



SUSTAINABLE ENERGY FUTURE

Annual Report 2020



Contents

About our Company 4

Company Mission and Values	6
Production assets and operation regions	8
Business model	10
TATNEFT Group main segment-forming subdivisions and enterprises	12
Macroeconomics and competitive environment	14
Integration of sustainable development practices into the company's activities	38
Company's Membership in Industry Associations	40
Support for International and National Economic, Environmental, and Social Initiatives	41

Board of Directors' Report on Company's Development Performance by Main Business-Streams 42

Joint Address to the Shareholders, Investors and Partners	44
Company capitalization	48
Consolidated assets of TATNEFT Group	49
Financial performance of TATNEFT Group	50
Context of Activities — Sustainable Development	54
Resource capacity	57
2020 key operating performance	60
Trading and logistics	62
Petroleum product sales	63
Fuel Filling Station network	64
Heat & power generation	66
Tire business	67
Investment program	68
Fundraising	76
Growth strategy	78
System of key performance indicators	80
Exploration and production	82
Oil and gas refining	94
Retail business	100
Petrochemical complex	104
Tire business	105
Machine building	110
LLC Tatneft-Presskompozit	112
Energy	114
Energy and resource efficiency	116
Logistics support	119
Banking business	121

The 2020 Annual Report of PJSC TATNEFT n.a. V.D Shashin was approved by the Annual General Meeting of Shareholders on June 25, 2021, Minutes No.34.

Corporate governance 122

Corporate governance system	124
Corporate governance structure	129
General meeting of shareholders	131
Board of Directors	134
Committees of the Board of Directors	152
Sole executive body	160
Management board	161
Corporate secretary	168
Internal audit	170
Revision Commission	176
Risk management and internal control	178
Insider information protection Procedures and regulations	184
Information policy	185
Prevention and regulation of potential conflicts of interest	186
Anti-corruption policy	188
Corporate cyber security policy	192

Interaction with shareholders and investors 194

Shareholders' equity	196
Protection and ensurance of shareholders' rights	204
Interaction with shareholders	206

Sustainable development 208

Sustainable Development Management System	210
Human Rights	212
Responsibility to stakeholders	213
Health, safety, and environment in view of climate change	214
Personnel	224

Appendices to the Annual Report 2020 234

Annex 1. IFRS Consolidated Financial Statements and Independent Auditor's Report	236
Annex 2. Report on compliance of PJSC TATNEFT n.a. V.D. Shashin with the corporate governance code guidelines of the Bank of Russia	318
Annex 3. Principal risks	338
Annex 4. On the annual report and the underlying regulatory documents constituting the framework for this annual report	348
Contact details	354

About our Company

TATNEFT Group is one of the leading producers of the Russian fuel and energy industry with about 80 years of experience, including in the status of a public joint-stock company with a more than 25 year-listing on the international stock market. The vertical integration strategy of the full production cycle is being implemented in the Group's status. The main assets of the Company are located within the Russian Federation, business projects are carried out in the domestic and foreign markets.

The corporate business model is built in compliance with the long-term sustainable development strategy and provides a value chain based on the vertical integration of the full production cycle of the Group enterprises with an optimal distribution of the balance in oil and gas production, oil refining, and petrochemicals to achieve maximum operational profitability. TATNEFT is one of the leading Russian oil and gas producers. The strategy of full production cycle vertical integration is implemented in the Group status. The Company's main assets are located in the Russian Federation, business projects are implemented in both domestic and foreign markets.

The Company makes a particular focus on maintaining a favorable environment and mitigating the climate change impacts while placing a high priority on the social aspects. Corporate responsibility and security stand the fundamental principles for the Company.

The landmark guidance for the Company is the UN Action Plan "Transforming our World: The 2030 Agenda for Sustainable Development." As a party to the UN Global Compact, TATNEFT integrates 10 principles and 17 Sustainable Development Goals into its business model.

The geography of shareholders spans over 30 countries. The securities of PJSC TATNEFT listed at the top-tier quotation level of the Moscow Exchange and other leading international stock exchanges are among the most sought-after and profitable investment instruments as well as forms of capital accumulation.



Company Mission and Values

2030 Strategy

The implementation of the Company Strategy involves sustainable growth aspects and ensuring favorable economic and social conditions for business development — based on the most efficient use of all types of resources and creating value for stakeholders at each stage of the Company's activities.



The Company's stance pursues that only balancing between these aspects, abiding by high ethical principles, and developing social partnership can ensure harmonious and effective business development.

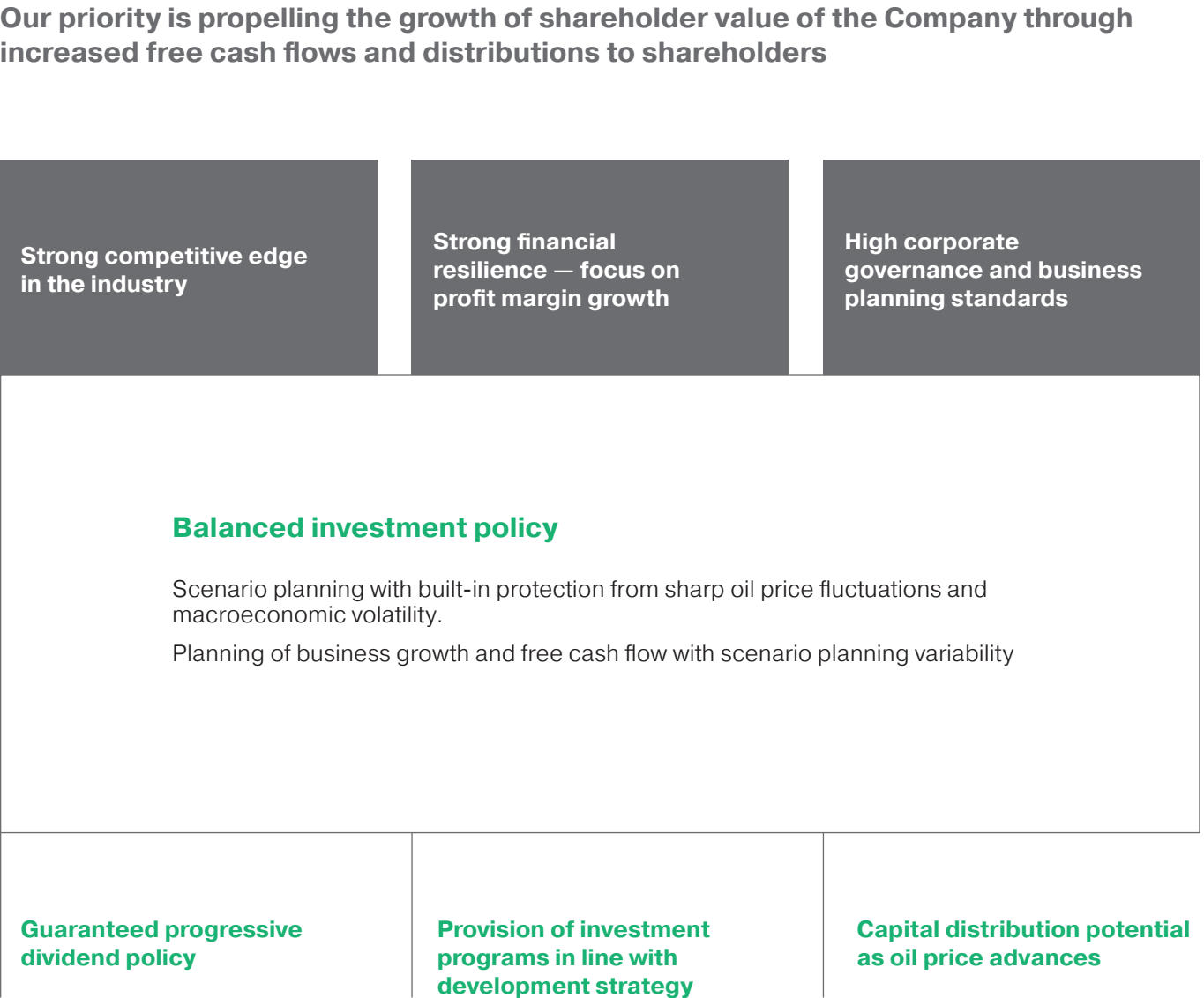
The Company is fully aware of its responsibility to its shareholders, investors, partners, employees, and the public as a whole, recognizes its equal liability for operating performance, health, safety, and environmental compliance, and takes all measures to ensure long-term sustainable development.

Company's Mission

The Company's mission is to ensure continuous development in the status of one of the largest vertically integrated Russian producers of oil and gas, petroleum products, and petrochemicals based on effective management of shareholders' assets, rational use of natural resources, and corporate social responsibility.

Company's key objective

The Company's key objective is to ensure the most efficient monetization of reserves and direct profits earned to create new lucrative points of value growth and diversify the business, which would ensure the Company sustaining a strong position and profitability beyond the 2030 horizon.



The Company's consistent actions allow ensuring profitable oil and gas production, sustaining a high level of hydrocarbon resource life, developing effectively our own oil refining and petrochemicals as well as building up our innovative potential, and deploying advanced digital solutions to create a reliable technological base for the Company.

Production assets and operation regions

The Company provides management processes — from obtaining resource development licenses to selling oil, oil and gas refining products, and petrochemicals both in the domestic market and for export — as well as the manufacturing of equipment used for oil production, oil and gas treatment and processing, and rendering engineering, supply, and construction services for oil, gas, and petrochemistry projects. Since Q4 2016, the structure of TATNEFT Group also includes the banking segment — Zenit Banking Group.

TATNEFT Group encompasses nearly 60 thousand employees working at enterprises located in the Russian Federation and abroad. The Company's key assets are located in the territory of the Russian Federation with the main focus in the Republic of Tatarstan. The main subsidiaries operate in the Russian Federation, except for Tatneft-Europe AG operating in Switzerland.

Business projects are implemented in both domestic and foreign markets. The business infrastructure is formed by the geographical proximity of production facilities and efficient logistics. The Company headquarters is located in Almet'yevsk, the Republic of Tatarstan. The company has representation offices in Moscow, Kazan, Ukraine, the Republic of Iraq, the Republic of Uzbekistan as well as branches in Libya and Turkmenistan.

The Company's resource base includes one of the world's largest oil fields — the Romashkinskoye, Novo-Elkhovskoye, Bavlinskoye, Bondyuzhskoye, Pervomayskoye, Sabanchinskoye, Arkhangelskoye, and Ashalchinskoye oil fields are also among the Company's major assets.

Outside Tatarstan, the Company carries out its exploration and production activities in the Ulyanovsk Region, the Samara Region, the Orenburg Region, Nenets Autonomous District, and the Republic of Kalmykia.

The largest capacities, such as the TANECO refining complex and the KAMA TYRES production are located in Nizhnekamsk. The Company is currently developing a petrochemical complex in close proximity to these facilities. The retail chain for the sale of petroleum products includes 819 filling stations operating in Russia as well as in Belarus, Uzbekistan, and Ukraine. TATNEFT supplies engineering, technology, and equipment to Armenia, Kazakhstan, Libya, Turkmenistan, Turkey, Uzbekistan, and Estonia.

The main generating facilities of the Group are located in the South-East of Tatarstan and include the capacities of the Nizhnekamsk CHPP and Almet'yevsk Heating Networks.

The company develops high-tech production of composite materials at facilities OOO Tatneft-Presscomposite located within the Special Economic Zone "Alabuga". Mechanical engineering is aimed at providing the Company's enterprises with specialized equipment.

** Details on the structure of TATNEFT Group, subsidiaries of PJSC TATNEFT are provided further in the Annual Report, Financial Performance Section, as per IFRS.*

About **60**
thous. employees

working at the enterprises located within the Russian Federation and abroad.

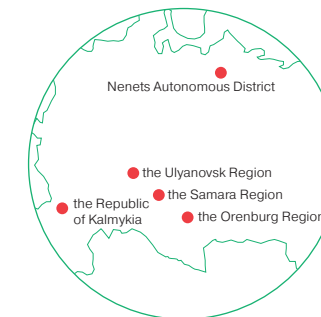
110
Enterprises

TATNEFT Group

Our Global Reach



Largest oil fields and the core operations within the Republic of Tatarstan



Exploration and production outside the Republic of Tatarstan

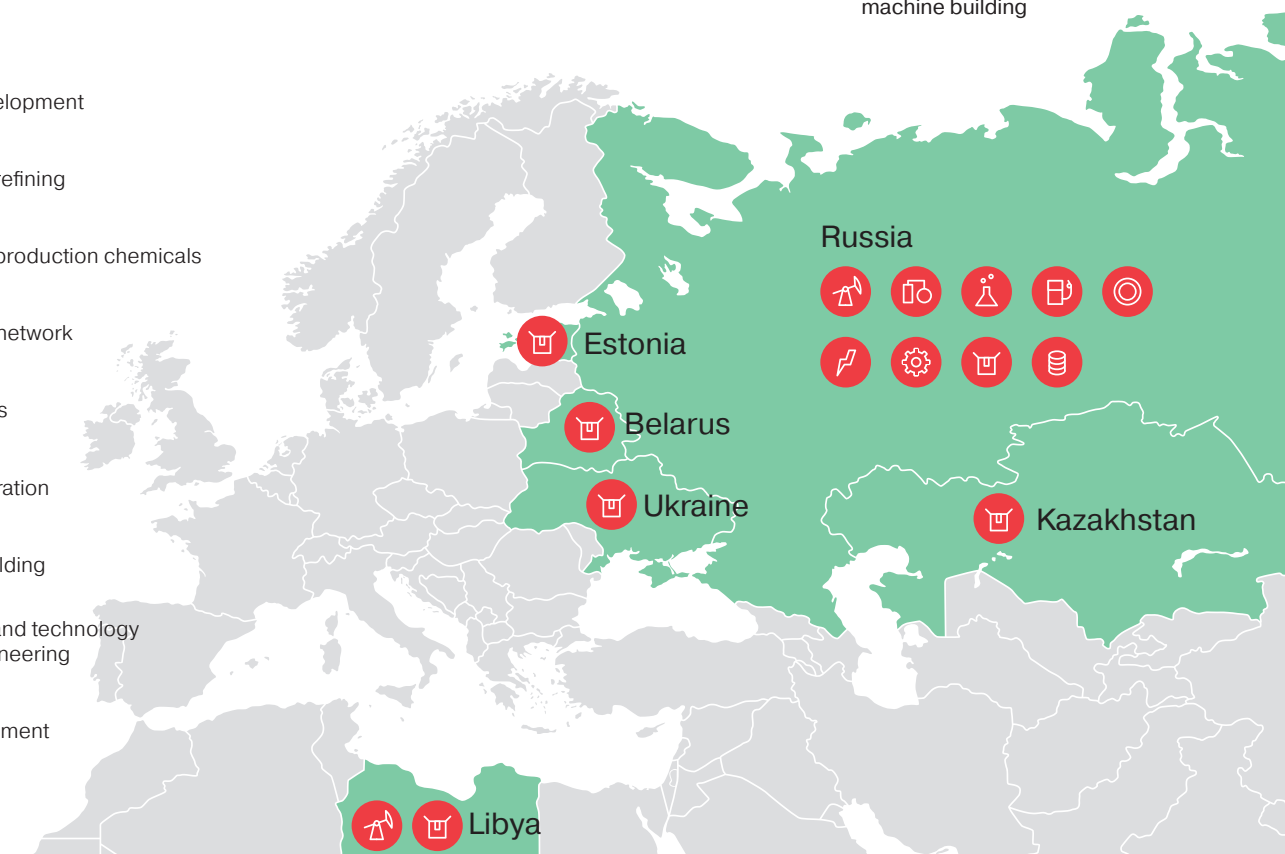


TATNEFT filling stations regional reach



Core operations within the Republic of Tatarstan: oil field development, oil and gas refining, tire business, power generation, machine building

- Oil field development
- Oil and gas refining
- Oil and gas production chemicals
- Distribution network
- Tire business
- Power generation
- Machine building
- Equipment and technology supply, engineering
- Banking segment



Company exported (2020 year-end data)

56%
Crude oil sold

43%
Petroleum product sold

32%
Tire products

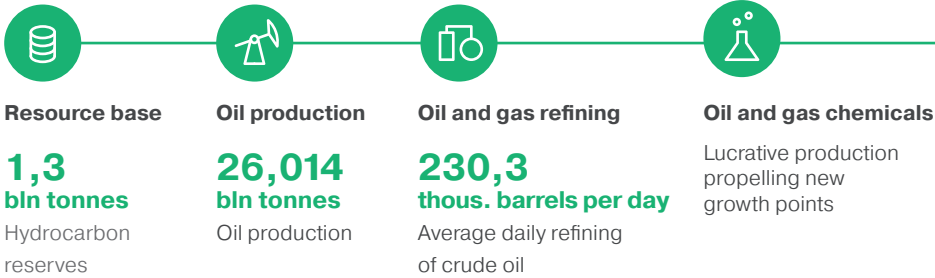
43
Countries global supply coverage

Business model

Capital (resources)

Financial
rub 1.26 tln
Consolidated asset value
rub 103.3 bln
Investments
Social and reputational
10 countries
Of company's global reach
Active participant of the un global compact
Human
About 62 thous
Employees highly qualified personnel
Intellectual
rub 2.4 bln
Investments in r&d and pilot tests
Natural
rub 16.1 bln
Investments in environmental activities
Operational
110 enterprises
Diversified structure of full cycle assets

Determination, as well as the list of capitals, is provided under the International Integrated Reporting Standard published by the International Integrated Reporting Council (IIRC).



We are developing our production capacities on an ongoing basis to make it possible to convert the hydrocarbon reserves into products with high added value.

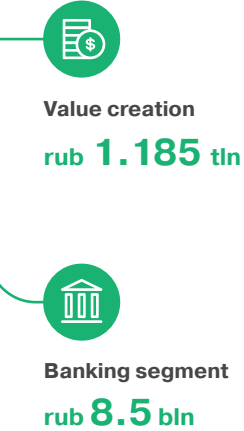
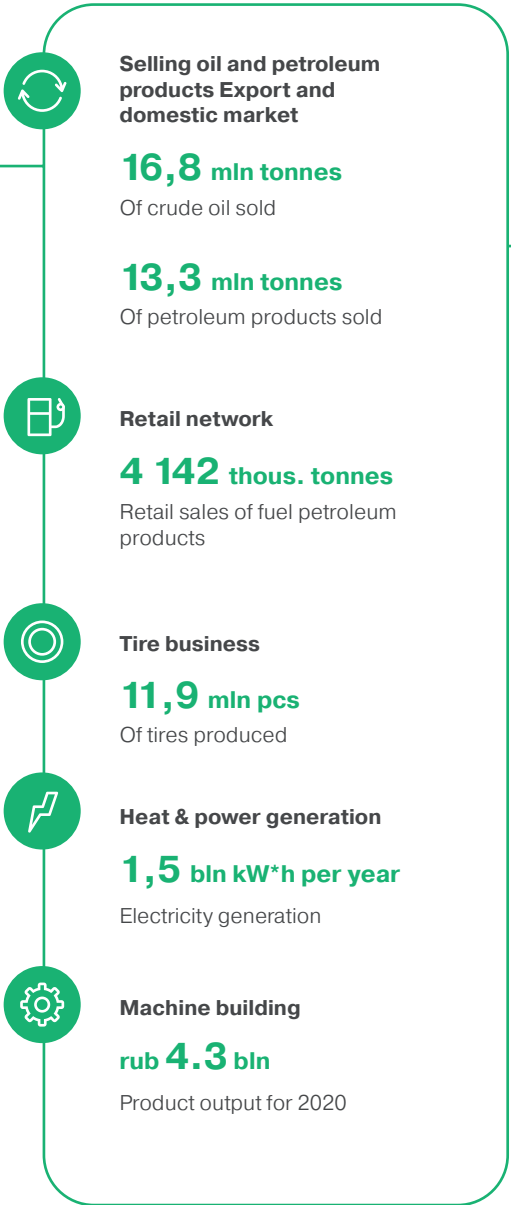
The Company business model is built on the full vertical integration principle powered by strong discipline in the capital management,

UPSTREAM

- Ensuring the growth of production volumes and replenishing reserves
- Strengthening the resource base
 - Expansion of geographical reach of producing assets
 - Development of field with hard-to-recover, including superviscous (SVO), oil

DOWNSTREAM

- Production of much-in-demand highly competitive refined products and petrochemicals, powered by the qualitative strengthening of asset structure and improving the operating performance of business segments:
- Selling oil and petroleum products, including for export and in the domestic market
 - Oil refining
 - Oil and gas production chemicals
 - Tire business
 - Heat and power generation
 - Machine building
 - Engineering



Balance of interest and commission income and expenses for banking operations

Building an effective banking structure with a strong reputation in the financial community in key systems such as corporate, investment, and private banking. Comprises PJSC ZENIT Bank and its subsidiaries (ZENIT Banking Group).

Since Q4 2016, ZENIT Banking Group is subject to consolidation for the purposes of the financial statements of the TATNEFT Group.

Capital (resources)

Financial
rub 187.3 bln
Adjusted EBITDA
rub 103.5 bln
Profit attributable to group's shareholders
13 %.
ROACE
95,7 млрд руб.
Free cash flow
Social and reputational
rub 344.4 bln
Accrued taxes, charges, and contributions
rub 20.2 bln
Social investments
rub 130 bln
Tatneft brand value
Human
19,236 employees
Trained
28
Corporate training programs
Intellectual
5 846
Intellectual property items
Natural
rub 11.3 bln
Environmental expenses
Reducing environmental impacts to ensure self-restoring capacity of ecosystems
Operational
+ 12,2%
Petroleum products output growth
+ 11,4%
Crude oil refining growth
+ 5,8%
Tire output growth

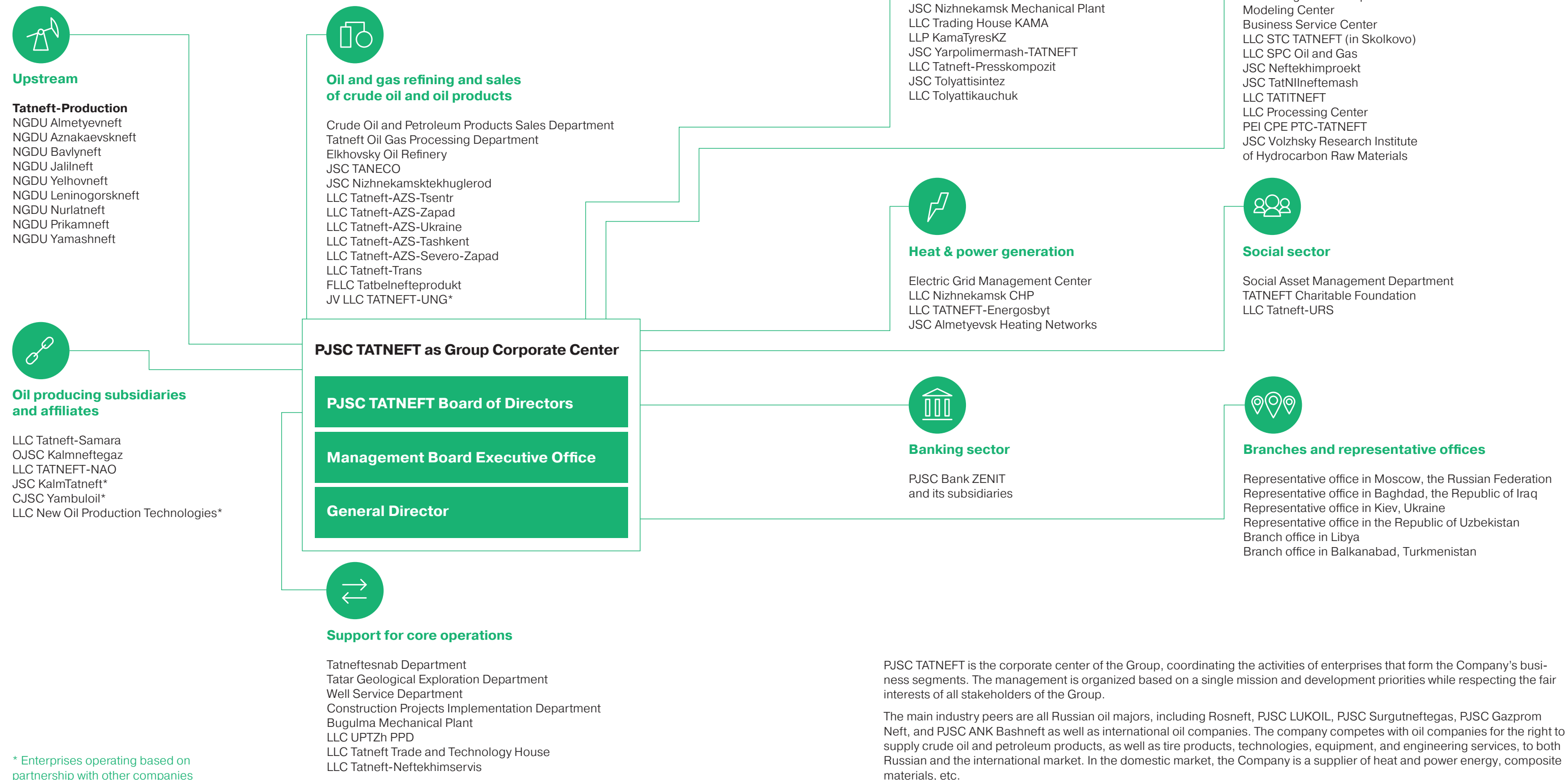
Created and distributed economic value, rub mln

Revenue	720 677
Income from financial investments	4 428
Direct economic value created	725 105
OPEX	286 678
Payments to capital suppliers	80 909
Payments to the state	223 454
Social investments	20 990
Distributed economic value	658 815
Retained economic value	66 290

The Company creates added value, i.e., the direct economic value created and distributed, for all stakeholders, namely: shareholders, investors, employees, contractors, state authorities, and local communities. The direct economic value generated and allocated reflects the subsequent revenue distribution by groups of stakeholders.

The difference between the created and distributional values is explained by the retention of the share of the economic value, which is used for the further development of the TATNEFT Group's business, as well as a significant contribution to the social projects.

TATNEFT Group main segment-forming subdivisions and enterprises



PJSC TATNEFT is the corporate center of the Group, coordinating the activities of enterprises that form the Company's business segments. The management is organized based on a single mission and development priorities while respecting the fair interests of all stakeholders of the Group.

The main industry peers are all Russian oil majors, including Rosneft, PJSC LUKOIL, PJSC Surgutneftegas, PJSC Gazprom Neft, and PJSC ANK Bashneft as well as international oil companies. The company competes with oil companies for the right to supply crude oil and petroleum products, as well as tire products, technologies, equipment, and engineering services, to both Russian and the international market. In the domestic market, the Company is a supplier of heat and power energy, composite materials, etc.

Macroeconomics and competitive environment

Main challenges and assessment of the impact on the Company development

The year 2020 was marked by significant events that were critical for the global economy and the oil and gas industry:

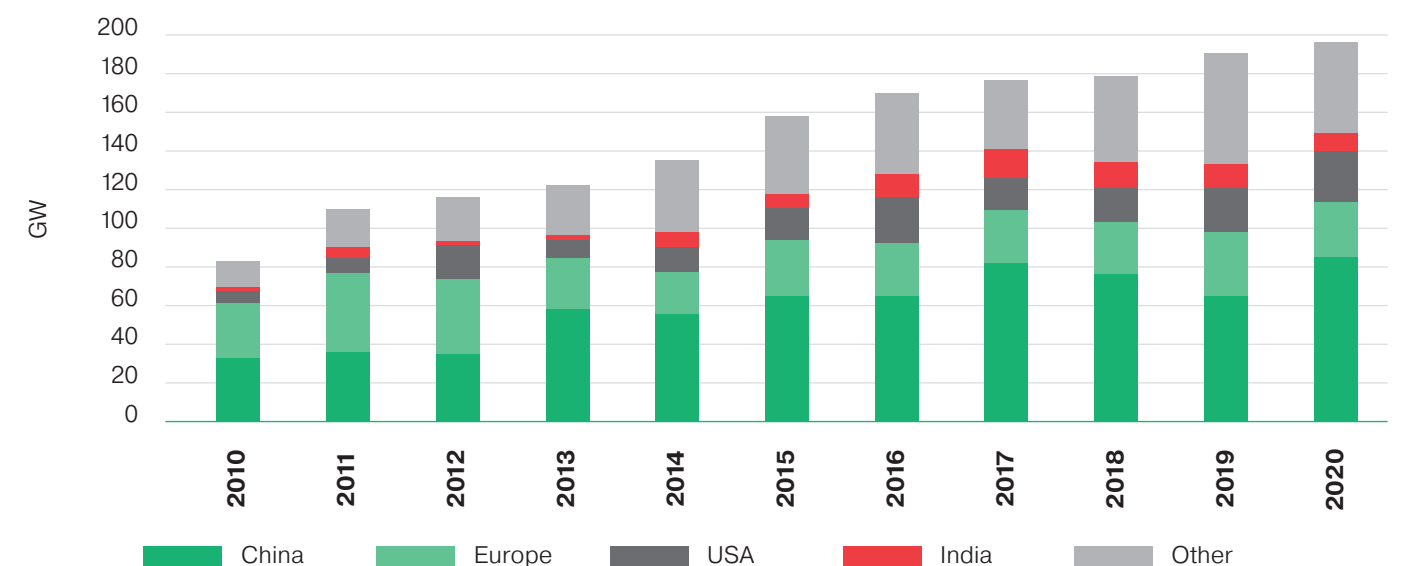
- The pandemic caused the deepest global recession in the world economy since World War II. Country markets took a hit from lockdowns, quarantine measures (closure of shopping centers, etc., catering systems, etc.), reduced trade, reduced tourist traffic, higher unemployment, a decrease in the volume of remittances, etc.;
- Freezing of economic activity during the period of widespread lockdowns caused a sharp decline in energy consumption and demand for energy, at the same time, due to the decline in trade turnover between countries, some regions face a shortage of oil and gas raw materials, which has been an additional impetus for the development of alternative energy;
- The pandemic accelerated the revision of the climate agenda.

The energy sector has entered an era of carbon transformation — 2020 was the beginning of the Decade of Renewable Energy. The cost of green electricity continues to decline as a whole, making it an increasingly attractive alternative to hydrocarbons.

According to the International Renewable Energy Agency (IRENA), the total amount of renewable energy generating capacity worldwide at the end of 2020 was 2,799 GW, an increase of 261 GW or 10.3% over 2019. Hydropower accounted for 43% of RES capacity, while wind and solar power accounted for 26% each. In 2000, renewables accounted for 21.8% of the total electric generating capacity commissioned; in 2020, renewables (mainly wind and solar power) accounted for 82% of new electric generating capacity worldwide, up from 73% a year earlier.

The green revolution is led by China. The construction of record-breaking amounts of RES capacity in 2020 was mainly driven by investments from China and the US: 52% of new RES capacity was installed in China — 136 GW, of which 72 GW were wind farms and 49 GW were solar farms. In the US, 29 GW of renewable power plants were commissioned, which is almost 80% more than in 2019. The share of electricity generation in Europe in 2020 exceeded the share of fossil fuels for the first time in history — 38% of all electricity was generated from renewables, compared to 37% from fossil fuels (according to the annual report of Ember, the British think tank, and Agora Energiewende, the German institute). In 2020, one-fifth of electricity in the EU was generated by wind and solar power plants.

New RES capacities are added in a sustained and ongoing way



Sources: IEA, VTB Capital

The Paris Agreement (an initiative of the United Nations Framework Convention on Climate Change, UNFCCC, represented by almost every country in the world) is the main initiative of the carbon transition.

The European Union, the main apologist for the implementation of the goals of the Paris Agreement in terms of decarbonization of production and products, is exerting increasing pressure on the market every year. The European Green Deal, adopted in December 2019, aims to achieve a 50–55% reduction in emissions by 2030 compared with 1990 levels, and CO₂ emissions should be zero by 2050.

The EU, in achieving its climate goals, aims to introduce a mechanism of customs carbon adjustment or carbon border adjustment mechanism (CBAM) on imported products — primarily, an initiative aimed at preventing carbon leakage (increased greenhouse gas emissions by countries outside the EU) due to European countries moving their businesses there to optimize climate-related costs. However, the CBAM is expected to have an impact on the economies of countries and companies with predominantly commodity exports to the EU, while increasing competition.

In November 2020, the European Roundtable on Climate Change and Sustainable Transition (ERCST) published a “Summary of stakeholder responses to the public consultation on the EU carbon border adjustment,” at this stage of the CBA mechanism does not provide for its extension to either oil and gas producers or refineries and covers:

- Steel, fertilizer, cement, and electricity production;
- The tax can be applied to the entire industry or individual products (including semi-finished products) that are imported into the EU;
- The tax applies to Scope 1 and Scope 2 emissions;
- Benchmarks will be used to determine the emissions contained in imported products (e.g., the average carbon intensity of producers in the EU or the average GHG emissions of the 10% most efficient producers in the EU);
- Taxable businesses will be required to buy allowances from a certain pool outside the ETS intended for imported products, which will reflect the price within the ETS.

Refining, one of the most energy-intensive industries (second only to iron and steel), which accounted for 19% of the EU's CO₂ emissions in 2018, is not included in the final CBA document. It is possible that oil refining (i.e. imports of petroleum products) will eventually be included in the bill (to be published in June 2021), but exploration and production (imports of oil and gas) will most likely not appear in it, since the industry generates only 10% of total methane emissions, which has never been considered energy-intensive production in the EU.

There are 64 carbon pricing schemes (emission markets and taxes) already in place or planned to be launched, covering 22.3% of global greenhouse gas emissions. In Europe, there

is a system of emissions trading — EU ETS (Emissions Trading System, ETS), which is quite developed and is the world's first largest carbon market, covering 29 European countries and 45% of greenhouse gas emissions in the region (estimated at more than EUR 51.4 billion per year).

The ETS applies to many industries, including power generation and air transportation, a market in which polluting companies can buy (or receive for free, through a special mechanism) emission allowances. The ETS applies only to direct greenhouse gas emissions (Scope 1).

Russia has also begun preparing to launch a similar mechanism — a regional pilot project on Sakhalin, whose main parameters will be determined by June 2021, when the draft will be submitted to the State Duma. According to the published roadmap, the first transaction to sell CO₂ units could be carried out in July 2022.

The price of carbon varies greatly across countries and regions of the world: in Mexico and Kazakhstan circa USD 1 per tonne CO₂, in China USD 5–6 per tonne CO₂, in the European Union EUR 25–27 per tonne CO₂, in Sweden USD 119 per tonne CO₂. The High-Level Commission on Carbon Prices, co-chaired by Nobel laureates J. Stiglitz and N. Stern, believes that to meet the goals of the Paris Climate Agreement, global average prices must be brought to USD 40–80 per tonne CO₂ in 2020 and USD 50–100 per tonne CO₂ by 2030. Therewith, their model calculations show that this is not the limit. The price of carbon will only increase as climate policies become more stringent.

Environmental protection is part of the responsible business trend (ESG — doing business in accordance with the sustainable development principles) that has become active in 2020. The ESG principles are used by the investor community to decide whether to invest in responsible business. ESG investors must actively influence companies' sustainability decisions aimed at minimizing environmental, social, and corporate risks.

The Investor Group for the Cooperative Development of Principles for Responsible Investment (PRI). In 2018 PRI established minimum requirements for participants. The most important of these is to consider the ESG principles when analyzing and making an investment decision for more than 50% of assets under management. In 2020, the number of PRI participants exceeded 3,500. The volume of assets under their management was more than USD 103 trillion, which was USD 59 trillion in 2015. Since 2020, decisions on investing amounts of more than USD 50 trillion (50% of USD 103 trillion) must be based on ESG principles.

Thus, ESG-investors influence the decisions made by companies. In 2020, PIMCO, a major American investment company, did not buy social bonds of Russian Railways, as 50% of the freight turnover of Russian Railways accounts for coal and petroleum products. That is, the “carbon footprint” is evaluated by investors not only in terms of production itself (Scope 1) but also in terms of the entire chain of suppliers and customers (Scope 2, 3).

The same pressure is exerted on the energy sector by banks, primarily in the EU: they consistently adopt strategies to reduce the amount of investment in the hydrocarbon business. As part of its new climate strategy, Société Générale announced a 10% reduction in oil and gas lending by 2025. As part of the same strategy, the Company has already stopped lending to offshore oil and gas production in the US. Deutsche Bank said in its new lending policy that it would suspend lending to the coal mining sector and reduce lending limits to the oil and gas sector by 2025.

Such pressure has forced major international companies (primarily European) to change their development strategies, focusing on a gradual transition to a carbon-free business model. In particular, BP and Total announced changes in their strategies (down to production cuts). American companies embarked on setting ambitious goals to reduce emissions — ExxonMobil is cutting investments in production and increasing investments in green technologies. Pioneer Natural Resources, the largest US independent oil and gas producer operating in the Permian Basin, has pledged to reduce emissions in production by a quarter by the end of the decade.

PJSC TATNEFT also aims to become carbon-neutral by 2050; the 2030 goal is to reduce CO₂ emissions by 20%.

Significant global business challenges:

- Introduction of lockdowns in certain regions of the world as a result of successive waves of the coronavirus pandemic, the emergence of new vaccine-resistant strains of the virus;
- Slow recovery of global consumption of LHCs as a result of the pandemic. Consumption is expected to grow by 5–7 MBPD at year-end, which is estimated at 97 MBPD at year-end (equal to 2016 levels), resumption of 2019 levels is expected by 2023;
- Limitation of oil production within the framework of the OPEC+ deal effective from May 1, 2020, to May 1, 2022. In total, the participants of the OPEC+ deal and part of the G20 producers are expected to reduce production at the level of 20 MBPD. The volume of production of LHCs in the Russian Federation under the deal in 2021 is expected at the level of 10.6 MBPD, which is 1 MBPD lower than the level of 2019 (11.61 MBPD in 2019);
- Increasing the importance of the global climate agenda — the introduction of environmental taxes, EU lobbying for the introduction of CBA, tightening the requirements of ESG investors;
- The greatest volatility in oil prices in recent years and price uncertainty until 2025 against the backdrop of an unstable market;

- Uncertainty with the timing of recovery from the global economic crisis and restoration of pre-crisis levels of hydrocarbon consumption;
- Drop in oil production margins;
- Tightening noncompetitive methods of economic struggle, including sanctions of the US and its allies;
- Escalating competition of producers in the markets, resulting from technology development (including in the field of shale oil and gas production);
- Slowing the growth and changing the structure of global energy demand, including the gradual replacement of hydrocarbons with other types of energy;
- Deterioration of the traditional oil quality, field depletion, the need to involve in the development of unconventional/hard-to-recover oil reserves;
- Direct or indirect discrimination of Russian FEC companies in foreign markets by changing regulations, including under the pretext of climate and environmental policies, as well as politically motivated diversification of energy imports;
- Increased competition between conventional energy and renewable energy may weaken the influence of major producers, changing geopolitics and trade routes.

The main threats and risks of the domestic Russian oil market are:

- Limitation of oil production in Russia under the OPEC+ deal;
- Reduction of oil refining as a result of a drop in exports and a drop in demand on the domestic market (the reduction of export and domestic market supplies will cumulatively amount to);
- Increase of tax burden on the oil industry in the Russian Federation;
- Deterioration of the FEC mineral resource base as existing fields are depleted;
- Increased costs, including transport and capital costs, as well as risks of mining projects due to the need to develop remote oil and gas provinces with undeveloped infrastructure;
- Increasing demand for highly qualified personnel that meet the current and future level of technological development in the FEC sector;
- Introduction of the Oil Quality Bank in the Russian Federation;
- Introduction of new sanctions against the Russian Federation.

¹ The Paris Agreement pursues three global goals such as holding the increase in global temperature on the planet (must be kept well below 2°C above the pre-industrial level (1861-1900), improving the ability of mankind to adapt to the changes already taking place, redirecting financial flows towards combating the climate change.

² CBAM is expected to be introduced in the EU from 2023.

¹ LHCs- liquid hydrocarbons. In addition to oil and gas condensate (their share is 95%), the global demand is met by the GTL (gas-to-liquid) and CTL (coal-to-liquid) products and biofuels.

Oil market

The COVID-19 pandemic led to the sharpest decline in the oil and gas and energy industries. Demand for LHCs fell by 9.5% at year-end, with the largest decline occurring in Q2 — according to OPEC data, demand fell to 83.7 MBPD (Q2 2019 demand was 98.56 MBPD).

Exploration activity declined. Oil prices dipped below USD 15 per bbl in April 2020 before stabilizing around USD 40-45 per bbl in the second half of the year.

Having faced falling demand due to COVID-19 and a global oversupply of oil and gas, the world's oil and gas companies have been forced to resort to widespread job cuts and large borrowings to pay dividends and cover costs. According to preliminary expert estimates, investment in the upstream sector in 2020 declined by more than 30%.

The epidemic has driven down global oil consumption in 2020 to 2013 levels and shifted long-term oil demand expectations downward. Oil consumption is still projected to peak in 2035–2040 in the baseline scenario, with demand projected to be 2–3 MBPD below pre-crisis projections.

In 2020, the OPEC+ deal, which had been in force for several years, was essentially broken, followed by the conclusion of a new agreement, informally called OPEC++, or OPEC+ 2.0. In March 2020, the extension of the OPEC+ deal was derailed, with Saudi Arabia unleashing a price war that led to a collapse in oil prices amid a dramatically evolving global pandemic situation. A new round of talks at the level of OPEC+ and G20 took place on April 9–12. As a result, the deal participants agreed on production cuts by all participating countries. The total amount of production cuts was estimated at 15–20 MBPD. Thanks to the new OPEC deal, the oil set to stabilizing by the summer of 2020, with Brent crude prices climbing to USD 40 per bbl. The new OPEC+ deal also proved its effectiveness in December 2020 — during the OPEC+ ministerial

meeting, it was decided to increase oil production by 0.5 MBPD from January 2021, which means that the production reduction from January 2021 was reduced to 5.8 MBPD instead of the previously agreed 7.2 MBPD.

The market responded to OPEC+ decision to increase oil production was not in the traditional form of slumping stock prices, as it happened in the past years, but rather positively — oil, futures, and stock quotes started to grow. In one month, the stock growth rates of ExxonMobil reached 27%, Chevron — 37%, ConocoPhillips — 49%, and Royal Dutch Shell — 60%. The rise in quotations was fueled by encouraging news on trials and certification of vaccines against COVID-19.

Despite some positive developments in the oil and gas industry, the International Energy Agency (IEA) does not expect a quick recovery in oil demand. The agency forecasts that demand for the raw material will increase in 2022 to 99.4 MBPD, approaching the level of 2019 (according to IEA demand was 99.7 MBPD). Global oil consumption will recover to pre-COVID levels by 2023, rising to 104.1 MBPD by 2026 in the baseline scenario. All of the demand growth will come from developing countries, and from a sectoral perspective, 70% of the increase will come from petrochemicals, which have demand for ethane, LPG, and naphtha, while gasoline demand is unlikely to recover to 2019 levels and jet fuel demand will slowly recover by 2024. The IEA notes that, in response to stronger government policies on low-carbon development, minimizing harmful emissions from key operations, especially methane emissions, is becoming a priority for oil companies. Other low-carbon technologies include carbon capture, low-carbon hydrogen and biofuel production, and offshore wind power.

Oil production in the US (one of the important indicators in the industry in recent years) has also undergone significant changes — according to the EIA, at year-end, production decreased by 7.6% from 12.3 MBPD to 11.32 MBPD after several years of active growth. In 2021, production is projected to be below the 2020 level at 11.0 MBPD. A slight increase is expected in 2022–2023, and as the global economy recovers, production could rise to 14.5 MBPD by 2025. Thereafter, moderate growth will continue, which will plateau out in 2030 at 15.8 MBPD.

According to experts, the focus of US shale companies has now shifted from actively increasing production to maintaining financial discipline, generating positive free cash flow and return on investment in response to investors' demands. In 2020, several US shale oil producers successively declared bankruptcy: Whiting Petroleum, Extraction Oil & Gas, industry pioneer Chesapeake Energy, Oasis Petroleum — 57 companies as of early fall 2020. Pioneer Natural Resources, a US shale producer, bought shale producer DoublePoint Energy for USD 6.4 billion. The deal was Pioneer's second major acquisition after it announced in October that it was buying Parsley Energy for USD 4.5 billion. The acquisition will allow Pioneer to strengthen its position in the Permian Basin, the biggest US shale play.

With US President J. Biden in office, the US is poised to return to the Iran nuclear deal and lift sanctions. On December 3, 2020, Joe Biden officially confirmed the willingness of the future administration to work on the return of the United States to the JCPOA on the Iranian nuclear program. Iranian President H. Rouhani said on December 6, 2020, that the country is preparing to step up oil production as soon as possible — in 2021 the country plans to produce 4.5 MBPD of oil and gas condensate, of which circa 2.2 MBPD are budgeted

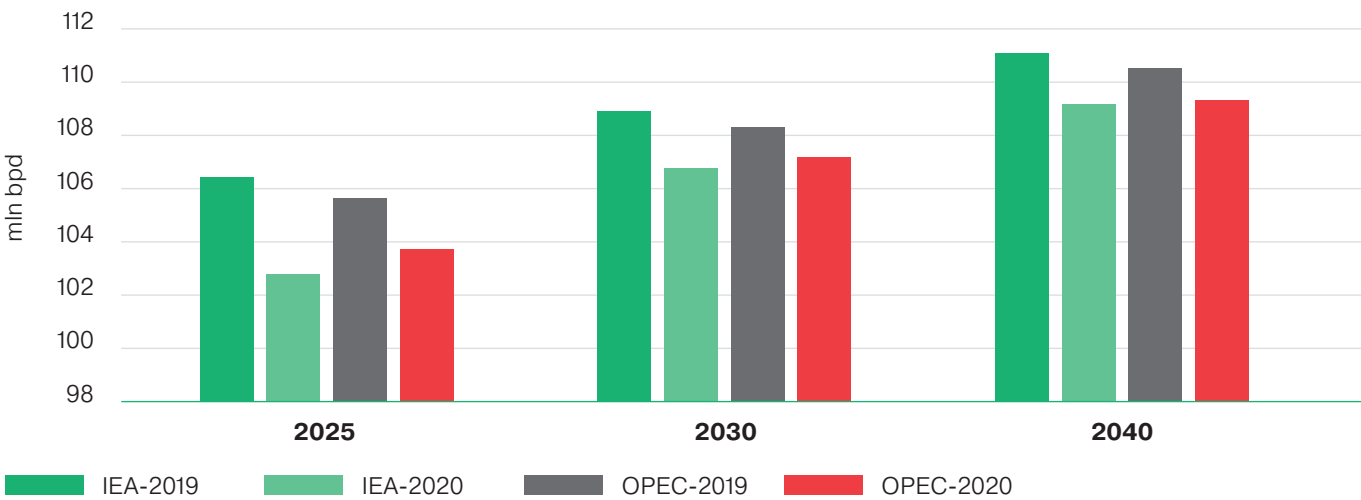
for domestic consumption next year and 2.3 MBPD for export (Iran is estimated to have sold an average of 600–700 TBPB of oil in 2020).

