S. President is authorized to terminate that prohibition on importation of energy products from the Russian Federation in certain circumstances.

On 22 November 2022 the U.S. Department of the Treasury's Office of Foreign Assets Control published a determination that imposed from 5 December 2022 the prohibition on the following services related to the maritime transport of crude oil of Russian origin sold at a price above the certain price cap: trading brokering, financing, shipping, insurance, flagging and customs brokering.

U.S. sanctions apply to any entity, in the capital of which the persons from the sanctions list directly or indirectly, individually or in the aggregate, own 50 % or more equity interest.

The sanctions imposed by the EU, with amendments made on 15 March 2022 to EU Council Regulation No. 833/2014 of 31 July 2014 ("EU Council Regulation No. 833/2014"), prohibit all citizens of the EU member countries, as well as all legal persons, entities and bodies incorporated or established under the laws of an EU member country (both within the EU and abroad), as well as all legal persons, entities and bodies in connection with any economic activities carried out in whole or in part within the EU to:

1) provide drilling, well testing, logging and completion services, supply specialised floating vessels necessary for deep water oil exploration and production, and (or) Arctic oil exploration and production, and shale oil projects in the Russian Federation, as well as provide direct or indirect financing, financial assistance, technical and brokerage services in relation to these activities;

35 Operating Risks (continued)

2) acquire any new or extend any existing participation in any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation;

3) grant or be part of any arrangement to grant any new loan or credit or otherwise provide financing (including equity capital) to any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation or for the documented purpose of financing such a legal person, entity or body;

4) create any new joint venture with any legal person, entity or body incorporated or constituted under the law of the Russian Federation or any other third country and operating in the energy sector in the Russian Federation.

5) provide investment services related to the activities referred to points 1)-3) above.

On 3 June 2022 the EU adopted another package of sanctions against the Russian Federation, including but not limited to the following measures:

a) The prohibition on the purchase, import or transfer of crude oil and petroleum products, as listed in Annex XXV to EU Council Regulation 833/2014 of 31 July 2014, originating in, or being exported from, the Russian Federation, as well as the provision, directly or indirectly, of technical or financial assistance or other services related to that prohibition. That prohibition has a number of exceptions:

- until 5 December 2022 for one-off near-term transactions and the execution of contracts concluded before 4 June 2022 for crude petroleum oils and oils obtained from bituminous minerals;
- until 5 December 2023 for one-off near-term transactions and the execution of contracts concluded before 4 June 2022 for petroleum oils and oils obtained from bituminous minerals, other than crude;
- import of oil and petroleum products as listed in Annex XXV that are seaborne, originate in third countries and are exported through the Russian Federation, provided that the seller is non-Russian;
- import of crude oil which is delivered by pipelines from the Russian Federation, until the date when the EU Council makes a respective decision on the application of the prohibition.

b) It is prohibited to provide, directly or indirectly, technical assistance, brokering services, financing and financial assistance, related to the transport, including through ship-to-ship transfers, to third countries of crude oil or petroleum products as listed in Annex XXV which originate in, or which have been exported from, the Russian Federation.

An exception is provided for the execution until 5 December 2022 of contracts concluded before 4 June 2022, as well as for the export of oil and petroleum products originating in third countries and being exported through the Russian Federation, provided that the seller is non-Russian.

On 6 October 2022 the EU Council approved another package of sanctions against the Russian Federation, in particular changing the earlier introduced prohibition on crude oil transport services, including by vessels, to third countries. Thus, the prohibition on transport and services related to transport of crude oil from 5 December 2022 and petroleum products from 5 February 2023 is applied if the price per barrel of transported crude oil or petroleum products exceeds the price set by a separate decision of the EU Council. On 3 December 2022 the EU Council published a decision to set a Russian oil price cap at USD 60 per barrel from 5 December 2022. The prohibition is not applied to transport of crude oil and petroleum products originating outside the Russian Federation and only transiting through the Russian Federation, and not applied to crude oil supplied to Japan from the Sakhalin-2 project. In addition, it is prohibited to provide architectural and engineering services, legal advisory services and IT consultancy services, as well as prohibited as from 22 October 2022 for European persons to hold posts in the governing bodies of the Russian companies listed in Annex XIX to EU Council Regulation No. 833/2014 of 31 July 2014, including PJSC Gazprom Neft.

On 16 December 2022 the EU Council adopted another package of sanctions against the Russian Federation by adding a number of restrictions to the existing sanctions regime of the EU, including the prohibition from 16 January 2023 for persons from the EU to hold any posts in the governing bodies of Russian majority state-owned entities, their Russian subsidiaries (with an interest of over 50 %) and any Russian entities acting on their behalf or at their direction.

35 Operating Risks (continued)

On 22 December 2022 the EU Council decided to introduce a temporary mechanism to limit the gas price in excess of certain caps. The resolution enters into force from 1 February 2023, while the gas price limiting mechanism enters into force from 15 February 2023.

The EU sanctions apply to any person in which sanctioned entities, directly or indirectly, hold more than 50 %.

A number of other countries have recently imposed sanctions on the Russian Federation. Those sanctions are generally similar to the U.S. and EU sanctions. At the same time, certain countries have imposed extended sanction restrictions.

Blocking sanctions against PJSC Gazprom were imposed by Canada (24 February 2022), Australia (13 April 2022) and New Zealand (7 June 2022). On 29 September 2022 Poland imposed blocking sanctions against LLC Gazprom export.

A number of foreign states imposed sanctions on Alexey Miller, the Chairman of the Management Committee of PJSC Gazprom, and individual members of the governing bodies of PJSC Gazprom, but those sanctions do not apply to PJSC Gazprom.

The Group is currently assessing an influence of adopted economic measures on its financial position and financial performance.

36 Financial Risk Factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme considers the low level of predictability of financial markets and seeks to reduce potential adverse effects on the financial performance of the Group.

Risks are managed centrally and to some extent at the level of subsidiaries in accordance with adopted local acts of PJSC Gazprom and its subsidiaries.

Market Risk

Market risk is a risk that changes in market prices, such as foreign currency exchange rates, interest rates, commodity prices and prices of marketable securities, will affect the Group's financial results or the value of its holdings of financial instruments.

(a) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from financial assets and liabilities denominated in foreign currencies other than the functional currency of a Group entity.

(in millions of Russian Rubles)

36 Financial Risk Factors (continued)

The carrying amounts of the Group's financial instruments are denominated in the following currencies.

	Russian Ruble	US dollar	Euro	Other	Total
As of 31 December 2022					
Financial assets					
Current	1,557,057	593,281	506,710	93,209	2,750,257
Non-current	288,070	2,369	59,679	304	350,422
Total financial assets	**1,845,127**	**595,650**	**566,389**	**93,513**	**3,100,679**
Financial liabilities					
Current	1,509,110	120,559	276,925	76,009	1,982,603
Non-current	1,919,460	884,331	1,648,839	230,206	4,682,836
Total financial liabilities	**3,428,570**	**1,004,890**	**1,925,764**	**306,215**	**6,665,439**
As of 31 December 2021					
Financial assets					
Current	1,359,496	1,459,228	1,152,704	86,808	4,058,236
Non-current	366,563	4,418	64,216	2,479	437,676
Total financial assets	**1,726,059**	**1,463,646**	**1,216,920**	**89,287**	**4,495,912**
Financial liabilities					
Current	1,092,821	476,453	700,201	181,170	2,450,645
Non-current	1,084,561	1,116,622	2,072,579	228,117	4,501,879
Total financial liabilities	**2,177,382**	**1,593,075**	**2,772,780**	**409,287**	**6,952,524**

Information on derivative financial instruments is presented in Note 23.

The Group manages its net exposure to foreign exchange risk by balancing both financial assets and financial liabilities comparable in selected foreign currencies.

As of 31 December 2022, if the Russian Ruble had weakened by 30 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 125,615 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. As of 31 December 2021, if the Russian Ruble had weakened by 30 % against the US dollar with all other variables held constant, profit before profit tax would have been lower by RUB 49,966 million, mainly as a result of foreign exchange loss on translation of US dollar-denominated borrowings partially offset by foreign exchange gain on translation of US dollar-denominated trade receivables. The effect of related Russian Ruble strengthening against the US dollar would have been approximately the same amount with opposite impact.