Libya aims to increase oil production to 1.4 MBPD by the end of 2021. According to the EIA, production at year-end 2020 was 0.36 MBPD (1.1 MBPD in 2019), production increased in Q4 to 1.24 MBPD in December 2020. Libya's Q1 production was 1.2 MBPD. Currently, Libya, along with Iran and Venezuela, has an exception to the OPEC+ deal and does not have any restrictions on oil production volumes. Libya's rapid recovery of oil production in the fall of 2020 has not put serious pressure on global oil prices. Although volatility in the global oil market remains high, an increase in exports from Libya should not have a significant impact on oil prices.

Potential risks hampering the achievement of the projected volumes of global oil supplies to the market can be associated with a reduction in investment in mining. Rystad Energy estimates that they declined by more than 30% in 2020, but are on track to recover to 2019 levels by 2024–2025. To meet global oil demand, future oil production spending must average USD 380 billion per year over the long term. Taken together, this translates into USD 12.6 trillion (in 2020 dollars) of long-term oil-related investment needs.

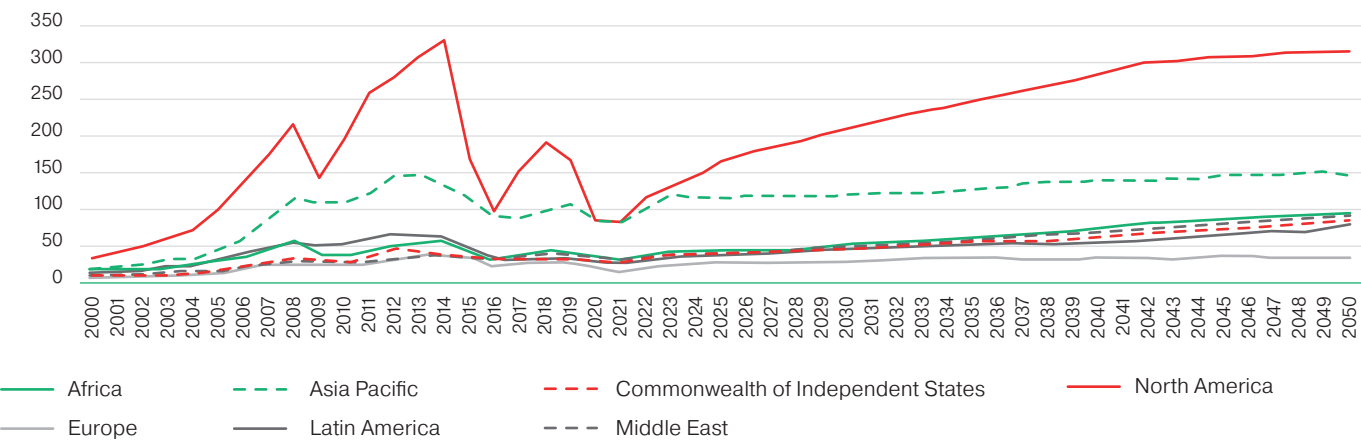
** EIA - U. S. Energy Information Administration*

Global crude oil consumption estimates: forecast comparison for 2019 vs 2020



Source: IEA (STEPS baseline scenario), OPEC (baseline scenario)

Exploration and Production Expenditures, bln USD



Source: IHS

Forecasts:

According to pessimistic expert estimates, COVID-19 will have a deep and lasting impact on oil demand and prices, which will persist for the next 10 years.

- The OPEC deal has proven its effectiveness and will continue after 2022;
- Libya plans to increase production;
- Venezuela will gradually recover production in the period from 2022 to 2027;
- Lifting sanctions on Iran will increase production growth;
- Iraq will reach a capacity of 6 MBPD in the early 2030s;

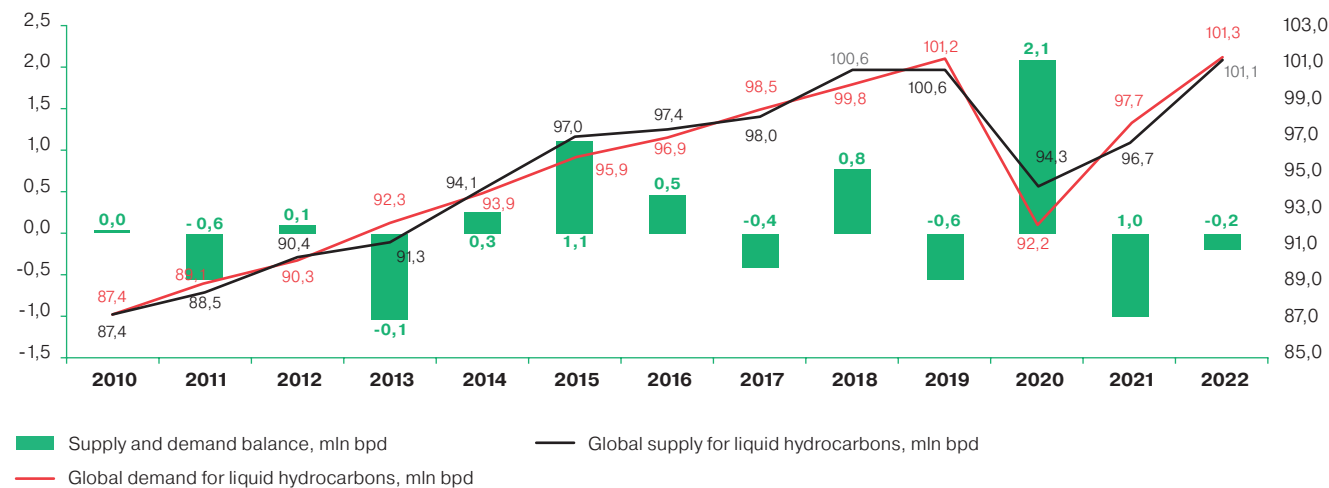
- Brazil will peak in deepwater production in the mid-2030s;
- The maximum potential oil production of the US is 15.8 MBPD and is expected to be reached by the early 2030s;
- Production in Russia will begin to decline in the mid-2020s and will reach 523 mln tonnes in 2030 (560 mln tonnes in 2019);
- Demand for gasoline and diesel fuel depends on the size of the road vehicle fleet and electric vehicle sales will account for 60% of all new vehicle sales in 2040;
- No other global recessions, conflicts, or sanctions regimes will have a significant impact on production or demand.

The balance of the global oil market

Most experts are of the opinion that after the market bottoms out in 2020, the market will start recovering in 2021, and by 2023, demand will return to 2018–2019 levels. The International Energy Agency (IEA) forecasts global oil

demand to reach 96.7 MBPD in 2021, a 5.7 MBPD increase on last year. OPEC forecasts oil demand at 96.46 MBPD, an increase of 5.95 MBPD from 2019. EIA forecasts demand in 2021 at 97.7 MBPD.

Oil market balance in 2010–2020 with a forecast through 2022



Source: Energy information administration of the US Department of Energy as of April 6, 2021

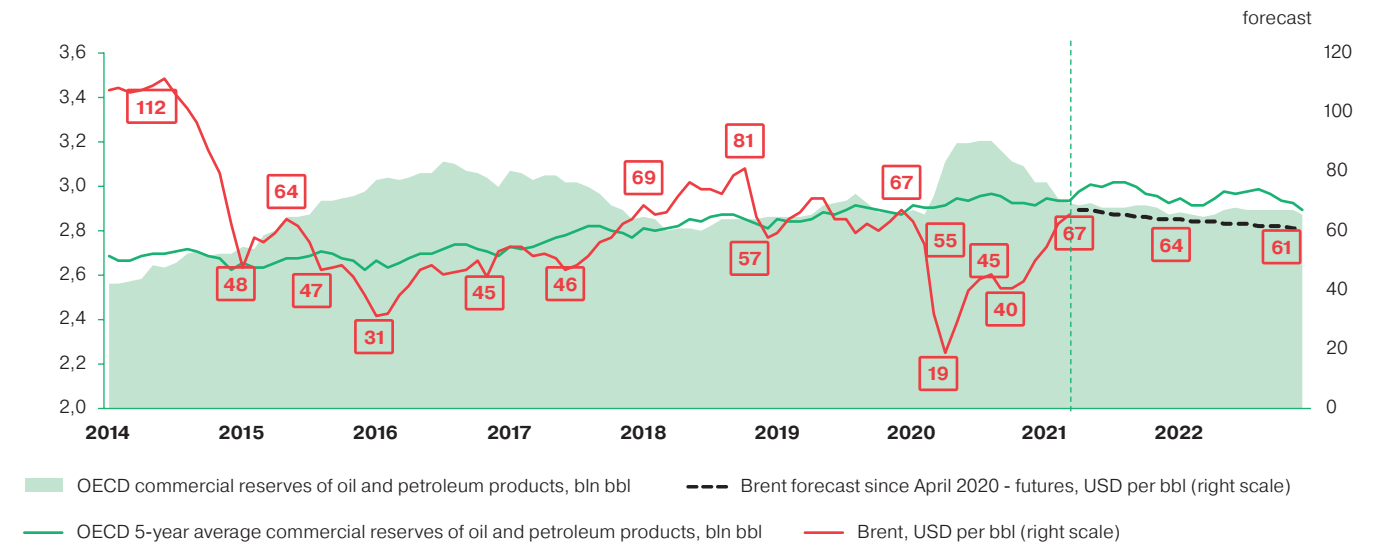
Oil reserves of the OECD countries

World oil demand in 2020 decreased by 8.9% or 9.0 MBPD against 2019 levels. As a result of the April 2020 oil demand collapse of 20.1 MBPD, OECD commercial oil and petroleum product inventories exceeded the 5-year average by almost 200 MBPD. However, thanks to the action of the OPEC deal, the decline in oil production allowed stocks to fall

by early 2021, which translated to an annual average of 158 MBPD, well below 2016 levels when stocks reached a record 363 MBPD as a result of the US production build-up, uncoordinated action by OPEC members and the fall in the price of oil to USD 27 per bbl.

¹ Organization for Economic Cooperation and Development (eng. abbr., OECD). As of December 2020, the organization has 37 member states, including most EU member states. OECD member states account for circa 60% of global GDP.

OECD oil reserves



Oil Demand Dynamics by Global Regions and Forecast for 2021 and through 2030

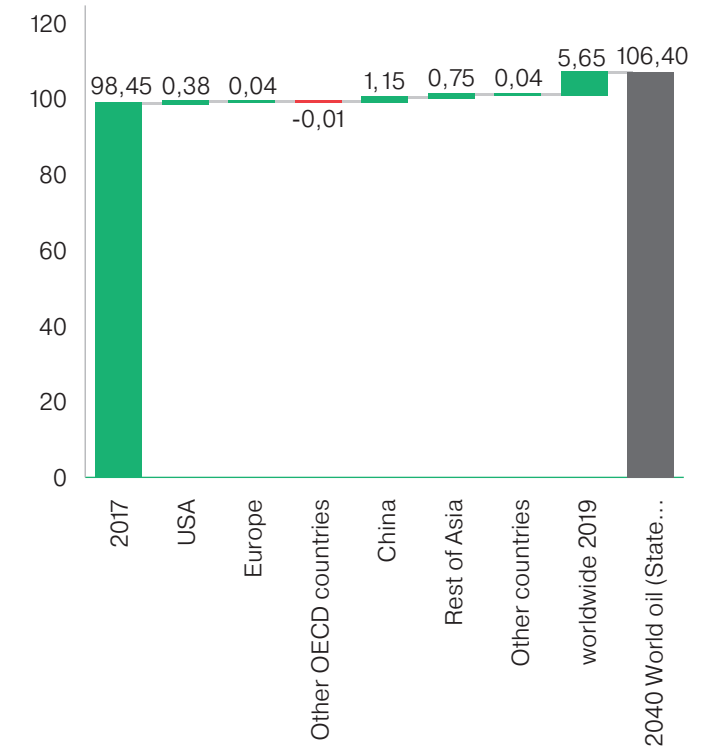
Analysts present long-term projections of oil supply and demand with the climate agenda in scenarios for implementing the Paris Agreement to limit global temperature rise — global temperature increases must be kept well below 2°C above pre-industrial levels (1861–1900), and preferably within 1.5°C.

In particular, in its new long-term forecast, World Oil Outlook 2045 (WOO 2020), OPEC notes that the market has undergone unprecedented changes since the publication of WOO 2019. Policies regarding energy supply and demand will become more stringent in the long run. The global energy landscape will be shaped by new technological advances.

The new OPEC forecast is based on the following premises:

- Oil demand growth will recover to 2019 levels in 2023 in the medium term and reach 103.7 MBPD by 2025.
- Long-term global GDP growth will average 2.9% per year;
- The global population will grow to 9.5 billion people by 2045;
- The global economy in 2045 will be more than twice as large as in 2019.
- Long-term oil demand will increase by 9.4 MBPD by 2045 from 2019 levels, reaching 109.1 MBPD. Oil demand in non-OECD countries is expected to increase by 22.2 MBPD over this period, while in OECD countries it is expected to decrease by 13 MBPD by 2045.

Dynamics of oil demand by country/region during 2014–2019 and IEA forecast until 2040, MBPD.



Source: Energy information administration of the US Department of Energy

Global Oil Price Dynamics (Brent, Urals)

In 2020, the oil market is facing the toughest challenge. The breakdown of the deal by the parties to the OPEC+ deal in March 2020, Saudi Arabia's price war, and the resulting uncontrolled growth of production — coupled with the onset of the pandemic and the collapse of demand — led to a record fall in the price of oil.

April 20, 2020, was a “Black Monday” — for the first time in history, the price of WTI oil fell to negative (USD -37.6 per bbl), dropping by almost USD 60 per bbl during the day, which was due to the filling of the oil storage facility at Cushing's Hub (Oklahoma, USA) and the specifics of trading futures contracts. Following the fall in the price of WTI, Brent fell by more than 25% to USD 20.2 per bbl. The price of Russian Urals crude fell to USD 7 per bbl. The last time Russian oil was so cheap was in December 1998. But there was no market collapse. After a brief fall in quotes, the market began a gradual growth. The renewed OPEC+ deal balanced the oil market.

Russian Urals crude in 2020, following Brent quotes and usually trading at an average discount of USD 1.5–2 per bbl to Brent, was trading at a record premium to North Sea Brent of USD 2.55 per bbl in Europe in June 2020. The premium reached this level for the first time in the history of Argus monitoring (since September 1994). The price of Russian oil was supported by the information on the decrease of Urals shipments in July by more than 40% due to the reduction of crude production in Russia within the framework of OPEC+

deal. The Urals price was additionally supported provided by the record drop in demand for gasoline and, consequently, for light grades of oil, which are predominantly used to produce gasoline and naphtha, as well as lower supply in the market of medium-sulfur oil grades (which include the Urals grade) and high-sulfur grades (due to a significant reduction in the supplies of similar raw materials by Saudi Arabia), which produce diesel and fuel oils that turned out to be more in demand during the pandemic.

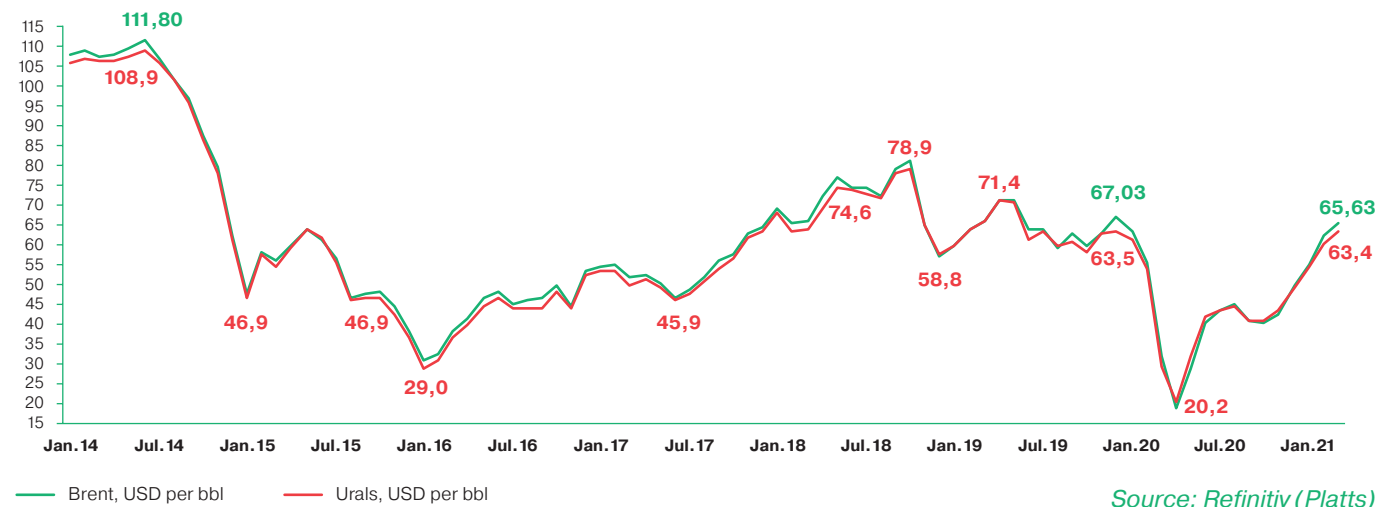
At the end of 2020, the average annual price of Brent and Urals oil remained almost unchanged — USD 41.67 per bbl for the benchmark and USD 41.74 per bbl for the Russian grade.

According to the analysts' consensus forecast for April 1, 2021, the average annual price of Brent oil in 2021 is expected to be USD 63 per bbl, quotes can range from USD 46 to USD 73 per bbl (source: Refinitiv).

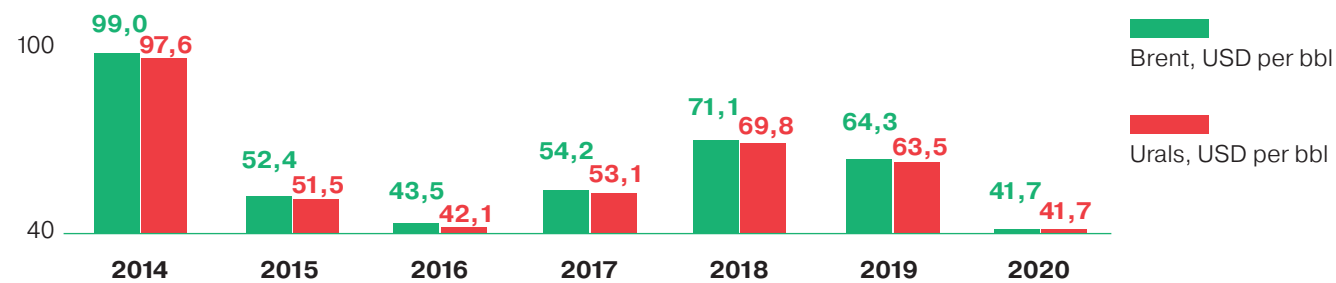
According to the updated April 2021 forecast of the Ministry of Economic Development in 2021, the Urals price is expected to top at USD 60.3 per bbl, after which it will set to declining gradually: USD 56.2 per bbl in 2022, USD 54.8 per bbl in 2023, to USD 54.2 per bbl in 2024.

Long-term futures contracts through 2029 forecast an average annual Brent price of USD 66.0 per bbl in 2021, USD 57.8 per bbl in 2025, USD 57.3 per bbl in 2029.

Price for Brent and Urals oil



Crude oil price, average per year

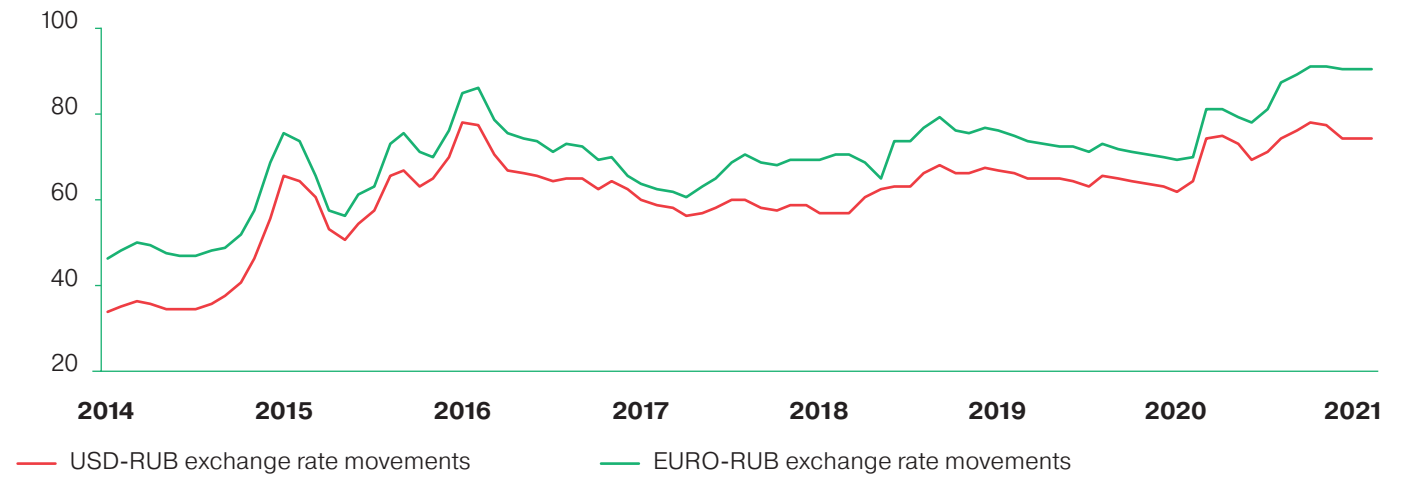


Dynamics of USD/RUB and EUR/RUB exchange rate

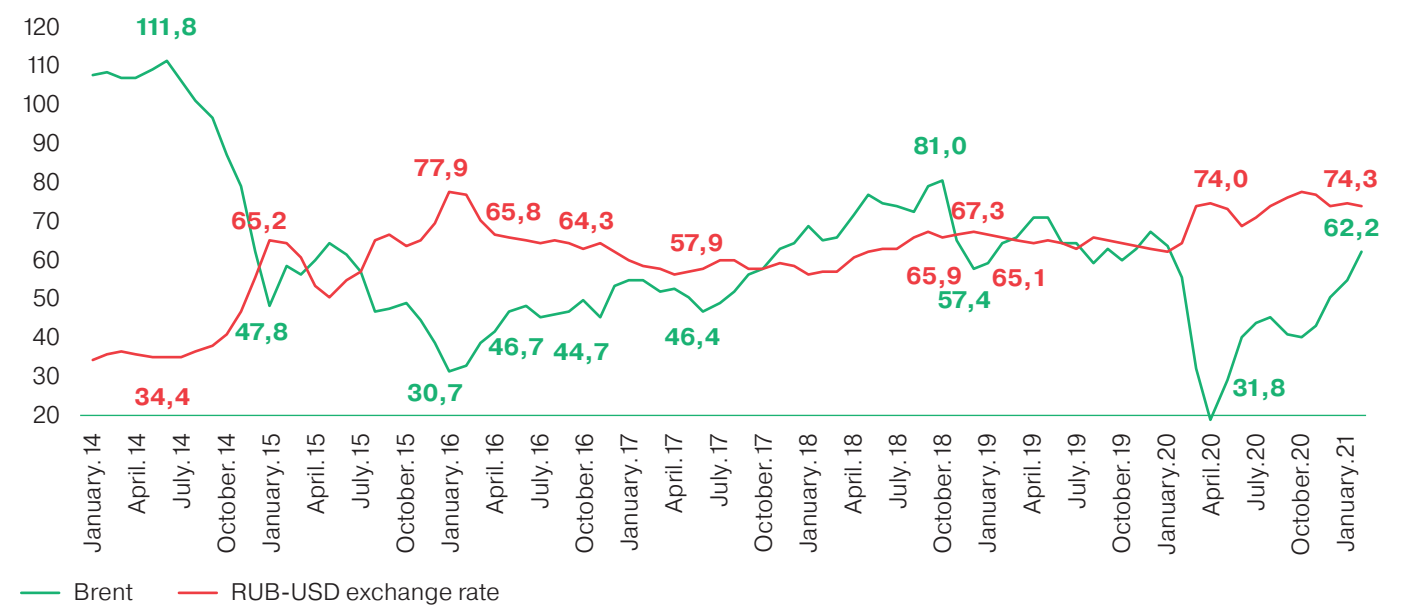
In February, the Russian Federation's federal budget deficit increased considerably, despite the growth of oil prices. The beginning of the year saw continuing growth in oil prices: in January, compared with December, the dollar prices increased by 10%, while the ruble exchange rate has remained stable, which allowed increasing the oil and gas revenues

of the federal budget in February by almost 10%. This was offset by a seasonal decrease in oil and gas revenues. Therewith, the federal budget expenditures in February increased by 18% relative to January, resulting in the accumulated deficit for the two months already exceeding RUB 600 billion.

Dynamics of USD/RUB and EUR/RUB exchange rate



RUB exchange rate dynamics in comparison with oil price dynamics, USD per barrel



GDP Dynamics of Major Economies

On March 11, 2020, the WHO¹ declared a coronavirus pandemic. The lockdowns and forced shutdowns severely affected the world economy — the sad result of last year was the drop in GDP of all major economies of the world except China.

The US economy continued recovery in Q4 2020 after the shock caused by COVID-19, with its pace weakening against the background of the second wave. On an annualized basis, the decline in US GDP as a whole for 2020 showed a record fall since 1946 of 3.5% year-over-year. The US Federal Reserve predicts that GDP in 2021 will increase by 6.5%, which could be the highest since 1984 when the economy grew by 7.2%.

The FED continues to pursue an ultra-soft monetary policy, the regulator has kept the base rate around zero, promising not to raise it above 0.25% per year until long-term inflation expectations reach the 2% level and the labor market has fully recovered. Over the next two years, the rate will average 0.1%, and over the long term, the FED predicts it will rise to 2.5%.

In early April, US President J. Biden unveiled an infrastructure plan that calls for investing more than USD 2 trillion over the next eight years. The plan includes the introduction of a new standard for the power generation sector, designed to reduce emissions in the power sector to zero by 2035. The cost of implementing the plan is planned to be covered over 15 years by increasing the corporate tax rate from 21% to 28% as well as by increasing the tax on foreign profits of companies.

In 2020 the Eurozone economy (the region's GDP as a whole) declined 6.6% year-over-year (2019 saw GDP growth of 1.3%). At the end of March 2021, the ECB decided to accelerate its bond-buying program to prevent rising borrowing costs that threaten the Eurozone's economic recovery. The increase in bond yields is associated with the activation of reflationary trade on global markets amid encouraging outlook for the US economic recovery and the tightening of quarantine measures in the euro area.

S&P 500, the American broad market index has exceeded 4,000 points for the first time in history. This came after US President Joe Biden unveiled an eight-year, US 2.3 trillion plan for infrastructure and industry in the country. Under the plan, USD 621 billion will be allocated to modernize transportation infrastructure, USD 400 billion to support the elderly and people with disabilities, USD 300 billion to support the industrial sector, USD 213 billion to repair and build affordable housing, and USD 100 billion to develop broadband networks. The initiative is expected to be financed by increasing the corporate tax rate from 21% to 28%.

The Chinese economy was the only major economy in the world to avoid a recession due to the coronavirus pandemic — growth was a modest 2.3% in 2020, the lowest since 1976. The economy grew slowly, and as early as Q4 2020 the country's GDP grew by 6.5% over the same period last year. In 2021, GDP is projected to grow by more than 6%.

By the end of 2020, the Russian economy's GDP was down 3.0% from its 2019 level, facing a shock from the pandemic and related quarantine restrictions as well as a strong decline in oil demand. This is the lowest since 2009 when the economy contracted at an annual rate of 7.8%. In its April global economic forecast, the IMF raised Russia's GDP growth estimates from the 3.0% expected in January to 3.8% at the end of 2021.

The Central Bank of Russia maintains a GDP growth forecast of 3–4% in 2021. Due to a slightly smaller contraction last year and higher demand, the economy as a whole could reach pre-pandemic levels as early as the second half of 2021. First and foremost, this will be due to a stronger recovery in household consumption. It will be supported by rising disposable incomes, retail lending, and a declining savings rate.

The IMF estimates that global GDP will grow 6.0% in 2021, 4.4% in 2022. Favorable factors for the economy are considered significant progress in controlling the COVID-19 pandemic, a vaccination program that could lead to herd

immunity in the near future as well as widespread economic support measures in the US and Europe. China, India, and the United States are expected to be the drivers of the global recovery this year.

Despite assumptions of a gradual recovery from the crisis, it is too early to talk about the disappearance of the COVID threat — the pandemic is not slowing down globally. The

epidemic situation is worsening, quarantine restrictions are being extended or tightened, and the dynamics of economic activity remain uneven across countries and regions. Risks of the spread of new strains (British, Brazilian, Indian) are increasing, as a contribution, the risks of global economic recovery are increasing.

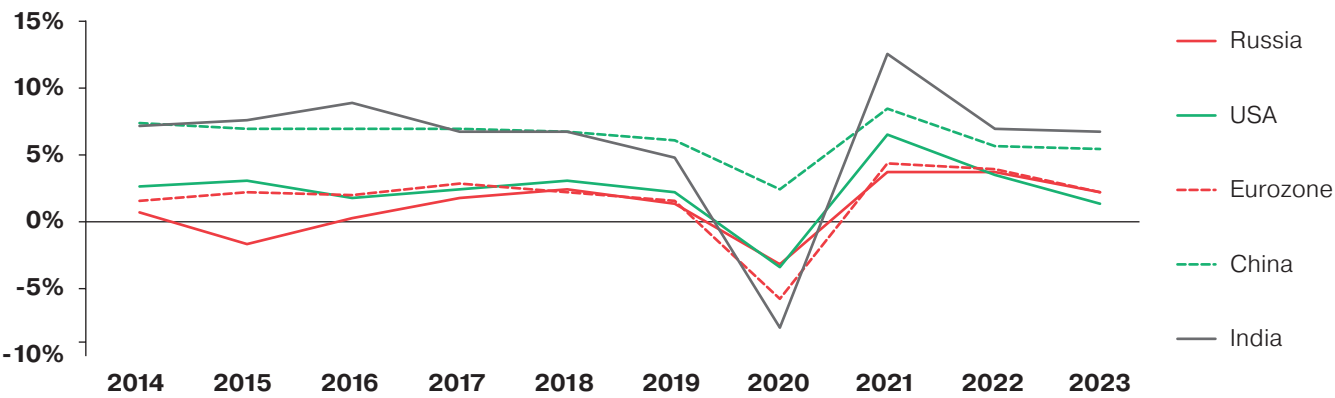
Consumer Price Growth Dynamics of Major Economies

The decline in annual inflation to 4% may be delayed until early 2022. Given the monetary policy pursued, annual inflation will return to the Bank of Russia target (near 4%) in the first half of 2022 and will remain at this level thereafter. The observed nature of inflationary pressure confirms the advisability of returning to a neutral monetary policy.

The medium-term inflation dynamics is significantly influenced by fiscal policy. Under the baseline scenario, the Bank of Russia proceeds from the parameters of the federal

budget and budgets of the subjects of the Federation, as reflected in the Main Lines of Budget, Tax, and Customs Tariff Policy for 2021 and for the planning period of 2022 and 2023, as well as the declared deadlines for the completion of anti-crisis measures of the Government and the Bank of Russia. The Bank of Russia will take into account the impact on the forecast of possible decisions on the investment of the liquid part of the National Wealth Fund above the threshold level of 7% of GDP.

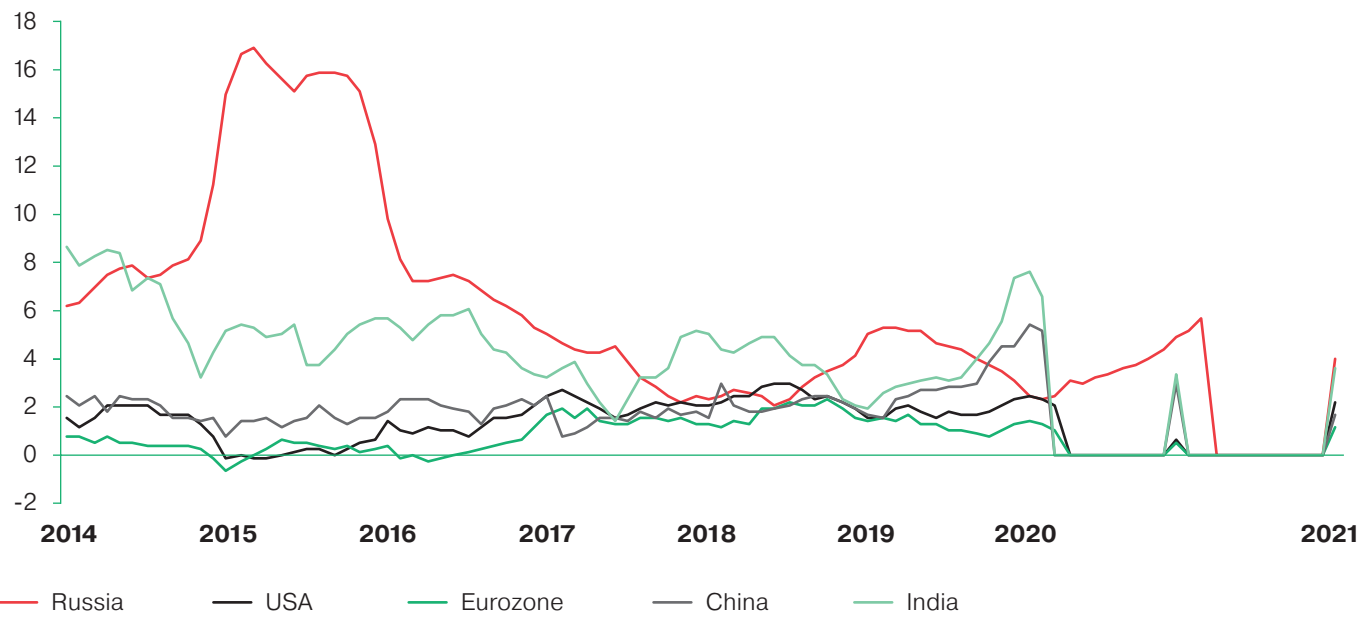
GDP Growth Dynamics, %



¹ WHO — World Health Organization

Sources: Refinitiv, IMF, HIS

Consumer Price Growth Dynamics of Major Economies, %



Sources: Refinitiv

Oil and Condensate Production in Russian Federation

In 2020, oil production was circa 512.8 mln tonnes at year-end. The fall in production against the level of 2019 was a record 8.5% or 47.5 mln tonnes (in 2019 production was 560.3 mln tonnes).

Among oil companies, all vertically integrated oil companies saw a decrease in production by 2020 vs. 2019, with the largest reduction observed for PJSC Bashneft — by 30.7% or 5.7 mln tonnes and totaled 12.9 mln tonnes, for PJSC TATNEFT — by 12.7% or 3.8 mln tonnes and totaled 26.01 mln tonnes, for PJSC Lukoil — by 10.6% or 9.0 mln tonnes and totaled 73.4 mln tonnes.

Oil and gas condensate production in Russia in 2020 decreased by 47.65 mln tonnes against the level of 2019 and amounted to 512.8 mln tonnes. This was the lowest level since 2011 when production was 511.4 mln tonnes. The decrease in production resulted from restrictions under the new OPEC+ deal, effective since May 2020, amid weakening demand for energy resources due to the COVID-19 pandemic. All major companies have reduced significantly their oil and gas condensate production by the end of the year.

PJSC Surgutneftegaz also reduced production by 9.9%, or 6 mln tonnes, and Rosneft by 8.2%, or 16 mln tonnes. PJSC Gazprom Neft reduced its production the least among vertically integrated oil companies — 0.6% or 0.3 mln tonnes.

Rosneft reduced production at brownfields in the European part of Russia and Western Siberia, on Sakhalin as well as production at its East Siberian divisions (Vankorsky cluster, Krasnoyarsk Territory). At the same time, some of Rosneft's subdivisions developing new fields increased production: JSC Tyumenneftegaz increased its production by 118% or 975,000 tonnes to 1.8 mln tonnes, and LLC Taas-Yuryakh Neftegazodobycha, a joint venture of Rosneft, BP (20%), and a consortium of Indian companies (29.9%), increased production by 18%, or 848,000 tonnes to 4.82 mln tonnes. Production of PJSC Bashneft, a Rosneft subsidiary, decreased across the company by 5.74 mln tonnes to 12.93 mln tonnes, with the main reduction coming from the main production region in Bashkortostan as part of the OPEC+ deal. PJSC Slavneft, owned on a parity basis by Rosneft and Gazprom Neft, also significantly reduced its production by 4.27 mln tonnes to 9.71 mln tonnes due to the reduction in production by PJSC Slavneft-Megionneftegaz.

PJSC Lukoil reduced production in 2020 by almost 8.69 mln tonnes compared with the previous year to 73.43 mln tonnes. The biggest reduction was reported by LLC Lukoil-Western

Siberia — 4.81 mln tonnes to 29.39 mln tonnes. The indicators of Lukoil-Komi subdivision decreased by 2 mln tonnes to 14.1 mln tonnes and those of Lukoil-Perm by 893,000 tonnes to 14.05 mln tonnes. LLC Ritek also decreased its production significantly: by 596,000 tonnes to 5.45 mln tonnes.

PJSC Surgutneftegaz decreased production last year by 6 mln tonnes compared to the level of 2019, to 54.75 mln tonnes. The decrease in production took place at the company's areas in the Ural Federal District by 6.55 mln tonnes to 44.87 mln tonnes. At the same time, production at new fields in Yakutia increased by 542,000 tonnes to 9.88 mln tonnes.

PJSC TATNEFT also markedly reduced its production in 2020 by 3.8 mln tonnes to 26.01 mln tonnes.

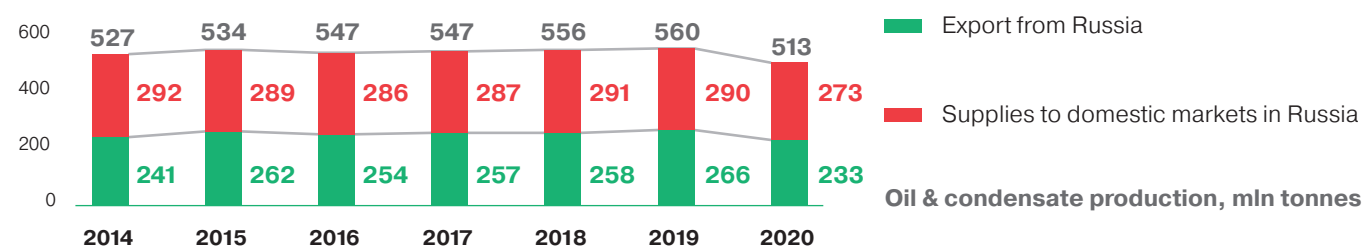
PJSC Gazprom Neft reduced production less than other vertically integrated oil companies — by 1.68 mln tonnes to 2019 level to 44.25 mln tonnes. The production of JSC Tomskneft, owned by Rosneft and PJSC Gazprom Neft on a parity basis, decreased most noticeably, with total production decreasing by 3 mln tonnes to 5.1 mln tonnes. Production by PJSC Gazprom Neft at brownfields in Western Siberia and the Yamalo-Nenets Autonomous District also decreased. According to the results of the year, production of LLC Gazprom Neft-Yamal developing the Novoportovskoye field (Yamalo-Nenets Autonomous District) decreased by 191,000 tonnes to 7.71 mln tonnes. At the same time, LLC Meretoyakhaneftegaz (Yamalo-Nenets Autonomous District) increased production at new fields by 220,000 tonnes compared to 2019, up to 224,000 tonnes.

PJSC Russneft also reduced production in 2020 by 722,000 tonnes compared to 2019 to 6.4 mln tonnes.

Last year PJSC Novatek reduced the production of oil and condensate by 409,000 tonnes to 2019 level to 8.03 mln tonnes due to a decrease in the performance of Yamal LNG, in which PJSC Novatek and LLC Yargeo own a stake. LLC Yargeo reduced its figures by 253,000 tonnes to 2.99 mln tonnes, and Yamal LNG by 229,000 tonnes to 1.16 mln tonnes. Production at the Yuzhno-Tambeyskoye field (Yamalo-Nenets Autonomous District) of Yamal LNG decreased against the background of warm spring weather, which had a negative effect on the operation of infrastructure located in the permafrost zone.

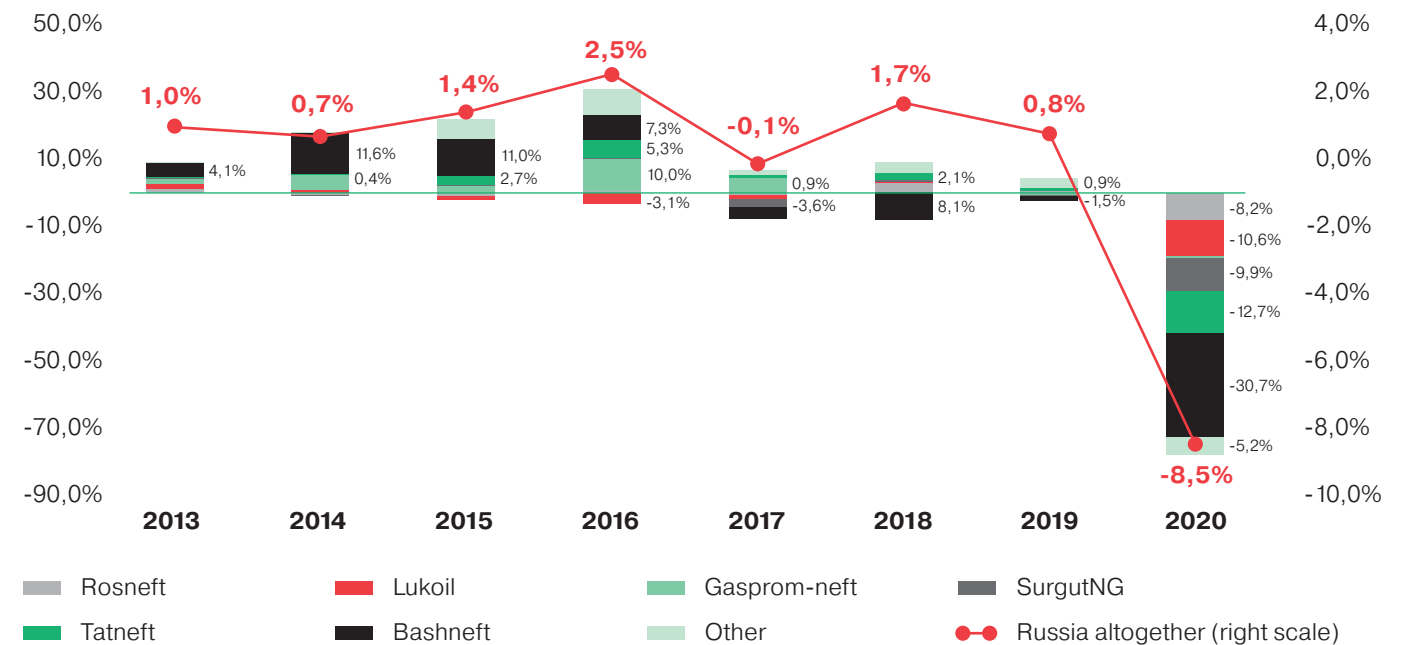
JSC Neftegazholding reduced production volumes by only 56,000 tonnes to 2 mln tonnes last year.

Balance of the Russian Oil Market



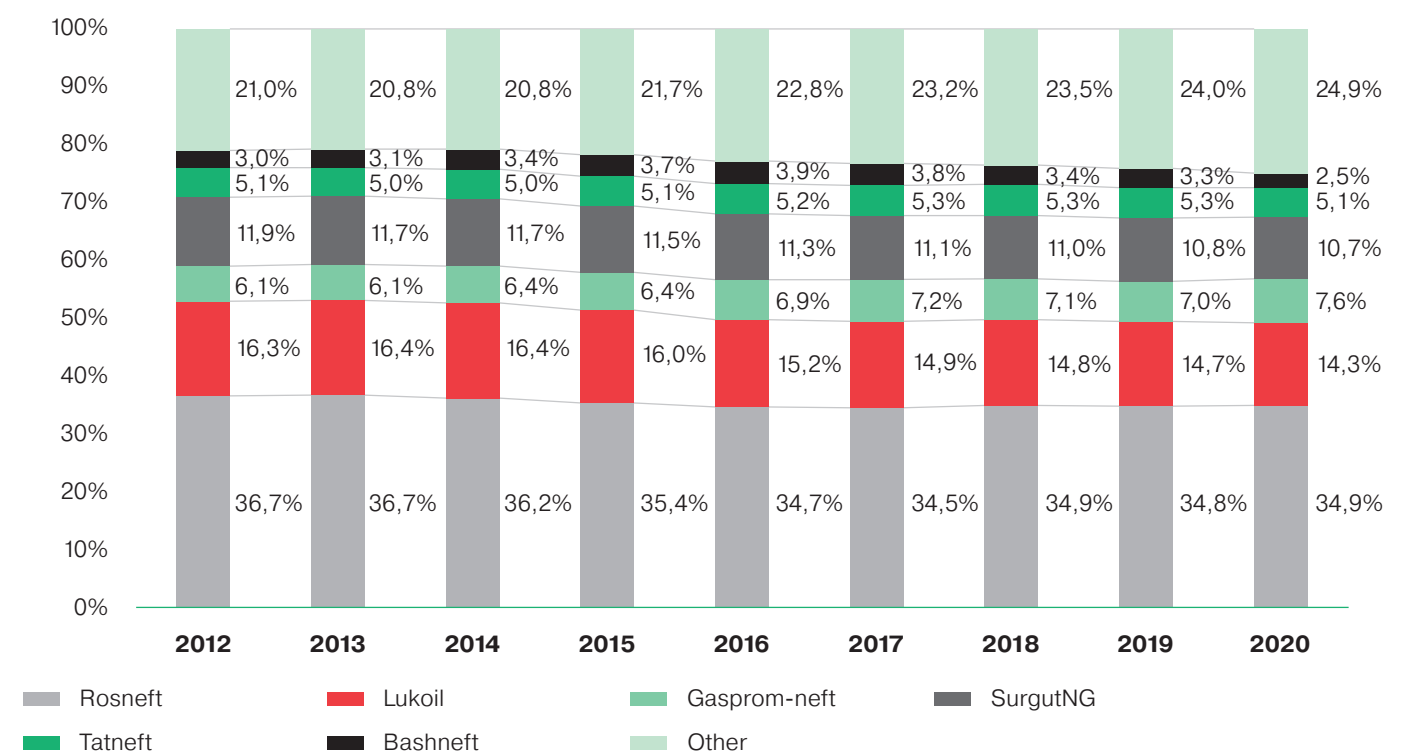
Source: CCA FEC

Year-over-year production growth, %



Source: CCA FEC

Production share of Companies, %



Source: CCA FEC

TATNEFT's share in total Russian oil and condensate production was 5.07% (5.3% in 2019).

PJSC TATNEFT decreased production of conventional oil by 16.3% or 4.4 mln tonnes to 22.6 mln tonnes in 2020, while production of super viscous oil (SVO) increased by 24.7% or 0.6 mln tonnes to 3.4 mln tonnes.

TATNEFT Group's share in total Russian oil and condensate production

	2012	2013	2014	2015	2016	2017	2018	2019	2020
TATNEFT Group's crude oil and condensate production	26,3	26,4	26,5	27,2	28,7	28,9	29,5	29,8	26,0
Conventional oil	26,2	26,3	26,3	26,9	27,8	27,3	27,6	27,06	22,6
Super-viscous oil	0,1	0,1	0,2	0,4	0,8	1,6	1,9	2,74	3,4
TATNEFT Group's oil production share in Russia's total crude oil and condensate output	5,08%	5,05%	5,04%	5,10%	5,24%	5,29%	5,31%	5,32%	5,07%

Oil exports from the Russian Federation and supplies to the domestic market

The US sanctions against Iranian and Venezuelan medium crude exporters in 2020, as well as Saudi Arabia's restriction on medium crude supplies, have increased interest in Urals over the past year in many regions, but the catastrophic drop in demand due to the pandemic in the world as a whole has also affected Russian exports. With the pandemic and the OPEC+ deal to curb oil production, oil exports from Russia in 2020 decreased by 12.6% or 33.7 mln tonnes, the reduction occurring in all areas of supply, but not uniformly.

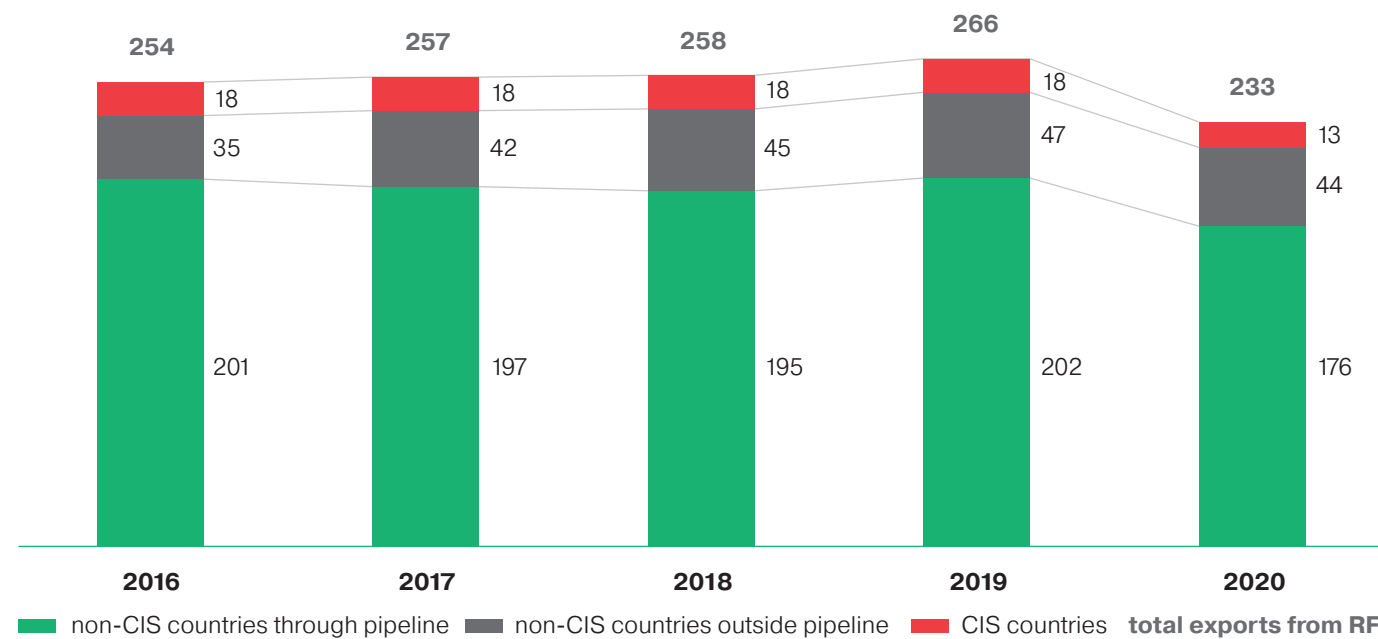
Exports to non-CIS countries decreased by 11.8%, or 29.4 mln tonnes, to 219.2 mln tonnes. Despite the overall decline in exports, the share of exports to non-CIS countries in total exports has been growing steadily for 8 years and at year-end was 94.3%, up almost 1% on 2019 levels. In 2020, exports to non-CIS countries by pipeline of Russian

raw materials decreased by 13.1% or 26.4 mln tonnes and amounted to 176 mln tonnes, the lowest level since 2004.

Export supplies outside pipeline transportation (mainly by sea) amounted to 43.6 mln tonnes, a decrease of 3 mln tonnes or 6.5%. Despite the overall decline in exports, shipments through the port of Murmansk increased by 1.6% or 0.2 mln tonnes due to increased production at Novoportovskoye field of PJSC Gazprom Neft. Non-pipeline exports have maintained the trend of recent years, with the share of exports to non-CIS countries increasing by 1.1% to 19.9% in 2020.

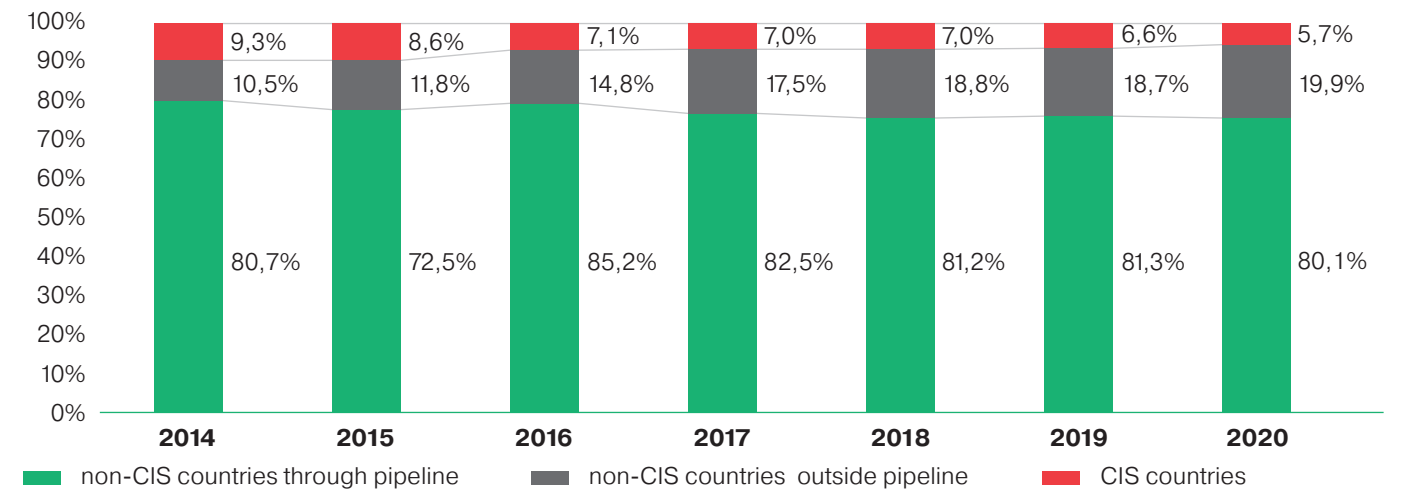
Crude oil exports to the CIS countries decreased by 24.1% or 4.2 mln tonnes to 13.3 mln tonnes. The share of exports to the CIS countries has been steadily decreasing for several years in a row — it was 5.7% at year-end 2020 (6.6% in 2019).

Structure of Russian oil exports from the Russian Federation, mln tonnes



Source: CCA FEC

Structure of oil exports from the Russian Federation, % (total share)



Source: CCA FEC

In 2020, the downward trend remained in crude shipments in the eastern direction via the main pipelines, while westward supplies of raw materials fell by 20.3% or 26.2 mln tonnes over the year and reached 103 mln tonnes, exports to the East decreased slightly — by 0.3% or 0.2 mln tonnes and virtually remained at the 2019 level, which is explained by existing contracts with China to supply a guaranteed amount of oil. Therewith, some of the oil from the Western direction was shipped to China: almost half of the supplies to China were shipped in January 2020 — 2.3 mln tonnes, in February

supplies decreased to 520,000 tonnes due to the spread of COVID-19 in the country. Demand began to recover in March, with shipments of Urals reaching circa 1.2 mln tonnes. In April, more than 2.1 mln tonnes were shipped, or circa 24% of all Urals sea exports. The shipments grew due to the restoration of refining in the country and the fall in Urals prices. China increased its purchases of raw materials amid high refining margins, while Urals prices fell relative to the North Sea Brent Crude, which made the Russian grade more attractive relative to the competing medium sulfur Oman grade.

Share of Oil Exports from Russia, mln tonnes

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Total export from the Russian Federation	239,7	234,9	240,9	261,6	254,2	257,0	257,7	266,2	232,5
Non-CIS resources of the Russian Federation	211,5	206,8	218,4	239,0	236,1	238,9	239,7	248,6	219,2
Non-CIS by pipeline	189,6	184,1	176,3	173,3	201,2	197	195	202	176
Non-CIS non-pipeline	21,83	22,71	22,8	28,19	34,88	41,72	45,12	46,6	43,6
Transit resources by pipe to non-CIS	22,8	20,1	19,3	18,7	19,9	19,6	18,6	19,9	19,7
CIS countries	28,2	28,1	22,5	22,6	18,1	18,1	18,0	17,6	13,3
- by pipeline	27,8	26,4	21,5	22,0	18,1	18,1	18,1	17,6	13,3
- non-pipeline	0,4	1,6	1,0	0	0	0	0	0	0

TATNEFT Group share in the volume of oil export from the Russian Federation

	2012	2013	2014	2015	2016	2017	2018	2019	2020
TATNEFT Group oil export from the Russian Federation, mln tonnes	12,5	12,5	9,7	11,6	13,0	15,5	12,4	11,7	9,2
Export to non-CIS	11,9	11,4	8,4	10,3	11,9	14,2	11,2	10,5	8,3
Export to CIS	0,62	1,05	1,3	1,3	1,1	1,2	1,2	1,2	0,9
TATNEFT Group's share in oil export to the share of the total export from the Russian Federation	4,8%	4,9%	4,0%	4,4%	5,1%	6,0%	4,8%	4,40%	3,96%

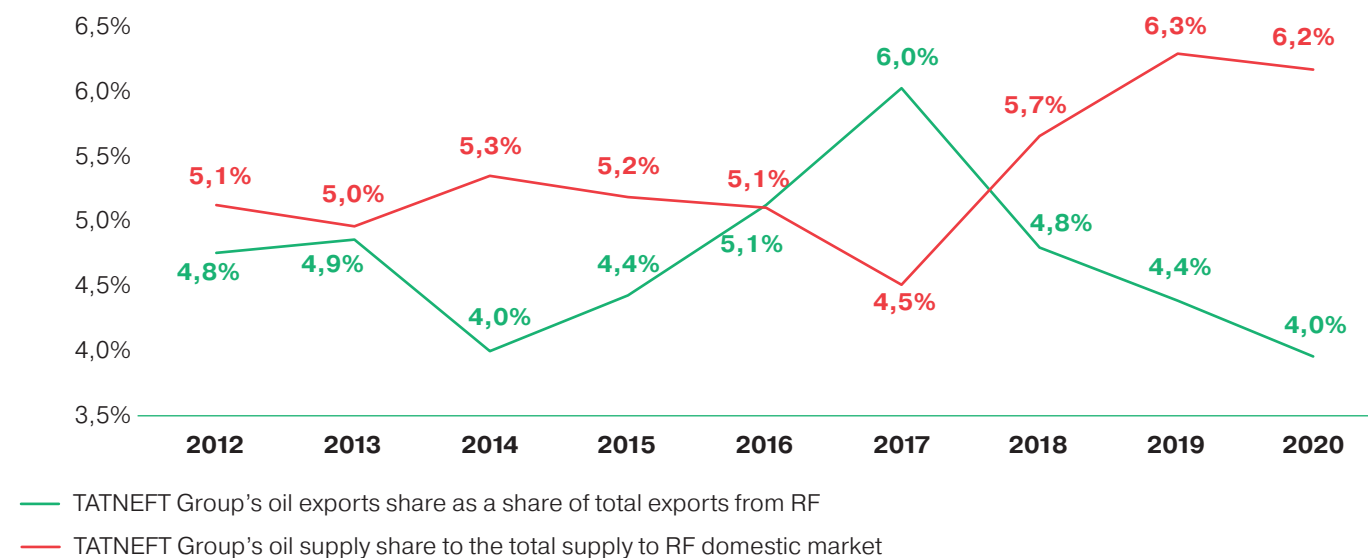
TATNEFT Group's crude oil exports decreased by 21.3% or 2.5 mln tonnes in 2020. The share in the volume of crude oil exports from the Russian Federation decreased to 3.96% (4.4% in 2019). Shipments to the domestic market were also down by

7.5% or 1.4 mln tonnes. TANECO's own refinery accounted for the largest share of shipments: shipments doubled or were up by 3.9 mln tonnes — to 7.5 mln tonnes.

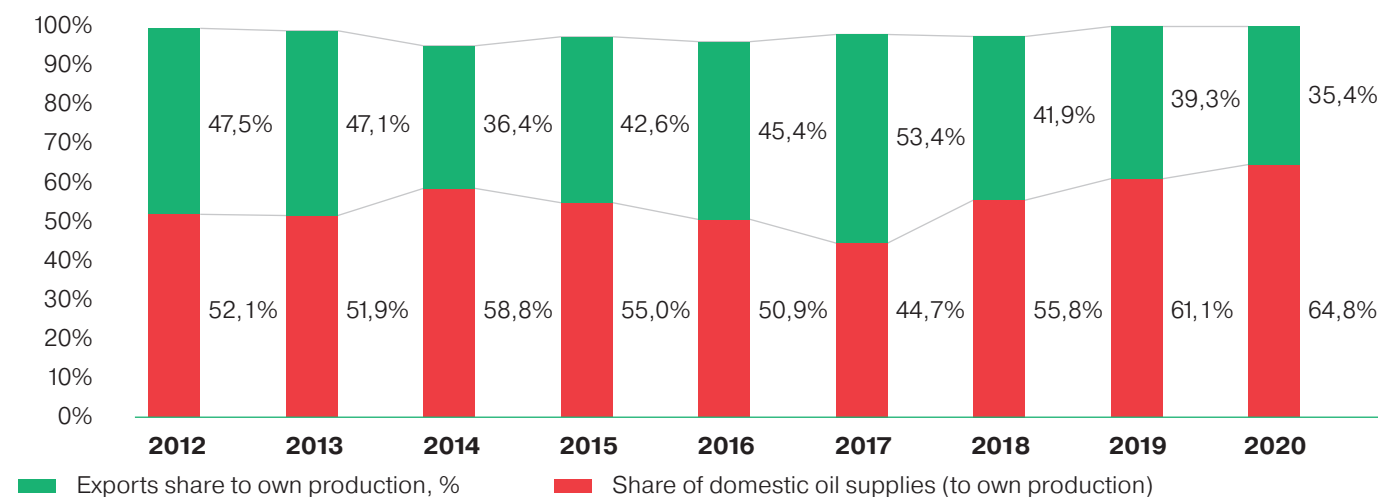
Share of TATNEFT Group in the volume of oil shipments to the domestic market of the Russian Federation

	2012	2013	2014	2015	2016	2017	2018	2019	2020
TATNEFT Group's oil supplies to the domestic market of the Russian Federation (for refining)	13,7	13,7	15,6	15,0	14,6	12,9	16,5	18,2	16,9
TATNEFT Group's share in oil supply to the total supply to the domestic market of the Russian Federation	5,1%	5,0%	5,3%	5,2%	5,1%	4,5%	5,7%	6,28%	6,17%

TATNEFT Group's share in oil export and supply to the domestic market to total share in RF



Ratio of TATNEFT Group's domestic and export oil supplies to own production



Fuel consumption and vehicle fleet

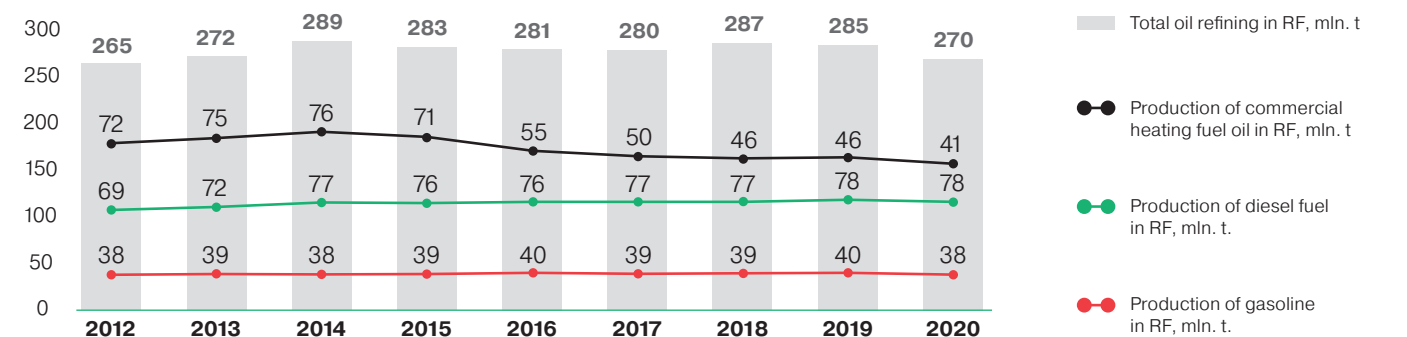
Production and supply of petroleum products in Russia

In 2020, the volume of primary oil refining in the Russian Federation decreased by 5.3% or 15.2 mln tonnes, compared to 2019 level and was up to 270 mln tonnes.

IMO requirements and the pandemic have had an impact on the refining sector as well: in oil refining, the trend of reducing the share of dark oil products in the production structure of

Russian refineries remained as a result of modernizing production capacities and improving the quality of the product basket. By the end of 2020, fuel oil production decreased by 11.1% or 5.1 mln tonnes and reached a record low of 40.8 mln tonnes.

Oil refining and production of base products in the Russian Federation, mln tonnes



Source: CCA FEC data

Gasoline production (RON) was down by 4.5% or 1.8 mln tonnes and reached 38.4 mln tonnes due to the commissioning of large oil refineries in 2020 at the Antipinsky oil refinery and at JSC TANECO plant and the growth of gasoline production at LLC Gazprom Neftekhim Salavat.

Production of diesel fuel (Df) in 2020 decreased insignificantly by 0.4% or 0.3 mln tonnes and was 78.0 mln tonnes.

In 2020, the regulation of domestic prices for gasoline was legislated, which led to a drop in domestic fuel prices below export parity. The introduced damper compensated for the decline below the level of export parity only partially.

Gasolines	2012	2013	2014	2015	2016	2017	2018	2019	2020
Gasoline production in the Russian Federation, mln tonnes	38,2	38,7	38,3	39,2	40,0	39,2	39,5	40,2	38,4
Gasoline exports from the Russian Federation	3,6	4,3	4,3	4,7	4,9	4,1	3,8	5,2	5,4
Supplies to the domestic gasoline market in the Russian Federation	34,3	34,1	33,1	34,6	34,9	35,2	35,6	35,0	33,0
Diesel fuel	2012	2013	2014	2015	2016	2017	2018	2019	2020
DF production in the Russian Federation, mln tonnes	69,4	72,0	77,3	76,1	76,3	76,9	77,5	78,4	78,0
DF export from the Russian Federation, mln tonnes	34,9	37,5	44,1	45,1	43,7	43,7	42,0	39,4	42,2
DF supplies to the domestic market in the Russian Federation, mln tonnes	32,5	32,3	31,5	31,3	32,5	32,8	35,7	38,9	35,7
Fuel oil	2012	2013	2014	2015	2016	2017	2018	2019	2020
Commercial fuel oil production of in the Russian Federation, mln tonnes	71,9	74,5	76,3	71,1	54,9	49,8	46,4	45,9	40,8
Fuel oil export from the Russian Federation, mln tonnes	56,9	57,3	53,5	53,8	42,0	39,4	32,8	31,4	31,9
Fuel oil supplies to the domestic market in the Russian Federation, mln tonnes	11,4	12,8	19,8	15,3	12,8	10,3	12,3	12,0	7,9
	3,6	4,3	3,0	2,0	0,1	0,0			
Jet kerosene	2012	2013	2014	2015	2016	2017	2018	2019	2020
Jet kerosene production in the Russian Federation, mln tonnes	10,0	10,3	10,9	9,7	9,6	11,1	12,7	12,5	10,4
Export of jet kerosene from the Russian Federation, mln tonnes	2,7	1,5	0,8	1,1	1,1	1,0	1,3	0,9	0,6
Jet kerosene supplies to the Russian domestic market, mln tonnes	7,3	8,9	10,0	8,6	8,5	10,1	11,4	11,6	9,9

Oil Industry Tax Regulation

Following global economic trends, the Russian oil industry in 2020 was limited in its development by the pandemic, the effect of the OPEC+ deal, and Saudi Arabia’s price war.

In 2020, oil production decreased by 8.5% or 47.5 mln tonnes to 2011 levels (511.4 mln tonnes) to 512.8 mln tonnes.

One of the significant events of 2020 was the revision of the tax legislation.

Taxation of the industry

The budget deficit as a result of the pandemic and falling oil prices forced the Government of the Russian Federation once again to revise the taxation system for the industry. On September 30, the State Duma passed in the third and final reading draft laws on introducing amendments to the Tax Code of the Russian Federation to adjust the parameters of the additional income tax (AIT) as well as on abolishing several privileges for the mineral extraction tax (MET).

In October 2020 laws that changed the parameters of the AIT pilot system, abolished benefits for depleted fields and high-viscosity oil with the possibility of switching to AIT were approved (signed by the President): Federal Law No. 325-FZ On Amendments to Article 3–1 of the Law of the Russian Federation on Customs Tariff dated 15.10.2020; Federal Law No. 342-FZ On Amendments to Chapters 254 and 26 of Part Two of the Tax Code of the Russian Federation dated 15.10.2020).

Under the new laws, several previously existing incentives were abolished and the AIT perimeter was expanded, which already from 2021 will increase fivefold to 230 mln tonnes or almost half of the total oil production in the country. The result of all the changes will be the withdrawal of RUB 650 billion of cash flow from the industry over five years.

Changes in accordance with the amendments to the Tax Code:

1. Cancellation of benefits for the reduced MET rate for deposits with depletion of more than 80% (shortfall in budget revenue were estimated at RUB 232 billion for 2019). It is proposed to transfer depleted fields to the AIT regime, the budget will receive additionally RUB 80 billion.
2. Cancellation of the MET exemption for super viscous oil (SVO), which could contribute RUB 77.9 billion to the budget in 2021.
3. Cancellation of the reduced export duty rate for extra-viscous oil, which used to be 10% of the standard rate, and for oil produced at 15 fields with special physical and engineering characteristics. In 2020, according to the calculations of the Ministry of Finance, the shortfall in revenue from the provision of this SVO benefit was estimated at RUB 14.7 billion, in 2021 the additional income from the abolition of the benefit is estimated at RUB 18.99 billion.

4. The reduced MET rate is also canceled for enterprises carrying out field exploration at their own expense.
5. Changes concerning AIT. According to the new law, the amount of unit costs in calculating the minimum AIT tax base will be RUB 7,140 until December 31, 2023 (the previous deadline was 2021). It will reach RUB 8,600 from January 1, 2024.
6. The reduction factor 0.7 to the MET rate for companies, which as of July 1, 2001, were exempt from paying mineral replacement contributions, ceased to be effective.

Simultaneously with the decision to abolish the benefits, targeted measures were introduced to compensate part of the losses under the new tax conditions, in particular, for the AIT Group 2 fields located on the Yamal Peninsula, and the Romashkinskoye field, between 2021 and 2023, a deduction of RUB 12 billion per year from MET is provided, provided that the oil price is higher than the base price set in the Russian budget (the oil cut-off price set in the Russian budget for 2021 is USD 43.3 per bbl).

Excess-Profits Tax Groups



I Group

4.6 mln tonnes

investment of RUB 46 bln

Includes greenfields in Yakutia, the Irkutsk Region, the Krasnoyarsk Territory, NAO and north of the Yamalo-Nenets Autonomous Okrug, as well as in the Caspian Sea region, NAO and north of the Yamalo-Nenets Autonomous Okrug, as well in the Caspian Sea (fields that, before the adoption of the law, could qualify for a special customs duty formula to be applied)

II Group

25.0 mln tonnes

investment of RUB 138 bln

Approved list of oil fields for a special customs duty formula to be applied according to Note 8 of the Commodity Nomenclature for Foreign Economic Activities

III Group

14.8 mln tonnes

investment of RUB 54 bln

Includes brownfields in the Tyumen region, Khanty-Mansi Autonomous Okrug, Yamalo-Nenets Autonomous Okrug, Komi with 0,1 to 0,8 depletion rates as of 01.01.2017 within the total annual oil and gas condensate production limit of 15 million tonnes according to the closed list, which includes 39 licensed areas

IV Group

1.3 mln tonnes

investment of RUB 3 bln

Includes greenfields in the Tyumen region, Khanty-Mansi Autonomous Okrug, Yamalo-Nenets Autonomous Okrug, Komi with the less than 0,05 reserves depletion rate. At the same time, the subsoil area's initial recoverable reserves as of 01.01.2017 cannot exceed 30 million tonnes, and the total reserves attributable to all fields transferred to the Excess-Profits Tax application amount to 150 million tonnes

V Group

Includes fields in the north of the Krasnoyarsk Territory, Yakutia and Chukotka with the less than 0,001 reserves depletion as of 01.01.2019

It is estimated that as a result of the abolition of benefits, the total negative effect for the industry will amount to more than RUB 650 billion during 2021–2025.

The oil industry is one of the key sectors of the Russian economy (the volume of investments in 2019 amounted to RUB 1.3 trillion), and taking into account the multiplier effect on related industries, the decision to increase the tax burden affects the entire economy.

In February 2021, the heads of oil-producing regions with a large share of brownfields and hard-to-recover oil reserves, the Khanty-Mansi Autonomous District and Tatarstan, sent a letter to the President of the Russian Federation, requesting to reduce the tax burden, as companies with a significant portfolio of mature assets, which also have super viscous oil production (PJSC TATNEFT and PJSC Lukoil) took the hardest hit. Annual investments in the development of highly-depleted fields in the Khanty-Mansi Autonomous District

amount to circa RUB 200 billion, in Tatarstan, circa RUB 110 billion have already been invested in super viscous oil (SVO) projects, in Komi, over RUB 240 billion. The head of state is asked to introduce special tax regimes for noncommercial reserves, otherwise, in 2–3 years, the rate of oil production in traditional provinces will decrease significantly. In particular, it is proposed to expand the AIT perimeter, to make depleted fields a separate group for AIT tax, providing for the possibility of including the costs of developing related businesses — oil refining, petrochemicals, etc. - in its calculation. And starting from 2022, it is also proposed that the fields of extra-viscous and high-viscosity oil with a lower MET should also be isolated into a separate group. MET reduction is also proposed for hard-to-recover reserves, the heads of the regions are asking to reduce the base MET rate for noncommercial reserves by 10–15% and to cancel the increasing coefficient of RUB 428 per tonne introduced in 2017 for them. It is also proposed to expand the criteria for the application of reduced MET for

List of changes to oil production taxation

Excess-Profits Tax	
Unit costs for minimum tax base	7 140 rub per tonne until 2023 8 600 rub per tonne starting 2024
Coefficient Kg, in MET (II Group)	Multiplying coefficient Kg=1 for LU from Kkan=1 as at 01.01.21 Kg=1,95 during 2021 -2023 for LU in Yamal Kg=1,2 during 2021 -2023 for LU in individual areas in KhMAD
Tax base reduction due to prior year losses	50% during 2021 – 2023 100% starting 2024
Loss indexation	Before 01.01.2020 – 16,3% After 01.0102020 – 7% (II –IV Group) – 10% (I Group)
3-d Group extension, deduction for depleted zones	Possibility to transfer to 3-d Group LU for which Kv< 1 and transfer of oil fields located within the North Caucasian Federal District and the Sakhalin Region
Deduction from MET for 2-d Group	The deduction of up to 12 bln rub per year is applied for 2-d Group's fields located in the Yamal Peninsular until the amount totals 36 bln rub.
Common Taxation System	
Tax benefit for production of oil with viscosity of over 200 mPa*s and under 10 000 mPa*s	The reduction coefficient is abolished – Kkan=0 in MET
Tax benefit for over 10 000 mPa*s viscosity oil export	Zero Kc coefficient in MET and 10 % reduction coefficient in export duty tax calculation formula are abolished
Tax benefit for depletion rate	Reduction coefficient is abolished – Kv in MET
Deduction from MET for over 10 000 mPa*s viscosity oil	The deduction of costs for operations and safety associated with super viscous oil production is granted for the Romashkinskoye oil field during 2021-2023 in amount of up to 12 bln rub per year. It is applied until the deduction amount totals 36 bln rub.
Deduction from MET at Priobskoye oil field	A tax credit is granted for oil production in the northern part of the Priobskoye oil field in the amount of up to 45,96 bln rub per year until 31.12.2032. It is applied until totaling 459,6 bln rub.
Reduction 0,7 coefficient to MET	Abolition of application of 0,7 coefficient to MET for companies exempted as of July 1, 2001 from reserves replacement payments

Source: VYGON Consulting

small fields in the Khanty-Mansi Autonomous District from 5 to 20 mln tonnes of oil as well as to introduce several other incentive measures.

The Ministry of Finance confirmed it is ready to fine-tune the oil industry's fiscal system and to dialogue with oil producers: the Ministry of Finance will develop parameters for a separate added income tax (AIT) group for extra-viscous oil by the end of 2021; with the tax regime to be introduced in 2024.

Another significant industry event in 2020–2021 is Rosneft's Vostok Oil project. On February 11, 2020, Igor Sechin, Rosneft CEO, presented the project to President Vladimir Putin. The project includes the Vankorsky cluster (15 fields, the largest of which are Suzunskoye, Tagulskoye, Lodochnoye, and Vankorskoye fields), the Zapadno-Irkinsky area (Rosneft), the Payakhskaya group of fields (JSC Neftgazholding), and the fields of the Vostochno-Taymyrsky cluster. The total investment in the project is estimated at more than RUB 10 trillion.

The confirmed liquid hydrocarbons resource base of the project is 6 bln tonnes (44 bln barrels). This is comparable with the resource base of Permian, the largest US shale play (6.3 bln tonnes), but with a much higher reserve density (17 mln BOE per km² in the Vostok Oil project vs. 0.1 mln BOE in the US shale basin). The Vostok Oil project's fields oil supply potential is estimated at 30 mln tonnes by 2024 and up to 100 mln tonnes by 2030. Therewith, Vostok Oil's oil has premium characteristics, superior to those of the Middle East grades and the benchmark Brent grade (density — less than 400 API, sulfur content — 0.05%). Therefore, Argus estimates its sale premium to be USD 10 to USD 12 per barrel. A big advantage of the project is also the possibility of direct oil supplies (without using pipeline infrastructure) both to Europe and other regions of the Atlantic Basin and to promising markets in the Asia-Pacific.

The Vostok Oil project will become a true development driver for the whole Russian economy. Its implementation will create tens of thousands of new jobs. According to estimates of independent experts (KPMG), the multiplier effect of "Arctic" investments will exceed RUB 30 trillion by 2038, giving impetus to the development of related sectors of the economy, such as mechanical engineering, metallurgy, electric power engineering, road construction, shipbuilding.

Calculations by specialists of the Institute of Economic Forecasting of the Russian Academy of Sciences show that implementation of the project creates additional incentives for localization of production of high-tech equipment and provides an increase in domestic demand for products of various industries equivalent to 2% of GDP per year.

To organize the export of products from the Vostok Oil project, an order was placed at the Zvezda shipyard for a series of 10 high ice-class tankers with a deadweight of 120,000 tonnes, adapted for operation on the Northern Sea Route. A total of 50 vessels of different classes are planned to be built in the interests of the project.

The implementation of the project envisages the construction of over 770 km of trunk pipelines and 7,000 km of in-field pipelines. This will seriously change the situation in the pipe products market.

According to estimates of leading investment banks, Bank of America and Goldman Sachs, given the current oil price the cost of the project could be circa USD 70 billion, excluding the LNG component. If the price situation is favorable and risks are lowered, the project's value may exceed USD 100 billion; if the LNG component is included, the overall project estimate may rise to USD 115–120 billion.

In September, within the framework of draft amendments to the Tax Code, the Government of the Russian Federation decided to lower the oil price threshold at which Rosneft could claim a tax deduction for the Vostok Oil project to USD 25 per bbl. Previously, the company could count on benefits only if oil was worth more than the budgeted base level (USD 42.5 per bbl in 2020). Lowering the threshold will provide Rosneft with tax benefits for this project in the amount of circa RUB 60 billion per year at current prices.

Another landmark event in 2020 is the commissioning by PJSC Gazprom Neft of an oil pipeline to pump oil from the Chayandinskoye oil and gas condensate field into the Eastern Siberia – Pacific Ocean (ESPO) oil pipeline. This will enable the company to increase the ESPO blend export volume from Kozmino. The pipeline with an overall capacity of 1.5 mln tonnes per year oil connected the Chayandinskoye field with Gazprom's pipeline, which takes the feed to Transneft's Orgul oil pumping station NPS-11 for further delivery to the ESPO pipeline. December 2019 – March 2020, feedstock from the field was delivered by truck to the gas treatment facility of Gazprom Dobycha Noyabrsk for delivery to Gazprom's pipeline.

The Chayandinskoye field's hydrocarbons density is circa 862.8–882.4 kg/m³ (28.14–31.74 °API), and its sulfur content exceeds 0.90%. Before delivery to ESPO, raw HCs are blended with gas condensate to bring the oil's quality characteristics in line with Transneft's requirements. Market players note that the companies will continue blending oil from the area with condensate, but they do not rule out that increased pumping from the Chayandinskoye field will increase the sulfur content and density of the ESPO blend (the average density of ESPO blend in 2020 was 845.4 kg/m3 (35.09°API), and the sulfur content was 0.53% (the ceiling level is 0.65%).

Gazprom Neft may increase exports of ESPO blend to 4.5–5 mln tonnes in 2021, compared to 3.47 mln tonnes in 2020.

Key macroeconomic factors in 2020 and 2021

Current global economic growth forecasts primarily depend on new quarantine restrictions, cheap liquidity from central banks and assistance from finance ministries, the effect of the OPEC+ deal, and the pace of industrial production. The expansionary monetary policy of central banks (FED, ECB, BoJ) has become one of the key factors in exiting the acute phase of the corona crisis. Central banks and finance ministries plan to maintain support for those affected by the recession, although the scale of support may decrease.

At the end of March 2021, business activity in the global industry showed positive dynamics. Despite another wave of the coronavirus, the industrial PMI reached a ten-year high (55 points) in some regions. The growth leader in the index was the Eurozone (62.5 points), where production and orders are growing at an unprecedented rate in the nearly 24-year history of PMI surveys, but manufacturers are facing shortages and delays in supplies caused, among other things, by a local factor — the blockage of the Suez Canal. In the US, manufacturing activity also continued expanding in March (59.1 points), while China's index is at its lowest level since last May but still in expansionary territory (50.6 points). China's GDP and industrial production continue to grow strongly.

In 2021, the growth of the Russian economy will be underpinned by the improved prospects of the global economic recovery in the context of additional budget support measures in some countries, which will accelerate the growth of demand for Russian export goods. The medium-term economic growth path will be significantly influenced by the pace of vaccination in Russia and the world, the effectiveness of vaccines against new strains of the virus, the nature of private demand recovery, and the trajectory of fiscal consolidation.

On March 19, 2021, the Board of Directors of the Bank of Russia decided to raise the key rate by 25 basis points, to 4.50% per annum. The growth rate of consumer prices in Q1 is higher as compared to the Bank of Russia's forecast. Domestic demand is recovering steadily and faster than previously expected, outpacing output growth in several sectors. External demand expectations are also improving on the back of additional budget support measures in many countries and an increase in the rate of vaccination of the population. Inflationary expectations of the population and businesses remain at an elevated level. The balance of risks has shifted towards the pro-inflationary ones.

On April 1, 2021, the size of the National Wealth Fund (NWF) reached circa RUB 13.8 trillion, or USD 182.3 billion, which is equivalent to circa 12% of Russian GDP. The cut-off point under the budget rule in 2021 is USD 43.3 per bbl. In the middle of March, the Ministry of Finance of Russia prepared new rules of investment of the NWF in projects. These rules are currently under consideration and are awaiting further approval.

S&P 500, the American broad market index has exceeded 4,000 points for the first time in history. This came after US President Joe Biden unveiled an eight-year, US 2.3 trillion plan for infrastructure and industry in the country. Under the plan, USD 621 billion will be allocated to modernize transportation infrastructure, USD 400 billion to support the elderly and people with disabilities, USD 300 billion to support the industrial sector, USD 213 billion to repair and build affordable housing, and USD 100 billion to develop broadband networks. The initiative is expected to be financed by increasing the corporate tax rate from 21% to 28%.

US and China

US President Joe Biden is more likely to settle trade and political differences with China. Sanctions, including attacks on Chinese IT companies, may be lifted. A revision of the trade agreement aimed at reducing the US balance sheet deficit is likely. It is assumed that at first the duties will not be changed. The PRC market accounts for a significant share of the revenue and production chain of the US automotive industry and many technology and industrial companies.

Brexit

In 2021, the UK will finally leave the EU. The deal must be reached by the end of the year. The baseline scenario assumes the limitation of tariffs and the absence of trade quotas. If an agreement is not reached, the trade relationship between Britain and the EU will suffer — it will return to the WTO framework. As a result, tariffs on exports to the EU would rise, the pound would depreciate, and the inflow of direct investment into the UK economy would weaken. According to the forecast of S&P Global Ratings, if an agreement is reached, the UK GDP will grow by 6% in 2021. Otherwise, it will grow by 4.6%. In a negative scenario, the European economy, and therefore the world economy as a whole, will suffer.

Volatility in global stock markets remains elevated.

Key factors in the development of the industry in 2020

1. Reduction of oil production under the OPEC+ deal;
2. Encouragement of oil production in Western Siberia;
3. The Arctic development (the Northern Sea Route) is almost half as long as the traditional routes for exporting hydrocarbons to the attractive APR market, and its development has been declared one of the key tasks of Arctic development. According to the May Decree of the President, the cargo traffic on the NSR must grow to 80 mln tonnes per year by 2024);
4. Monitoring of the implementation of the “big tax maneuver” completion and the introduction of the tax on additional income;
5. Stabilization of oil quality in the system of main oil pipelines in order not to worsen the quality of supplies to domestic refineries;
6. Meeting the growing requirements for reducing the carbon footprint and preserving the environment;
7. Adapting to new IMO requirements.

Key factors in the development of the industry in 2021

1. Revisiting investment opportunities and current operating costs as a result of changes in tax legislation and production limitations under the OPEC+ deal;
2. Search for optimal solutions for further recovery of production, provided for by the OPEC+ deal (including the development of a mechanism for drilled but uncompleted wells);
3. Increasing oil recovery factor, smart field;
4. Working out the issue of incentives for hard-to-recover reserves and high-viscosity oil;
5. Proposal of a mechanism for cross-border regulation of carbon dioxide emissions in the EU in mid-2021 with its subsequent introduction from 2023;
6. Revision of strategies taking into account changes in the global market model against the backdrop of statements by trading partners regarding plans for an energy transition;
7. Search for options to reduce carbon footprint;
8. Improvement of rankings in ESG ratings and introduction of environmental KPIs;
9. Revision of strategies for the development of the refining segment (including petrochemicals) in the context of the effects of COVID-19 on the dynamics of the expected consumption of petroleum products in certain regions of the world as well as the process of the energy transition.

In 2021, the General Scheme of the oil industry development until 2035 is expected to be approved. The General Scheme contains four forecast oil production scenarios. The forecast is based on the design and technical documentation for each of more than 2.5 thousand existing fields or fields planned for development until 2035, updated to reflect the current plans of oil companies.

At the first stage of implementation of the General scheme, until 2025, the total capital investment in oil production, excluding gas condensate, will be (depending on the scenario) RUB 6.3–8.23 trillion. At the second stage, in 2026–2035, capital investments will amount to RUB 14.61–19.02 trillion.

In terms of oil refining, the General Scheme developed three development scenarios. All of them ensure the fulfillment of the goals and objectives of the Energy Strategy: reliable provision of the domestic market with motor fuels, increasing the level of modernization and output of light petroleum products, increasing the volume of exports of light petroleum products. The expected range of primary oil refining volumes through 2035 will be from 248 to 302 mln tonnes per year. Depending on the scenario, the light product yield will be from 71% to 74%.

The peak consumption of gasoline and diesel fuel in the domestic market is projected to peak on the horizon until 2035, after which consumption will gradually decline. This is due to both improved engine efficiency and the spread of other fuels. Therewith, jet fuel consumption is projected to grow.

Integration of sustainable development practices into the company's activities

2018-2019

- | | |
|--|--|
| <p>1 The company makes a statement regarding ESG factors and the SDGs of their importance but does not point out the specific aspirations or objectives in this regard.</p> <p>2 The company makes a statement regarding ESG factors and SDGs and provides quality information regarding its aspirations or goals to achieve them.</p> | <ul style="list-style-type: none"> • Reporting in the field of corporate responsibility as per GRI. • Statement of accession to the UN Global Compact and SDGs • Determination of the vector of corporate actions on the SDGs |
|--|--|

2020

- | | |
|---|--|
| <p>3 The company defines quantitative KPIs for ESG factors and priority SDGs.</p> | <ul style="list-style-type: none"> • Determination of the vector of corporate actions on the SDGs • Prioritization of 10 SDGs • Determination of quantitative KPIs for the priority SDGs • Consideration of priority SDGs by the Board of Directors • Reporting in the field of corporate responsibility as per GRI. |
|---|--|

2020-2021

- | | |
|---|--|
| <p>4 The company defines quantitative KPIs and targets for ESG factors and priority SDGs.</p> | <ul style="list-style-type: none"> • Determination of quantitative KPIs for the priority SDGs • Consideration of priority SDGs by the Board of Directors • Setting targets for achieving the SDG by 2030 • Reporting in the field of corporate responsibility as per GRI. |
|---|--|

2021-2022

- | | |
|--|--|
| <p>5 The company connects KPIs for ESG factors and priority SDGs with its impact on society, with full integration into the business model</p> | <ul style="list-style-type: none"> • Tatneft member of the UN Global Compact since December 12, 2019 • Determination of quantitative KPIs for the priority SDGs • Consideration of priority SDGs by the Board of Directors • Setting targets for achieving the SDG by 2030 • Integration of the SDGs into the Company's business model • Formation of a corporate strategy for sustainable development • Reporting in the field of corporate responsibility as per GRI. |
|--|--|

TATNEFT member of the UN Global Compact since december 12, 2019

Integration of 10 principles and 17 Sustainable Development Goals into the Company's corporate activities in the interests of inclusive development of the economy, territories, and society as a whole.

Development of corporate programs taking into account the UN Action Plan

"Transforming Our World. The 2030 Agenda for Sustainable Development."



Integration of the SDGs into the company's business model

The Company is developing a system for integrating the Sustainable Development Goals into the value chain and an operating model, taking into account the compliance of the target values with the indices of the Global Indicators System developed by the Interagency Group of Experts on SDG Indicators (IAEG-SDGs).

Company's Membership in Industry Associations

The Company is involved in the activities of several industry associations and unions aiming at constructive interaction with other industry participants and development of stance on key issues of the fuel and energy sector.

- The Company is a member of the **Union of Oil and Gas Producers of Russia (SNP)**, the General Director of the Company is a member of the Council of the Union Board. The SNP Union Board makes proposals to the State Duma and the Government of the Russian Federation on reforming the industry, strengthening state regulation in the fuel and energy sector, amending the legislation, and preparing the government decisions.
- Since 1998, the Company has been a member of the **Russian National Committee of the World Petroleum Council on Organizing and Holding World Petroleum Congresses (RNC WPC)**. In particular, two World Petroleum Congresses were organized with the participation of PJSC TATNEFT representatives — the 21st Congress in 2014 in Moscow and the 22nd Congress in 2016 in Istanbul.
- On June 24–26, 2019, the 6th Future Leaders Forum of the World Petroleum Council was held in Saint Petersburg, where the Company's delegation of young specialists took an active part.
- The 23rd World Petroleum Congress was scheduled for holding in Houston on December 6–10, 2020, which the TATNEFT delegation was planning to participate in. The WPC was postponed to December 2021 due to the novel coronavirus pandemic outbreak.

In 2020, the representatives of PJSC TATNEFT did not participate in the events held by the RNC WPC.
- Since 2003, PJSC TATNEFT has been cooperating with the **Russian Union of Industrialists and Entrepreneurs (RSPP)**. The General Director of PJSC TATNEFT is a member of the Management Board of the RSPP; the Company representatives participate in the RSPP Committees: Energy Policy and Energy Efficiency Committee, Labor Market and Social Partnership Committee, Industrial Safety Committee.
- Since 2003, the Company has been cooperating with **NPP Miners of Russia**. The General Director of PJSC TATNEFT is a member of the Supreme Mining Council.
- Since 2008, A.F. Yagafarov, Deputy General Director of PJSC TATNEFT, has been a **member of the Board of Directors of JSC Saint Petersburg International Mercantile Exchange (SPIMEX)**, which allows the Company to promptly obtain information on the activities of the SPIMEX Exchange and make relevant proposals.
- In collaboration with the Trade Union Organization, the Company cooperates with the **All-Russian Industrial Association of Oil and Gas Industry Employers** (PJSC TATNEFT is not a member of the Association). On 11.12.2019, the Ministry of Energy of the Russian Federation held the solemn signing of the Industrial Agreement on Oil and Gas Industry Organizations for 2020–2022, attended by A.V. Novak, Minister of Energy of the Russian Federation.

- In 2011, the Company signed the **quadripartite agreement with the Federal Antimonopoly Service of Russia, the Federal Environmental, Industrial, and Nuclear Supervision Service of Russia, and the Federal Agency on Technical Regulating and Metrology** aimed at quality improvement of petroleum products supplied to commodity markets of the Russian Federation and efficient modernization of refineries. The Company fulfills its obligations under the agreement ahead of schedule.
- Since 2011, the Company's representatives have been serving on the **Working Group under the Ministry of Energy of the Russian Federation on monitoring the situation related to petroleum products production and consumption in the Russian Federation**, established to prevent an uncontrolled increase in the price of petroleum products and ensure stable and consistent supply of petroleum products to the domestic market of the Russian Federation.
- Since 2011, the Company has been cooperating with the **Chamber of Commerce and Industry of the Russian Federation**.
- Since 2014, the Company has been an **active participant in the Consumers Council work** on the activities of natural monopolies in the crude oil and petroleum products transportation via trunk pipelines, which functions as a communications platform of PJSC TRANSNEFT and its services consumers. Within the efforts of this organization, the tariff formation issues of PJSC TRANSNEFT, its investment program, and financial results are discussed. The Company makes relevant proposals and is considering initiatives discussed at the Consumer Council.
- Since 2015, the representatives of the Company have been serving on the **Working Group under the Ministry of Energy of the Russian Federation on monitoring the quality of crude oil transported via the oil trunk pipeline system**, created to stabilize the crude oil quality in the oil trunk pipeline system and prevent deterioration of the crude oil quality supplied to domestic refineries. The active position of PJSC TATNEFT within the scope of efforts of the Working Group enabled delivering several positive results, including increased limit values of sulfur content in the export lines within the regular traffic scheme. In 2019, the Ministry of Energy of the Russian Federation and TANECO JSC concluded an **Agreement on Modernization of Oil Refinery Facilities for Oil Re-Refining** for the amount of RUB 106.5 billion investments, and later (in the same year) they signed an additional agreement to amend the current agreement with JSC TANECO on oil refinery facilities modernization, regarding the timing of the commissioning of several facilities and the relevant scope of funding.
- In 2019, the Company joined the **Working Group on Transition of Oil and Gas Companies to the Goods Labeling and Traceability System in the Russian Federation**.
- The Company's specialists participate in the work of the **Eurasian Union of Experts on Subsoil (EUES)** to enable the comprehensive use of existing competencies to ensure fair and high-quality appraisal of mineral reserves.