As of 31 December 2022, if the Russian Ruble had weakened by 30 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 284,524 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. As of 31 December 2021, if the Russian Ruble had weakened by 30 % against the Euro with all other variables held constant, profit before profit tax would have been lower by RUB 370,919 million, mainly as a result of foreign exchange loss on translation of Euro-denominated borrowings partially offset by foreign exchange gain on translation of Euro-denominated trade receivables. The effect of related Russian Ruble strengthening against the Euro would have been approximately the same amount with opposite impact.

(b) Cash flow and fair value interest rate risk

The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk arises from loans issued, borrowings, lease liabilities and other interest-bearing financial instruments. The Group's interest rate risk primarily arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The table below summarises the balance between long-term borrowings at fixed and variable interest rates.

(in millions of Russian Rubles)

36 Financial Risk Factors (continued)

Notes	Long-term borrowings and promissory notes	31 December 2022	31 December 2021
21	At fixed rate	2,214,796	2,786,826
21	At variable rate	2,721,981	1,969,633
		4,936,777	**4,756,459**

The Group performs analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether obtaining financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

In 2021-2022 the Group's borrowings at variable rates were mainly denominated in Russian Rubles and Euro.

As of 31 December 2022, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 23,458 million for 2022, mainly as a result of higher interest expense on variable interest rate long-term borrowings. As of 31 December 2021, if benchmark interest rates on borrowings had been 100 basis points higher with all other variables held constant, profit before profit tax would have been lower by RUB 20,656 million for 2021, mainly as a result of higher interest expense on variable interest rate long-term borrowings.

The effect of a corresponding decrease in benchmark interest rates is approximately equal and opposite.

(c) Commodity price risk

Commodity price risk - possible change in prices for natural gas, crude oil and their refined products, and its impact on the Group's future performance and results of the Group's operations. A decline in the prices could result in a decrease in net profit and cash flows.

The Group's overall strategy in production and sales of natural gas, crude oil and their refined products is centrally managed. Natural gas export prices to Europe and other countries are generally based on a formula linked to refined products prices, which in turn are linked to crude oil prices.

The Group's exposure to the commodity price risk is related essentially to the export market. As of 31 December 2022, if the average gas export prices had decreased by 30 % with all other variables held constant, profit before profit tax would have been lower by RUB 1,628,060 million for 2022. As of 31 December 2021, if the average gas export prices had decreased by 30 % with all other variables held constant, profit before profit tax would have been lower by RUB 1,372,733 million for 2021.

Gas prices in the Russian Federation are regulated by the FAS and are as such less subject to significant fluctuations.

The Group assesses on regular basis the potential scenarios of future fluctuation in commodity prices and their impact on operational and investment decisions. However, in the current economic environment management estimates may significantly differ from actual impact of change in commodity prices on the Group's financial position.

(d) Securities price risk

The Group is exposed to movements in the value of equity securities included in financial assets held by the Group and classified in the consolidated balance sheet either as financial assets measured at fair value with changes recognised through profit or loss or other comprehensive income (see Note 9).

As of 31 December 2022 and 31 December 2021, if Moscow Exchange equity index, which primarily affects the major part of the Group's equity securities, had decreased by 20 % with all other variables held constant, assuming high correlation of the value of these securities with the index, the Group's comprehensive income for the period would have been RUB 79,706 million and RUB 120,142 million lower, respectively.

The Group is also exposed to movements in the value of securities held by JSC NPF GAZFOND and used for fair value estimation of the Group's pension plan assets (see Note 24).

Credit Risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The maximum exposure to credit risk is the value of the assets which might be lost.

Credit risk arises from cash and cash equivalents, deposits, debt financial instruments, derivative financial instruments, accounts receivable, loan commitments and financial guarantee contracts.

(in millions of Russian Rubles)

36 Financial Risk Factors (continued)

Financial instruments, which potentially subject the Group to concentrations of credit risk, primarily consist of accounts receivable. Credit risks related to accounts receivable are systematically monitored, taking into account customer's financial position, past experience and other factors.

Management systematically reviews ageing analysis of receivables and uses this information for calculation of allowance for expected credit losses (see Notes 10 and 17). Credit risk exposure mainly depends on the individual characteristics of customers, more particularly customers default risk and country risk. Group operates with various customers and substantial part of sales relates to major customers.

Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the allowance for expected credit losses already recorded.

Cash and cash equivalents are deposited only with banks that are considered by the Group to have a minimal risk of default.

The Group's maximum exposure to credit risk is presented in the table below.

Notes		**31 December 2022**	**31 December 2021**
8	Cash and cash equivalents	1,157,587	2,013,923
12	Deposits	60,378	219,661
9	Debt securities	29,603	25,270
10, 17	Accounts receivable	1,853,111	2,237,058
36	Financial guarantee contracts	244,787	239,309
33	Loan commitments	237,002	297,002
	Total maximum exposure to credit risk	**3,582,468**	**5,032,223**

Financial Guarantee Contracts

In accordance with the agreements, the Group provided financial guarantees in the total amount of RUB 244,787 million and RUB 239,309 million as of 31 December 2022 and 31 December 2021, respectively.

The total amount of financial guarantee contracts issued to the Group's associates and joint ventures as of 31 December 2022 and 31 December 2021 was RUB 170,735 million and RUB 129,516 million, respectively.

In 2022 and 2021 the counterparties fulfilled their contractual obligations.

Financial guarantee contracts include financial guarantees denominated in Euros of EUR 1,110 million and EUR 1,553 million as of 31 December 2022 and 31 December 2021, respectively.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities. The Group liquidity is managed centrally. The management of the Group monitors the planned cash inflow and outflow.

Important factor in the Group's liquidity risk management is an access to a wide range of funding through capital markets and banks. Due to the dynamic nature of the Group's activities, management maintains flexibility in financing sources by having committed credit facilities available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Financial liabilities due within 12 months (except lease liabilities) equal their carrying balances as the impact of discounting is not significant.

(in millions of Russian Rubles)

36 Financial Risk Factors (continued)

	Less than 6 months	Between 6 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
As of 31 December 2022					
Short-term and long-term loans and borrowings and promissory notes	325,615	613,118	868,051	2,547,577	2,660,270
Accounts payable	1,056,556	165,192	-	-	-
Lease liabilities	39,098	42,785	71,226	143,342	222,289
Other non-current liabilities (excluding derivative financial instruments)	-	-	31,671	79,679	5,330
Financial guarantee contracts	7,676	2,178	2,018	172,723	60,192
Derivative financial instruments	1,604	-	6,574	449	-
Loan commitments	-	40,000	-	197,002	-
As of 31 December 2021					
Short-term and long-term loans and borrowings and promissory notes	310,320	536,036	760,435	2,041,774	2,707,882
Accounts payable	1,522,341	178,179	-	-	-
Lease liabilities	38,727	34,881	65,355	130,583	119,649
Other non-current liabilities (excluding derivative financial instruments)	-	-	72,733	4,465	7,537
Financial guarantee contracts	6,850	4,799	31,726	46,574	149,360
Derivative financial instruments	393,329	162,424	95,307	14,842	96
Loan commitments	-	100,000	-	-	197,002

The Group's borrowing facilities do not usually include financial covenants which could trigger accelerated reimbursement of financing facilities. For those borrowing facilities where the Group has financial covenants, the Group is in compliance. If the financial covenants are not met, the Group reclassifies long-term borrowing facilities into short-term.

Reconciliation of liabilities arising from financing activities

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2021	**4,883,702**	**12,493**	**283,709**	**149**	**5,180,053**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	1,338,254	-	-	-	1,338,254
Additions as a result of new leases and modifications to existing leases	-	-	138,090	-	138,090
Repayment of borrowings	(875,755)	-	(45,119)	1,628	(919,246)
Interest capitalised and paid	(182,669)	-	-	-	(182,669)
Interest paid (in financing activities)	(50,614)	-	(19,600)	(245)	(70,459)
Dividends paid	-	(1,124,080)	-	-	(1,124,080)
Finance expense	45,581	-	19,600	245	65,426
Interest capitalised	191,265	-	-	-	191,265
Dividends declared	-	1,232,136	-	-	1,232,136
Change in fair value of hedging operations	-	-	-	4,670	4,670
Translation differences	(169,913)	-	2,339	-	(167,574)
Other movements	(113,990)	(12,812)	(107,908)	(4,275)	(238,985)
As of 31 December 2022	**5,065,861**	**107,737**	**271,111**	**2,172**	**5,446,881**

(in millions of Russian Rubles)

36 Financial Risk Factors (continued)

Information about perpetual notes is disclosed in Note 26.