Support for International and National Economic, Environmental, and Social Initiatives

Since 2019, the Company is a member of the UN Global Compact, adhering to 10 Principles on Human Rights, Labor, Environment, Anti-Corruption and integrating 17 Sustainable Development Goals into its activities.

As part of the official events marking the 75th anniversary of the United Nations, the **Company**, among other Global Compact participants, signed the **“Business Leaders Statement for Renewed Global Cooperation,”** which affirms business support for international cooperation across countries, sectors, and generations to adapt to changing circumstances, including the COVID-19 pandemic, economic uncertainty, climate change, and other factors of impact on the Sustainable Development Goals. **The Statement was presented to the UN Secretary-General during the UN Private Sector Forum on September 21, 2020.**

In 2020, we have focused our sustainability actions on the 10 SDGs to which we can most effectively contribute, taking into account the specific nature of the Company's business. We prioritize SDG 3 “Good Health and Well-Being,” SDG 4 “Quality Education,” SDG 6 “Clean Water and Sanitation,” SDG 7 “Affordable and Clean Energy,” SDG 9 “Industrialization, Innovation, and Infrastructure,” SDG 11 “Sustainable Cities and Communities,” SDG 12 “Sustainable Consumption and Production,” SDG 13 “Climate Action,” SDG 15 “Life on Land,” SDG 17 “Partnerships for the Goals.”

We are implementing our corporate practices in line with the new Global Compact Strategy — “Accelerating Business Action to Achieve Sustainable Development Goals and More Ambitious Climate Goals” — adopted for the period 2021–2023. Following the Roadmap of this Strategy, we are strengthening our contribution to collective action and integrating new indicators into our practices, including factors related to climate and human rights with an assessment of the Company's compliance with relevant global conventions and agreements.

TATNEFT is a member of the “National Network of the UN Global Compact in Russia” Association. In 2020, a representative of the Company joined the Governing Council of the Association. In December 2020, a corporate volunteer movement to promote the SDGs among young people was initiated at the Company's Youth Forum on Sustainable Development and will be part of the Volunteer Movement Program of the National Network of the UN Global Compact in Russia. The Company is a party to in a large-scale project “SDG Ambition. Global Level SDG Ambition” initiated by the UN Secretary-General in January 2020 at the World Economic Forum in Davos.

As part of interaction with the state in the field of sustainable development, TATNEFT participates in the Interdepartmental Working Group for the development of investment activities and attraction of extra-budgetary funds in sustainable development projects under the Ministry of Economic

Development of the Russian Federation. The Company also implements environmental and social programs as part of the National Projects.

The Company's key sustainable development initiatives include taking urgent action to combat climate change, as enshrined in the Paris Agreement. In 2020, the Company announced a transition to carbon neutrality by 2050. We adhere to international standards and guidelines in developing the greenhouse gas emission management system: GreenHouseGas (GHG) protocol — on measurement, control, and disclosure of emissions, including supply chains; TCFD Implementation Guide — carbon footprint reporting and we provide data for CDP climate rating. In assessing the scope of emissions accounting, we intend to expand the application of the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI) Greenhouse Gas Protocol Corporate Standard for Accounting and Reporting, as well as the PAS series of standards. The Company takes into account the activities of the International Petroleum Industry Environmental Conservation Association (IPIECA) and the Oil and Gas Climate Initiative (OGCI). We believe these initiatives are essential to progress towards the energy sector decarbonization goals and sustainable development in general. The paramount step for TATNEFT in 2020 was to join SBTi, a group of leaders of the international initiative for setting science-based goals, to contribute to preventing the rise of the planet's temperature by more than 1.5 degrees Celsius.

As part of the formation of carbon regulation in Russia and the development of its most effective mechanisms, the Company interacts with all stakeholders, including participation in the efforts of the Committee of the Russian Union of Industrialists and Entrepreneurs on climate policy and carbon regulation and the Committee of the Russian Chamber of Commerce and Industry on environmental management and ecology.

In 2020, as part of preparations for the Business 20 Summit (G20) at the highest political level, the Company participated in the task forces of the Business 20 (B201): “Energy, Sustainability, and Climate,” “The Future of Employment and Education,” “Digitalization,” “Finance and Infrastructure.”

Note: B20 is one of the key social partners of the Group of Twenty (G20), representing the interests of the global business community and companies of the G20 countries.

Board of Directors' Report on Company's Development Performance by Main Business- Streams

The Company contributes to a sustainable energy future on an ongoing basis in the context of the transition of the world economy to a low-carbon path of development.

**Our goal is to reach
a carbon neutrality by 2050**

The Company has set the intermediate targets:

- Reducing emissions by 10% by 2025 from the baseline year 2016;
- Reducing emissions by 20% by 2030 from the baseline year 2016;

Joint Address to the Shareholders, Investors and Partners

**Of the President of the Republic of Tatarstan,
Chairperson of the Board of Directors**

Rustam N. Minnikhanov

and

Chief Executive Officer,

Chairperson of the Management Board of PJSC TATNEFT

Nail U. Maganov

**Dear shareholders,
investors, and partners!**

The reporting year 2020 was full of events that impacted both the global and domestic economy of the Russian Federation. Oil production restrictions under the OPEC+ agreement, decline in oil and oil products price caused by a decreased demand during the pandemic, as well as the decisions to change the taxation of the oil industry related to the increase in government spending, affected the performance of the Company's financial and economic activities. However, measures taken timely to diversify capital investments, implement projects for continuous improvement of processes and significant optimization of costs allowed to reduce the negative impact of external factors.

The value of the consolidated assets of TATNEFT Group in the reporting year increased by 2%, amounting to 1 263 billion rubles. The key driver of strengthening the structure and growth in asset value was the expansion of the "Refining and Oil and Oil Product Sales segment".

Year-end consolidated revenue amounted to 720,7 billion rubles. The profit of the Group's shareholders was 103,5 billion rubles. The company consistently demonstrates a high level of profitability and a low level of debt burden. Adjusted EBITDA amounted to 187,3 billion rubles, return on equity (ROACE) - 13%.

The Company was ranked 6th in the oil and gas sector in the Boston Consulting Group (BCG) Value Creator Ranking with a Total Shareholder Return (TSR) 19%.

In compliance with the Company's dividend policy, the Board of Directors recommended to allocate 50% of the year-end net profit of TATNEFT Group to the payment of dividends.

The Company's investment policy is implemented based on the principle that ensures the growth of value for shareholders and the implementation of tasks for long-term development of TATNEFT Group in the context of transition of the world economy to a low-carbon path of development. We keep strict control over the financial discipline of investment projects and monitor the return on the assets used. In 2020, the volume of investments in the Company amounted to 103,3 billion rubles. This is below the level of 2019 by 20,3% due to reduction in well interventions as it is necessary to comply with the requirements of the OPEC+ agreement. Over 80% of the investments was directed to the most capital-intensive business areas: oil and gas processing and oil and gas chemistry, as well as oil exploration and production.

In 2020, oil production plans were revised. In 2019, oil production reached almost 30 million tonnes and its further growth was expected. In 2020, due to OPEC+ restrictions, 26 million tonnes were produced. At the same time, the Group has sufficient potential to implement its Strategy.

Our efforts are focused on additional exploration of oilfields discovered earlier and finding new fields in the regions of traditional oil and gas production in the Republic of Tatarstan. At the beginning of 2021, the hydrocarbons reserves of the TATNEFT Group, according to an independent assessment done by the consulting company Miller and Lents, based on forecasted oil prices, amounted to 1 300,1 million tonnes of oil equivalent, including 927,4 million tonnes of oil equivalent of proven reserves.

Diversification of investments to oil refining provided maintenance for the Company's economic stability under the



difficult macroeconomic conditions of the last year. The enterprises of the refining block processed 13 million tonnes of feedstock, put three units into operation at TANECO. The total production of oil and gas products amounted to 12,5 million tonnes. The share of oil product sales in 2020 was more than 40% of all net revenue. In 2021, we plan to launch six new units and production facilities. The total processing volume of petroleum feedstock will increase to 14,5 million tontys per year.

In the context of growing demand of society for clean and affordable energy, we constantly improve the characteristics of the produced petroleum products and petrochemicals. The production of Euro-6 gasoline is expected to increase. With the commissioning of the second delayed coking unit, the volume of feedstock processed across the Company will reach 16 million tonnes per year.

In 2020, over 5 million tonnes of petroleum products were sold through the Company's retail network. Fuel quality and customer service allowed Tatneft's network to be one of the few in the industry to exceed pre-crisis indicators. Currently, 819 filling stations operate under the corporate brand within Russia and abroad. In the coming years, we plan to increase the number of filling stations in the regions of Russia.

The tire complex also retains its leading position in terms of its market share. Under the situation where car production all over the world was suspended, KAMA TIRES increased sales by 18% and sold 12 million pieces of tire products. In 2021, it is planned to expand the product range and sell about 13 million tires.

We see a significant potential for business expansion in the development of tire production outside of Russia. In Kazakhstan, the joint construction of a plant for the production of high-quality passenger car, light truck and truck all-steel tires has begun. The products will be supplied both to Russia and to the countries of Central Asia. Completion of construction is scheduled for 2022.

The petrochemical production of the Company has reached the maximum level for the last 12 years. In 2020, 208 thousand tonnes of rubbers and 163 thousand tonnes of fuel additives to gasoline were produced.

Power generation facilities were integrated into the business model of the Company, which provide a full cycle of generation, transmission and sale of heat and electricity. In 2020, heat energy was generated by 16% more versus 2019.

As part of solving the strategic task of expanding the range of innovative products, more and more preference is given to fiberglass. This material is optimal from the ecology standpoint; when producing fiberglass products, the carbon footprint is 6,5 times less than in the production of metal products. The pipes and cable systems produced by the Company are used in the development of oil fields, in the construction of an oil refinery complex and infrastructure facilities, and are also sold to third-party customers.

Strengthening the technological basis of TATNEFT Group is based on digital solutions, a comprehensive transition to innovative digital forms of management and organization of business processes. At the beginning of 2020, a single Center of Competence and Responsibility for key IT processes was formed on the basis of the established TATNEFT-Digital Development subdivision. As part of the digitalization program, projects have been started on a wide range of processes - from oil reserves calculation and planning well construction to shipment of oil products and the development of digital twins.

In 2020, the TATNEFT Group provided over 60 thousand jobs within 110 enterprises in the Russian Federation and abroad. As part of the implementation of the HR strategy, we focus on the tasks of training and improving the competence of personnel, improving the motivation system, forming personnel reserve. We pay great attention to corporate culture and youth policy. A significant HR project in 2020 was the discovery of new specialties and the development of

our own human resources to meet new challenges. Thus, the Company has organized a targeted program "School of Business Analytics" to train one of the most demanded professions, which allows to quickly identify problems and determine ways how to resolve them.

Considering that the Company implements large investment projects, including those outside Russia, TATNEFT has launched a special training program for project related work.

The Corporate University of the Company implements professional retraining programs.

When managing industrial safety issues at production facilities, we use a risk-based approach. Much attention is paid to programs to prevent occupational injuries, train personnel on a complex of long-term and preventive measures. 1,4 billion rubles were allocated for labor protection measures in 2020.

In its activities, the Company strictly adheres to the fundamental principles of Human Rights, including the right to a safe environment.

Protection of life and health of people, a favorable environment are among the key priorities. The company acts in accordance with the Policy on industrial safety, labor and environmental protection, taking into account climate change and modern international practice, is guided by the principles of recognizing the priority of human life and health to production activities, a high level of industrial safety, ensuring the potential for self-healing of ecosystems, and reducing carbon footprint.

The expenses of TATNEFT Group aimed at ecological safety and environmental protection in 2020 amounted to 11,3 billion rubles.

The sustainable energy future of the Company is inextricably linked with the transition of the world economy to a low-carbon path of development and actions to prevent climate change. The TATNEFT Group is implementing projects focused on the task of reducing the carbon footprint and

integrating this task into business processes. The company actively uses in its activities the mechanisms of international platforms and standards on climate initiatives.

Energy efficient production processes, a model of rational resource consumption and high environmental performance of the Company's products contribute to a continuous reduction in specific emissions of greenhouse gases into the atmosphere.

The company shares and integrates into its business model the 17 Sustainable Development Goals adopted by the UN for the period of up to 2030. These are climate challenges, decarbonization and clean energy challenges, resource efficiency, innovation and infrastructure opportunities. A significant mechanism in the implementation of the Sustainable Development Goals on climate and the principles of the UN Global Compact is TATNEFT's joining the SBTi international initiative (Science Based Targets initiative) on the platform of "Ambitious corporate actions to prevent the planet's temperature from exceeding 1,5 degrees Celsius" (Business Ambition for 1,5C). TATNEFT Group plans to shift to carbon neutrality by 2050 with a phased reduction in the intensity of greenhouse gas emissions along the entire value chain.

As part of efforts to reduce its carbon footprint, since 2000, TATNEFT Group has been implementing a program for planting and reforestation, taking into account the absorptive capacity of green spaces, as well as measures to improve the efficiency of green planting management, taking into account biodiversity and the development of a circular economy. In 2020, 1,98 million seedlings were planted, which, according to preliminary expert estimates, will compensate for 660 thousand tonnes of CO2-eq. emissions of greenhouse gases (when trees reach their maturity age). In total, 12 million trees have been planted since the commencement of the Program. The company plans to automate monitoring of the Reforestation Program with an assessment of the absorptive capacity and biodiversity of forests. In the future, the Company plans to go through the procedure of validation of the Reforestation Program and regularly verify the results achieved in offsetting greenhouse gas emissions.

TATNEFT "is one of the largest taxpayers in the main region of its operations, which plays an important role in ensuring the income of the federal and regional budgets. This contributes to the stable socio-economic development of the territories where our enterprises are located. In addition, within the framework of targeted corporate programs, the Company annually makes social investments that are directed to the development of healthcare, science and education, the cultural environment, preservation of the spiritual heritage, and support for sports. At the end of 2020, the investments of TATNEFT Group, which have a social orientation or component, exceeded 20 billion rubles. The key role in this process is played by the TATNEFT Charitable Foundation.

The year 2020 started for the Company with a serious challenge caused by outbreak of the new coronavirus infection. TATNEFT made every effort to prevent the spread of the epidemic. During the period of restrictions, the Group's enterprises were the first in Tatarstan to cancel business trips and transfer their offices to work remotely.

Some of the life support enterprises were transferred to a special regime, where employees worked in isolation from the outside world, supplying water, electricity and heat to residential buildings and production facilities. The enterprises of continuous cycle (mining, processing, etc.) continued their work around the clock with the use of increased sanitary protection measures.

As part of the prevention of COVID-19 on his own, the Company organized the production of protective equipment to combat coronavirus infection and donated protective suits and masks to hospitals in Tatarstan designated as hospitals for the treatment of coronavirus patients, and supplied ambulance stations, central regional hospitals and social workers.

Since 2021, the tax conditions affecting the activities of the Company have changed. To replenish the state budget during the crisis, the Russian Government decided to abolish differential taxation, including depleted fields, high-viscosity

and super-viscous oil reservoirs. This required the investment program to be revised in this direction. Under the current tax system, putting new ultra-viscous structures in production is not economically efficient, therefore, only the structures that have already been put in operation continue to be developed in the ultra-viscous oil fields. We are making every effort to change the situation for the better. We are negotiating with federal executive authorities to cost-effectively involve additional reserves of extra-viscous oil in the development, and improve conditions for depleted fields. Assistance to projects such as ultra-viscous oil is beneficial to everyone, and first-of-all to the government, as it provides a significant multiplier effect.

Under conditions of high price volatility and uncertainty, the results achieved confirm effectiveness of the Company's business model and management's program-oriented actions aimed at increasing business margins, effective building of business processes and maintaining steady financial, economic and social situation. The value chain is constantly being improved, which includes those created due to increasing the share of innovative solutions, strict adherence to quality and safety standards.

The Board of Directors makes decisions aimed at the long-term successful development of the Company. Consistently implementing our plans, we carefully assess the business challenges associated with the transition of the world economy to a carbon-neutral development path. Global changes in preventing climate change require that we diversify business processes and actively strengthen internal reserves to increase our competitiveness. The company will make every effort to meet the challenges.

We would like to thank our shareholders, investors, partners, and employees of the TATNEFT Group enterprises for their joint activities and we look to the future with optimism!

President of the Republic of Tatarstan, Chairman of the Board of Directors of PJSC TATNEFT

Rustam N. Minnikhanov



General Director, Chairman of the Management Board of PJSC TATNEFT

Nail U. Maganov



Company capitalization

RUB 1,186 trillion

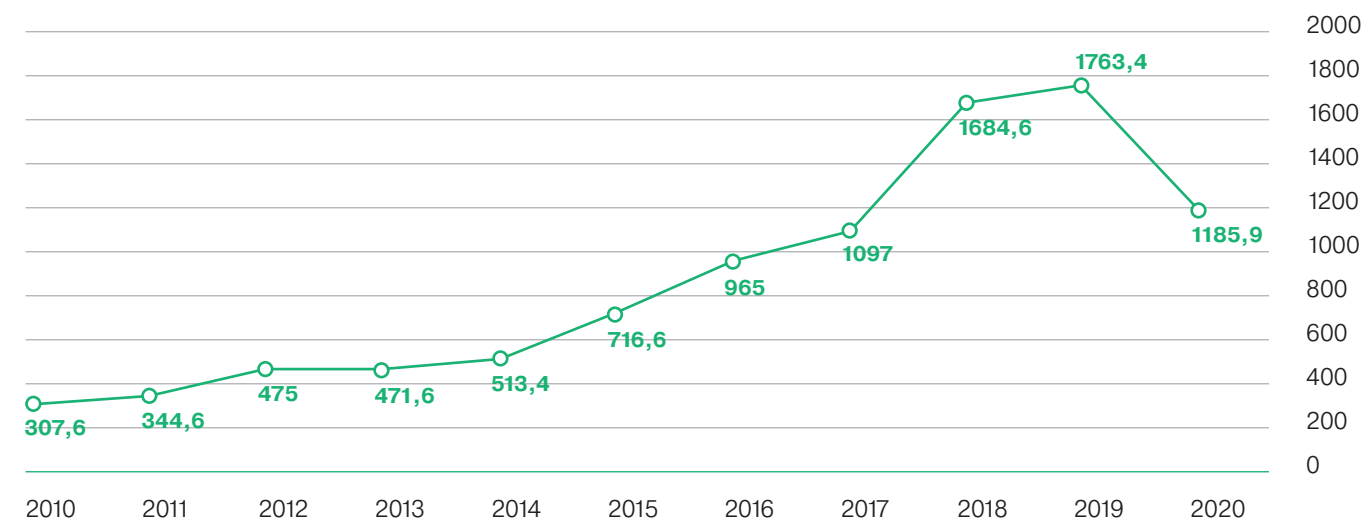
Total market capitalization by the end of 2020

USD 16,1 billion

Total market capitalization by the end of 2020

At the end of 2020, the total market capitalization (market value of ordinary and preferred shares) of the Company decreased by RUB 577.5 billion as compared to that of the end of 2019, which amounted to RUB 1.185 trillion. In U.S. dollar terms, total market capitalization fell by 43.3% to USD 16.1 billion.

Capitalization for the period of 2010–2020



The main reason for the decline in capitalization is the current global epidemiological situation, which has caused a decline in oil demand, against the background of oil production restrictions under the OPEC+ agreement.

Consolidated assets of TATNEFT Group

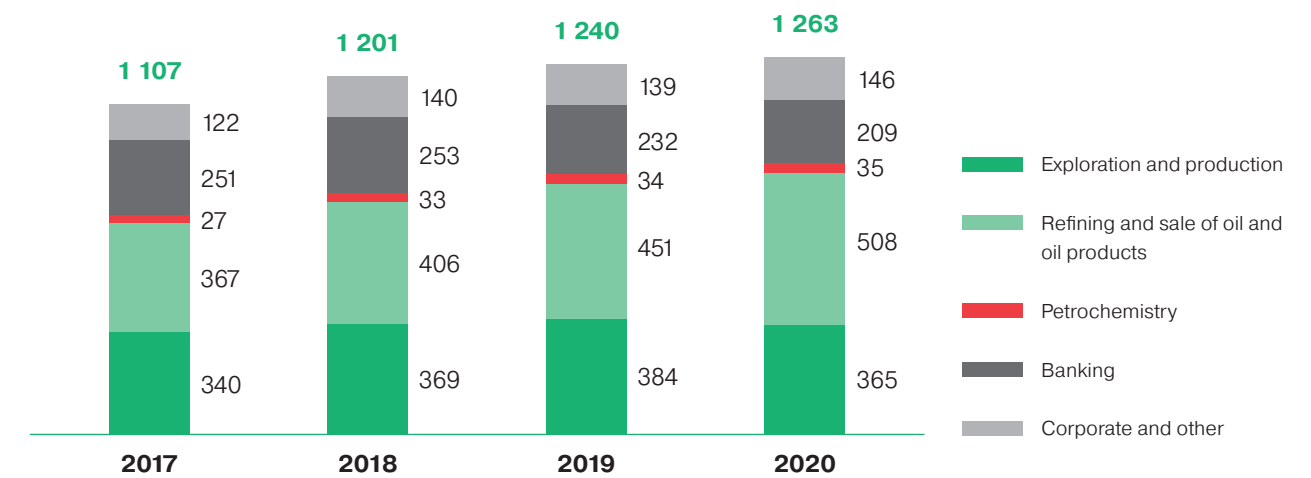
rub 1,26 trillion

Consolidated asset value

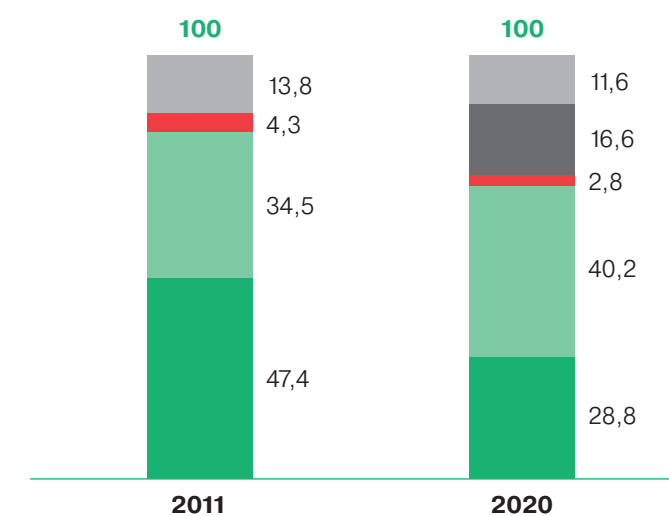
rub 23,1 bln

+ vs. 2019

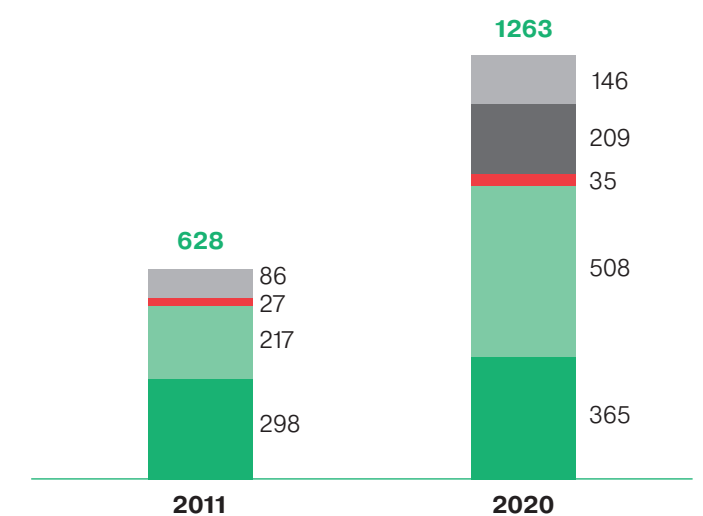
Assets of TATNEFT Group by segments, bln rub*



Value and structure of TATNEFT Group consolidated assets in 2011 and 2020, %



Value and structure of TATNEFT Group consolidated assets in 2011 and 2020, bln rub



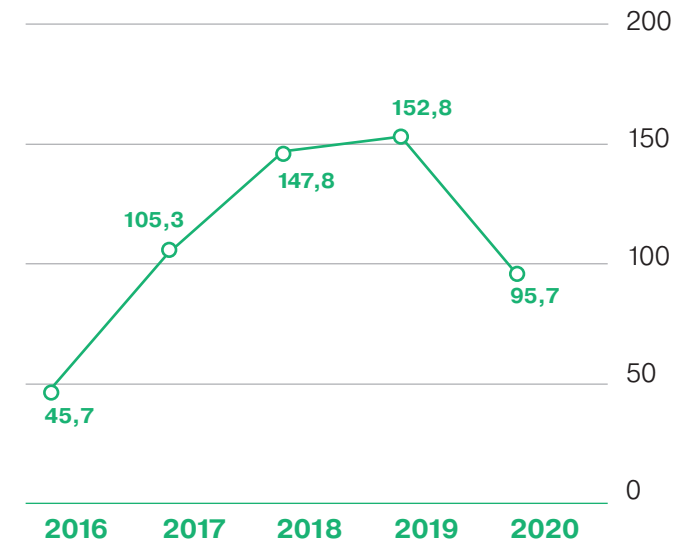
Exploration and production
Refining and sale of oil and oil products
Petrochemistry
Banking
Corporate and other

Exploration and production
Refining and sale of oil and oil products
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Corporate and other

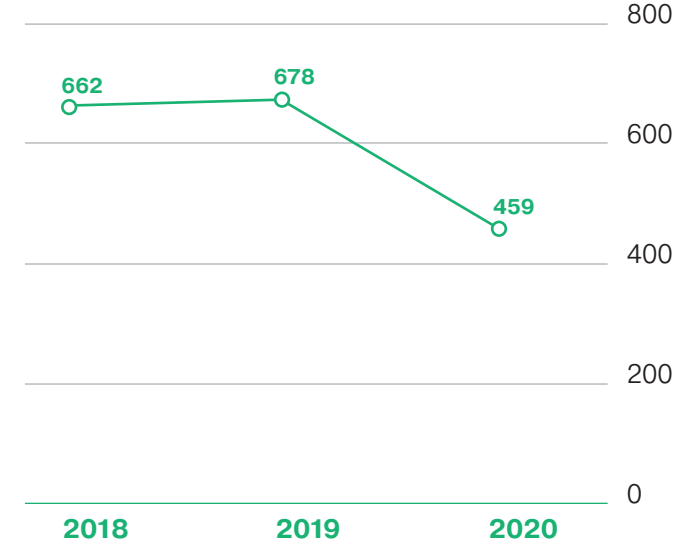
* Comparison for the period from 2011 is justified by the stage of development of proprietary oil refining capacity at the TANECO complex

Financial performance of TATNEFT Group

Free cash flow, bln rub

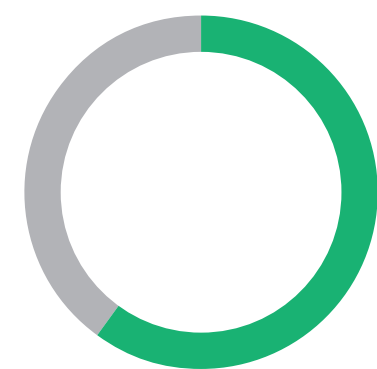


Added value dynamics, bln rub



The decline in added value is due to the oil production restrictions introduced in 2020, the overall "temporary shutdown" of the market of goods and services due to the pandemic, and the drop in oil prices.

Share of added value in total output



66%

Share of added value in total output

459 bln rub

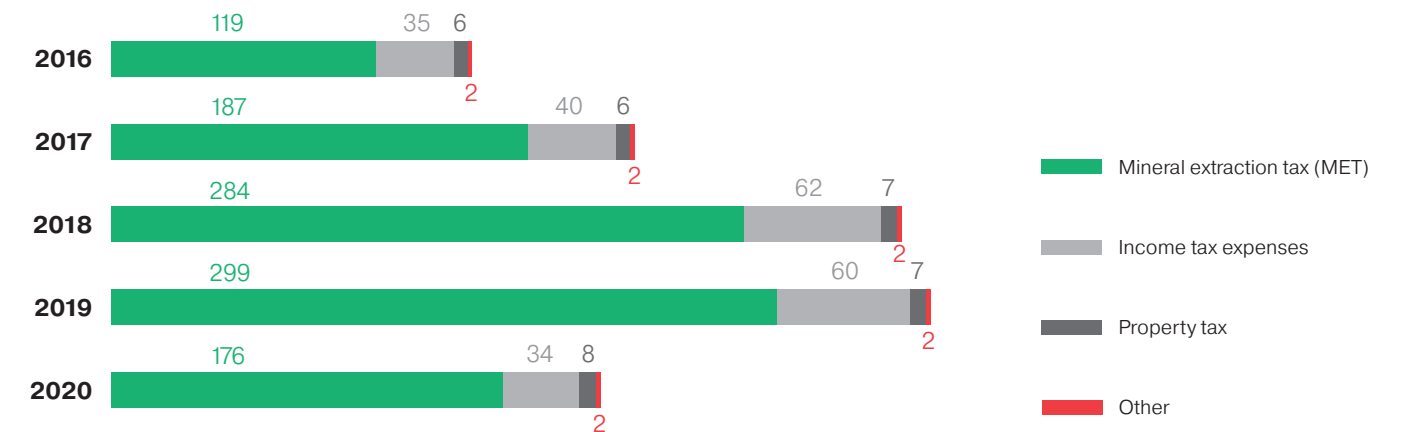
Added value of TATNEFT Group in 2020

The analysis of the value chain and its structure shows the key role of the oil production segment (it accounted for circa 90% of the total scope in 2020).

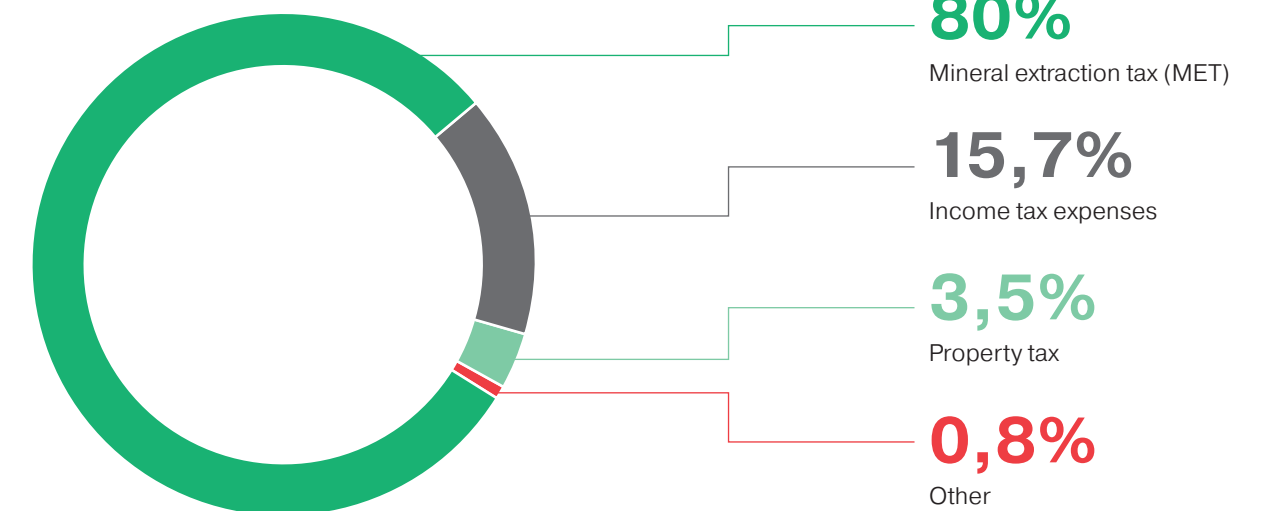
In the structure of the Company's added value, the largest share in 2020 accounts for taxes and fees making circa 50%, while the production profit is circa 30%, and wages and depreciation are 6% and 14%, respectively.

The production profit as part of the Company's added value in 2020 amounted to RUB 129 billion, which is half as high as the previous year. The return on added value (the share of production profit in added value) in 2020 was 28%.

TATNEFT Group taxes, bln rub

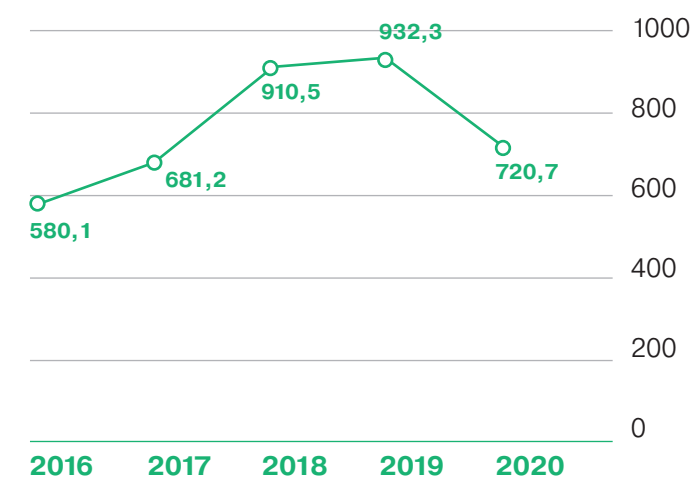


TATNEFT Group taxes, %

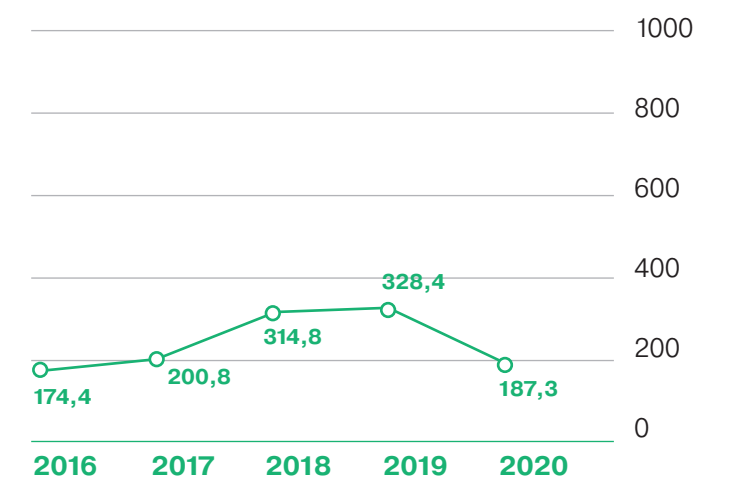


Consolidated revenue & EBITDA

Net consolidated revenue from nonbanking activities, bln rub



Adjusted EBITDA, bln rub



Revenue by segment

Revenue by segment (less the intersegment revenue), bln rub

Revenue by product, bln rub



RUB 725,1 BLN

Direct economic value created

RUB 658,8 BLN

Distributed economic value

RUB 66,29 BLN

Retained economic value

Creating value for stakeholders

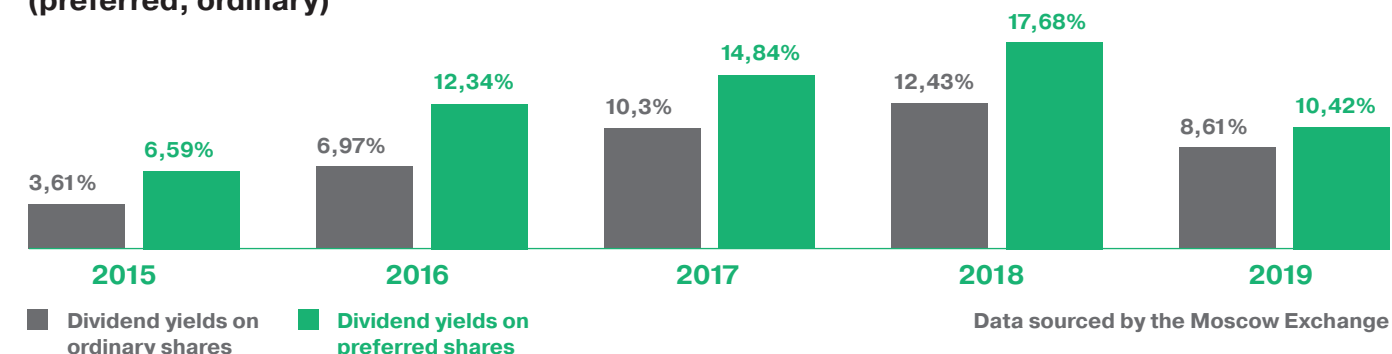
Shareholders and Investors

The Company provides one of the highest rates of dividend yield

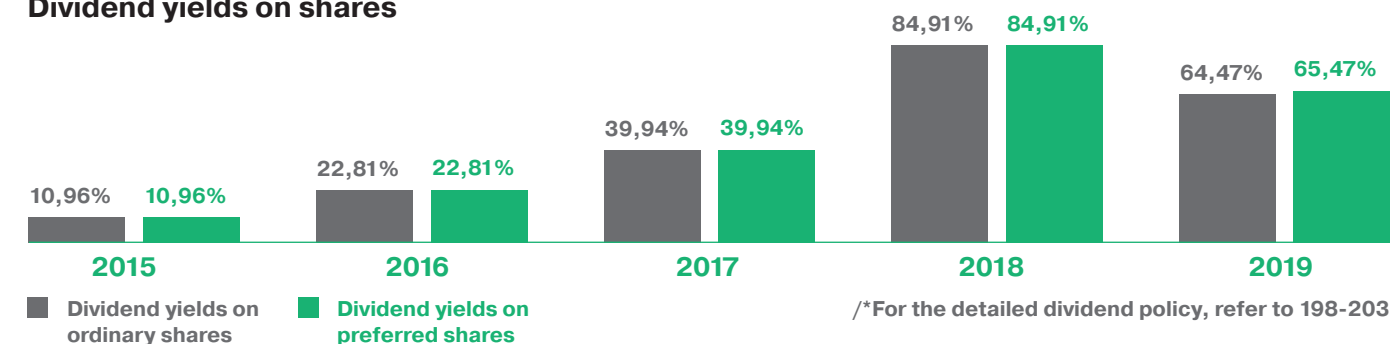
The Company pursues the progressive dividend policy, considering dividends as one of the key indicators of investment appeals for shareholders, and strives to maximize the dividends through steady growth of business profit margins. The funds appropriated for dividends account for at least 50% of the net profit defined under RAS or IFRS, whichever is higher.

In 2020, we generated RUB 95.7 bln of free cash flow. This made it possible for us to pay out the 2020 half-year interim dividends in the amount of RUB 23.122 million. Altogether, the 2020 dividends, including the interim dividends previously earned, are proposed for distribution in the amount of RUB 150.118 million.

Dividend yields on shares, % (preferred, ordinary)



Dividend yields on shares



50% net profit as per RAS will be 2020 dividend amount

RUB 831,6 bln

2020 share capital

Context of Activities — Sustainable Development

We are highly committed to maximizing the shareholder value while keeping the balance of interests of all stakeholders and create shared value

TATNEFT historically adheres to the principles of corporate responsibility and implements large-scale programs to preserve the natural ecosystem, improve the quality of life and develop social infrastructure in the territories of its operation.

Strict compliance with the legislation and the industry standards concerning the Company's operations.

Adherence to the code of ethics, including dedication to supporting diversity and inclusive culture in the corporate environment.

Stakeholders

- Shareholders and Investors
- Product and service consumers
- TATNEFT Group employees
- Contractors
- Local communities
- State

The activities of the Company as one of the major taxpayers in the principal operation region play an important role in providing proceeds to federal and regional budgets that promote the stable socioeconomic development of the regions, create quality jobs, improve living standards and welfare of the population, build social infrastructure, increase added value, and develop related industries.

We are propelling the progress in sustainable development together with our communities taking into consideration the standpoint of the stakeholders concerning all aspects of the Company's corporate, operating, and social activities.

Basic principles of the Company: recognizing that human life and health takes priority over production activities; high

level of industrial safety; ensuring the self-restoring capacity of ecosystems, mitigating negative impacts on the environment and carbon footprint for sustainable energy future. The Company reduces the man-induced burden on the environment in a comprehensive manner.

The Company has made significant progress in improving the industrial and environmental safety of its operations since the early 2000s. This is due to the effective internal standards, safety culture, and continuous improvement of working conditions. The Company sets a goal of "zero performance," aimed at preventing industrial accidents and adverse environmental impacts.

rub **344,4** bln

Total accrued taxes, charges, and contributions

RUB **20,2** bln

Social investments

circa **60** thousand

Jobs

RUB **11,3** bln

Environmental expenditures

RUB **1,4** bln

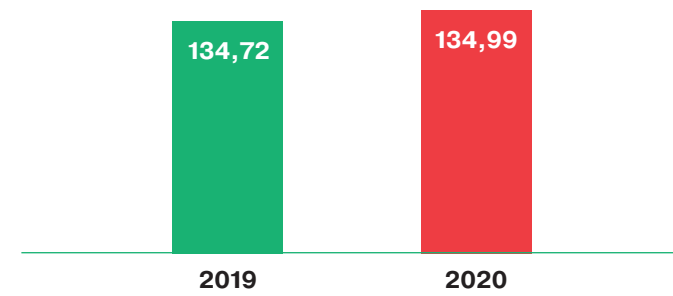
Spent for occupational safety

0,2

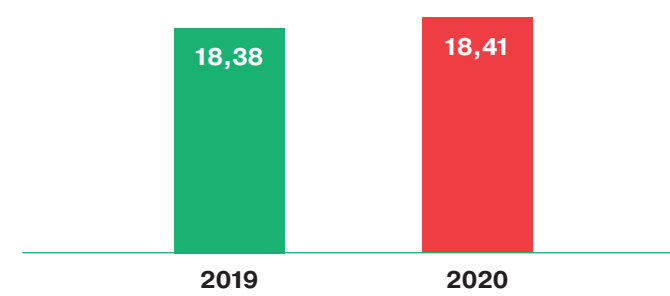
Lost time injury frequency rate (LTIFR)

Specific GHG emissions (Scope 1,2) by main activities

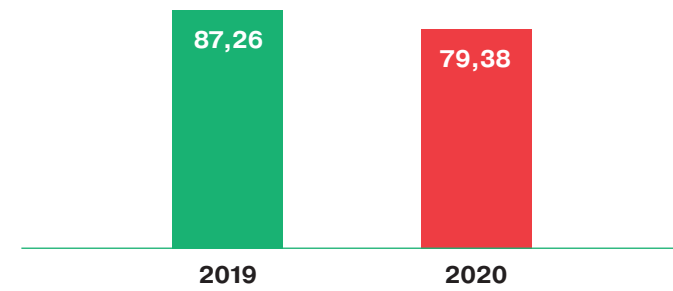
Specific GHG emissions in oil production, kg per tonne of oil produced



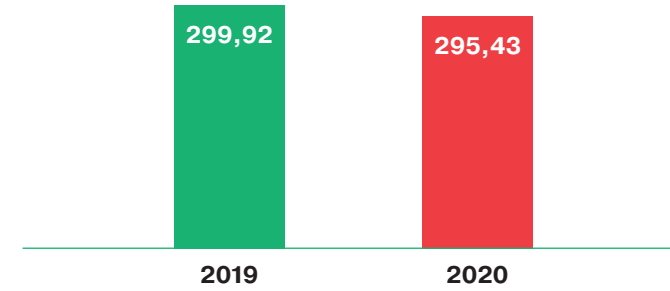
Specific GHG emissions in oil production, kg per bbl of oil produced



Specific GHG emissions in oil and gas processing, kg per tonne of reference fuel

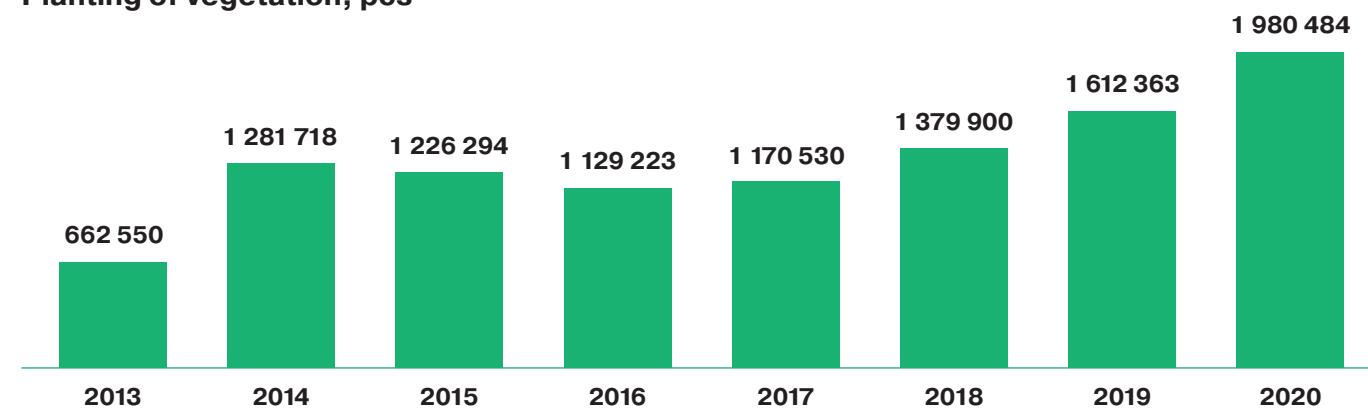


Specific GHG emissions in heat and power generation, tonne per mln kWh

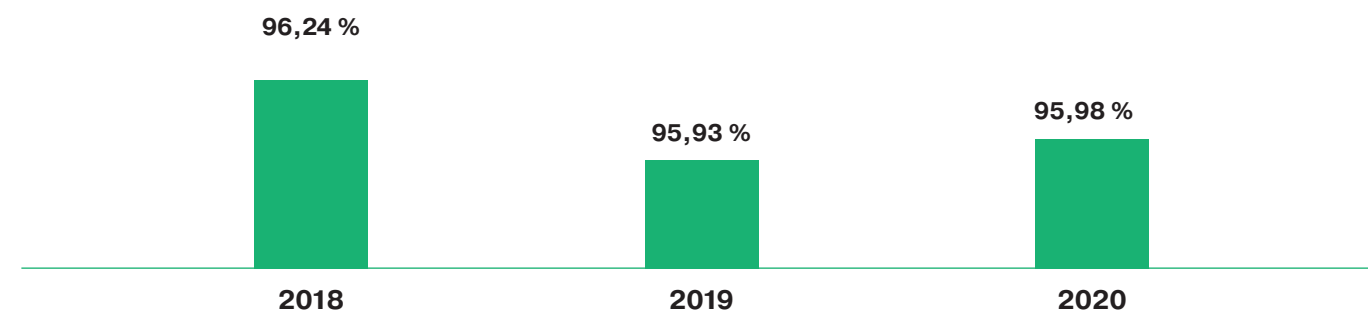


Calculations are made per GRI 305-4 GHG emissions intensity

Planting of vegetation, pcs



Associated Petroleum Gas Utilization across TATNEFT Group, %



Resource capacity

TATNEFT Group hydrocarbon reserves

1,3 including **927,4**
bln toe mln toe

Propelling improved reserve replenishment performance is a key driver for the 2030 Strategy.