	Borrowings	Transactions with owners	Lease liabilities	Other liabilities	Total
As of 31 December 2020	**4,907,614**	**5,625**	**252,940**	**4,124**	**5,170,303**
Cash flows, including:					
Proceeds from borrowings (net of costs directly related to the receipt)	952,896	-	-	-	952,896
Additions as a result of new leases and modifications to existing leases	-	-	85,202	-	85,202
Repayment of borrowings	(845,839)	-	(47,934)	(72)	(893,845)
Interest capitalised and paid	(151,615)	-	-	-	(151,615)
Interest paid (in financing activities)	(27,085)	-	(16,924)	(62)	(44,071)
Dividends paid	-	(313,396)	-	-	(313,396)
Finance expense	27,553	-	16,924	62	44,539
Interest capitalised	184,985	-	-	-	184,985
Dividends declared	-	323,431	-	-	323,431
Change in fair value of hedging operations	-	-	-	(7,555)	(7,555)
Translation differences	(188,156)	-	(1,376)	-	(189,532)
Other movements	23,349	(3,167)	(5,123)	3,652	18,711
As of 31 December 2021	**4,883,702**	**12,493**	**283,709**	**149**	**5,180,053**

Capital Risk Management

The Group considers equity and debt to be the principal elements of capital management. The Group's objectives when managing capital risk are to safeguard the Group's position as a leading global energy company by further increasing the reliability of natural gas supplies and diversifying activities in the energy sector, both in the domestic and foreign markets.

In order to maintain and to adjust the capital structure, the Group may revise its investment programme, attract new or repay existing loans and borrowings or sell certain non-core assets.

The Group considers its target debt to equity ratio at the level of not more than 40 %.

On the Group level capital is monitored on the basis of the net debt to adjusted EBITDA ratio. This ratio is calculated as net debt divided by adjusted EBITDA. Net debt is calculated as total debt (short-term borrowings and current portion of long-term borrowings, short-term promissory notes payable, long-term borrowings, long-term promissory notes payable) less cash and cash equivalents.

Adjusted EBITDA is calculated as the sum of operating profit, depreciation, impairment loss or reversal of impairment loss on financial assets and non-financial assets, less changes of allowance for expected credit losses on accounts receivable and impairment allowance on advances paid and prepayments.

The net debt to adjusted EBITDA ratio as of 31 December 2022 and 31 December 2021 is presented in the table below.

	31 December	
	2022	**2021**
Total debt	5,065,861	4,883,702
Less: cash and cash equivalents	(1,157,587)	(2,013,923)
Net debt	3,908,274	2,869,779
Adjusted EBITDA	3,637,555	3,686,890
Net debt / Adjusted EBITDA	**1.07**	**0.78**

(in millions of Russian Rubles)

37 Fair Value of Financial Instruments

The fair value of financial assets and liabilities is determined as follows:

a) Financial instruments included in Level 1

The fair value of financial instruments traded in active markets is based on quoted market closing prices at the date nearest to the reporting date.

b) Financial instruments included in Level 2

The fair value of financial instruments that are not traded in active markets is determined according to various valuation techniques, primarily based on the market or income approach, particularly the discounted cash flows valuation method. These valuation techniques maximise use at most the observable inputs where they are available and rely as little as possible on the Group's specific assumptions. If all significant inputs required to measure a financial instrument at fair value are based on observable data, such an instrument is included in Level 2.

c) Financial instruments included in Level 3

If one or more of the significant inputs used to measure the fair value of an instrument are not based on observable data, such an instrument is included in Level 3.

The fair value of long-term accounts receivable is classified as Level 3 (see Note 17), long-term borrowings – Level 2 (see Note 21).

As of 31 December 2022 and 31 December 2021 the Group had the following assets and liabilities that are measured at fair value.

		31 December 2022			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 23	Derivative financial instruments	-	1,527	-	1,527
9	Bonds	16,829	-	-	16,829
9	Equity securities	192	-	1,221	1,413
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 23	Derivative financial instruments	-	43	-	43
9	Equity securities	-	-	1,390	1,390
9	Bonds	2,378	-	-	2,378
	Total short-term financial assets measured at fair value	**19,399**	**1,570**	**2,611**	**23,580**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 23	Derivative financial instruments	-	4,932	-	4,932
9	Equity securities	-	-	942	942
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 23	Derivative financial instruments	-	70	-	70
9	Equity securities	329,390	55,578	9,817	394,785
9	Bonds	9,837	-	-	9,837
	Total long-term financial assets measured at fair value	**339,227**	**60,580**	**10,759**	**410,566**
	Total financial assets measured at fair value	**358,626**	**62,150**	**13,370**	**434,146**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
18, 23	Short-term derivative financial instruments	-	1,523	-	1,523
23	Long-term derivative financial instruments	-	4,932	-	4,932
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
18, 23	Short-term derivative financial instruments	-	81	-	81
23	Long-term derivative financial instruments	-	2,091	-	2,091
	Total financial liabilities measured at fair value	**-**	**8,627**	**-**	**8,627**

(in millions of Russian Rubles)

37 Fair Value of Financial Instruments (continued)

		31 December 2021			
Notes		**Level 1**	**Level 2**	**Level 3**	**Total**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 23	Derivative financial instruments	140,853	283,095	10,449	434,397
9	Bonds	23,706	-	-	23,706
9	Equity securities	230	-	1,075	1,305
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 23	Derivative financial instruments	-	103,552	-	103,552
9	Bonds	1,092	-	-	1,092
	Total short-term financial assets measured at fair value	**165,881**	**386,647**	**11,524**	**564,052**
	Financial assets measured at fair value with changes recognised through profit or loss:				
12, 23	Derivative financial instruments	72,366	26,807	-	99,173
9	Equity securities	-	-	2,343	2,343
	Financial assets measured at fair value with changes recognised through other comprehensive income:				
12, 23	Derivative financial instruments	-	41,462	-	41,462
9	Equity securities	532,263	55,578	9,225	597,066
9	Promissory notes	-	338	-	338
	Total long-term financial assets measured at fair value	**604,629**	**124,185**	**11,568**	**740,382**
	Total financial assets measured at fair value	**770,510**	**510,832**	**23,092**	**1,304,434**
	Financial liabilities measured at fair value with changes recognised through profit or loss:				
18, 23	Short-term derivative financial instruments	40,213	474,096	971	515,280
23	Long-term derivative financial instruments	8,060	98,867	-	106,927
	Financial liabilities measured at fair value with changes recognised through other comprehensive income:				
18, 23	Short-term derivative financial instruments	-	40,473	-	40,473
23	Long-term derivative financial instruments	-	3,318	-	3,318
	Total financial liabilities measured at fair value	**48,273**	**616,754**	**971**	**665,998**

The decrease in derivative financial instruments is due to the disposal of subsidiaries.

The derivative financial instruments include natural gas purchase and sale contracts and are categorised in Levels 1, 2 and 3 of the classification of derivative financial instruments. The contracts in Level 1 are valued using active market prices of identical assets and liabilities. Due to absence of quoted prices or other observable, market-corroborated data the contracts in Level 2 are valued using models internally developed by the Group. These models include inputs such as: quoted forward prices, time value of money, volatility factors, current market prices, contractual prices and expected volumes of the underlying instruments. If necessary, the price curves are extrapolated to the expiry of the contracts using all available external pricing information, statistical and long-term pricing relationships. These instruments are categorised in Level 3.

Foreign currency hedge contracts are categorised in Level 2. For fair value estimation the Group uses valuation prepared by independent financial institutes. Valuation results are regularly analysed by the Group's management. For the reporting period all foreign currency hedge contracts were effective.

During 2022 and 2021 there were no transfers of financial instruments between Levels 1, 2 and 3 and changes in valuation techniques during the reporting period.

Financial assets measured at fair value with changes recognised through profit or loss include derivative financial instruments, equity and debt securities intended to generate short-term profit through trading.