The hydrocarbon reserve additions are ensured through sustainable use of natural resources and strict compliance with environmental and industrial safety to apply best practices and technologies for prospecting and exploring oil fields.



TATNEFT Group resource capacity

TATNEFT Group oil and condensate reserves*

Oil & Condensate Proved Reserves	Oil & Condensate Probable Reserves	Oil & Condensate Possible Reserves
892,103 mln tonnes	320,958 mln tonnes	40,119 mln tonnes
including unconventional oil reserves	including unconventional oil reserves	including unconventional oil reserves
23,030 mln tonnes	34,912 mln tonnes	35,693 mln tonnes

Altogether, 1,253 billion tonnes, including 93,635 million tonnes of unconventional oil reserves.

**The reserves estimates as of year-end 2020 used the projected price scenario*

TATNEFT Group’s hydrocarbon reserves**

Proved Reserves	Probable Reserves	Possible Reserves
927,404 mln TOE	332,433 mln TOE	40,301 mln TOE
including unconventional oil reserves	including unconventional oil reserves	including unconventional oil reserves
23,232 mln TOE	35,088 mln TOE	35,700 mln TOE

Altogether, 1,300 billion tonnes of oil equivalent (TOE), including 94,020 million tonnes of oil equivalent of unconventional oil reserves.

*** including gas reserves (42 722 mln m3 of proved reserves, 13 887 mln m3 of probable reserves and 220 mln m3 of possible reserves) converted into tonnes of oil equivalent*

Total net contingent resources across TATNEFT Group***

1C resources	2C resources	3C resources
91 972 thousand tonnes oil and condensate	133 048 thousand tonnes oil and condensate	286 054 thousand tonnes oil and condensate
6 652 million m³ gas	11 210 million m³ gas	55 118 million m³ gas

**** Contingent resources as per the SPE-PRMS classification are quantities of hydrocarbons estimated as of a given date, that can be potentially recovered from known accumulations using development projects, but are not yet considered commercially recoverable due to one or more contingencies.*

Turnover of proved oil and condensate reserves across TATNEFT Group in 2020, thousand tonnes*

	At the end of 2020	At the end of 2019	Change (incl. production), %
Proved developed producing net oil reserves	422,510	452,040	-0,77
Proved developed non-producing net oil reserves	336,947	344,498	-2,19
Proved undeveloped net oil reserves	132,646	143,792	-7,75
Proved net oil reserves	892,103	940,329	-2,36

**The reserves estimates used the scenarios as of year-end 2019 for constant prices and as of year-end 2020 for projected prices*

In 2020, there was a decline in proved oil reserves as compared to 2019 by -48,227 million tonnes (-5,1%), probable oil reserves by -7,222 million tonnes (-2,2%), and a rise in possible oil reserves by +3,691 million tonnes (+10,1%).

The oil reserve decline in 2020 was mainly caused by the revised tax assessment for depleted fields and highly viscous and super-viscous oil fields.

The exploration management processes aim to effectively implement the Company's resource base replacement programs, reducing the time and improving the quality of development of oil fields for commercial production with the integration of intellectual and high-tech capabilities.

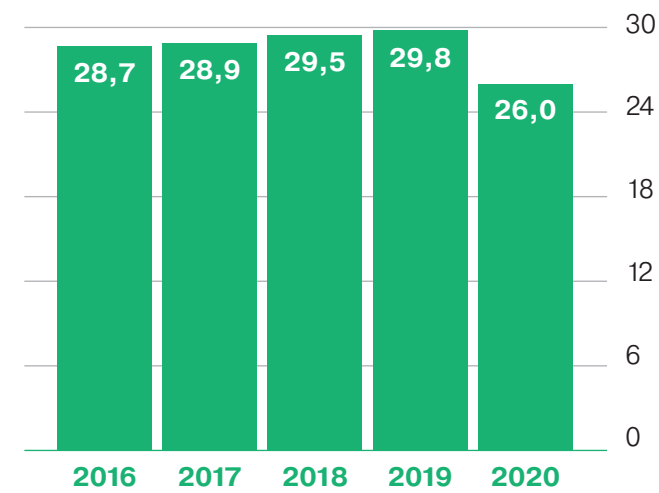
The Company's advantage is its rich and prolific hydrocarbon resources. Thus, the Company's existing resource base makes it possible to maintain its current production level for more than 30 years.

2020 key operating performance

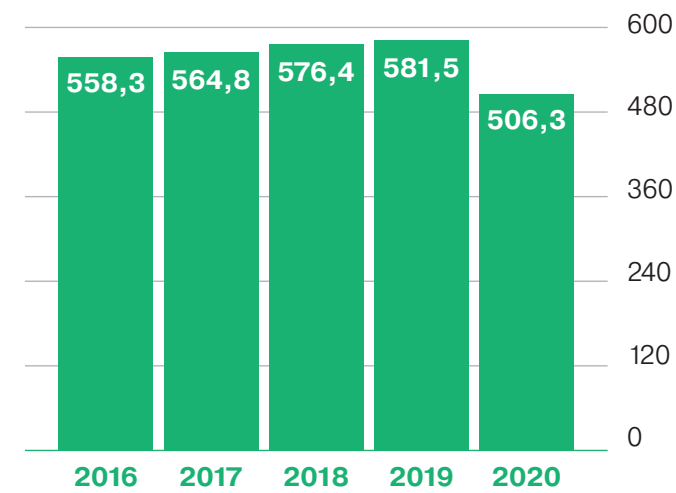
The oil production restrictions under the OPEC+ agreement during the period starting from 2018 have had a significant impact on the Company's oil production output, and additional restrictions introduced in 2020 due to the global epidemiological situation entailed a decrease in production.

Oil and gas production

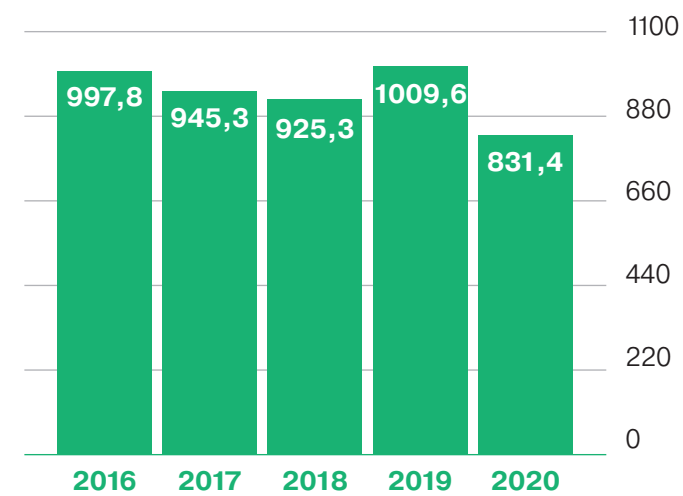
TATNEFT Group production, mln tonnes



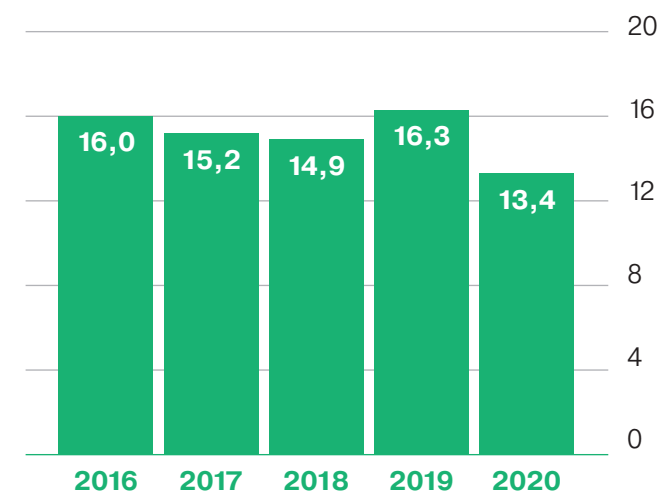
Average daily oil production, kbpd



TATNEFT Group gas production, mln m³

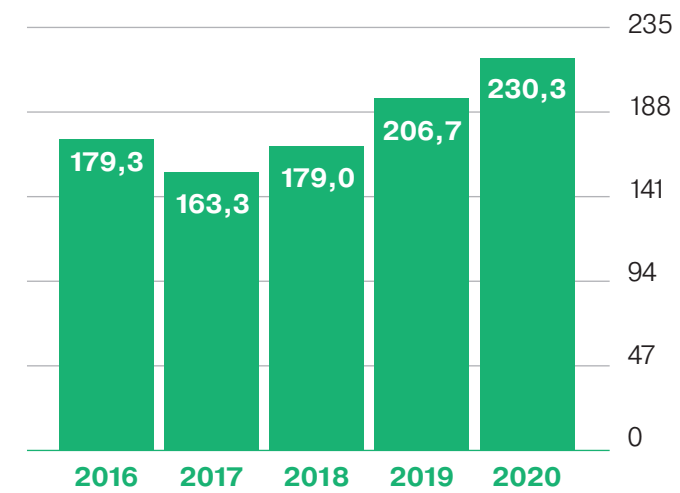


Average daily gas production, kboe

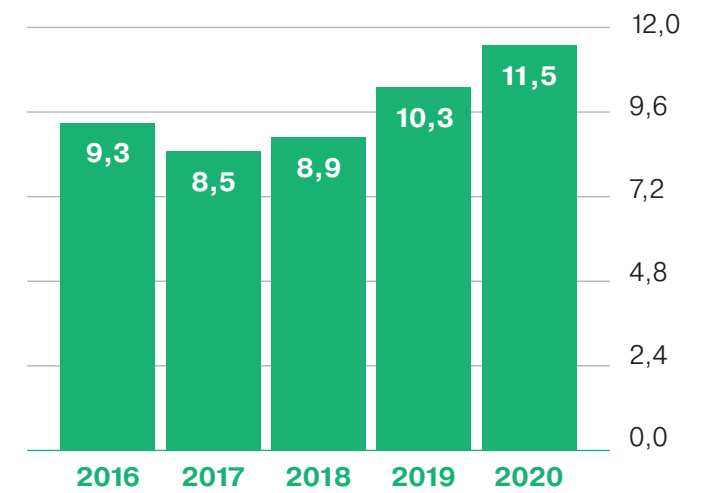


Refining and product output

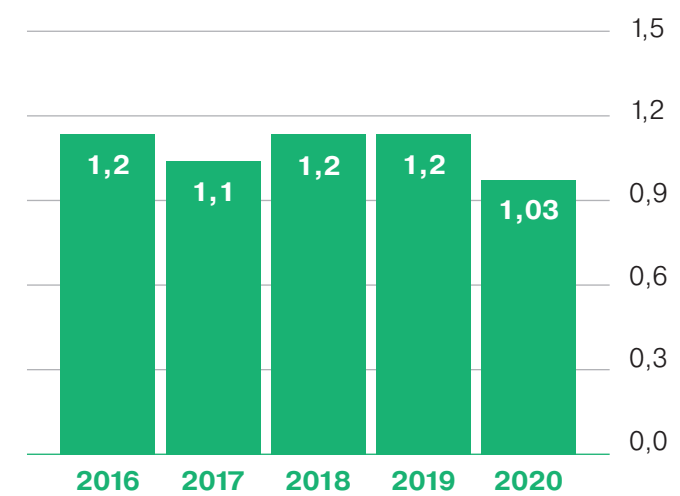
Oil refining, kbpd



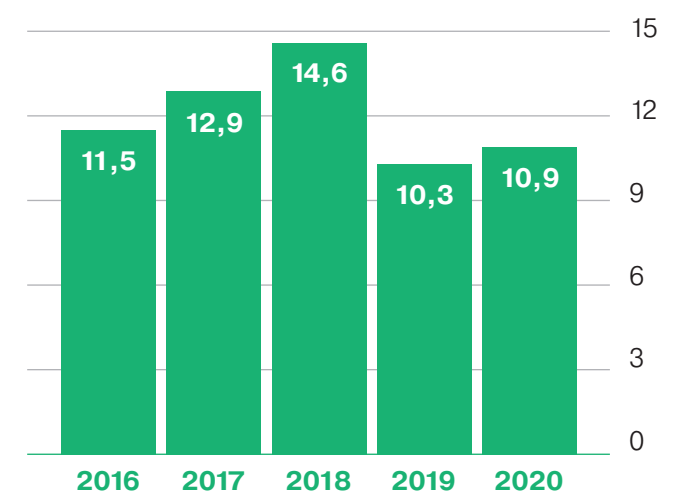
Petroleum product output, mln tonnes



Gas product output, mln tonnes



Tire production, mln pcs



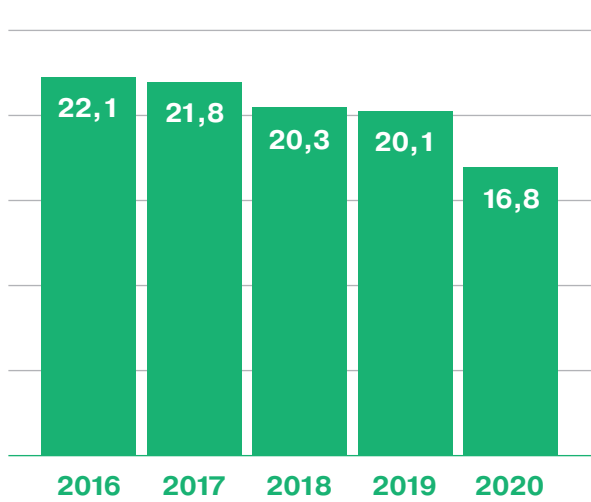
Trading and logistics

The Company ensures the optimal balance of distribution of oil supplies to increase operating profitability in the market environment.

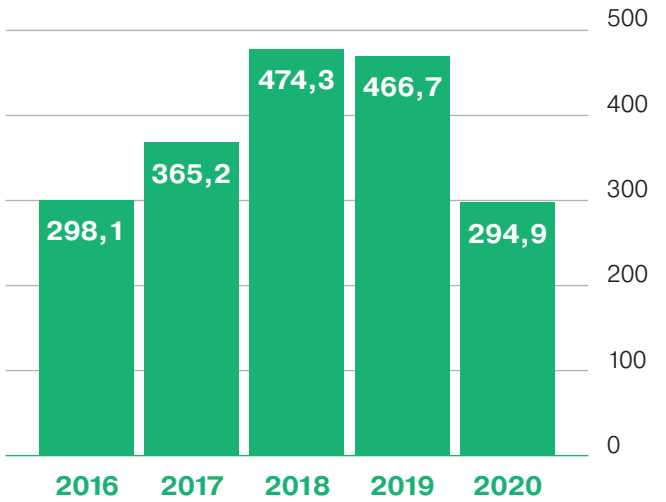
In 2020, TATNEFT Group exported **56.4% of all its crude oil sold to both the CIS and non-CIS countries (as compared to 59.6% in 2019)**.

The key driver for the lowered sales revenue was the plunge in global oil prices as well as the drop in oil sales. Meanwhile, the Company supplies its own refineries with the feedstock to load their capacities in full. The Company enjoys the services of JSC Transneft, a state monopoly and the operator of the Russian system of trunk oil pipelines, to transport its oil for export.

Crude oil sales, mln tonnes



Net revenue from crude oil sales, bln rub



Crude oil sales shares by supply directions, %

	2016	2017	2018	2019	2020
Domestic market	39	27	38	40	43
CIS countries	5	6	6	6	6
Non-CIS countries	56	67	56	54	51

TATNEFT Group crude oil sales revenue shares excluding export duties by supply destinations, %

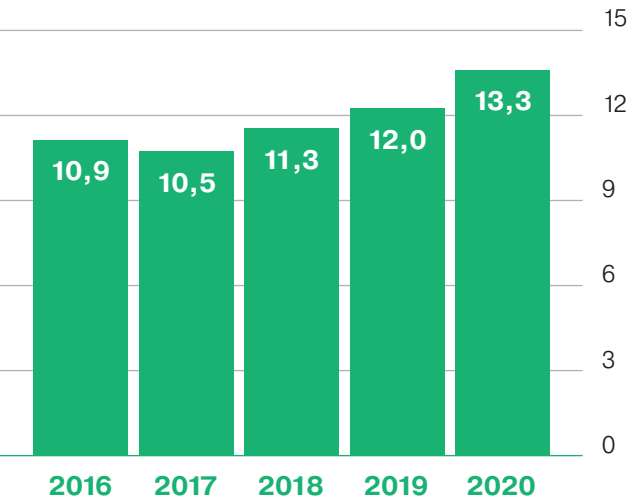
	2016	2017	2018	2019	2020
Domestic market	34	25	35	37	40
CIS countries	5	6	6	6	6
Non-CIS countries	61	69	59	57	54

In 2020, circa 91% (77% in 2019) of crude oil export was transported via the Druzhba pipeline owned by Transneft (primarily to Poland and Slovakia), 8% (18% in 2019) of oil export was shipped through Primorsk (the Baltic Sea port of Russia) and 1% (5% in 2019) was shipped through Novorossiysk (the Black Sea port of Russia).

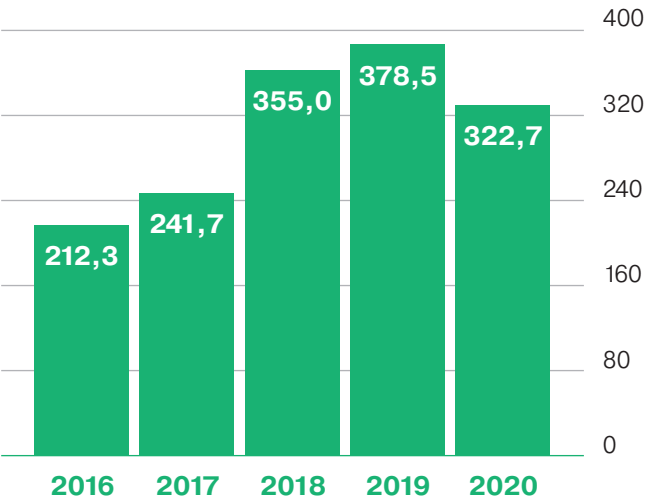
Petroleum product sales

The Group's total petroleum product sales in 2020 amounted to 13.3 million tonnes. In 2020, the revenue from petroleum product sales for the TATNEFT Group amounted to RUB 322.7 billion, which is down 14.7% from 2019. The decrease in revenue is mainly due to the decreased prices for petroleum products, partially offset by an increase in sales of petroleum products with further expansion of output at JSC TANECO.

TATNEFT Group petroleum product sales, mln tonnes



TATNEFT Group petroleum product sales revenue, bln rub



Petroleum product sales shares by supply directions, %

	2016	2017	2018	2019	2020
Domestic market	55	52	50	57	57
CIS countries	2	4	5	3	4
Non-CIS countries export	43	44	45	40	39

TATNEFT Group petroleum product sales revenue shares excluding export duties and excise taxes by supply directions, %

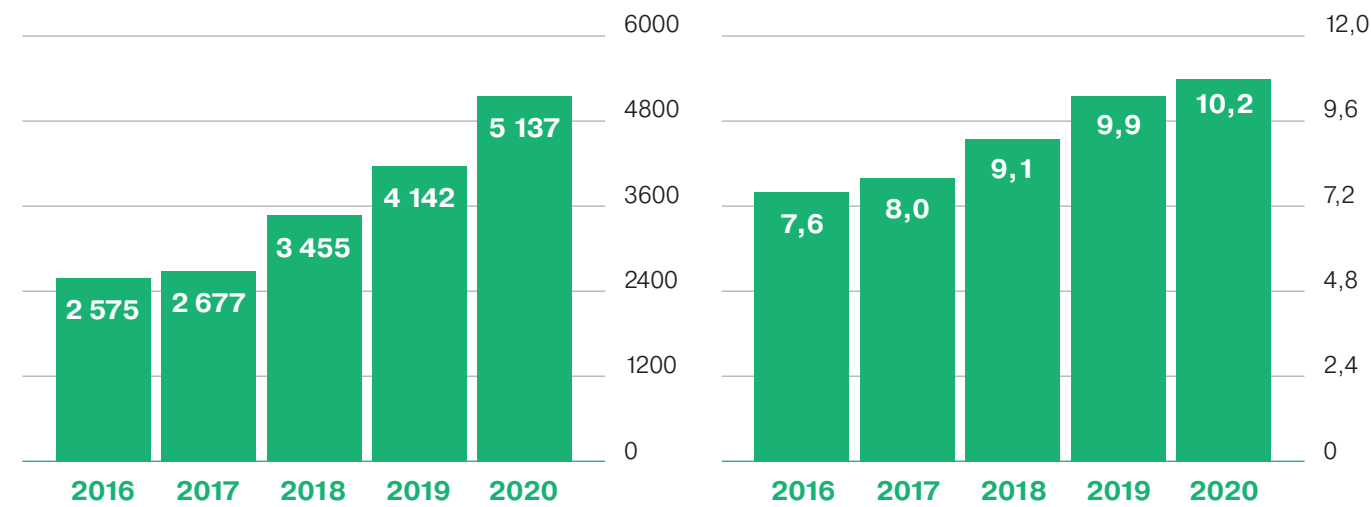
	2016	2017	2018	2019	2020
Domestic market	58	52	52	59	64
CIS countries	3	5	6	4	5
Non-CIS countries export	39	43	42	37	31

Fuel Filling Station network

Petroleum product sales

Retail petroleum product sales, ktonnes

Average daily sales per station, tpd



24% retail petroleum product sales growth

3% growth in average daily sales per station

708 stations

Retail network

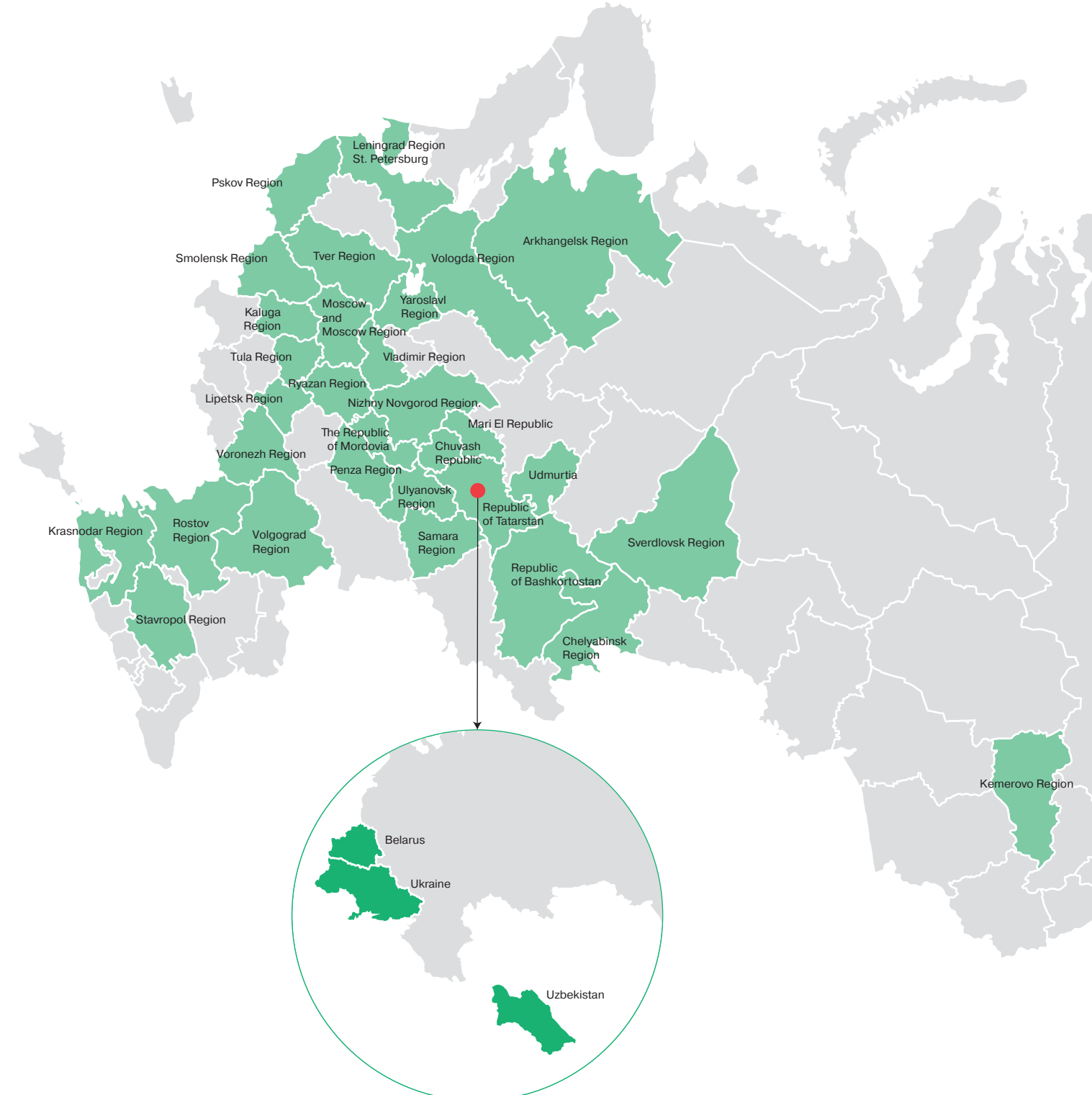
111 stations

Outside the Russian Federation



TATNEFT fuel filling station network locations

Priorities for our fuel filling station network development are focused on continuous improvement of environmentally friendly properties of products and operating processes of filling station complexes, rational consumption of resources, and reduced greenhouse emissions.



Heat & power generation

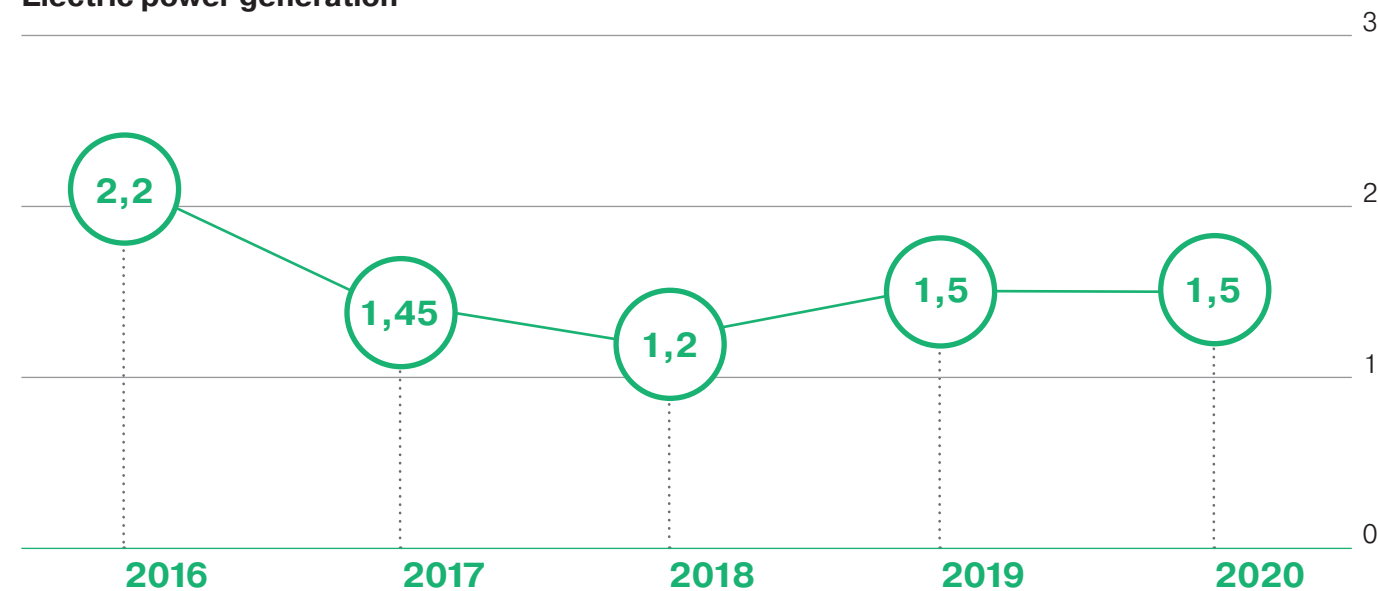
The power-generating capacities are integrated into the Company's business model and ensure a full cycle of generation, transmission, and sale of thermal and electric energy.

The generated energy is supplied to the Company's facilities (providing generation), external consumers (commercial generation), and the population.

1,5 bln kW*h per year

Electric power generation

Electric power generation



4,703 mln gcal

Heat energy sold in 2020

The energy capacities existing in the Group's asset portfolio allow increasing the level of vertical integration through reducing the dependence of in-house energy needs on external market

conditions and optimizing electricity costs at production facilities while developing commercial generation (supplies to external consumers) and new growth points, including clean energy.

Tire business

Proprietary research and development solutions, cutting-edge technologies, and production capacities.

Over 45 years in the market

Full production business cycle

17

certified t&s centers in the world

22

certified t&s centers in Russia

400

Over 400 commodities

93

contractors globally

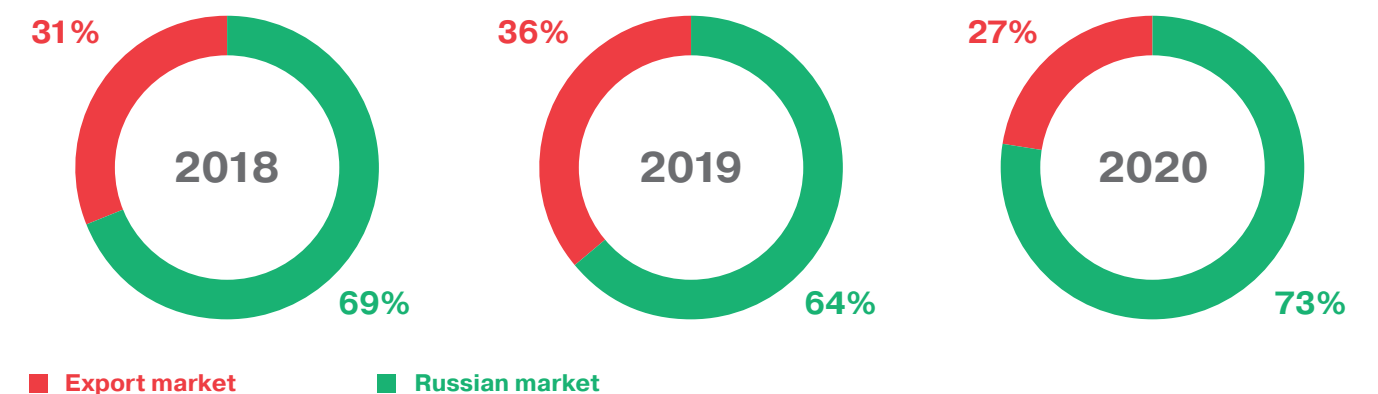
993

contractors in Russia

11,9 mln tires

sold in 2020

Tire market



Investment program

The contribution to the sustainable growth of the Company's value is attained through investments in economically viable and highly competitive projects yielding a high profit margin as well as development and implementation of cutting-edge technologies.

The Company's investment program is focused on achieving strategic goals, including improved profitability of business operations, hydrocarbon production growth, additions to reserves, development of the in-house oil and gas processing and petrochemicals segment, tire business, fuel filling station network, and getting new projects launched on time and within the budget limits. The key priority of investment activities is to increase investment and operational efficiency, providing technological solutions aimed at minimizing the adverse impact on the environment and assessing the social impacts of the Company's investment projects. The investment volumes presented in this section are drawn up based on the accounting data per the Russian accounting standards.

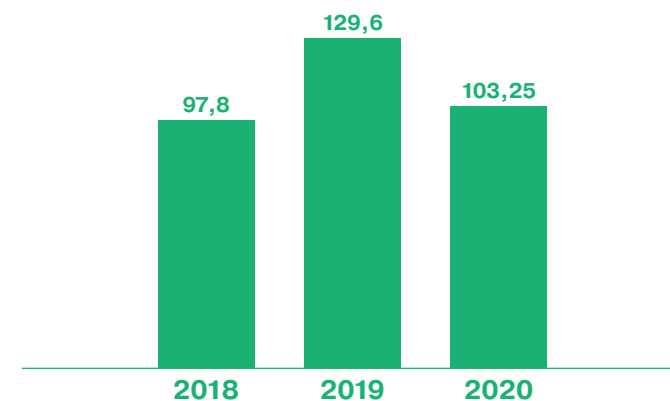
2020 Investment Program Implementation

In 2020, the Company invested RUB 103.25 billion, including RUB 96.1 billion of capital investments. The year-to-year decrease of the investment program in 2020 amounted to RUB 26.3 billion (-20.3%). The key drivers of the drop in the investment volume were the reduction of geological and technical measures, the signing of the OPEC+ agreement to cut oil production, the absence of the major asset acquisition projects, and the intensive development of oil refining. Most of the investments (81%) were allocated to the two most capital-intensive business lines: oil exploration and production, including SVO; development of oil and gas refining and petrochemistry.

rub **128** bln

In 2021, the Company plans to invest

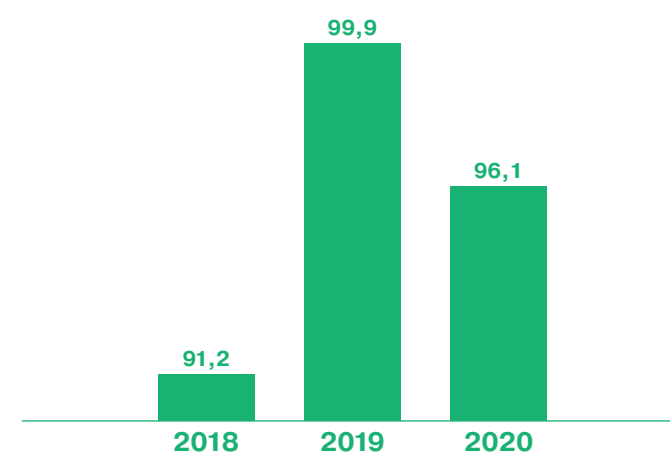
Company's investment volume (bln rub)



rub **103,25** bln

Total investments in 2020

Assimilation of CAPEX, bln rub

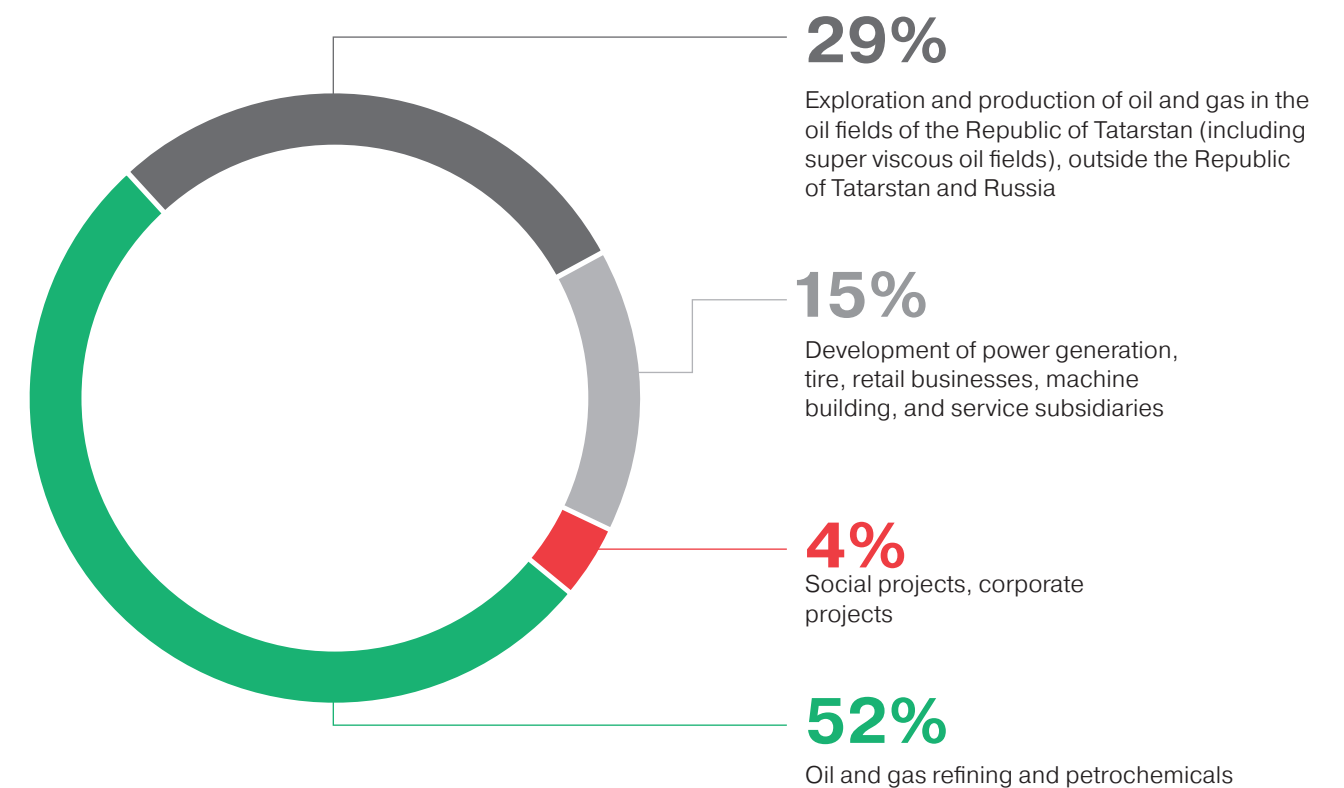


rub **96,1** bln

CAPEX assimilation in 2020

Investment Portfolio

In the structure of the 2020 investment program, the main investments are allocated to the Exploration and Production segment at the rate of 29% of total investments, including the operations within the Russian Federation (RUB 21.03 billion), at the super viscous oil fields (RUB 6.647 billion), projects abroad (RUB 2.315 billion), and the Oil and Gas Refining and Petrochemicals segments at 52% of the total investments (RUB 53.654 billion), accordingly.



The Company maintains a balance of investments in strategic projects in key business segments, which corresponds to the achievement of strategic and current operational and business goals.

Since 2020, the Company calculates changes in greenhouse gas emissions for investment projects according to the Methodology of the Administration of Environmental Protection and Ecology with estimates for Scope 1, Scope 2, and Scope 3.

2020 investment projects

Exploration and production

Program for conventional oil exploration and production within the Republic of Tatarstan

In 2020, the Company's investment program was implemented according to a stress scenario associated with a reduction in oil production under the OPEC+ agreement, a decline in oil prices, and the coronavirus pandemic.

Oil production under the well intervention program amounted to 1,391 thousand tonnes (+2% to the plan), the efficiency of investment for the time worked is 2,094 tonnes per million rubles, with the plan of 1,497 tonnes per million rubles (+40%).

The "light" well intervention operations are the most efficient, in particular, well workover and hydraulic fracturing with relatively low costs of the work. The efficiency of investments therein amounted to 4,889 tonnes per million rubles and 2,450 tonnes per million rubles, respectively.

In the current year, 76 in-fill and horizontal in-fill wells were drilled. The average increase in oil production for those wells was 4.3 tonnes per day.

The key to ensuring stable production is to preserve the resource and increase the productivity of the well stock. In this regard, the Company focuses on the improvement of approaches and technologies in the field of well repair and enhanced oil recovery. Special attention is paid to hydraulic fracturing. In 2020, hydraulic fracturing was performed at 272 wells, with an increase in oil production of 4.4 tonnes per day per well, and additional oil production totaling 238 thousand tonnes.

The well intervention investment program for 2021 amounts to RUB 9.9 billion, with planned oil production of RUB 838 thousand, planned investment efficiency for the time worked of 1,472 tonnes per million rubles.

Development of super viscous oil fields

In 2020, RUB 6.6 billion were invested in the development of super viscous oil fields, of which RUB 1.2 billion were invested in drilling and RUB 5.4 billion — in the oil field arrangement. Additionally, 4 domes were brought into the development. In total, 24 domes were in production. The best opportunity and priority for the project development is well grid compaction.

The investment program worth RUB 3.9 billion was shaped for 2021. In 2021, the domes will be completed, and oil production will reach a maximum value of 3.663 million tonnes per year. For 12 months of 2020, the actual SVO output amounted to 3.375 million tonnes.

Oil exploration and production program outside the Republic of Tatarstan and within the Russian Federation

Strategically, the Company is focused on expanding its resource base and oil production outside of the Republic of Tatarstan. In 2020, RUB 4.2 billion were invested in the

project. Of these, 37% accounted for drilling production and exploration wells, circa 47% for seismic exploration and thematic exploration work, 9% for well interventions.

Within the framework of the consortium of PJSC TATNEFT, PJSC Gazpromneft, and PJSC Lukoil, LLC New Oil Production Technologies (LLC NOPT) was established to explore and extract hard-to-recover hydrocarbon reserves in the Orenburg Region. The portfolio of assets of LLC NOPT, a joint venture, includes the Savitsky and Zhuravlevsky license areas. In 2020, the funds amounting to RUB 1.1 billion of investments were allocated.

For 2021, it is planned to invest RUB 3.8 billion in projects for the oil production development outside the Republic of Tatarstan.

Oil and gas refining

Oil refineries and petrochemical plants complex

In 2020, as part of the JSC TANECO's Oil Refineries and Petrochemical Plants Complex construction project, the investments were spent totaling RUB 45.5 billion; it is planned to allocate RUB 49.8 billion for the project implementation in 2021.

During 2020, the following facilities were commissioned: "Heavy coking gas oil hydrotreatment plant," "Sulfolane extractive distillation," "Medium distillate hydrotreatment plant with a capacity of 3,700 thousand tonnes per year for raw materials of the Complex of Refineries and Petrochemical Plants," 32 U&O facilities. Planned maintenance of the process equipment of visbreaker plants and the visbreaking vacuum unit was performed, operational tests of light raw materials processing (LGC and LVG), process equipment of hydrocracking plants, oils production, and delayed coking were conducted, and comprehensive testing of the equipment of the medium distillate hydrotreatment plant was initiated on working media.

In 2020, the Company mastered the production of premium TANECO EURO-6 AI-92, AI-95, AI-98, AI-100 gasoline as per STO 78689379-50-2020, with a reduced sulfur content and a minimum content of olefin hydrocarbons; EURO-6 premium diesel fuel as per STO 78689379-51-2020, with a reduced sulfur content (up to 5 ppm) and minimum content of polycyclic aromatic hydrocarbons; MGA-18 industrial-grade hydraulic oil as per STO 78689379-59-2020, intended for the lubrication of lightly loaded, high-speed components and mechanisms as a hydraulic fluid; RMD 80 marine fuel as per GOST 32510-2013; a low-viscosity component of drilling mud according to STO 78689379-66-2020, intended for the preparation of a wide range of hydrocarbon-based solutions suitable for any drilling conditions. In December, the first batches of the following oils were received: SAE 5W-40 TATNEFT Profi and SAE 5W-40 TATNEFT Progress semi-synthetic motor oils, SAE 0W-30 TATNEFT Luxe and SAE 0W-30 TATNEFT Luxe PAO synthetic motor oils, SAE 5W-40 TATNEFT Premium semi-synthetic motor oil.

Activities for the production of antiseptic liquid and the use of LHG as a component in the production of gasoline were initiated.

In January 2020, commissioning works were performed at the heavy coking gas oil hydrotreatment plant, as well as a fixed running at 100% load using the design raw materials.

In 2021, the company plans to complete construction and installation works and commence comprehensive testing of hydrogen-3 production units, catalytic cracking, pilot hydro-conversion unit, delayed coking unit-2, gas fractionation unit, isowaxing, lubricants production, and related U&O facilities.

Tatneftgasprocessing Division and Elkhovsky Oil Refinery

In 2020, investment spending for the business unit amounted to RUB 0.909 billion, including as follows: RUB 0.67 billion for the GPP projects; RUB 0.141 billion for Elkhovsky Oil Refinery projects; RUB 0.68 billion for the MGPP projects.

The construction and installation operations were performed as follows: refurbishment of the raw gas compressor unit; construction of the plant-wide flare system; updating of safety systems at MGPP; modular wood biomass rapid pyrolysis unit; Elkhovsky Oil Refinery refurbishment; replacement of power transformers 6/0.4-2x1500 kVA in the 1,500 kVA UTS; refurbishment of Elkhovsky Oil Refinery engineering networks.

In 2021, it is planned to commission the following facilities: "Construction of the Plant-Wide Flare System," "Updating of Safety Systems at MGPP," "Elkhovsky Oil Refinery Refurbishment. Replacement of power transformers 6/0.4-2x1,500 kVA in the 1,500 kVA UTS," "Modular Wood Biomass Rapid Pyrolysis Unit," "OPR-3554 Automated Control System of Domestic Production," "Linking of the SDA Experimental Laboratory Unit."

Retail sales network of fuel filling stations

Business lines Retail and Small-Scale Wholesale Trade, Trading and Logistics

The investment program for the retail business of petroleum products sales is focused on the construction, purchase of new facilities, refurbishment, updating of existing retail sales network facilities to increase the margin profitability and competitive qualities of the retail network, including increasing motor fuel sales as well as expanding the potential of related services. In 2019, the funds amounting to RUB 3.44 billion

were spent on those endeavors.

In 2020, the retail sales network grew by 19 modern, high-tech filling stations in a new format, TATNEFT expanded its regions of presence, acquired 1 facility in the Lipetsk Region, 6 in the Republic of Mordovia, and 2 mirror-located multifunctional service areas (MFA) were built in the Ryazan Region on the 306th km of the M-5 Ural highway. In the regions where the Company operates, the retail network expanded by 10 filling stations: 5 in the Republic of Tatarstan, 2 in the Nizhny Novgorod Region, and 3 in the Samara Region.

In 2021, the Company is considering the development in new promising regions and the opening of new markets. The retail network expansion is planned in the following regions: the Voronezh, Tambov, Saratov, and Lipetsk Regions, the Republic of Bashkortostan, the Republic of Mordovia, the Kirov Region, and the Perm Territory. The network growth is envisioned at 6 sites without expanding the geography. The Company plans to refurbish/rebrand 74 filling stations in a new format. In 2021, it is planned to implement investment projects amounting to RUB 4.4 billion in this area.

Tire business

In 2020, as part of the Tire Business investment program implementation, investments of RUB 3.7 billion were allocated. In 2021, it is planned to implement investment projects amounting to RUB 16.4 billion in this business line.

The increase in the investment program in 2021 is associated with the implementation of strategic projects aimed at developing tire production, upgrading existing equipment, and improving the energy efficiency of production.

The most significant of the current investment projects:

- all-steel truck tire output expansion at the 1-st stage
- by 300 thousand pieces per year. The project cost is 4,6 billion rubles. Investments of 0,3 billion rubles are planned for 2021.
- Increase in the production of all-steel truck tires at the 2-nd stage
- by 1,2 million pieces per year, bringing the total production output to 2.8 million tires per year. The project cost is 19,3 billion rubles. The investments of 10,5 billion rubles are planned for 2021.

- Setting up of large-size tire production (25 to 35 inches all-steel and combined tires);

The project cost is 3,2 billion rubles.

The investments of 1,9 billion rubles are planned for 2021.

- Output expansion of modern passenger car and light truck tires by 1.2 million tires per year (up to 6,2 million units per year by 2021). The project cost is 1.6 billion rubles. The investments of 0.04 billion rubles are planned for 2021.

Power generation

In 2020, the power generation segment spending amounted to RUB 6.3 billion.

In 2021, it is planned to implement investment projects amounting to RUB 8.1 billion in this business line. The investment program seeks to develop, refurbish, supply heat to the tire complex production facilities, and sustain the existing capacities of LLC Nizhnekamsk CHP and JSC APTC. The most significant existing investment projects are as follows: refurbishment of the installed TGME-464 power boilers of the Nizhnekamsk CHP for the petroleum coke combustion in the form of dust from the DCU of JSC TANECO (RUB 3.7 billion spent, the plan for 2021 is RUB 5.8 billion); process pipeline rack for heat supply to households in the form of steam and hot water (investments in the amount of RUB 1.4 billion spent, the plan for 2021 is RUB 0.9 billion).

Composite materials

In 2020, LLC Tatneft-Presskompozit, implemented projects for the capital construction of a dust collection system at production sites in the amount of RUB 2.4 million, the purchase of equipment not included in the construction budget in the amount of RUB 22.6 million, and innovation activities amounting to RUB 24.5 million.

In 2021, an investment program in the amount of RUB 0.56 billion is planned in this field, including RUB 0.4 billion for the “Organization of Production of Exterior Parts of the KAMAZ Cabin” project and RUB 0.05 billion for innovation activities.

JSC Nizhnekamsktekhuglerod

In 2020, as part of the JSC Nizhnekamsktekhuglerod investment program implementation, investments of RUB 0.067 billion were spent.

In 2020, the following measures were implemented: updating of the compressor station; replacement of the air heater on the 4th process flow; replacement of the air heater on the 1st process flow.

In 2021, the Company plans to complete the following projects: laying of chemically demineralized water from LLC Nizhnekamsk CHP to JSC Nizhnekamsktekhuglerod; updating of the building of raw material preparation site. For the period 2021–2025, the Company plans to modernize the existing production facilities, including the gradual replacement of existing obsolete technological flows with new modern ones, which will improve the quality of products,

reduce the cost of products, make more rational use of raw materials and energy resources, reduce the amount of flue gases, and reduce the concentration of harmful substances in the atmosphere.

In 2021, RUB 1,175 billion are planned to be allocated in this area.

Oil and gas chemistry — LLC Tolyattikauchuk

The enterprise became part of the Company in October 2019. 2020 was the year of integration. As part of the Tire Business investment program implementation, LLC Tolyattikauchuk disbursed investments of RUB 0.47 billion.

In 2020, the following projects were commissioned: reduction of butadiene losses in the BBF separation circuit (the project cost was RUB 14.2 million); improvement of the quality of manufactured LPG (the project cost was RUB 5.7 million); installation of a line for the withdrawal of acetylene hydrocarbons from the extraction rectification reserve unit (the project cost was RUB 1.5 million); organization of a closed discharge system in the D-1-I-1 department, heat and power department (the project cost was RUB 10.4 million).

The investment program for 2021 includes projects for development, IT infrastructure maintenance, and communication. It is planned to spend RUB 1.4 billion. Priority projects are increasing the IIF production by reducing isobutylene losses, construction of an automobile terminal for the discharge of hydrocarbons.



Investment process organization

The Company shapes a high-quality investment portfolio based on the ranking of target investment priorities and the selection of high-performance, least risky, and forward-looking projects in accordance with internal criteria established in all business lines. As part of the implementation of the Sustainable Development Goals, the key environmental, climate, and social impacts are factored into the investment planning.

Project portfolio management process

The Company's investment management process is integrated with planning for achieving strategic goals at the corporate level, management of business planning, budgeting, reporting, financial control, project management, and corporate governance.

Currently, the work is moving ahead to improve the requirements for investment project passports with consideration made to the assessment of the impact of investment projects on greenhouse gas emissions. An additional section — "Carbon Footprint Reduction/Increase" has been added to the standard passport of investment projects to reflect information on changes in greenhouse gas emissions.

Pursuant to the Decision of PJSC TATNEFT Board of Directors (Minutes No. 4 dated 25.08.2020), the basic feasibility study of the project shall be additionally conducted, with due consideration of greenhouse gas emissions.

Key principles for sound and effective investment decision-making

- Shaping of best and highly profitable project programs in alignment of the Company's development goals, search (creation) and implementation of cutting edge technologies, and minimization of investment risks;
- Substantiation and reasonable sufficiency in determining investment needs;
- Using the state support instruments;
- Improving the level of performance discipline in the projects preparation and implementation;
- Improving the skills and competence of personnel involved in the investment management process;

- Ensuring the Company's accountability in environmental and industrial safety, ensuring safe working conditions, health protection, improving the quality of life of employees and their families, contributing to the economic and social development of the regions of operation, and creating favorable living conditions therein;
- Management of changes including analysis of deviations which enables to maximize the managerial influence capabilities;
- Monitoring of the investment phase and post-investment monitoring is monitoring of performance indicators of investment projects, programs in the investment phase and during the operation of the investment targets up to the breakeven point;
- Analysis of the results, followed by using its deliverables as the input data for the continuous improvement process;
- Contribution to the growth of the Company's value by investing in effective and competitive projects, shaping an optimal and highly profitable project program, taking into account the Company's development goals, searching for (creating) and implementing cutting-edge technologies, and minimizing investment risks;
- Ensuring that investment decisions on each investment project and program are made in accordance with corporate requirements;
- Ensuring the manageability of the implementation process of the investment project and program in accordance with corporate requirements.

Company's investment portfolio ranking and rating criteria

- Alignment with the Strategy;
- Economic efficiency;
- Risk level;
- Project readiness for implementation;
- A realistic timeline for project delivery
- Environmental, climate, and social impacts;
- Best possible net present value.

Investment risk management

To improve the efficiency of investments, there is an ongoing process in place to identify, analyze, and evaluate risks as well as develop measures to minimize them, so that the project could achieve a sustainable financial result.

Multifactor risk assessment is based on expert and statistical assessment of the most significant risks. Risk assessment and multivariate modeling of the investment project performance is carried out taking into account the correlation factors of inputs.

Investment Committee

To ensure the effective planning of the investment program and oversee putting it into practice as well as monitor risks, the Investment Committee operates in the Company. The process of preparing investment projects has a two-tier investment program reviewing system: The first corporate tier Investment Committee and the second-tier Investment committees by business lines such as "Exploration and Production," "Refining and Marketing," "Other structural subdivisions and subsidiaries." The Company's standards

for investment activities define the objectives, tasks, scope of duties and powers of the investment committees and introduce the requirements for the format of preparation, justification, and defense of the materials on the investment programs and projects.

The investment committees have approved business investment programs that meet the strategic development goals of the TATNEFT Group until 2030.

Unified corporate bank for investment projects

The Company's investment project bank consolidates current investment initiatives and investment projects in all business streams, enabling the provision of comprehensive ranking of projects and prediction of net present value for future periods with the change modeling capability. Transparency and historical preservation of expert opinions on the current projects enable the improvement of the quality of decisions to be made in the future.

In 2020, the Company invested in the development of its projects, taking into account the risk assessment of external drivers influencing upon the oil market situation and the previously unpredictable consequences of the COVID-19 spread, while maintaining the main volume of investments in strategically important projects to ensure that the 2030 Strategy goals are achieved.

Fundraising

Debt portfolio

The Company takes a conservative approach to lending structuring with the focus on minimizing risks and benefiting from favorable financial leverage.

The main criteria for selecting long-term credit instruments are as follows: the expected credit amount, lending term, and target orientation. Raising long-term loans to finance the investment program assures that the loan terms are conformant to the main investment parameters of a particular project. A high priority is given to the possibility of structuring loans with the repayments to be made out of additional cash flows generated from the implementation of new investment projects. Currently TATNEFT Group has experience in efficient structuring of the long-term debt financing.

The credit limits are open and maintained in 12 major Russian banks. The Company regularly monitors the main factors of impact on the lending market and, as appropriate, strives to take measures to manage market risks, including those related to interest rate changes.

Due to the good credit history, high credit ratings, and low debt level, the Group has access to various debt financing instruments, such as: short-term revolving credit facilities, bi-lateral loans, syndicated loans, subsidized loans, ECA loans, ruble-denominated bonds, and Eurobonds.

The Group's debt portfolio as of the end of 2020 (ZENIT Banking Group excluded) is primarily comprised of borrowed funds:

- In rubles, RUB 15.0 billion as exchange-traded bonds of PJSC TATNEFT and RUB 0.99 billion as subsidized loan of LLC Nizhnekamsk Truck Tire Factory.
- In U.S. dollars, USD 52.3 million as loans under the guarantees of Export Credit Agencies (ECAs), raised by JSC TANECO during the construction of the oil refining complex and USD 25.72 million as a subsidized loan to LLC Nizhnekamsk Truck Tire Factory;
- In euro, EUR 39.26 million as a subsidized loan to LLC Nizhnekamsk Truck Tire Factory.

As part of the state support in 2020, TATNEFT Group actively participated in raising concessional, including subsidized, loans:

- Under Decree No. 191 of the Government On State Support for Industrial Enterprises Implementing Corporate Programs to Improve Competitiveness dated 23.02.2019, a loan of circa RUB 10 billion was received from LLC Nizhnekamsk Truck Tire Factory for the modernization of export production of all steel cord truck tires and the creation of giant tire production in the Russian Federation;
- Under Decree No. 582 of the Government On Approval of the Rules for Granting Subsidies from the Federal Budget to Russian Credit Organizations to Compensate for Lost Income on Loans Issued in 2020 to Systemic Organizations to Replenish their Working Capital dated 24.04.2020, RUB 1,150 million were raised;
- Under Decree No. 696 of the Government On Approval of the rules for Granting Subsidies from the Federal Budget to Russian credit Organizations to Compensate for Lost Income on Loans Issued in 2020 to Legal Entities and Individual Entrepreneurs to Resume their Activities dated 16.05.2020, aimed to support businesses affected by Covid-19, RUB 228 million were raised.

Credit ratings as of 31.12.2020

Rating agency	Credit rating level	Outlook on credit rating	Date of assigning (confirmation)
Fitch Ratings CIS Limited	-Long-Term Credit Rating "BBB-" -Short-Term Credit Rating "F3"	Stable	Assigned on 18.04.2014; Confirmed on 08.05.2020
Moody's Investors Services	-Long-Term Credit Rating "Baa2"	Stable	Assigned on 13.02.2019; Last regular review: 14.12.2020
Expert RA	Credit rating -ruAAA (as per national scale for the Russian Federation)	Stable	Assigned on 19.07.2017; Confirmed on 15.04.2020

2020

In May 2020, Fitch Ratings affirmed TATNEFT's BBB- credit rating with a stable outlook. According to Fitch Ratings, confirmation of the credit rating reflects, inter alia, the Company's low debt level, significant oil production as well as large proved reserves. For the Fitch Ratings press-release confirming TATNEFT's credit rating, refer to <https://www.fitchratings.com/research/ru/corporate-finance/fitch-podtverdilo-rejting-tatnefti-na-urovne-bvb-prognoz-stabilnyj-12-05-2020>.

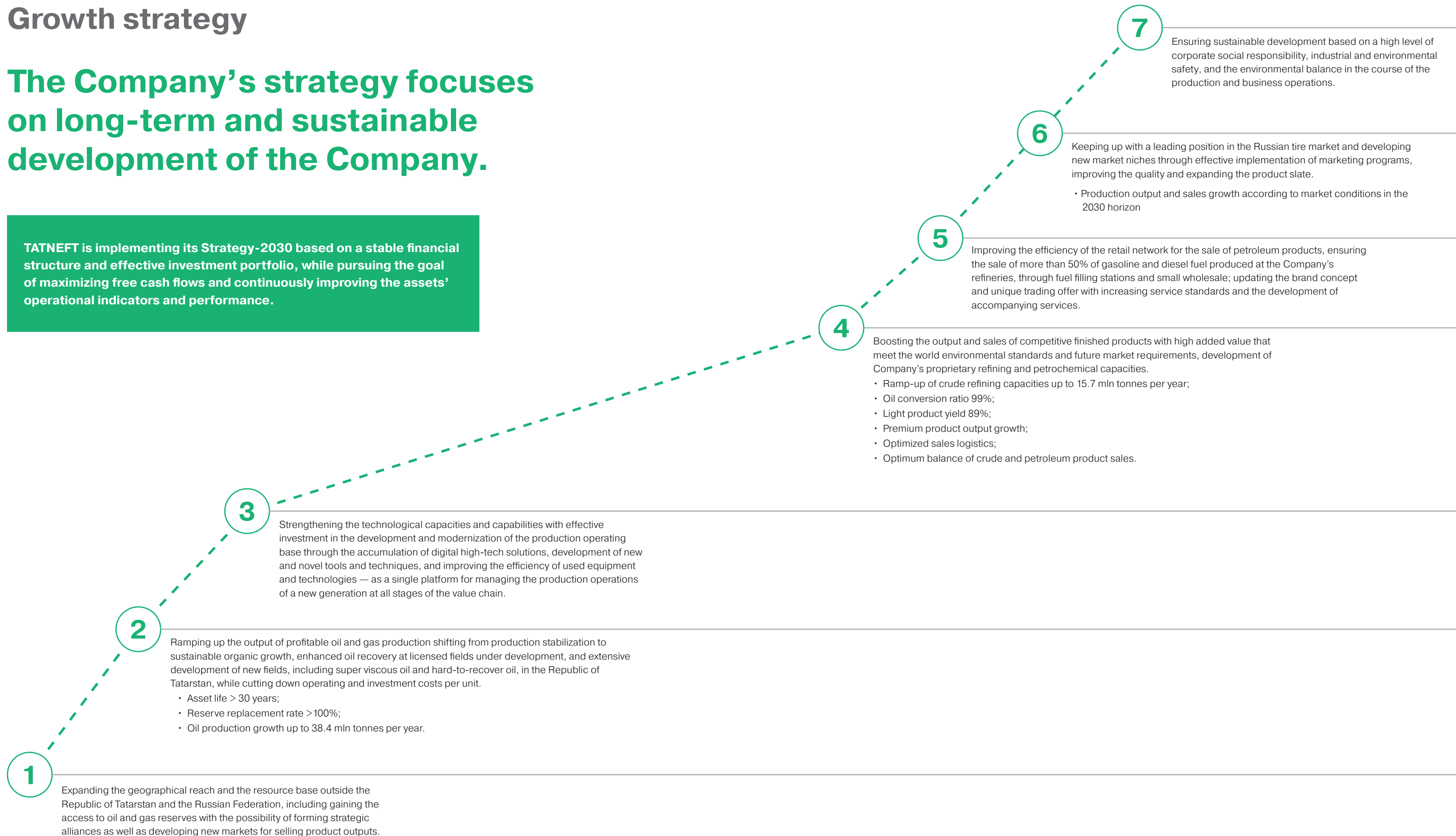
Moody's has published information on the completion of the regular review of the TATNEFT Group credit rating without any rating actions in December 2020. For the Moody's press release on the completion of the periodic review of the credit rating (in English), refer to https://www.moodys.com/research/Moodys-announces-completion-of-a-periodic-review-of-ratings-of--PR_435684

In April 2020, the Expert RA rating agency affirmed the TATNEFT credit rating at ruAAA. The rating outlook is stable. When confirming the credit rating at the highest level on the national scale, Expert RA noted the strong business profile of the TATNEFT Group, the low level of debt that allows withstanding stressful conditions, and the strong forecast liquidity. For the press release of Expert RA on the confirmation of the TATNEFT rating, refer to <https://www.raexpert.ru/releases/2020/apr15a/>

Growth strategy

The Company's strategy focuses on long-term and sustainable development of the Company.

TATNEFT is implementing its Strategy-2030 based on a stable financial structure and effective investment portfolio, while pursuing the goal of maximizing free cash flows and continuously improving the assets' operational indicators and performance.



** due to a significant change in external conditions and the emergence of new challenges and opportunities, the Board of Directors decided to update the Company's Strategy in 2021.*

System of key performance indicators

The success of our strategic ambitions depends on the quality and timely assessment of the competitive environment, economic, political, social, and environmental factors, trends and uncertainties as well as the assessment of compliance with our business model. We develop competitive projects by constantly reviewing and monitoring our investment portfolio, while generating higher cash flows from operations and cutting down costs.

The Company uses scenario planning, taking into account the multifactor nature of forecast data. Our business plans are focused on creating and maintaining a competitive edge.

We continuously develop our risk management and internal control system, which ensures identifying risk drivers and responding promptly to them.

The Company's management remuneration is aligned with evaluating the achievement of strategy goals based on the performance indicators that meet the expectations and serves the best interests of shareholders.

System of key performance indicators and their achievement assessment

Since 2017, the Company has been operating a corporate motivation system based on key performance indicators.

Setting up of the KPI system in the TATNEFT Group was approved by the resolution of the Company's Board of Directors (Resolution No. 3 of 26.09.2018).

Performance indicators are integrated into the overall corporate governance system by goals.

KPIs remain consistent with the objectives of the long-term Strategy 2030 and are formalized based on the Value Tree model, synchronized with business plans and with all existing corporate improvement tools.

The KPI system, as a tool for monitoring the success of fulfilled tasks, makes it possible to objectively assess the impact of management on the business results.

During the pilot implementation and testing, the KPI system was transferred to the top management level (about 100 positions).

Every year, the coverage perimeter is expanded to lower management levels in the hierarchy.

The number of participants in the program includes more than 500 managers, the library of current KPIs has more than 3 500 benchmarks.

The Company plans to expand the target setting system to cover all of the Group's controlled subsidiaries.

The top-tier goals of the Company are focused on a structured hierarchical scheme of the Value Tree, the elements of which cover the main business activities and areas of impact (operations, investment activities, and management system improvement).

The effectiveness of management in each segment of the Company's business activities is characterized by quantitative and qualitative indicators that are integrated into the KPI system for the annual period and assigned to responsible positions.

On average, the number of KPIs for managers is 4-5 metrics.

By its structure, up to 30-40% of KPIs are group (corporate teamwork results) and 60-70% are individual (business initiatives and project indicators).

To improve the effectiveness of the incentive system for achieving annual performance and, as a result, the Company's Strategic Goals, the Board of Directors adopted the results of the implementation of the KPI system from 2017 to 2020 and approved the initiative for its further development and expansion of the perimeter coverage (Decision No. 4 of 20.12.2020).

In 2020, the Company transformed the system of performance management and evaluation of KPI achievement.

Changes have been made to the procedures for setting goals for the Company's top management:

- A key role in the control system is assigned to ensuring free cash flow in the businesses and across the Group as a whole;
- Performance management technology is focused on gaining higher profitability of implemented projects;
- Significant indicators include the "Performance efficiency of managers", which demonstrates the results of personal contribution, the involvement of leaders, and commitment to the Company's values;
- Increased monitoring and work on KPIs related to the effectiveness of the development of the Sustainable Development Goals.

At the end of 2019, PJSC TATNEFT joined the UN Global Compact and supported the international initiative in sustainable development.

In 2020, active work began on the implementation of the commitments made aimed at economic growth and quality of life.

To realize the maximum opportunities for each goal, project programs are open, the leaders are identified among managers with high competencies.

Project teams, following the compass of the SDGs, determine the development benchmark and shape goals and objectives to be implemented.

It is planned to provide target levels of efficiency in the KPI system, defining the goal-setting through the formation of

roadmaps of measures to integrate the SDGs into the activities of specific segments of the Company.

The Company supports all the sustainable development goals.

The main ones are identified, the implementation of which is directly related to business goals and new global challenges.

These are climate challenges, decarbonization and clean energy challenges, resource efficiency, innovation, and infrastructure opportunities.

Understanding the severity of environmental issues and the importance of changing corporate thinking, special attention is paid to the decarbonization course and reducing the carbon footprint.

Starting from 2020, the KPI system provides for the indicator "Reduction of greenhouse gas emissions" for several managers.

In 2021, this indicator will be decomposed for managers of all business activities.

Changes are envisaged in the assessment of the effectiveness of the Company's investment projects, in terms of the impact of changes in CO2 emissions.

These principles and approaches to setting goals for monitoring performance achievement are translated into all large-scale projects.

The development of the corporate KPI system for sustainable development activities is based on the assessment of the achievement of the target values for the SDGs defined in the Company as priorities for the period up to 2030, with monitoring of intermediate values and their integration into the value chain, investment and operational activities of the Company.

The targets are set in accordance with the System of Global Indicators developed by the Inter-Agency Expert Group on SDG Indicators (IGE-SDGs).



Exploration and production

Exploration operations in the Company remain the basis for replenishing of recoverable reserves, and also influences the diversification of the “production” portfolio, contributing to the development of new regions and technologies. The Company keeps up with the goal of 100 % replenishment of cost-effective recoverable reserves.

Inorganic growth, i.e., the purchase of assets outside the Republic of Tatarstan, in particular, in the regions of TATNEFT operation (the Samara and Orenburg Regions, Nenets Autonomous District), and outside of Russia (Turkmenistan, Uzbekistan, Kazakhstan, etc.) plays an important role in the process of replenishing reserves.

The planned increase in oil production in the amount of 38 million tonnes until 2030 will be achieved due to the successful implementation of the projects of the Company's current “production” portfolio. The achievement of an increase in oil production is possible if the OPEC+ restrictions are lifted, but the Company is looking for opportunities to achieve this even if such restrictions are retained in the long term. Projects continue to be implemented for the development of

the Romashkinskoye field, the production of super viscous oil, the involvement of low-permeable carbonate reservoirs in the Republic of Tatarstan, and the improvement of the efficiency of field development through high-tech drilling and the use of tertiary enhanced oil recovery methods.

Due to adverse constraints, a set of optimization measures was implemented in 2020 to mitigate the consequences of the pandemic and improve the efficiency of the geological and technical operations carried out, to minimize losses in operating cash flow in the medium term.

The drivers of efficiency growth identified in the Strategy-2030 include the involvement of reserves by drilling along the compaction grid of wells, drilling complex horizontal wells with “smart injection,” improving hydraulic fracturing technologies (including multistage hydraulic fracturing), reducing the specific operating costs per tonne of oil produced as well as introducing digital technologies in all stages of field development. In addition, the Company is actively engaged in the development of carbonate reservoirs for the successful implementation of strategic plans for oil production and increasing the resource base.

By the end of 2020, the production replacement target has been 100% fulfilled thanks to the reserve additions within the Republic of Tatarstan and beyond. According to the statistical reports on Form 6-gr (according to the Russian classification), in 2020, the recoverable oil reserve additions across the TATNEFT Group in all categories (A+B1+C1+B2+C2) amounted to 36,906 million tonnes. Including by category (A+B1+C1) – 28,973 million tonnes and by category (B2+C2) - 7,933 million tonnes. Per Order No. 477 of 01.11.2013. “On approval of the classification of reserves and resources of oil and combustible gases” of the Ministry of Natural Resources and Ecology of the Russian Federation effective 01.01.2016, a new classification of reserves and forecast resources of oil and combustible gases has been put into effect. According to the reserve categorization requirements, the new classification takes into account only the most proved reserves, which corresponds to international classifications. According to this classification, oil and gas reserves are divided into categories based on the degree of commercial development and the degree of geological study as follows: A (producing, developed), B1 (producing, undeveloped, explored), B2 (producing, undeveloped, estimated), C1 (explored) and C2 (estimated).

Exploration operations within the Republic of Tatarstan

Within the Republic of Tatarstan, the Company holds 68 licenses, of these, 37 mineral exploration and extraction licenses, 27 geological study licenses, including mineral prospecting and appraisal, mineral exploration and extraction, 4 geological study licenses, including mineral prospecting and appraisal.

The exploration operations provided for in the license agreements for the Company's license areas are fully performed.

In 2020, the quantity of 29.506 million tonnes of oil was added to the recoverable oil reserves in the Republic of Tatarstan for all categories (A+B1+C1+B2+C2), including the incremental reserves through exploration that amounted to 21.940 million tonnes.

The total meterage of prospecting and exploratory drilling amounted to 8.3 thousand meters, including exploratory drilling of 4.3 thousand meters, and prospecting of 4.0 thousand

meters. Seismic surveys were performed using 2D in the amount of 280 lin km, and 3D in the amount of 399 km2 in the fields and exploration areas of the Company.

Construction of 7 exploration wells is completed in 2020. The success ratio of exploratory drilling is 86%.

Following the seismic surveys, 2 new structures — Yuzhno-Tukmaks kaya, with prospective resources for the Do category of 1324/598 Ktonnes, and Pesoch naya, with prospective resources for the Do category of 187/43 Ktonnes, located in the Romashkinsky and Novo-Elkhovsky license areas were prepared for deep drilling.

In 2020, the cost of geological exploration works performed in the TATNEFT licensed areas within the Republic of Tatarstan amounted to over RUB 1 billion.

86%

Success ratio of exploratory drilling in Tatarstan

In 2021, the Company plans to increase oil reserves in the Republic of Tatarstan by 27.0 million tonnes, of which 16.2 million tonnes are expected due to prospecting. The Company plans to invest in geological exploration in the territory of the Republic of Tatarstan up to RUB 1.4 billion, while having 7 exploratory wells drilled with a total meterage delivery of 10.5 thousand meters of rock and 3D CDP seismic surveys conducted with the coverage of 157 km²

Exploration operations outside the Republic of Tatarstan

Outside the Republic of Tatarstan, the Company holds 38 licenses, of these, 18 mineral exploration and extraction licenses, 16 geological study licenses, including mineral prospecting and appraisal, mineral exploration and extraction, 4 geological study licenses, including mineral prospecting and appraisal.

In 2020, the exploration operations were carried out by 6 subsidiaries and affiliated companies within the Ulyanovsk, Orenburg, and Samara Regions, the Nenets Autonomous District, and the Republic of Kalmykia.

The prospecting and exploratory drilling meterage outside Tatarstan was delivered in the amount of 12.2 thousand meters in 2020. The funding amounted to over RUB 2 billion. The prospecting and exploration drilling success is 100%.

The Company conducted 3D CDP seismic surveys with the coverage of 574 km² — the funding amounted RUB 1,152.7 million. The total amount of financing for prospecting outside of the license areas of the TATNEFT Group amounted to RUB 4,569 million.

Over 2020, the additions to the recoverable oil reserves for all categories (A+B1+C1+B2+C2) in the Nenets Autonomous District amounted to 2.263 million tonnes, with 1,971 million tonnes added through exploration efforts; in the Samara Region for all categories (A+B1+C1+B2+C2) — 4.600 million tonnes, including the reserves additions through exploration totaling 2.831 million tonnes; in the Ulyanovsk Region for all categories (A+B1+C1+B2+C2) — 0.153 million tonnes, with all reserves added through reassessment efforts; reserves additions for all categories (A+B1+C1+B2+C2) in the Orenburg Region amounted to 0.384 million tonnes, including the reserves increment through exploration that amounted to 0.036 million tonnes.

100%

Success ratio of exploratory drilling outside Tatarstan

12,2 thousand m

Exploratory drilling meterage outside Tatarstan in 2019

Exploration

36,906 mln tonnes

2020 total incremental oil reserves for TATNEFT Group

In 2020, 2 deposits were discovered in the Samara Region. The total initial balance reserves of oil in C1+C2 categories are 1,989 Ktonnes.

The **Staritskoye oil field** was discovered following the 3D CDP seismic survey and drilling of the exploratory well No. 130 within the Moiseevsky license area in the Koshkinsky District of the Samara Region. The field has two oil accumulations: in the deposits of the Dankovo-Lebedyansky horizon of the Devonian system and the Bashkir tier of the carboniferous system. When testing well No. 130 in the intervals of the Dankovo-Lebedyansky horizon, an oil inflow with a flow rate of circa 5 tonnes per day was obtained. In general, the initial balance reserves of oil in the C1+C2 categories for the Staritsky field amounted to 236 Ktonnes.

The **Otradnoye oil field** was discovered following the 3D CDP seismic survey and drilling of 3 exploratory wells Nos. 342, 343, and 361 within the Cheremshansky license area in the Chelno-Vershinsky District of the Samara Region. The field has 6 oil accumulations: in the deposits of the Vereiskian horizon and the Bobrikovskian horizon of the carboniferous system. When testing wells Nos. 342, 343, and 361 in the intervals of the Bobrikovskian horizon, oil inflows with a flow rate of up to 3.5 tonnes per day and the Vereiskian horizon up to 5.6 tonnes per day were obtained. In general, the initial balance reserves of oil in the C1+C2 categories for the Otradnoye field amounted to 1,753 Ktonnes.

In 2020, as part of a consortium of PJSC TATNEFT with PJSC Gazpromneft and PJSC Lukoil, the Savitsky and Zhuravlevsky subsurface areas in the Orenburg Region were acquired.

The acquired oil reserves of the **Zhuravlevsky field** in C1 category amount to 2,487/987 Ktonnes and dissolved gas in C1 category — 35 million m³, with the estimated oil reserves in D1 category of 2.2 million tonnes, and gas in D1 category of 0.4 billion m³; at the **Savitsky license area**, the prospective oil resources for the Do category amount to 14,306/5,587 Ktonnes with the estimated oil reserves for the DI category amounting to 11.4 million tonnes, for the D1 category — 8.4 million tonnes, gas for the D1 category — 3.0 billion m³.

The possible resources of Domanic deposits in the case of geological success will amount to R50 — 2.227 billion tonnes for the Savitsky area, and for the Zhuravlevsky area: R50 — 362.3 million tonnes.

In 2021, it is planned to drill 7 exploration wells outside the Republic of Tatarstan with a total penetration of 14.65 thousand meters of rocks, perform 2D CDP seismic exploration in the amount of 259 lin km, 3D CDP — in the amount of 339 km².

Geological prospecting technologies

The Company is active in applying and implementing new effective methods of exploration and study of reservoir properties, modern analytical equipment, and best practices of leading Russian and foreign companies.

From 2014 to 2020, the Neuroseism Research and Production Center of TGRU (Tatar Geological Prospecting Division), which is part of PJSC TATNEFT, developed new software tools and methodological techniques to adapt and optimize the patented Neuroseism technology (Russian patents No. 2094828 and No. 2158939) — a special modification of the Neuroseism-Foreground. This modification is intended for predicting the oil content of the Domanic deposits within the Franco-Famen carbonate complex. The copyright to the Neuroseism-Foreground is registered with the Federal Service for Intellectual Property as “The Domanic hydrocarbon probability determination method” (Certificate No. 2020616990 dated 30.06.2020).

A new Wavelet-Selector software suite and methodological techniques, which allow for the adaptation and optimization of the Wavelet analysis technology for seismic data to predict parameters of reservoir properties of productive deposits, have also been developed. The copyright to the Wavelet-Selector software is registered with the Federal Service for Intellectual Property as “The technique to determine porosity and permeability properties of rocks based on seismic survey data” (Certificate No. 2020619180 dated 13.08.2020).

In 2020, when performing work on neurocomputer analysis in the high-level programming languages Python and C++, the following software products were developed:

- Computer software: “Program for preparing files for truncated coordinates recalculation,” which allows the user to create a file with the truncated coordinates entered and prepared for recalculation from SK-63 to SK-42 in the PhGeoCalc program. The copyright to the “Program for preparing files for truncated coordinates recalculation” software is registered with the Federal Service for Intellectual Property (Certificate No. 2021611710 dated 03.02.2021);
- Computer software: “File preparation program” designed to speed up and facilitate the process of preliminary preparation of field seismic materials for input into the ProMax software set. The copyright to the “File preparation program” software is registered with the Federal Service for Intellectual Property (Certificate No. 2021610696 dated 18.02.2021);
- “Program for working with dat files” computer software, which allows the user to create a file for constructing a reflecting horizon, featuring the optimization of the number of points for constructing and recalculating the coordinates of these points in the SK-42 system, taking into account the truncation entered. The copyright to the “Program for working with dat files” software is registered with the Federal Service for Intellectual Property (Certificate No. 2021612446 dated 17.02.2021);

- “Program for working with SVO data” computer software which performs the search for the required material (maps, well passports, well bindings, core description, GIS data, and other types of information on super viscous oil fields), which is located on an electronic data carrier. The copyright to the “Program for working with SVO data” software is registered with the Federal Service for Intellectual Property (Certificate No. 2021612412 dated 17.02.2021).

In 2021, the following computer programs were developed: automation of task replication for the ProMAX application software; automation of seismic profile intersection point determination; automation of well and seismic profile location determination; simplification of forecast results downloading in the Neuroseism program.

In 2020, exploration and geochemical studies on the hydrocarbon component passive adsorption technology were continued, which increased performance significantly and led to a reduction in the scope of subcontracted work. According to the patented geochemical technology (patents of the Russian Federation No. 2478944, 2499285), research was completed at the Zapadno-Alexandrovsky, Irgizsky, Izyumovsky, Rubzhinsky license areas of LLC Tatneft-Samara. The obtained geochemical data allowed for the assessment of the oil capacity and to rank the most promising sites.

A pyrolytic plant has been introduced that allows performing a pyrolytic method of analyzing core material taken from unconventional reservoirs to assess the HTR capacity. This provides a solution to the current problems of studying the oil-generating properties of kerogen and substantiating the conditions of Domanic deposit reservoirs for estimating and reestimating oil field reserves, gradually increasing the scope of research works performed in-house.

In 2021, the Company plans to complete the development of the analytical part of the research methodology on the Frontier EGA/PY-3030D pyrolyzer, which is equipped in combination with the GCMS-2020 gas chromatographymass spectrometer. In addition to the core organic matter pyrolysis data, the new equipment allows the user to conduct chromatographic analysis of hydrocarbons after grinding the core sample before and after extraction with the identification of the component composition of C7-C40 hydrocarbons, with the data obtained being processed statistically with a reference to GIS data.

The core analysis of the Severo-Almetyevskaya 21159 B well was completed for the depth range of 1534- 1548m (D3f3ev-lv) D3dm and 1548- 1571m (D3f3vr) D3dm in the Upper and Middle Devonian section, corresponding to Domanic type sites, convergence in the analysis data on Frontier EGA/PY-3030D (equipment of the Tatar Geological Prospecting Division) and reproducibility with the data of the VNIGNI (All-Russian Research Geological Oil Institute) Rock-Eval laboratory were verified. Work will continue on the core study of well 26 of the Kuzminovsky license area.

Technologies and solutions in oil field development

Formation hydraulic fracturing

Hydraulic fracturing is the basic well stimulation technique in the Company. The Company has extensive experience in hydraulic fracturing operations. Over the past few years, hydraulic fracturing operations have increased multiple times reaching over 800 wells.

The incremental production using hydraulic fracturing in 2020, taking into account converted wells, reached 1.8 million tonnes of oil. Altogether, the Company performed more than 7,000 hydraulic fracturing jobs with cumulative additional oil production of 21. 1 million tonnes.

The dynamic growth of efficiency was achieved through an integrated approach including: detailed analysis of the current state of development, high-quality interpretation of available production data on the operation of fields; modern digital analytical tools involved in the design of hydraulic fracturing and bottom-hole treatment implemented as part of simulator software products; assessment and consideration of the impact of the space between wells during the work to stimulate the inflow; correct selection of technology tools for a specific reservoir treatments with the existing restrictions; the development of modern fracturing fluid and acid compositions for specific producing reservoir targets.

Complex and multicomponent acid treatment technology

Taking into account the significant share of the current reserves of PJSC TATNEFT, which are concentrated in carbonate deposits, the urgency of developing advanced technological methods for increasing oil recovery from heterogeneous carbonate reservoirs tends to increase every year.

The incremental production using bottom-hole treatment, taking into account converted wells, totaled 1. 18 million tonnes of oil in 2020. The Company has performed more than 4,000 bottom-hole treatment jobs with cumulative additional oil production of 4.6 million tonnes.

In the areas of automation and digitalization, a digital simulator is being developed for modeling and optimal design of acid treatment and acid hydraulic fracturing in heterogeneous carbonate and terrigenous reservoirs, taking into account the presence of natural crack systems, individual geological and technical conditions of wells, and their integration with corporate information systems. To improve the efficiency, planning, monitoring, and analysis of well intervention operations, the GTM-Expert information and analytical system is being developed.

Technology of dynamic matrix acid treatment of wells

The Company continues to improve acid formulations. The technology is aimed at improving the efficiency of bottom-hole treatment by increasing the depth of impact with the use of adaptive acid compositions and digital design tools. The effect is achieved due to the ability to control the channel structure.

According to the results of the work, the average well flow rate is 95% higher than the base indicator for the standard bottom-hole treatment technology. The efficiency of investments increased by 70.5%, NPV — by 106%. In 2021, the technology is being tested as the main engineering solution on the existing well stock.

Technology of application of hydrophobic (invert) emulsion systems for improved oil recovery from water-flooded heterogeneous reservoirs (mges-m)

In 2020, the Company performed 562 EOR treatments (of these, 386 treatments were done in injection wells, and 176 — in the producing wells). The incremental EOR production totaled 1.97 million tonnes of oil, including converted wells, the additional production from wells was 280.9 thousand tonnes in 2020.

The improved efficiency is achieved through a comprehensive approach, including introduction of new technologies, replacement of chemical components in the EOR technologies with better performing ones.

The Company has developed and applied a technology for using hydrophobic (invert) emulsion systems to increase oil recovery from water-flooded heterogeneous reservoirs (MGES-M).

The MGES-M technology is designed to manage the development of oil fields or their areas where the reservoirs have different permeability and water flooding was used for a long time with the technique of selective isolation of water saturated interlayers.

The technological process is implemented by pumping a two-component emulsion system developed at the TatNIPIneft Institute, based on an emulsifier and mineralized water with a step-by-step increase of water content.

The mechanism of the MGES-M technology is based on in-situ creating of the emulsion with a high hydrophobic capability, resistant to erosion, increasing filtration resistance of the watered (most permeable) reservoir intervals, which leads to better conformance control and, consequently, improved reservoir displacement coverage.

As a result of the application of the MGES-M technology at 244 injection wells, the total current technological effect yielded 382.613 thousand tonnes (1,568.1 tonnes per well job).

Surfactant-polymer flooding technologies

In 2020, the Company continued its works on the implementation of surfactant-polymer flooding technology at the Company's facilities. According to calculations based on the geological and hydrodynamic model, the introduction of the surfactant-polymer composition injection technology will increase the RF (recovery factor) at the Company's mature fields by an estimated 5%.

Oil and gas production

One of the Company's primary strategic goals is to shift oil production from stabilization to sustainable growth at its licensed fields in Tatarstan.

The Company seeks to fully utilize the existing potential of oil fields, accumulated technological experience and competencies to strengthen its position in both the Russian and global energy markets.

The upstream business comprises the Company's oil and gas production subdivisions and subsidiaries. Most of the oil and gas exploration and production activities are concentrated within the Company and are managed centrally by the Tatneft-Upstream Division.

The Company aims to change the structure of oil production in favor of high-margin products, with improving the structure of the investment program towards the highest-net-present-value activities for the duration of the effect and optimizing operating costs through the implementation of the IDP program, the improved IT projects complex efficiency, and implementation of innovative technologies.

To ensure maximum efficiency of field development, digital modeling (Digital Twins) of producing assets is carried out, which enables reliable determining their hydrocarbon potential and manage the oil field development with maximum efficiency. A Digital Twin of an oil field is a virtual analogue of a real development target, which reflects all main parameters and processing of oil field operation online using digital platform of 3D-visualization technology. This makes allows for remote management of the production facilities according to their specific features and peculiarities of the landscape.

The Company has fulfilled the conditions for curbing oil production under the effective OPEC+ agreement. The total oil output for the TATNEFT Group in 2020 was 26.0 million tonnes with an average daily production of 506.3 thousand barrels per day.

The Company uses advanced EOR techniques and intelligent production management methods.

Extending economic life of oil field development

A favorable economic condition for the development of the Company's oil fields is the use of differentiated MET rates and benefits on the customs duty on oil. The application of lower MET rates and lower export customs duty rates for oil is a good incentive for the development of the Company's oil fields.

In 2020, the Company applied lowering MET rates:

- For subsoil areas with over 80% depletion rates;
- For super viscous oil with viscosity of 10,000 mPa*a and more (in situ conditions);
- For oil produced from the Domanic accumulations;
- For small subsoil areas with reserves (STOOIP) less than 5 million tonnes and depletion of less or equal to 5%;
- For SVO fields with in-situ viscosity of more than 200 and less than 10,000 mPa*s.

Improved efficiency, oil and gas production profitability control

The Company strives to unlock the maximum potential of oil accumulations, utilize efficiently the amassed knowledge and experience, and strengthen the Company's industry position with maintaining the ecosystem balance. In 2020, the optimization of operating costs amounted to RUB 2.2 billion with overachieving the target by 29% due to the implementation of regulatory measures, shifting the complicated well stock from the ESP to the beam pumping units, the introduction of anti-corrosion pipes (MPT-K) In 2020, the implementation of the most effective geological and technical measures allowed increasing the NPV per ruble of investments by 66% as compared to actual results of 2020.

Oil and gas production

One of the Company's primary strategic goals is to shift oil production from stabilization to sustainable growth at its licensed fields in Tatarstan.

However, due to OPEC+ restrictions imposed in 2020, the Company's oil production was cut to 26 million tonnes. Nevertheless, the production potential is preserved and with the easing of restrictions, the Company is ready to return to the earlier established production rates.

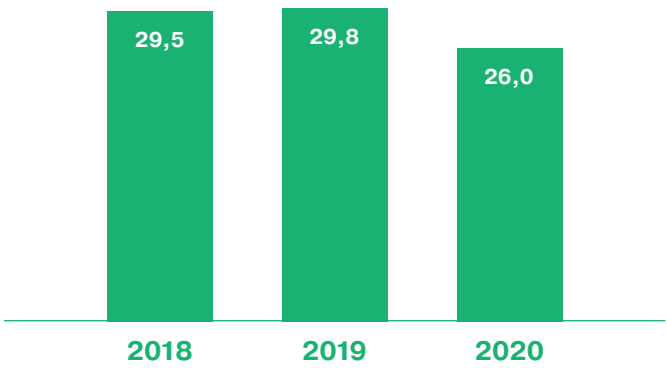
The Group's total oil production amounted to 26.0 million tonnes (including conventional oil — 22.3 million tonnes, super viscous oil — 3.4 million tons; subsidiaries — 0.3 million tonnes) with an average daily production of 506.3 thousand barrels per day. The Company fulfilled the requirements for reducing production under the existing OPEC+ agreement, which hindered the possibility of production growth.

TATNEFT Group oil production structure, mln tonnes

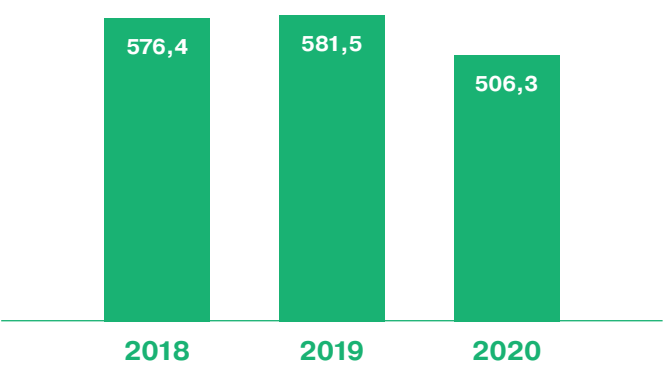
	2018	2019	2020
TATNEFT Group oil production	29,5	29,8	26,0
Conventional oil	27,6	27,1	22,6
Super viscous oil*	1,9	2,7	3,4

with viscosity of more than 10,000 MPa*s

TATNEFT Group production, mln tonnes



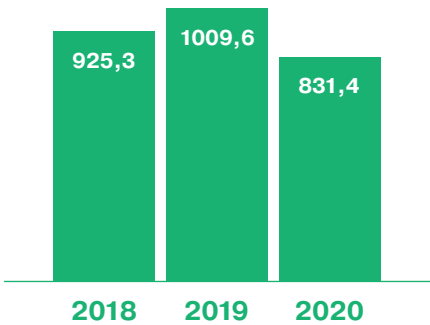
Average daily oil production, kbpd



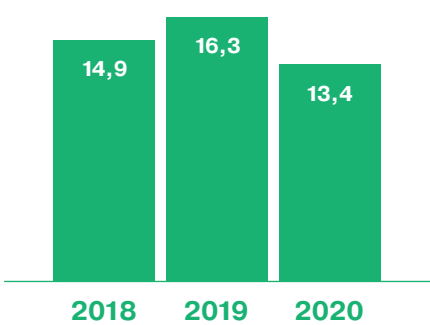
Production of associated petroleum gas for the Group in 2020 totaled 831.4 million m³ (associated petroleum gas production of PJSC TATNEFT — 787.459 million m³, LLC Tatneft-Samara — 43.959 million m³), with the average daily gas production in oil equivalent at 13.4 thousand barrels of oil per day.

In 2021, the Company plans to produce associated petroleum gas in the amount of 797.4 million m³.