38 Offsetting Financial Assets and Liabilities

In connection with derivative financial instruments activities, the Group generally enters into standard offsetting agreements and collateral agreements with its counterparties. These agreements provide the Group with the right to offset, in the event of a default by the counterparty (such as bankruptcy), counterparty's rights and obligations under the agreement or to liquidate and set off collateral against any net amount owed by the counterparty.

(in millions of Russian Rubles)

38 Offsetting Financial Assets and Liabilities (continued)

The following financial assets and liabilities are subject to standard offsetting agreements, including set-off agreements using collateral for obligations and similar agreements.

	Gross amounts before offsetting	Amounts offset	Net amounts after offsetting in the consolidated balance sheet	Amounts subject to netting agreements
As of 31 December 2022				
Financial assets				
Long-term and short-term trade and other accounts receivable	1,853,111	-	1,853,111	-
Derivative financial instruments	6,572	-	6,572	-
Financial liabilities				-
Accounts payable (excluding derivative financial instruments)	1,489,569	-	1,489,569	-
Derivative financial instruments	8,627	-	8,627	-
As of 31 December 2021				
Financial assets				
Long-term and short-term trade and other accounts receivable	2,786,056	548,998	2,237,058	86,088
Derivative financial instruments	3,365,299	2,686,715	678,584	352,547
Financial liabilities				
Accounts payable (excluding derivative financial instruments)	2,472,137	548,998	1,923,139	86,088
Derivative financial instruments	3,352,713	2,686,715	665,998	352,547

The lack of offset of financial assets and liabilities in 2022 is due to the disposal of subsidiaries.

39 Events after the Reporting Period

Borrowings

In January-April 2023 the Group obtained long-term loans in the total amount of RUB 152,860 million.

In January-April 2023 the Group issued Russian bonds as a replacement for Eurobonds, the rights to which are recorded in Russian depositories, for the total amount of USD 3,560 million, EUR 1,619 million, 168 million Swiss franc and 118 million British pounds sterling with coupon rates and maturities similar to the replaced Eurobonds.

In January-April 2023 the Group issued Russian bonds in the amount of RUB 77,743 million.

Other events

In January 2023 the Group issued Russian perpetual callable loan participation notes as a replacement for perpetual Eurobonds, the rights to which are recorded in Russian depositories, for the total amount of USD 994 million and EUR 551 million with coupon rates and maturities similar to the replaced perpetual Eurobonds.

On 3 February 2023 the U.S. Department of the Treasury's Office of Foreign Assets Control published a determination pursuant to the U.S. President's Executive Order of 6 April 2022 No. 14071 (Executive Order No. 14071) that set from 5 February 2023 a price cap for Russian petroleum products at USD 45 per barrel of petroleum products traded at a discount to crude oil and at USD 100 per barrel of petroleum products traded at a premium to crude oil.

In addition, on 3 February 2023 the U.S. Department of the Treasury's Office of Foreign Assets Control published a determination pursuant to Executive Order No. 14071 that introduced the prohibition for U.S. persons to provide to Russian persons certain services related to the maritime transport of petroleum products of Russian origin, such as trading brokering, financing, shipping, insurance, flagging and customs brokering if the price of the petroleum products exceeds the above price cap.

On 5 February 2023 the prohibition of the EU entered into force on the transport and provision of services related to the transport of Russian petroleum products to third parties from 5 February 2023 if the price per

39 Events after the Reporting Period (continued)

barrel of transported petroleum products exceeds the cap set by a separate decision of the EU Council. On 4 February 2023 the European Commission published information about the EU Council's decision to set two price caps for petroleum products falling under CN code 2710 originating in or exported from Russia. The first price cap for petroleum products traded at a discount to crude oil is set at USD 45 per barrel, while the second price cap for petroleum products traded at a premium to crude is set at USD 100 per barrel.

On 25 February 2023 the EU Council adopted another package of sanctions against the Russian Federation with a number of new restrictions, including:

(1) it is prohibited from 27 March 2023 to allow Russian nationals (and persons permanently residing in the Russian Federation) to hold any posts in the governing bodies of the owners or operators of critical infrastructures and critical entities of the EU;

(2) it is prohibited to provide gas storage capacities/facilities (except for LNG storage capacities) to Russian nationals and entities, as well as persons that are owned for more than 50 % by them and persons acting on their behalf or at their direction.

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