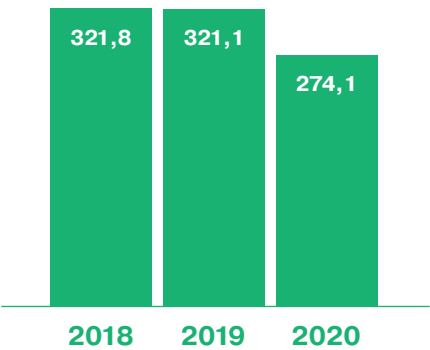
TATNEFT Group associated petroleum gas production, mln m3



Average daily gas production rate, thous. boe per day



Production of NGL*, ktonnes



* excluding JSC TANECO NGL

2018 to 2020 drilling, thous. m

	2018	2019	2020
Production drilling:	750,7	816,5	586,3
PJSC TATNEFT	738,3	801,2	586,3
subsidiaries	12,4	15,3	0
Exploratory drilling:	28,6	44,4	22,0
PJSC TATNEFT	20,3	34,7	16,3
subsidiaries	8,3	9,7	5,7
Total:			
PJSC TATNEFT	758,6	835,9	602,6
subsidiaries	20,7	25,0	5,7

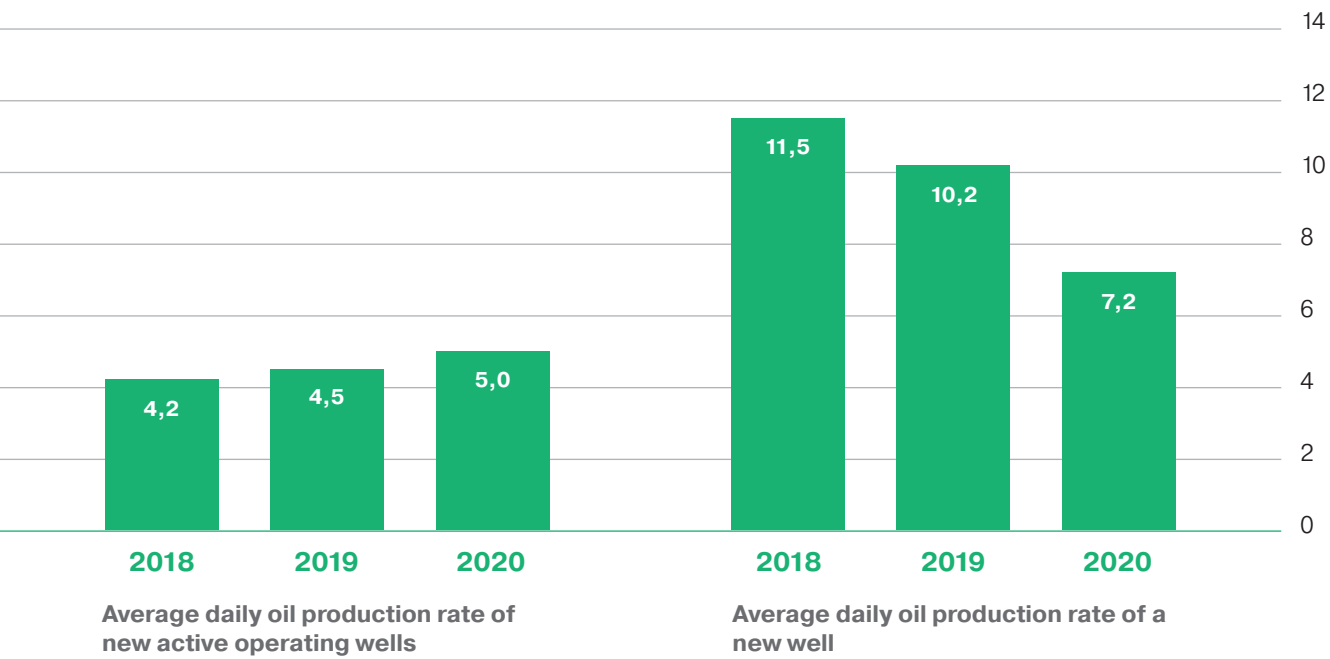
TATNEFT Group target vs. Actual oil production performance, mln tonnes

Indicator	Target	Actual	Deviation
Conventional oil	22,283	22,320	0,2
SVO	3,366	3,375	0,3
Subsidiaries	0,314	0,319	1,6
Oil production	25,962	26,014	

TATNEFT Group well stock as of 01.01.2021, pcs

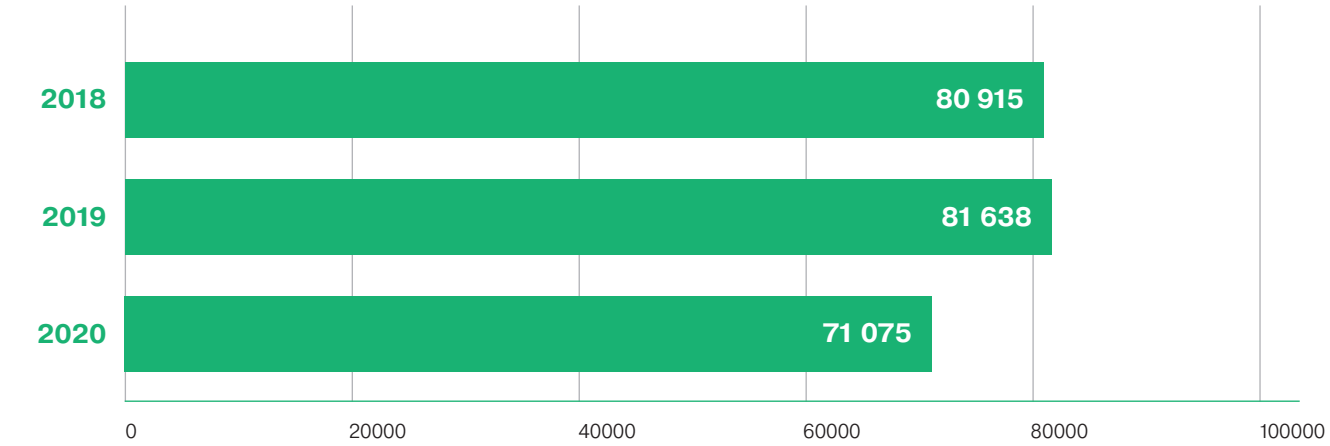
Well stock purpose	Well Count
Operating producing wells	24 599
Active producing wells	21 815
Inactive producing wells	2 560
Testing and waiting-on-testing producing wells	224
Operating injectors	11 443
Active injectors	10 670

TATNEFT Group average daily oil production rate of active producing wells vs. New wells, tonnes per day



In 2020, the TATNEFT Group fields’ daily oil production per operating well averaged 5.0 tonnes per day, per new well — 7.2 tonnes per day

TATNEFT Group average daily oil production, tonnes per day



During the reporting year, the construction of 478 wells was completed. 256 wells were developed and commissioned, with additional production of 333.8 thousand tonnes in 2020. The commissioning of 222 undeveloped wells is scheduled for 2021.

In 2021, given the oil production restrictions under the OPEC+ agreement, oil production is planned at the level of 26,314 thousand tonnes, including conventional oil — 22,357

thousand tonnes, super viscous oil — 3,663 thousand tonnes, while well intervention jobs are scheduled for 2,240 wells. Drilling and development of 27 horizontal wells was carried out at the Averyanovskaya, Yuzhno-Ashalchinskaya, and Yuzhno-Ekaterinovskaya SVO accumulations. All wells have been put into development. The cost of implementing the SVO project amounted to RUB 6,634 million.

Oil production in the Republic of Tatarstan

The Company produces most of its oil output from conventional oil fields located in the Republic of Tatarstan. Currently, the major oil production comes from two unique and six largest oil fields, namely: Romashkinskoye, Novo-Elkhovskoye, Ashalchinskoye, Bavlinskoye, Bondyuzhskoye, Pervomayskoye, Sabanchinskoye, Arkhangelskoye.

Oil production by major oil fields for 2018–2020 ktonnes

Fields	2018	2019	2020
Romashkinskoye	15 494	14 789	12 030
Novo-Elkhovskoye	2 780	2 938	2 529
Ashalchinskoye	1 071	1 205	1 160
Bavlinskoye	1 207	1 163	787
Bondyuzhskoye	239	231	180
Pervomayskoye	310	315	259
Sabanchinskoye	537	558	444
Arkhangelskoye	237	262	206

Super viscous oil field development

The Company produces super viscous oil at the Ashalchinsky field in the Republic of Tatarstan, using simultaneous injection of steam into production and injection wells.

In 2020, super viscous oil production totaled 3,375 thousand tonnes. At the year-end, the daily oil production reached 9,998 tonnes. In general, since the beginning of development, the total production of super viscous oil has amounted to 11.465 million tonnes.

SVO production, tonnes

	2018	2019	2020
SVO production, tonnes	1 949 430	2 735 090	3 375 007
SVO production since the development commencement	5 354 560	8 089 650	11 464 657

Daily SVO production, tonnes per day

	2018	2019	2020
Daily SVO production as at the year end	5 675	8 492	9 998

24 super viscous oil accumulations of the Sheshminian horizon are under development and in production. In the reporting year, 1 SVO accumulation (Studeno-Klyuchevskoye) was commissioned, drilling and equipment of infill horizontal wells was completed at 3 SVO accumulations (Averyanovskaya, Yuzhno-Ashalchinskaya, Yuzhno-Ekaterinovskaya), and work on their development by steam injection is underway.

As of 01.01.2021, at the SVO fields the operating well stock comprised 944 horizontal wells (including 27 wells drilled in 2020), 2,881 appraisal wells were drilled (including 333 wells drilled in 2020). The operating producing well count consists of 400 wells, including 371 paired wells and 29 cyclic steam stimulation wells. The operating injection well count consists of 509 wells, including 465 paired, 44 cyclic steam stimulation wells.

The work is proceeding at the super viscous oil field facilities to deploy the existing technologies and seek new solutions focused on the improved super viscous oil reservoir management. Currently, the efficient technologies have been developed to bring wells to delivering the projected flow rate: thermogel compositions; reservoir acid treatment with a complex acid composition; pre-treatment with a solvent.

Another promising area is technologies for increasing development efficiency. Currently, the areal injection of solvents is being tested, and the injection of foam systems is expected to be pilot-tested.

An important area of work to produce the reserves from less than 10 meter thickness and complex geology reservoirs is the development of technologies such as polymer flooding, steam and gas injection, and thermoshaft method of recovering super viscous oil.

In 2021, it is planned to complete the SVO-3200 project, as well as further develop the SVO project through the construction and development of in-fill horizontal wells and the commissioning of an additional section of the Moroznaya SVO accumulation. The costs are estimated as RUB 795.3 million.

Well count, pieces

	2018	2019	2020
Operating wells	803	938	944
Active operating wells, pcs	258	362	400
Active injectors	396	452	509

Oil production outside the Republic of Tatarstan

The Company continues to expand its presence outside the Republic of Tatarstan.

During 2018–2020, the TATNEFT Group operated 16 oil fields outside the Republic of Tatarstan, in the Samara Region.

In the Samara Region, the oil production came from 127 wells and amounted to 319 thousand tonnes. In the Samara region, 3 new production wells were commissioned with the average flow rate at 5.8 tonnes per day.

Key indicators	2018	2019	2020
Oil production, thousand tonnes	341	329	319
Average daily active well oil production rate	7,9	7,4	7,3
Average daily new well oil production rate, tonnes per day	10,5	15,2	5,8

Turkmenistan

As part of cooperation with SC Turkmennebit, the work was underway in 2020 to implement the production program for improving oil recovery at the wells of SC Turkmennebit in Turkmenistan.

The number of well workover teams was increased from 3 to 12, and more than 500 jobs were created. In 2020, workovers were completed at 66 wells, including 43 wells accepted into the production fund, additional oil production for 2020 amounted to over 93 thousand tonnes, totaling 294.8 thousand tonnes since the contract commencement.

In 2021, the Company plans to commence with the implementation of a production program to increase the well intervention operations at 250 wells of SC Turkmennebit with the expansion of the territory of joint activities as well as to implement services in the field of in-fill drilling at old wells.

Construction and commissioning of the oil-well tubing maintenance section in Turkmenistan was completed.

Uzbekistan

As part of implementation of the Cooperation Agreement with JSC Uzkiynyosanoat and the Memorandum of Cooperation with JSC Uzbekneftegaz, the work has been organized to put in practice the decisions stipulated in the Minutes of meetings between PJSC TATNEFT, JSC Uzbekneftegaz, and JSC Uzkiynyosanoat.

The projects are being implemented in various business lines.

In 2021, the Company plans to develop cooperation with the Republic of Uzbekistan in various business lines. In particular, two qualification bids were submitted for participation in tenders for rendering oil field services with undistributed risk for 5 and 23 hydrocarbon (HC) fields. Confirmation of the qualification of PJSC TATNEFT for the first round of the tender was received, a confidentiality agreement was signed, and information is under confirmation. The decision of the Uzbek party is pending on the second qualification bid.

Libya

Since 2014, the project in Libya has been suspended until cessation of military operations and stabilization of the political situation. At the moment, the main 3D seismic operations have been completed in the 82/4 area, and the seismic data are being processed and interpreted.

Syria

Via its branch TEPI AG, the Company has contractual obligations for the Block 27 exploration and development in Syria. Oil production has been suspended since 2011. For the time being, contacts and consultations with the Ministry of Energy of Russia and the Syrian side on the terms of resuming the project are underway. The Company does not plan to resume any production activities in the Syrian Arab Republic until the cessation of hostilities and stabilization of the political situation.

Kazakhstan

On 12.11.2019, PJSC TATNEFT and JSC OC KazMunayGas signed a roadmap to ensure the integration of advanced experience and technologies of PJSC TATNEFT into the oil and gas industry of the Republic of Kazakhstan. Within the framework of the roadmap, the establishment of a joint venture between PJSC TATNEFT and JSC OC KazMunayGas is negotiated as well as the implementation of cooperation projects in exploration, field development, deliveries of TATNEFT Group equipment and products. In 2020, the scope and types of delivery of goods and services were determined, quotations were sent, and the supply terms were agreed upon. Regarding the exploration and oil and gas production projects, the perimeter of assets for the upcoming cooperation was determined, information on fields and licensed territories is currently being studied.

Pilot test operations to identify and develop oil accumulations in the domanic deposits

In 2020, work continued on the study and development of subsurface resources containing unconventional hard-to-recover reserves, which include Domanic productive deposits and SVO.

Additional exploration work in Domanic deposits was performed at the wells of NGDU Leninogorskneft (4 wells Nos. 13849, 13954, 17362, and 14048 of the Romashkinskoye field (Abdrakhmanovskaya square), NGDU Prikamneft (2 wells: No. 7261 of the Saraylinsky field and well No. 1472 of the Pervomayskoye field). Following the works performed, the target efficiency was achieved.

As regards the core study, microanalysis of the composition and geochemical properties of rock samples from well No. 21159 B of Domanic deposits (NGDU Almet'yevneft) was carried out, and the Temporary Guidelines for Estimating Oil Reserves in Domanic Productive Deposits are being updated.

As part of the work at the Domanik and Bitum testing sites at Kuzminovsky-1, Elaursky, and Bulgarsky subsurface areas, exploration and geological study projects are being carried out.

On the Kuzminovsky-1 area, the following work commenced in 2020: "Assessment of rocks attribution to Domanic-type deposits as unconventional reservoirs, following the comprehensive study of physical and lithological properties (for the evidence base of preferential reserves when estimating and reestimating reserves). Study of core, sludge, and fluids of Domanic deposits following well drilling (including well No. 26 R of the Kuzminovsky area)." In 2020, the first stage of work was completed including the following: core gamma-spectrometry, longitudinal slabbing, photographing in daylight and under ultraviolet light, followed by comparison and macro description.

At the Elaursky area (the Bitum testing site), a set of core studies was conducted to isolate bitumen and determine its viscosity, for the core obtained during drilling of well No. 34001.

As part of the final stage of the "Development of Oil Recovery Technology Based on Laboratory Testing of Core, Water, and Oil from Carbonate Bituminous Reservoirs at the Elaursky area" R&D project, the Company has decided to conduct pilot testing (for steam and solvent injection) at the above well. To test the technology and equipment to involve the SVO reserves in the carbonate reservoirs in the development, well No. 34001 of the Elaursky area was steam-injected for the 1st cycle.

For the Shugurovskaya SVO deposit, after electromagnetic GPR pulse sounding, the "Additional Exploration of the Shugurovskaya Oil Deposit of the Romashkinskoye field" project was developed.

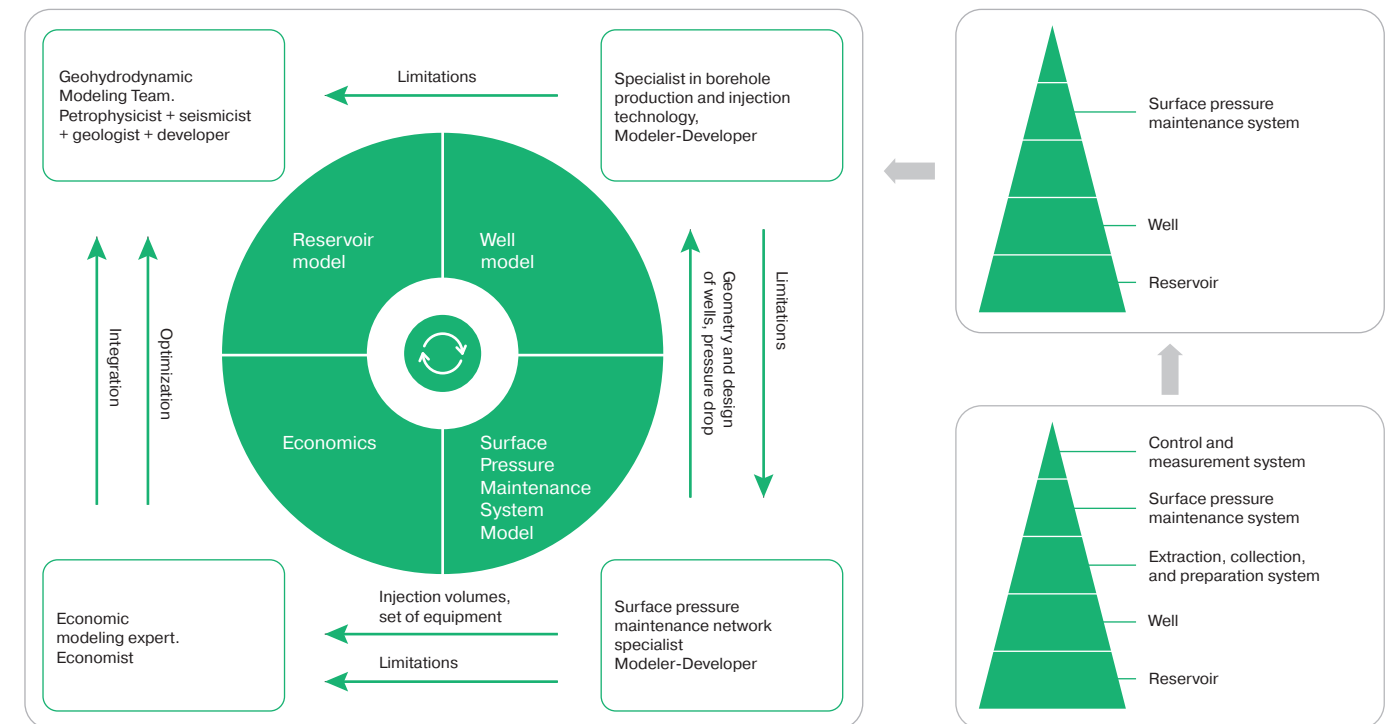
The activities titled "The Development of Research and Engineering Solutions to Develop Unconventional Reservoirs (Domanic deposits) and Hard-to-Recover Oil Reserves (bituminous oil) Based on Experimental Research" were carried out under the Federal Target Program (FTP) of the Ministry of Education of the Russian Federation.

At wells Nos. 2800 and 2805 (Zavolzhsky suprahorizon) of the Bavlinskoye field, the technology with the use of low-viscosity hydraulic fracturing fluid was applied in the development of Domanic deposits. Works on hydraulic fracturing in the wells were performed without complications in the normal mode. At wells Nos. 2255 and 3102 (Zavolzhsky suprahorizon) of the Bavlinskoye field, the technology with the use of KC-FTSP-2, KC-3(1:1) acid compositions was used. At four wells Nos. 13000, 13003, 13004, 13005 of the Severo-Ashalchinsky upheaval (Sheshminian horizon) of the SVO deposit, the technology of injection of RTNN-7 solvent into cyclic steam stimulation wells was used for the development of bituminous deposits. In the periodic mode, 75 m3 of solvent was injected into the reservoir with steam in each well, after which it was stopped for thermal capillary impregnation and a liquid extraction cycle.

Digital modeling in reserve development

Digital modeling in the reserve development is the process of integrated field modeling (IM), a mathematical description of the processes in the components of the hydrocarbon production system, including the reservoir, wells, and surface facility development.

The use of the "Reservoir model – Well model – Surface Pressure Maintenance System Model – Economics" IM is a concept of digital development based on the application of a new systemic approach.



The objective in the development of a field is to fully involve the capacity of the deposit in the drainage process.

The development of the concept to optimize the waterflooding system with the use of IM requires formalization and solution of tasks and stages: creation of a geological and hydrodynamic model (GHM) of the reservoir or site; creation of Well models; creation of a model of the surface pressure maintenance system for the site or for an site sector; integration of the surface pressure maintenance system with the GHM of the oil site and well models; pressure maintenance; improvement of competencies in the field of modeling the system "Injection Pump Station – Water Pipelines – Wells – Reservoir"; conduct of a complex nodal analysis of injection wells, specification of operation parameters, determination of optimization measures; planning of technological indicators of oil object development, taking into account the mutual influence of the

components included in the integrated model; analysis of site development indicators and choosing the optimal scenario for practical implementation; impact of the collection network on the performance of wells; identification of problem areas in the collection network; accounting for injection network restrictions; accounting for the interference of wells with different characteristics, located on the same cluster site; correct accounting for group restrictions on oil production.

Optimization of the pressure maintenance system is a comprehensive approach (project). The basic principle is to find a common solution between the reservoir potential, well conditions and the limitations of the surface pressure maintenance infrastructure, taking into account the economic criteria of the project under consideration.

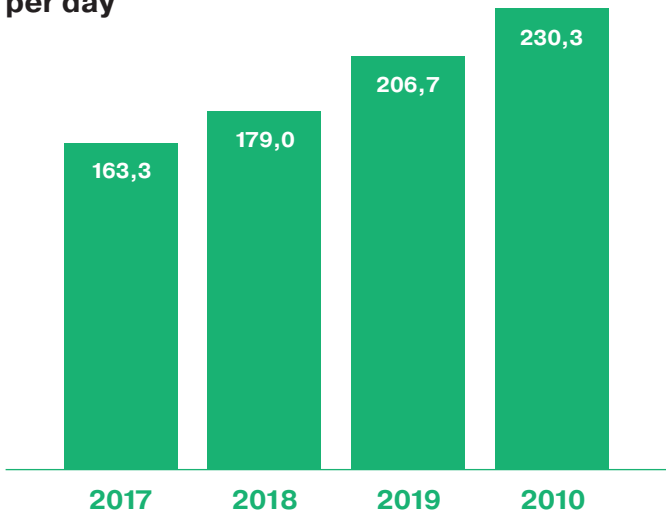
Oil and gas refining

The “Oil and gas refining” business line incorporates the production facilities of JSC TANECO (main oil refining output), Tatneftgasprocessing Division (including Elkhovsky Oil Refinery), and JSC Nizhnekamsktehuglerod. The downstream operations are organized at four production sites in the immediate logistical proximity to the oil production facilities in the Nizhnekamsk and Almetьевsk Districts of the Republic of Tatarstan.

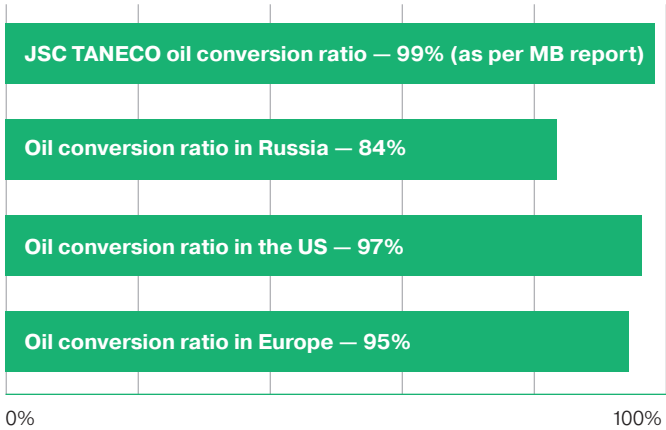
Key strategy objectives:

- Bringing the refined oil to 15.7 million tonnes per year;
- Increasing the output of environmental class K5 products that meet the requirements for Euro-6 engines;
- Search for new opportunities for the growth of the business line, including through the development of new lines;
- Improving the environmental situation in the region of operation through the use of the best available technologies and the sale of environmentally friendly products;
- Ensuring safe working conditions for employees involved in the production or related to the production activities of the Neftegazopererabotka enterprises.

TATNEFT Group oil refining, thousand barrels per day



Processing depth

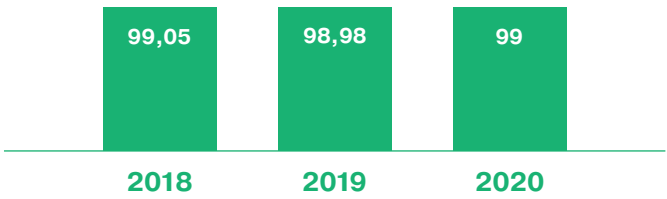


** data from the minutes of the meeting of the Association of Oil Refiners*

Despite the impact of the restrictive measures taken due to the coronavirus pandemic, which affected the oil refining operations throughout 2020, the production performance indicators for the downstream business were fully met.

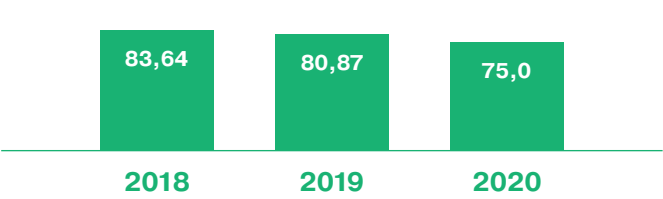
TANECO Complex

JSC TANECO oil conversion ratio, %



In 2020, over 11.35 million tonnes of crude oil were processed at the TANECO Complex’s facilities, the output of petroleum products amounted to 12.1 million tonnes. Besides, during the year, the vacuum gasoil was delivered from third

Light product yield, %



parties in the amount of 0.121 million tonnes to operate the hydrocracking unit at higher process utilization rate, of which 0.0078 million tonnes came from Elkhovsky Oil Refinery.

TANECO Complex refining output, ktonne

	2018	2019	2020
Processing of feedstock, including:	8 609	10 060	11 350
- Oil	8 605	10 058	11 306
- Gas condensate/Heavy mixed stabilized sulfurous condensate	4	2	44

2020 TANECO Complex main product slate

- Diesel fuel EURO
- Unleaded gasoline
- Aviation kerosene
- NGL
- Stable natural gasoline
- Technical kerosene
- Heating gasoil/gas condensate distillate type I / II
- Diesel oil cut
- Hydrotreated diesel oil cut
- Hydrotreated petroleum fuel/compound of lubricating oils
- Industrial gas granulated sulfur
- Anode grade petroleum coke
- TATNEFT isoparaffin base oil HVI-2 (TANECO base 2)
- TATNEFT isoparaffin base oil VHVI-4 (TANECO base 4)
- Heavy coking gas oil

Complex development outlook

The positive dynamics of the TANECO Complex development is steadily progressing through the improved efficiency of the current operations and timely new production launches, allowing for the expansion of the output and slate of products, enhancing the oil conversion ratios, and increasing light product yield.

Planned start-ups and process unit capacities:

- Catalytic cracking unit — 1,100 Ktonnes per year
- Hydrogen production unit — 3,100 Ktonnes per year
- Gas fractionation plant — 350 Ktonnes per year
- Delayed coking unit-2 — 2,000 Ktonnes per year
- Pilot tar hydroconversion unit — 50 Ktonnes per year
- Diesel fuel isodewaxing unit — 1,300 Ktonnes per year
- Lube stock plant — 40 Ktonnes per year

** 11,3 million tonnes do not include gas, semi-finished products and losses.*

New product launch

TANECO technologies

In 2020, commissioning works were started on a modular plant for rapid pyrolysis of wood biomass, designed for processing wood chips, sawdust, and plant biomass by thermal decomposition without oxygen access.

The following projects are planned to be implemented in 2021:

- "Construction of the diesel fuel isodeparaffinization plant". This unit is designed to produce stable arctic diesel fuel with a low pour point temperature.

- "Modernization of the lube base stock plant to produce a base oil with a viscosity of 6 cSt at 100 °C". The project is aimed at upgrading the existing lube base stock plant to produce a new product.
- Creation of digital twins of CDU-VDU-7, CDU-VDU-6, hydrocracking units. The "digital twin of the process plant" is a software solution aimed at finding non-obvious technological dependencies of oil refining processes. The goal of the digital twin is to further develop the most marginal fractions/end products, based on the current interests of the enterprise.

Key business projects and events in 2020

In January 2020, commissioning works were performed at the heavy coking gas oil hydrotreatment plant, as well as a fixed running at 100% load using the design raw materials (HGC+HVG).

In February, the use of LHG of section 4100 as a component in the production of gasoline was started.

In March, the monthly volume of crude oil refining exceeded 1 million tonnes for the first time ever. The production of anti-septic liquid was started.

In April, the heavy gas oil coking hydrotreatment and sulfolane extractive distillation units were commissioned.

In June, the overhaul of the process equipment of the vis-breaking units and the visbreaking vacuum unit was performed successfully, and the delivery of light vacuum gas oil from Elkhovsky Oil Refinery for the additional loading of the hydrocracking unit commenced.

In August, operational tests of light feedstock (LGC and LVG) refining were carried out at section 4200.

In November, a comprehensive testing of the medium distillate hydrotreating plant equipment was started on working media, and in December, the plant was commissioned.

In the second half of the year, the scheduled maintenance of process equipment for hydrocracking, hydrogen production, oils production, and delayed coking was successfully carried out.

In 2021, the company plans to complete construction and installation works and commence with comprehensive testing of hydrogen-3 production units, catalytic cracking, pilot hydroconversion unit, delayed coking unit-2, gas fractionation unit, isodeparaffinization, lubricants production, and related U&O facilities.

New product launch

In 2020, the production of premium TANECO EURO-6 AI-92, AI-95, AI-98, AI-100 gasoline according to STO 78689379-50-2020, distinguished by a low sulfur content and a minimum content of olefin hydrocarbons, was launched.

In March 2020, the production of RMD 80 marine fuel as per GOST 32510-2013 was launched.

Production of EURO-6 premium diesel fuel as per STO 78689379-51-2020, distinguished by a reduced sulfur content (max. 5 ppm) and a minimum content of polycyclic aromatics, was launched.

In May 2020, TANECO launched the production of MGA-18 industrial-grade hydraulic oil according to STO 78689379-59-2020, which is intended for the lubrication of lightly loaded, high-speed components and mechanisms, in machines and mechanisms of industrial equipment, as a hydraulic fluid.

In September, the first batch of SAE 5W-40 TATNEFT Premium semi-synthetic motor oil was received.

In November 2020, TANECO launched the production of a low-viscosity component of drilling mud according to STO 78689379-66-2020. This product is designed for the preparation of a wide range of hydrocarbon-based solutions suitable for all drilling conditions.

In December, the first batches of the following oils were received: SAE 5W-40 TATNEFT Profi and SAE 5W-40 TATNEFT Progress semi-synthetic motor oils, SAE 0W-30 TATNEFT Luxe and SAE 0W-30 TATNEFT Luxe PAO synthetic motor oils.

Elkhovsky oil refinery

In 2020, the oil refining amounted to 504,818 tonnes, the conversion ratio was 53.32%, and the light product yield was 33.84%.

In 2020, Elkhovsky Oil Refinery accepted 504,818 tonnes of crude oil for processing, including 502,703 tonnes from NGDU Elkhovneft and 2,115 tonnes from LLC Tatneft-Samara (Irgizskoye oil field), which resulted in the refining output of 244,247 tonnes of finished products. The targeted output of 219,648 tonnes of petroleum products was outperformed attaining 111.2%.

The Tatneftgasprocessing Division's gas collection system received gas in the amount of 2.254 mln m3.

In 2021, it is planned to continue works on the implementation of projects for the construction, refurbishment, and updating of GPP and Elkhovsky Oil Refinery facilities. The following facilities will be commissioned: "Construction of the Plant-Wide Flare System," "Retrofitting and Upgrading of Safety Systems at MGPP," "Updating of the 1,500 kVA UTS with the Replacement of Power Transformers 6/0.4-2x1,500 kVA at Elkhovsky Oil Refinery," "Updating of Engineering Networks at Elkhovsky Oil Refinery," "Implementation of the System of Automated Control of In-House Production Processes at Elkhovsky Oil Refinery."

Main processing facilities

The unit oil refining plant consists of the following process units:

- Atmospheric and vacuum distillation of crude oil;
- Straight-run gasoline hydrotreating;
- Gasoline catalytic reforming;
- Benzene-free component unit for commercial gasolineproduction;
- Diesel fuel hydrotreating;
- Amine scrubbing of hydrocarbon gases;
- Elemental sulfur recovery;
- Road construction bitumen production;
- Engineering support unit: flare system, supply of fuel gas, nitrogen, process air, process water, steam.

The feedstock and product facility includes the following sites:

- The refinery tank battery for commodity acceptance and storage consists of 4 vertical steel tanks RVS-5000 and 4 tanks of 200 m3 capacity;
- Commercial Regular-92 gasoline unit;
- Two finished product release outlets;
- Adhesive production unit.

2020 product slate

- Diesel fuel;
- Regular-92 gasoline;
- Heating gasoil;
- Light vacuum gasoil;
- Elemental sulfur;
- Industrial solvent.

2020 key business projects

- Implementation of the system of automated control of in-house production processes at Elkhovsky Oil Refinery;
- Introduction of the advanced process control system at the ELOU-AVT unit;
- Organization of shipment and refining of Elkhovsky Oil Refinery LVG at the facilities of JSC TANECO;
- Improving Elkhovsky Oil Refinery operational efficiency by optimizing the expenses for underground storage facilities and overhaul.

Product quality

All manufactured products comply with the requirements of regulatory documents.

TATNEFTGASPROCESSING DIVISION (UTNGP)

The Tatneftgasprocessing Division is a single technological complex that performs the APG and NGL treatment, storage, and processing operations as well as the shipment of processed products. UTNGP is engaged in processing of associated petroleum gas and wide fraction of light hydrocarbons (APG and NGL) extracted together with crude oil from the Company's oil fields ensuring the gas utilization at the rate of 95% in accordance with the requirements of the legislation of the Russian Federation.

The Tatneftgasprocessing Devision's existing capacities enable performing the entire complex of gas processing operations: gas purification from hydrogen sulfide and carbon dioxide; dehydration; gas separation into individual fractions — ethane, propane, isobutane, isopentane, pentane-isopentane fractions, and fractions of normal butane and stable natural gasoline as well as dry topped gas and gas sulfur.

In 2020, the supply of oil gas to the GPP amounted to 713.5 million m3 of gas. The integrated oil processing unit processed NGL in the quantity of 271.6 thousand tonnes, with additional JSC TANECO NGL processing amounting to 32.1 thousand tonnes. 250.2 million m3 of high-sulfur gas was delivered for sweetening.

Works were completed on the refurbishment of the raw gas compressor unit, the construction of the plant-wide flare system, the updating of safety systems at MGPP, and the linking of the solvent deasphaltation (SDA) experimental laboratory unit.

Production facilities

- 4 NGL pumping stations with a system of product pipelines;
- The Minnibaevskaya sour gas-sweetening plant with elemental sulfur recovery;
- Bavlinskaya sour gas-sweetening plant with elemental sulfur recovery;
- Gas desulfurization unit with the capacity of 1 billion m3 per year (the unit includes a pilot plant for the sour gases utilization to produce elemental sulfur);
- Raw gas compressor unit 7/8 of the plant with K-380 type centrifugal compressors;
- Gas dehydration and sweetening unit to remove moisture and carbon dioxide;
- Low-temperature condensation and rectification plant;
- Cascade refrigeration unit;
- Cryogenic plant for deep processing of dry topped gas;
- GFU-2 and GFU-300 gas fractionation plants;

- Topped gas compressor unit 7/8 of the plant with 10 GKN-type gas-engine compressors;
- Finished product storage unit;
- Discharge and filling railway elevated platforms (5/6 and 7/8), designed for simultaneous filling or discharge of 30 railway tanks on each platform. The capacity of each filling and discharge elevated platform is 300 thousand tonnes of products per year;
- Feedstock and finished product warehouses Nos. 1, 2, 3;
- Fuel and reagent storage unit.
- Flare gas disposal unit;
- Air compressor station;
- Nitrogen-oxygen station for oxygen and nitrogen generation;
- Recirculating and fire-extinguishing water supply systems with sewage treatment plants and Zayskaya water intake station.

Product slate

- Flammable natural gas;
- Hydrocarbon liquefied fuel gases;
- Ethane fraction;
- Propane fraction;
- Isobutane fraction;
- Normal butane fraction;
- Isopentane fraction;
- Stable natural gasoline;
- Technical-grade sulfur;
- Technical-grade oxygen gas;
- Technical-grade nitrogen.

Product quality

All manufactured products comply with the requirements of regulatory documents.

Nizhnekamsktekhuglerod

The Company's carbon black production capacity is one of the largest among the Russian industrial enterprises.

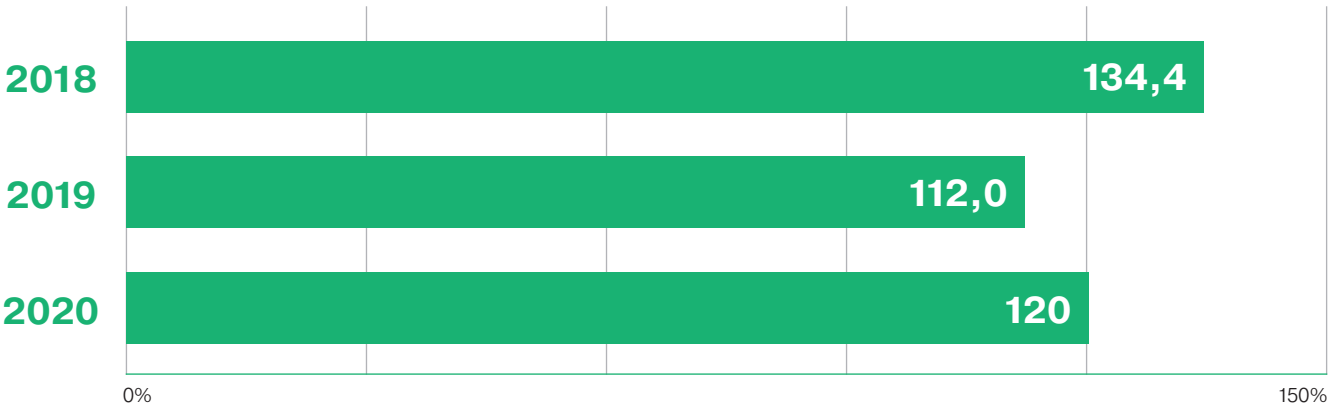
The produced carbon black is highly competitive relative to its foreign counterparts, as a component in rubber manufacture, and is used as a filler for plastic goods. The quality of the products is world-class. A wide range of carbon black grades contributes to the extensive geography of product sales both within the country and for export. The line of carbon black grades produced by the Company includes more than 14 commodity items. The plant produces the following carbon black grades: N-115, N-121, N-134, N-220, N-234, N-330, N-324, N-326, N-339, N-375, N-376, P-242, P-243, P-245, P-234. The finished product is delivered to consumers in special hopper-carbon black cars (42–47 tonnes each), packaged in plastic or paper bags (22–25 kg each) or in big-bags.

In total, the plant has 5 technological streams for the production of active and semi-active carbon black grades. The production capacity is 134.4 thousand tonnes per year: for active grades — 78.7 (1, 2, 5 process streams), for semi-active grades — 55.6 (3, 4 process streams).

The consumers of carbon black products are the enterprises that produce industrial rubber goods.

In 2020, the carbon black production amounted to 120 thousand tonnes. Total sales amounted to 119.3 thousand tonnes. In 2020, the carbon black importers were more than 10 countries. Primarily, the deliveries were made to Belarus, Poland, Germany, Turkey, Serbia, Romania, Slovakia, Switzerland, etc.

Carbon black production for 2018–2020, ktonnes



2020 carbon black sales, ktonnes

Sales destination	Sales volume
PJSC TATNEFT Tire Business	55,9
Domestic market	19,0
Export	44,4

Main carbon black supply destinations in 2020, %

Sales destination	%
Tire business	47
Domestic market	16
Export	37

Nizhnekamsktekhuglerod almost completely provides its production capacities with its own electric energy. The transition to the self-generated power supply has significantly reduced the cost of production and helps to improve the environmental situation in the region.

Retail business

The Company’s retail and sales network is the key channel for promoting highly competitive products of PJSC TATNEFT, that is gasoline and diesel fuel of its own production with improved performance characteristics. The rapid development of the TATNEFT fuel stations is facilitated by ongoing upgrading and modernization of the fuel filling station along with the introduction of advanced energy- and resource-saving technologies aimed at preserving and improving the environment.

The 2030 development strategy is focused on improving the “quality” of the filling station network, developing accompanying services and transforming filling stations into “service centers.” The competitive strategy is based on the renewal of unique fuel and nonfuel supply at filling stations for target customers.

Introduced in 2019 as part of the tax maneuver, the “damp-er” allowed to stabilize the situation in the retail fuel market in Russia, which ensured a sustainable retail margin and positive EBITDA dynamics in 2020.

Given the market parameters for 2019–2020, it is possible to plan not only the asset quality improvement provided for in the Strategy, but also the filling stations network expansion in the Russian Federation.

The output produced at the TANECO Complex such as diesel fuel and a slate of gasolines, which are delivered directly from the Refinery, is one of the signature lines of the TATNEFT Company. The assured quality and environmental characteristics meet high standards of petroleum products.

By the year-end 2020, the Company’s retail sales network incorporated 819 fuel filling stations located in Russia, Ukraine, Uzbekistan, and Belarus, in particular: 33 regions of the Russian Federation — 708 filling stations, the Republic of Belarus — 18 stations, Ukraine — 91 stations, Uzbekistan — 2 stations.

The Company considers its fuel filling station network as the main channel for selling gasoline and diesel fuel of its own production. In 2020, the Company increased its network by 19 advanced, high-tech filling stations, while extending its presence to the Lipetsk Region by 1 filling station, and the Republic of Mordovia by 6 stations, with 22 renovated filling stations. In the Ryazan Region, 2 mirror-located multi-functional service areas (MSAs) were built. In the regions where the Company operates, the filling station network has increased by 10 gas stations: in the Republic of Tatarstan by 5, in the Nizhny Novgorod Region by 2, and in the Samara Region by 3. As of the year-end, 25 franchised filling stations operate under the TATNEFT brand. The Company continues to integrate Neste filling stations network comprising 75 filling stations and 1 tank farm — acquired in 2019 — into the TATNEFT filling station network.

The new assets will help increase the sales of fuel produced by the Company in the domestic market. In 2021, it plans to further develop promising regions and open new sales markets, expand the network of TATNEFT filling stations, in particular, in the Voronezh, Tambov, Saratov, Lipetsk, Kirov Regions as well as in the Republic of Bashkortostan, the Republic of Mordovia, and the Perm Territory.

The rapid development of the TATNEFT filling stations network is facilitated and supported by ongoing modernization of the fuel filling stations along with expansion of accompanying services. Additional control measures for petroleum products are being put in place. A conceptual solution of Format 200+ for the location of filling stations on land plots with an area of 1.6 hectares has been developed.

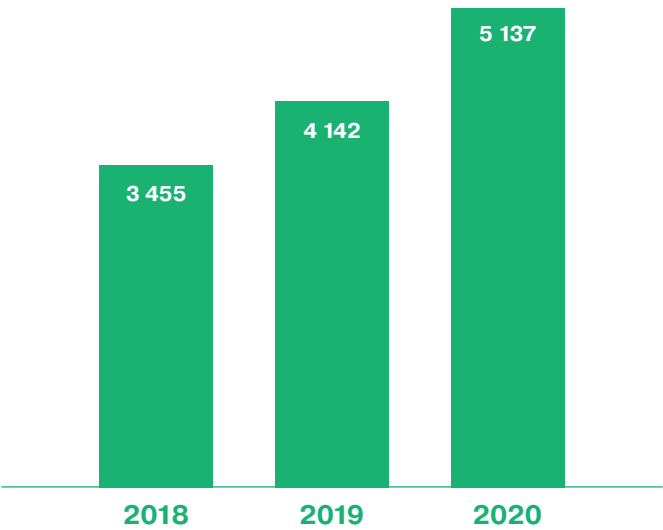
The Company is developing infrastructure to support electric vehicles — 7 filling stations are equipped with fast charging units. Alternative types of heating are used, including pellet boilers, heat pumps, and solar panels.

In 2021, the Company intends to expand the network of fast-charging stations for electric vehicles to 16, develop the sale of compressed natural gas at 3 filling stations, upgrade 74 and build 6 filling stations, create filling-station heating using a solar collector, and introduce energy-saving Smart Grid technologies.

Fuel filling stations count

	2018	2019	2020
Total, including	711	802	819
Russian Federation	602	691	708
Ukraine	91	91	91
Republic of Belarus	18	18	18
Republic of Uzbekistan		2	2

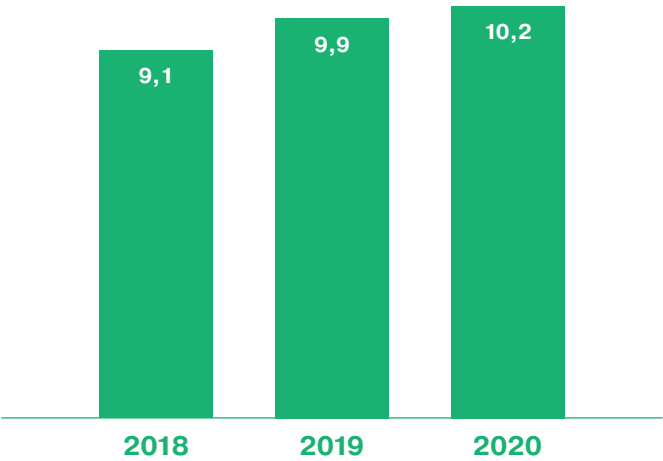
Retail petroleum product sales, ktonnes



24%

Retail petroleum product sales growth

Average daily sales at operating filling stations, tpd per station



3,03%

Filling station average daily sales growth

TATNEFT retail petroleum product sales, ktonnes

Indicators	2018	2019	2020	2018	2019	2020
Sales volume:	Retail			Small wholesale		
RSS	1 858	2 075	2 478	1 597	2 006	2 659
Russian Federation, including	1 759	1 970	2 371	1 568	1 981	2 628
LLC Tatneft-AZS-Tsentr	1 106	1 221	1 209	849	898	1 078
LLC Tatneft-AZS-Zapad	653	749	840	719	1 083	1 537
OOO Tatneft-AZS-North-West	-	-	322	-	-	13
FLLC Tatbelnefteprodukt	68	76	64	5	4	4
LLC Tatneft-AZS-Ukraine	31	28	27	24	21	27
LLC Tatneft-AZS-Tashkent	-	0,3	16	-	-	-

Accompanying services

In the strategic concept for the development of the fuel filling station network, one of the ways to improve efficiency and competitiveness is the development of accompanying services. During the refurbishment of existing facilities and construction of new ones, novel formats are implemented in the filling station complexes with the retail space areas of 60, 90, and 150 m², including cafe zones, drive-throughs, convenience stores, as well as new forms of rendering additional services.

In 2020, the number of robotic car wash posts at the TATNEFT filling stations increased, barista services at filling stations, food delivery from filling stations, and the sale of goods using fuel cards were introduced.

The Company develops digital services. For example, in 2020, three filling stations were equipped with “smart home” systems, and pilot testing of online energy monitoring systems is underway.

In 2020, to improve the level of customer service, a system of uniform standards is in place throughout the network, and employee training and control checks are carried out on a regular basis.

In 2021, the Company plans to introduce online fuel payment cards, create catering points based on unique recipes in the Dark Kitchen format, create an electric scooter rental network, organize online sales and purchases in the Marketplace system, and introduce a robot assistant at filling stations.

Petroleum product quality control system

The Company has an effective system of petroleum product quality control in place, which allows guaranteeing high quality fuel at TATNEFT filling stations to its customers. The work is organized in accordance with the requirements of the current rules and regulations in all process operations (acceptance, storage, transportation, and release) and is provided by a multilevel control system, using cutting-edge equipment, advanced technologies, technical means, and software systems (Info-Oil, AutoGraph, Terrasoft, Intraservice).

During 2020, more than 17 thousand samples of petroleum products were collected from all gas stations and tank farms. The Company analyzed more than 100 thousand indicators in 11 specialized laboratories with the involvement of 3 mobile laboratories which equipment allows for prompt determining more than 15 indicators for gasoline and 10 indicators for diesel fuel by express methods.

Environment

The priority direction for the fuel station network development is to constantly improve the environmental characteristics of products and processes of fuel station complexes, taking into account the corporate model of responsible resource consumption and reducing the negative impact on the environment.

To control environmental indicators and reduce the impact on the environment, the Company implements comprehensive measures covering the entire fuel station network. In particular, the measures are aimed at reducing emissions to the atmosphere through capturing and processing of hydrocarbon vapors. The first stage of the project is to equip fuel stations with a system for recirculating hydrocarbon vapors (vapors are gathered while loading petroleum products into tank trucks and stock tank farms, then the vapors are captured in the light hydrocarbon vapor recovery unit). The second stage is equipping tank farms and refineries with units for collecting and processing vapor-air mixture. Then all fuel-filling pumps at filling stations will be equipped with gas return systems.

To optimize energy consumption, pellet boilers are installed at filling stations that operate on wood wastes; creation of a natural filling station air conditioning system in the summer, introduction of Smart Grid energy-saving technologies with the ability to monitor and control systems. All products sold within the fuel filling station network have the required certificates and permits. Over the past year, nonconformities were not revealed. Currently, the Company is working on the action plan for shifting to environmentally friendly packaging and labels.

To create a favorable environment in the area of its operations, the Company is implementing the “Forest from Filling Stations” greening program: as of 2020, the total area of planted forests was 5,805 hectares.

ISO standards compliance and fuel filling station certification

Currently, the retail chain enterprises are taking measures to ensure compliance with ISO standards — Environmental Management Systems (ISO 14001:2015) and Occupational Safety and Health Management Systems (ISO 45001:2018). In 2020, a project was implemented to introduce IMS in the Retail Business sector.

Informing consumers of goods and services

The Company uses all available communication channels to inform consumers on its products and services through the quality certificates for petroleum products and goods being sold, proactive information plates and signage, promotional or informational material (printed materials, models on the video monitors, audio and video advertising) that are easily available at our fuel stations and describe the composition and properties of the products being sold, the procedures for the safe use and disposal, and the impacts on the environment. Information is also posted on the Company's website, in social networks, and mobile app. On the same resources, customers may get feedback from the designated network specialists.

During the reporting period, there were no deficiencies in the quality of products sold and the impact of products and services on the health and safety of customers and visitors.

Customer satisfaction surveys

Regular surveys to assess customer satisfaction and brand health indicators (knowledge – consumption – loyalty) are performed once a quarter using Mediascope* statistical database. All this allows us to build a communicative strategy of consumer work, organize promotional events that are in demand, and consequently, have a positive impact on loyalty and demand.

** Mediascope is a technology research company, the leader of the Russian market of media research and monitoring of advertising and mass media.*

Personal data of customers

The Company strictly oversees the mechanisms for ensuring the principle of consumer privacy right and protection of personal data of the customers in our fuel filling stations and is guided by the Constitution and federal laws of the Russian Federation regulating these activities. The customer information base is formed as part of the loyalty program to notify customers of marketing promotions and inform them on the network operation. The information database comprises the persons who have consented to their personal data processing and subsequent receipt of notifications from the fuel filling station network.

Feedback

To ensure quality control of the filling station network operation, the feedback mechanisms are set up and maintained in a fast-track manner (reception, processing, and response):

- Customer feedback book that is available at all our filling stations
- 24/7 hotline of the TATNEFT retail sales network: 8-800-5555-911
- 24/7 PJSC TATNEFT hotline: 8-800-100-4-112
- Feedback form on the retail sales network website azs.tatneft.ru
- Email: tn@88001004112.ru
- Retail Network social media accounts (<https://vk.com/azs.tatneft>, <https://www.facebook.com/azs.tatneft>, https://twitter.com/AZS_TATNEFT, <https://ok.ru/azs.tatneft>, <https://www.instagram.com/azs.tatneft/>)
- PJSC TATNEFT official page in social media.
- Corporate social network (CSN): <https://kss.tatneft.ru/>
- Collecting reviews from third-party platforms (maps, navigators, and feedback sites)
- Customer polls

All motivated inquiries are registered in the Terrasoft system with further breaking down into one of 4 types (comment, request, complaint, claim) and classification by one of 15 parameters (payment calculations for fuel, related service, service culture, promotions, equipment integrity, fuel filling accuracy, etc.). The customer is provided with our feedback via the received information channel (phone call, email, etc.) within 6 business days. If a more detailed inspection is required by a joint decision of the supervisor of the subsidiary and a designated specialist, the term may be extended to 21 business days.

The response time in social media for requests and inquiries that do not require registration and subsequent official verification may take from a few hours to 2–3 calendar days. A full review of the correctness of providing feedback is performed monthly with a random check of customer satisfaction with the response.

Customer loyalty programs

The Company conducts dozens of promotional and incentivizing events at gas stations and in the regions where it operates.

Federal incentivizing events: All-Russian “AydaNaAZS” campaign, New Year’s “We fill with gifts,” “Fill in some good luck,” “100th anniversary of the TASSR,” events under the Champion Club loyalty program, promotions with suppliers of accompanying goods

Image-making and promotional events: “Forest from Filling Stations” environmental campaign, sponsorship of sports teams: HC Ak Bars, KAMAZ-Master, HC Neftyanik, sponsorship of the Masterslavl development project for children, sponsorship of the Green Fitness project, sponsorship of the ART-Sabantuy artistic contest, Open Days and field presentations at the largest enterprises of the regions of operation, children’s matinees, federal and regional holiday events (February 23, March 8, May 9, etc.).

Local incentivizing events: Night Drive, Weekend Discount, We are Happy to See Everybody.

In 2020, the Company promoted the Champion Club loyalty bonus program offering the ability to segment the customer base and personalize the offer.

Petrochemical complex

The petrochemical sector represents new business growth points with high long-term potential. By investing in the petrochemical industry, the Company reduces the Group's market risks through diversification, gains additional synergies with its refineries and gas processing plants, and increases the stability of generated cash flows and its profit margins.

The enterprises of this business segment managed to achieve the planned indicators under the production program, despite the deterioration of the market conditions in the petrochemical and consumer industries (primarily in terms of demand from the automotive and tire industries).

Key risks:

- Slowing global demand for plastic due to changes in consumer behavior and the concern for nature;
- Slowing demand growth due to the economic crisis caused by the COVID-19 pandemic;
- Increased competition in the petrochemical products market in the Russian Federation, and consequently, an oversaturation of markets and a drop in margins;
- Increased project implementation time due to the global epidemiological situation.

The implementation of the first stage of the PJSC TATNEFT petrochemical complex development is planned on the territory of the Almetyevsk District of the Republic of Tatarstan and includes the construction of a maleic anhydride production unit (UPMA), a propane dehydrogenation unit, and the production of polypropylene. The maleic anhydride unit with a capacity of 50 thousand tonnes per year is planned for launch at the gas processing plant (UTNGP), the remaining units (the propane dehydrogenation unit with a capacity of 280 thousand tonnes per year, the propylene polymerization unit with a capacity of 270 thousand tonnes per year) will be launched at the UTNGP facilities.

In 2020, as part of the implementation of the projects provided for by the first stage of the petrochemical complex development, the UPMA construction project passed all the required examination procedures and obtained a construction permit. Working documentation is currently being developed, equipment deliveries are underway, the site has been prepared for construction works.

The project for the construction of a propane dehydrogenation plant and the production of polypropylene is at the design stage, and works are underway with Process Licensors to develop basic projects. After receiving the basic project documentation from the Licensors, the Company will start developing the project documentation. Currently, works are underway on a detailed study of sales markets.

The development of the tire business of PJSC TATNEFT, the increase in its share in the Russian market in integration with the development of the rubber business of LLC Tolyattikauchuk,

aimed at expanding the range of elastomers and creating its own raw material production assets, the development of the import-substituting latex sector is currently one of the factors opposed to the impact of market challenges.

LLC Tolyattikauchuk

It is one of the largest enterprises in the petrochemical complex of Russia, located in Tolyatti, the Samara Region.

The core activity of the enterprise is the production of synthetic rubbers of various brands, which is the raw material for tires and rubber products. It is one of the 10 largest exporters in the Samara Region.

The structure of the enterprise includes 6 main production facilities for the manufacture of synthetic rubbers, monomers, and intermediate products and 2 auxiliary production facilities for providing energy resources and equipment repair. The enterprise also includes a commodity and raw materials workshop and an electric automation and measurement workshop.

Currently, at the Tolyatti site, works are underway to optimize the existing technological processes for the production of rubbers and monomers as well as to improve the quality indicators of products.

Production capacities of the enterprise:

- Production of copolymer rubbers with a capacity of 60 thousand tonnes per year;
- Production of butyl rubber with a capacity of 75 thousand tonnes per year;
- Production of butadiene with a capacity of 80 thousand tonnes per year and high-octane gasoline additive with a capacity of 39.2 thousand tonnes per year;
- Isoprene production with a capacity of 90 thousand tonnes per year and production of MTBE with a capacity of up to 120 thousand tonnes per year
- Production of isoprene rubbers with a capacity of 82 thousand tonnes per year;
- Production of isobutylene-isobutane fraction with a capacity of 165 thousand tonnes per year and isobutylene with a capacity of 60 thousand tonnes per year.

Product range

The main products of LLC Tolyattikauchuk are synthetic rubbers of various grades. The company also produces hydrocarbon fractions, products of organic and inorganic synthesis, monomers, polymers, additives for automobile gasoline.

Tire business

The Company's tire business operates under the single KAMA TYRES production brand and combines a range of tire brands.

Strategic tasks:

- Increasing the market share in the tire market of Russia due to the growth in sales in the most promising segments, bringing the tire sales volume to 18.1 million pcs by 2030.
- Consolidation of all steel cord (R20+) and Viatti tires in a more marginal B-price segment through effective marketing, service support and a value proposition for consumers. About 55% of the tires will be positioned in the B-segment (the current level is 27%).
- Withdrawal of KAMA EURO from brand portfolio, launch of the new KAMA PRO tire brand.
- Optimization of procurement activities.

Key risks:

- Increased competition from foreign companies and Russian manufacturers;
- Low rates of economic growth in the Russian Federation and the purchasing power of the population, which will hinder the growth of the tire market;
- Reduced demand for tire products (due to the global recession caused by the COVID-19 pandemic);
- Increase in prices for certain types of raw materials;
- Increased project implementation time due to the global epidemiological situation.

The production complex includes enterprises engaged in the manufacture of tire products — PJSC Nizhnekamskshina, LLC Nizhnekamsk Truck Tire Factory, LLC KaMaRetred, LLP KaMaTyresKZ1; enterprises servicing the tire production facilities, namely JSC NMZ, JSC Yarpolimer mash-Tatneft, LLC STC Kama, LLC Energoshinservis; enterprises supplying feedstock and materials and selling tire products — LLC Trading House KAMA with stand-alone regional divisions and a subsidiary; a social enterprise — LLC SBO Shinnik.

Enterprises have production facilities that produce the following types of output:

PJSC Nizhnekamskshina:

- Tires of the passenger and light-truck range;
- Industrial-grade tires.

LLC Nizhnekamsk Truck Tire Factory:

- All steel cord truck tires;
- Multipurpose truck tires;
- Agricultural tires.

The compact location of tire plants makes it possible to provide semi-finished products to the KAMA TYRES enterprises (production of rubber compounds, textile wing belts, etc.), ensuring their smooth operation. The presence of an in-house synthetic rubber producer makes it possible to provide tire plants with raw materials of required quality in a timely manner to produce competitive tires.

In early 2020, the functions of the sole executive body of LLC KaMaRetred and LLC SBO Shinnik were transferred to LLC Managing Company TATNEFT-Neftekhim.

As part of the project for the construction of a new tire plant in the Republic of Kazakhstan, LLP KaMaTyresKZ, a joint venture, was established with the participation of the Government of the Republic of Kazakhstan, LLC MC TATNEFT-Neftekhim, LLP Allur Tyres, JSC Allur Group of Companies, and PJSC TATNEFT.

The establishment of the joint venture involves construction of a new plant in Kazakhstan with a capacity of 3 million passenger car and light truck tires and 0,5 million truck tires per year. The project will create over 1 100 jobs. The tires will be used for the primary equipment of vehicles, produced in Kazakhstan, for the domestic market and also for export. Generally, the new tire manufacture in Kazakhstan will aim to saturate the market throughout Central Asia.

The project is supported by the Republic of Kazakhstan and involves the implementation of a comprehensive set of State support measures, including co-financing of the project, the provision of investment preferences and the implementation of a set of measures to protect the tire market in the Republic of Kazakhstan and support for the domestic producer.

**production is scheduled to start in 2022.*

Strategic capabilities of the joint tire company:

- market-share gain in the Republic of Kazakhstan;
- ensuring access to the markets of the Ural, Siberia, Far East regions of the Russian Federation and Central Asia, including through the creation of its own distribution network;
- integration into the TATNEFT Group's products and raw materials supply chain, and synergy effects from associated projects (localization of raw materials, etc.);
- creation in the future of a complex of enterprises on the basis of a new plant in Kazakhstan (production of tire products, mechanical plant, collection and recycling of waste tires for recycling, etc.);
- development of tire product brands, including taking into account the cultural, climatic and economic characteristics of neighbouring countries

In 2020, despite a 12% decline in the tire market, KAMA TYRES managed to increase sales volumes by 18% compared to 2019 due to the distribution system and sales policy (stability and predictability of price programs for DM and export) and nonprice incentive methods. KAMA TYRES actively develops its online store and sales of products through direct sales channels (ATEs, malls, car dealerships, tenders, retail network).

In the reporting year, the tire output amounted to 10.9 million pieces, while the sales reached 11.9 million pieces.

Tire output dynamics, million pieces

Period	2018	2019	2020
Passenger-car, light-truck	11,2	7,4	7,9
Truck	3,2	2,7	2,8
Aagricultural, other	0,2	0,2	0,2
Production	14,6	10,3	10,9

Tire sales dynamics, million pieces

Period	2018	2019	2020
Passenger-car, light-truck	10,4	7,0	8,8
Truck	3,0	2,8	2,9
Aagricultural, other	0,2	0,2	0,2
Production	13,6	10,0	11,9

* sale of tires produced by PJSC NIZHNEKAMSKSHINA, LLC NZGSH.

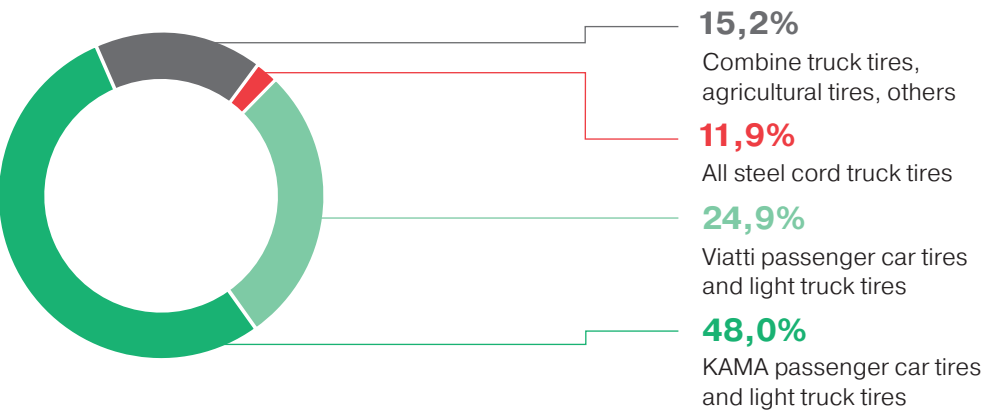
2020 key business projects

- Increase in production of Viatti tires by 1.2 million tires per year (up to 6.2 million tires by 2021)
- Organization of production of tires for all-terrain vehicles (ATVs), go-karts, motorcycles at the facilities of PJSC Nizhnekamskshina
- Increase in the production of all steel cord tires by 300 thousand pieces per year
- Increase in the production of all steel cord tires to 2.8 million pieces per year
- Organization of the production of giant all steel cord and multipurpose tires

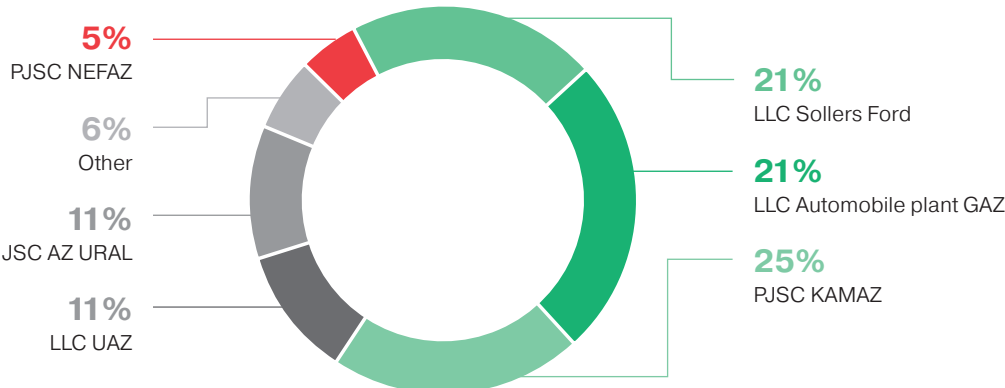
Within the framework of the investment program of KAMA TYRES enterprises, projects aimed at improving the quality and expanding the range of tire products, increasing capacity to meet market demand (passenger, light-truck and truck tires) were implemented in 2020. Introduction of passenger car and light truck tires (excl. high-speed tires), sticky anide mesh fabric in breaker screen layer into production has resulted in a number of benefits to ensure the required level of rubber-to rubber-cord bond strength



Primary tire product types



Major consumers of parts assemblage market



Tire supply directions, mln pcs

Tire market	2018	2019	2020
Aftermarket	8,8	5,8	8,0
Parts assemblage	0,6	0,6	0,6
Export	4,2	3,6	3,3
Total sales	13,6	10,0	11,9

Tire deliveries for parts assemblage

KAMA TYRES enterprises supply tires to car assembly plants for new automobile output.

The main consumers are PJSC KAMAZ, LLC GAZ Automobile Plant, LLC UAZ, JSC URAL Automobile Plant, LLC Sollers Ford, PJSC NEFAZ.

Shares in the Russian tire market, %

Tire group	Market share of KAMA TYRES in the Russian market In 2020
Passenger car tires	15
Light-truck tires	20
Truck tires	38
Agricultural tires, others	5

Export

CIS market makes up 67 %.

Non-CIS market makes up 33 %.

The geography of deliveries of KAMA TYRES products includes 43 countries (13 CIS countries and 30 non-CIS countries).

3 new export markets were captured: Austria, Panama, and Singapore.

In the Republic of Kazakhstan, there is a subsidiary company LLC TH Kama, which sells Kama Tyres products.

Tire goods quality assurance

Tire goods quality control system

The product quality management system being in place at the KAMA TYRES enterprises assures the sale of tire goods that meet the needs of consumers and comply with the requirements of the current legislation.

Processes are managed within the process model of the Corporate QMS in accordance with ISO 9001 and IATF 16949 (hereinafter referred to as the CQMS). Improvement in the quality of production is a priority in the development of KT enterprises according to the Integrated Management System Policy. Quality improvement is carried out on the basis of the PDCA cycle at all enterprises levels.

The system of product management and quality control is specified in the production management plans developed following the risk analysis of products and manufacturing processes in accordance with the FMEA methodology (analysis of the types and consequences of potential failures).

The quality of tire products is assured by the quality certificates and the certificates of compliance with the requirements of technical regulations of the Customs Union.

Tire compliance with the established requirements is verified by the results of the annual audit of finished products, including by consumers.

All products manufactured by the KAMA TYRES enterprises are compliant with the requirements of regulatory documents (GOST, TU), as well as the requirements of UN Regulations No. 30, 54, 106, and 117 (international standards), CU TR 018/2011 on the safety of wheeled vehicles, CU TR 031/2012 on agricultural and forestry tractors and trailers thereto.

A safety data sheet is developed for each component in the tire.

Tests of the feedstock, materials, and finished products are conducted in the laboratories of the Testing Center of LLC STC Kama.

No information or claims regarding the product adverse impacts on human health as well as the relevant fines and warnings were received in 2020.

Mandatory input control of raw materials is carried out in accordance with the approved plan, which sets controlled parameters and check-up frequency. The procedure for input quality control of raw materials and their release into production is regulated by a special standard of the enterprise.

Customer awareness

The Company provides its consumers with the information on product composition, safe use and disposal procedure, and product impacts on the environment.

Our tire consumers are informed via the official websites of the Tire Complex and the TATNEFT Company and various information and advertising channels.

User guidance and operational instructions for automobile tires, their correct installation and dismantling on the rim are posted in the "Useful links" section on the corporate website www.td-kama.com/ru/.

There are no cases of noncompliance with regulatory requirements and voluntary codes concerning information on the properties of products and services at the KAMA TYRES enterprises.

Types and forms of tire product customer awareness:

1. TV advertising — advertising videos in the seasons (spring, autumn);
2. Advertising on the radio — broadcast of advertising audio clips in the seasons (spring, autumn) of the Viatti brand;
3. Promotion on the Internet (SEO-promotion, SMM, SERM, targeted advertising, etc.), technical support for corporate and product sites (KAMA TYRES, Viatti). Online Store promotion www.kamatyres.shop;
4. Outdoor advertising on filling station sites throughout the Russian Federation — city formats, posters (Viatti and KAMA PRO trademarks);
5. Participation in all-Russian and international exhibitions: 2 events in 2020 (KAMA PRO);
6. To actively promote KAMA TYRES, Viatti, KAMA PRO brands, a large-scale PR campaign was developed and carried out, including posting in the media, in specialized print and online publications, posting on social media, maintaining the company's, market, global news, and proposing news to the media;
7. Sports marketing: partnership with leading Russian hockey and football teams, support for motor sports (KAMA TYRES, Viatti).

Customer satisfaction surveys

Monitoring of information related to consumers' perception of tire goods, the fulfillment of their requirements and expectations is carried out routinely through:

- Receiving inquiries from consumers via the customer feedback system on the websites and bidding platform of LLC KAMA Trading House;
- Obtaining information from social media;
- Surveys of consumers of goods and services in the Tyre&Service trade and service centers;
- Surveys of retailers and members of the Viatti on-line club;
- Targeted survey of consumers (parts assemblage, secondary market, export) at least once every six months in accordance with the requirements of IATF 16949:2016 and specific requirements of consumers.

Following the analysis aimed at identifying the satisfaction level decrease trends, the Permanent Quality Committee (PQC) decision determines areas for improvement.



Customer complaint response system

All consumer complaints regarding products during the warranty period are subject to review in accordance with the procedure established in the regulatory documents, which provide for:

- Registration of information;
- Examination of claim products at the manufacturer or directly at the consumer's location, with resolving the matter following the analysis corresponding to the consequences (or potential consequences) of noncompliance;
- Establishing the causes of noncompliance;
- Initiating corrective actions, if necessary.

The tire manufacturers together with LLC Trading House Kama and LLC STC Kama, examine consumers' complaints and operational failures, including any returned parts, and initiate problem solving and corrective actions to prevent recurrence. The 8D method is used to solve problems with configuration claims. The 8D reports are communicated to the consumer and the relevant departments of the KAMA TYRES enterprises.

There are following promotions to attract additional consumers: a free tire fitting when purchasing Viatti tires; a non-price incentive loyalty programme for retailers and administrators of Viatti Club retail outlets (all year round); an extended quality guarantee programme for Viatti tires (all year round); a "Cashback from Viatti" promotion - 10% of the price of a set of Viatti tires purchased is returned to the customer.

When making communications with tire consumers, the KAMA TYRES enterprises follow the feedback practice according to all the rules and regulations of the Law on Advertising. There were no complaints regarding the advertising campaigns, and there was no such practice.

In the reporting year, no fines were imposed for noncompliance with legislation and regulatory requirements concerning the provision and use of tire products.

Enterprises are fully compliant with the tire waste disposal standards.

Machine building

The development strategy of the TATNEFT Group's machine building business is focused on providing the Company's enterprises with the specialized equipment

Development strategy:

- Consistently meeting the needs of the Company's production and processing assets for pipe coating, high-quality equipment, and maintenance services;
- Ambitious 3.6-fold production growth by 2030;
- A significant increase in the share of sales accounted for by external consumers by 2030, including through the expansion of the range of products and the development of new types of services.

Key risks:

- Tougher competition among product manufacturers;
- Stricter requirements in customer requests through formalized specific/individual product quality requirements;
- Optimization of VIOC investment programs in connection with the pandemic and restrictions on oil production.

Bugulma Mechanical Plant (BMZ) manufactures mechanical goods for oil and gas production, refining, petrochemicals, power energy generation, and other industries. The manufactured equipment includes air cooling units, heat exchangers, oil field equipment, anti-corrosion coatings, pressure vessels, process operating units for the gas and oil industry. The goods (equipment) are supplied to the Company's production sites as well as to the domestic market and for export.

In 2020, Bugulma Mechanical Plant produced goods, works, and services worth RUB 4,302 million.

The plant provided maintenance and repair services for RUB 115 million, EBITDA margin for third-party orders reached 7.6% in the reporting year.

In the structure of the order portfolio, 66% fell on orders from PJSC TATNEFT, 34% — from third-party enterprises, which was due to the maximum utilization of the plant capacities for the production of equipment for the Construction Project Delivery Department of PJSC TATNEFT intended for JSC TANECO.

Plant design capacity

For machine building*

Equipment type	Design capacity	
	pcs	tonnes
Heat exchange products	288	1 634,93
Pressure vessels	216	2 005,92
Chain drives	840	5 902,62
Devices and means of automation (metering stations, CQCS)	48	187,7
Water injection distribution manifold	96	267,03
Air cooling devices	429	3 023,60
Total for machine building	1 773	12 567,07

** The design capacity of the production facility is calculated based on a 7-day week, 30 working days per month, and round-the-clock operation.*

For piping production*

Equipment type	Design capacity per year, km
Pipe products	4 842
Electric welding pipe	5 256
Total for piping production	10 098

**1. The capacity of Bandera-1 and Bandera-2 is calculated based on a 7-day week, 30 working days per month, and 11 hour operation.*

**2. The performance on the Bandera-1 line is calculated without regard to the loss of time for the replacement of the forming heads.*

**3. The design capacity of Tubescope-1 and Tubescope-2 is calculated based on a 7-day week, 30 working days per month, and round-the-clock operation.*

**4. The capacity of MPT-K is calculated based on a 7-day week, 30 working days per month, and 11 hour operation.*

**5. The capacity of the Electric Welding Line is calculated based on a 10 m/min speed, 7-day week, 30 working days per month, and round-the-clock operation.*

Product slate:

- Air coolers
- Heat exchangers
- Pressure vessels
- Oil field equipment
- Process operating units for the gas and oil industry
- Flare units
- Pipe products
- Small-batch products
- Maintenance services

Primary production types

- Mechanical procurement production
- Assembly production
- Welding production
- Pipe production
- Foundry production
- Heat treatment and pressure treatment of metals
- Design and technological support
- After-sales service

2020 key business projects

- Production digitalization
- Reducing metal consumption of air cooling and oil equipment
- Increasing the capacity of machine building stage 1
- In-house production of pipe products
- Relining of used tubing
- Launching the application of internal anticorrosive coatings on electric-welded straight-seam pipes manufactured by BMZ
- Maintenance and repair of BPU wires by the BMZ service department

Bugulma Mechanical Plant has launched a unit for automated cutting of holes in the bodies of heat exchangers and tanks, which ensures high quality and accuracy of cutting, high productivity, reduces the time for manufacturing assembly units by eliminating defects, increases the accuracy of the operation, the quality of assembly of heat exchange and tank equipment, reduces the assembly cycle by 9.53%. The plant has mastered the technology of manufacturing heat exchange partitions using laser cutting technology, which ensures high quality and accuracy of products as well as high productivity, reduces the time for manufacturing components, while eliminating several machining operations, allows the plant to produce parts with a complex geometric outline, while observing the dimensions and technical requirements with high accuracy.

The production of partitions for heat exchangers at the laser cutting unit allowed the plant to reduce the time for the production of components (by 4.36 hours) with no loss of quality or technical characteristics of the products, and to reduce the production cycle of heat exchangers by 6.23%.

The 2020 output amounted to RUB 4.3 billion. The activities of the business line are related to oil production. The reduction of investment programs in oil production in the past year was offset by an increase in production volumes for the oil refining industry, which allowed the Company to increase production volumes for oil equipment by 76% and air cooling devices — by 17%.

To improve the efficiency of the business stream, organizational changes are planned in 2021.

Bugulma Mechanical Plant plans to supply about 150 units of primary static equipment to JSC TANECO, deliver equipment to PJSC Sibur Holding (for LLC Sibur Tobolsk), PJSC NOVATEK (for JSC Articgaz), Rosneft (for JSC Novokuybyshevsky Oil Refinery, Syzran Refinery JSC), to the CIS region (the Republic of Kazakhstan) (for LLP TEMIRMASH Pavlodar Plant). It plans to deliver products, works, and services for RUB 5,298 million, including RUB 2,348 million for the enterprises of the TATNEFT Group, taking into account the supplies within the “Exploration and production” and “Oil and gas refining” business lines, and RUB 2,950 million for third-party customers.

rub **4,3** bln
Product output for 2020

LLC Tatneft-Presskompozit

To increase the added value in the product supply chain, the Company develops a high-tech production of composite materials at its Tatneft-Presskompozit facilities located in the Alabuga Special Economic Zone. The production uses fiberglass manufactured by LLC P-D TATNEFT Alabuga-Steklovolokno.

The composite materials have a variety of advantages — such as strength, corrosion resistance, light weight, durability, low electrical and thermal conductivity — do not interfere with the propagation of electromagnetic fields and radio frequency waves, etc.

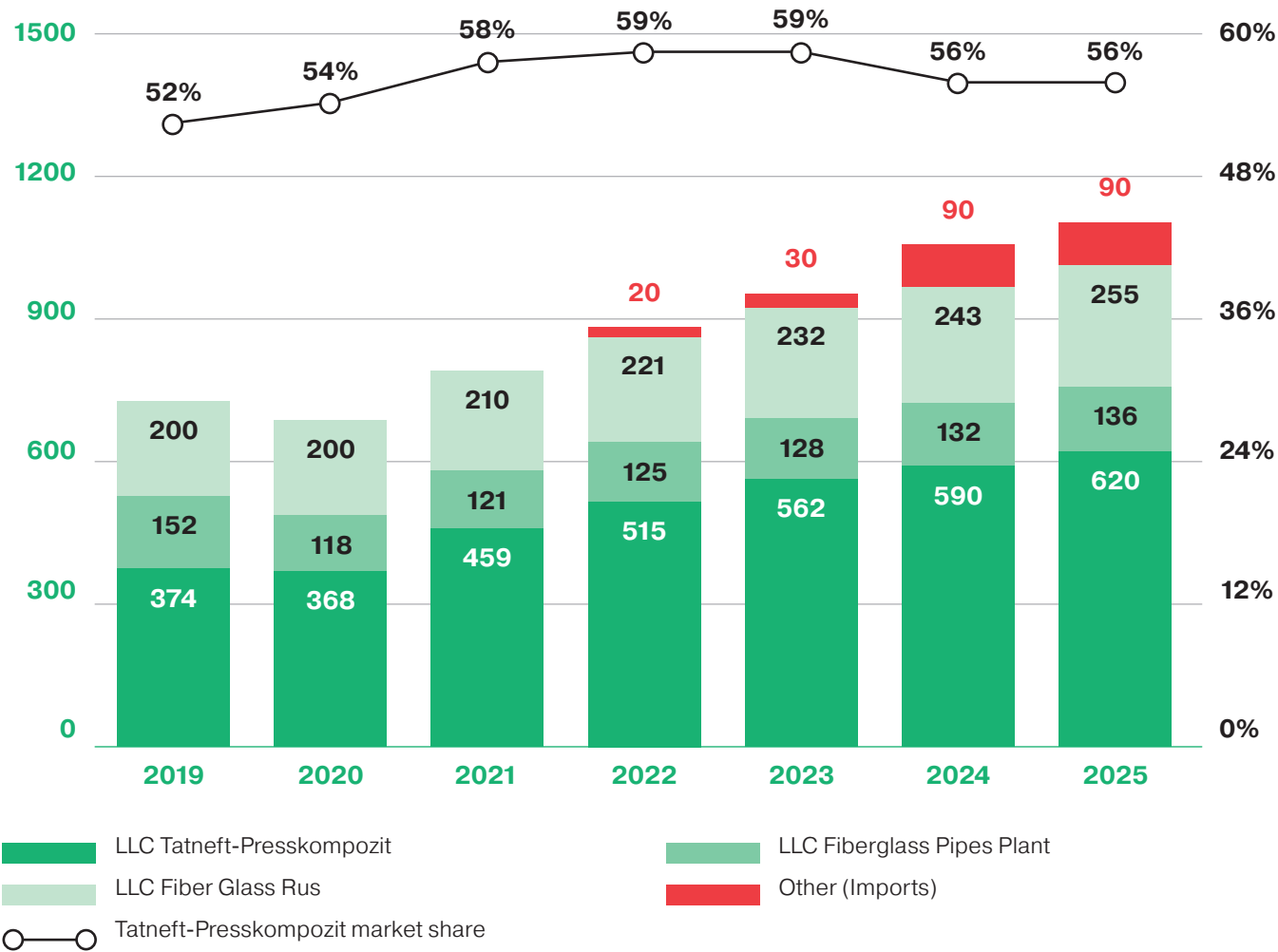
The Company selects the technologies and product range to gain the maximum synergistic effect and import substitution of foreign analogues in the Russian market. The Company uses its output products (such as pipes, cable systems) in

the development of oil fields, construction of the TANECO Oil Refinery plants and units, and building of infrastructure facilities.

The key sales markets for the products of LLC Tatneft-Presskompozit are oil, gas, and petrochemical industry, infrastructure projects implemented in the conditions of sea climate and the Far North, automobile, train-car building, and electrical industries.

The main consumers of the company's products are: PJSC GAZPROM, PJSC Lukoil, PJSC Gazprom Neft, Rosneft, JSC OC KazMunayGas, JSC Kaspiy Neft, PC Belarusneft, small oil producing companies, PJSC KAMAZ, LLC JCC Shchekinoazot, PJSC KuibyshevAzot, PJSC PhosAgro, PJSC Uralkali, JSC MCC Eurochem, JSC Uralelectromed, etc.

Fiberglass pipe market vs. TNPC share in Russian oil and gas industry, mln rub and %



Output products

Smc compounds (glass fiber filled press materials)

The design capacity of the equipment is 1 line with a capacity of 8,000 tonnes per year. SMC is used primarily in production of low-profile products with high mechanical strength requirements (elements of cabins and bodies of automobiles, interior elements of passenger transport, electrical cabinets, seats, lamp cases, and parts of products for electrical engineering, medical, and household appliances). Tatneft-Presskompozit participates in the program for the modernization of the KAMAZ truck model range, since the SMC material is used in the manufacturing of the main elements of the K5 cabin exterior of KAMAZ trucks.

Fiberglass pultrusion profiles

The design capacity of the equipment is 5 lines with a total capacity of 1,000 tonnes per year. The enterprise produces fiberglass cable trays of solid and ladder type; fences; fiberglass service platforms; fiberglass structures based on the fiberglass profiles.

Fiberglass pump and compressor, casing, linear pipes, and fittings produced by the winding method, with diameters 50–300 mm and working pressure of up to 27 MPa

The design capacity of the equipment is 1 line with a capacity of 450 km per year. Fiberglass pipes and fittings are designed for the petrochemical industry and are used as downhole tubular (pump-compressor and casing), injection, production, for disposal of chemical waste and observation wells; as part of oil field pipelines (linear), for transportation of oil emulsions, gas-saturated oil, gas condensate, including those with a high content of H₂S and CO₂, as well as for chemical production pipelines for transportation of salts, acids, and other chemicals.

The most significant benefit of composite materials is their environmentally friendly properties and low carbon footprint. CO₂ emissions from construction of fiberglass pipelines an average of 6.5 times lower than emissions from construction of steel pipelines, taking into account production of pipes and construction and installation works.



Energy

The utilities are integrated into the business model of the Company and provide a full cycle of generation, transmission, and sale of heat and electric energy. The power and heat energy is supplied to provide its own facilities (supplying generation), external consumers (commercial generation), and households.

The main generating facilities of the Group are located in the southeast of Tatarstan and include the capacities of the Nizhnekamsk CHP and the Almetьевsk Heating Networks.

The existing energy capacities in TATNEFT Group's asset portfolio allows increasing the extent of vertical integration, reducing the dependence of its own energy needs on external market conditions, and optimizing power energy costs at the production facilities with the simultaneous development of commercial power generation (power energy supplies to external consumers) and new growth points, including clean energy.

Strategic goals:

- Reliable energy supply of oil and gas production, refining, and petrochemical facilities of the TATNEFT Group while minimizing the cost of maintaining energy assets;
- Reducing adverse impacts on the environment.

Key risks:

- Growth of tariffs for heat and electricity at a rate lower than the actual cost inflation;
- Competitors' shift to cheaper fuels;
- Reduced heat and electricity consumption due to possible economic slowdown;
- Drop on electricity prices due to the significant introduction of new generating capacities in the Russian Federation.

The installed electric power capacity as at the beginning of 2020 was 748 MW, and heat capacity was 3,402.47 Gcal per hour.

Installed electric power and heat capacities

Enterprise	Installed capacity	
	electric power, MW	Heat, Gcal per hour
LLC Nizhnekamsk CHP	724	1 580,0
Almetьевsk Heating Networks (JSC APTS), including	24	566,790
Super viscous oil production	-	1 255,68

The power energy capacities operated by the TATNEFT Power Grid Management Center consists of 18,597 substations, including 313 substations with 35–110 kV voltage, 18,284 transformer substations with 6 (10) kV voltage. At 35–110 kV substations, power transformers with a total capacity of 2,858.6 MVA are in operation.

The total length of 6–220 kV overhead (aerial-cable) lines is 17,446.838 km.

In 2020, the total power generation amounted to 1.45 billion kW*hour, including 1.33 billion kW*hour supplied to Nizhnekamsk CHP, and 0.125 billion kW*hour to the Almetьевsk Heating Networks.

The heat energy was generated in the amount of 4,864,089 Gcal. The increase in the heat energy output in 2020 by 16% is due to an increase in power take-off for the newly introduced TANECO Complex plants and an increase in consumption in PJSC Nizhnekamskneftekhim, as compared to 2019.



Nizhnekamsk CHP heat and power outputs

Indicators	UoM	actual in 2018	actual in 2019	actual in 2020	planned for 2021
Heat energy output	Gcal	3 590 659	3 418 876	4 064 761	4 782 443
Electric power generation	thous. kWh	1 167 444	1 407 573	1 328 473	1 725 443

Heat and power energy generated by the Almetьевsk Heating Networks

Indicators	UoM	actual in 2018	actual in 2019	actual in 2020	planned for 2021
Heat energy generation (heat carrier – hot water)	Gcal	791 151	780 909	799 328	844 574
Electric power generation (MV1 and HV voltage level)	thous. kWh	87 939	124 171	124 728	159 732

The development of the Company's electric grid capacities is aimed at increasing the network equipment loads through connecting third-party consumers to the Company's

networks; improving the reliability of the external power supply scheme and power supply of internal networks of the businesses of the TATNEFT Group.

TATNEFT Group power and heat sales for 2018–2020

Fuel and Energy Resource	UoM	2018	2019	2020
Electric power sales	bln kWh	1,23	1,5	1,478
Heat sales	mln Gcal	4,4	4,1	4,703

At the power generation facilities, the works are underway to increase the energy conservation efficiency and perform updating of existing capacities. The programs were aimed at improving the technical and economic performance of the main and auxiliary equipment, increasing reliability and ensuring competitive edge in the electric power market.

The intelligent Smart Grid technologies were used, combining management, control, and monitoring tools, information technologies, and communication tools that simultaneously provide the flow of electricity and information from power source to consumers. These included a predetermined level of reliability and quality of power supply to consumers, reduction of electricity losses in the power grid elements, minimum operating costs, creating conditions for consumers to optimize their electricity use costs.

One of the directions for deployment of intelligent generation support platforms is the Digital Substation creation, which allows creating automated substations where control, relay protection, automation, measurement, and metering functions are provided in digital format, including power and switching equipment control devices as well as self-diagnostics of their technical conditions.

Dispatch control is provided based on an automated system of a single digital platform which allows controlling the functions of reliable and economical supply of electric and thermal energy of the required quality to all its consumers, taking into account the potential for load growth and compliance with regulatory requirements to the quality of electricity in a normal grid scheme and in repair schemes.

At the Nizhnekamsk CHP, programs are underway to diversify sources of raw materials to increase the operational efficiency of the plant and reduce its dependence on the market conditions for raw materials. The counter-pressure turbine operating with the use of a steam-power cycle is being converted to work with the use of a steam-gas cycle due to the super-structing of the generating facility with a gas turbine, within the framework of the DPM-shtrikh state program. Three mini-thermal power plants are in operation in the Almetьевsk Heating Networks. The heat generated at the mini-CHP is used for the needs of hot water supply to consumers, and electric energy is used for the in-house needs of boiler houses and pumping stations. The surplus is sold to the external electric grid for the needs of the PJSC TATNEFT business units.

In 2020, the construction of a ramp with process pipelines for the supply of heat in the form of steam and hot water to the tire complex was completed, the refurbishment of the installed power boilers of the Nizhnekamsk CHP for burning oil coke in the form of dust from the delayed coking unit of JSC TANECO was completed, the construction of a gas turbine unit at the Nizhnekamsk CHP was initiated.

It is planned to ensure the efficient operation of power equipment and reliable power supply to consumers in 2021 — by increasing electricity generation by 431 million kWh (an increase of 30%) and heat by 763 thousand Gcal (an increase of 16%).

Energy and resource efficiency

Improved Energy Efficiency and Energy Saving Policy

The company is implementing the target-focused resource saving program 2020–2023, which includes the energy saving program. The program goal is to curb the costs for fuel and energy resources through their rational use and improved energy efficiency of the production operations.

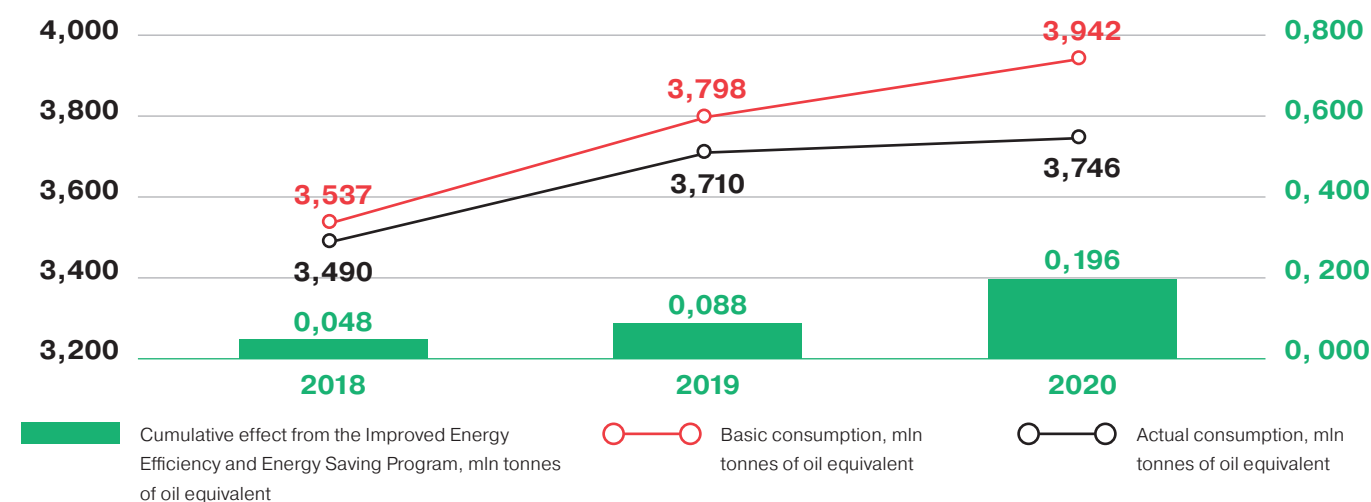
As a result of the implementation of the Energy Saving Program for 2020, the TATNEFT Group enterprises saved over 108 thousand tonnes of conventional fuel, an equivalent of RUB 728.4 million. The most cost-efficient business lines are processing, oil and gas refining, transport, technology of oil and gas production, reservoir pressure maintenance.

In 2020, the Company approved and put into effect the Policy of the TATNEFT Group in the field of integrated management system, which incorporates the provisions of the energy management system.

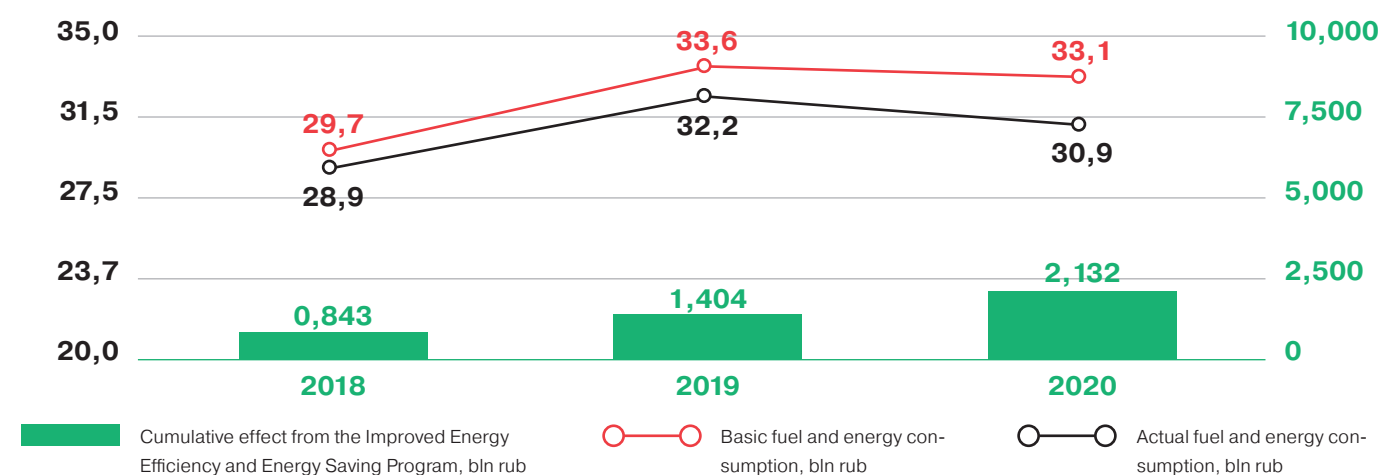
The main objectives in this area are as follows: continuous improvement of energy efficiency, improvement of energy efficiency and energy-saving management processes in all types of production activities, cost reduction through the deployment of advanced innovative energy-efficient technologies and rational use of energy resources, development, implementation, operation, and continuous improvement of the Energy Management System compliant with the requirements of ISO 50001-2018.

The 2021 Improved Energy Efficiency and Energy Saving Program is targeted to attain not less 2% of the baseline of 2020 (in tonnes of oil equivalent), which amounts to RUB 789 million.

TATNEFT Group Fuel and Energy Consumption, mln tonnes



TATNEFT Group Fuel and Energy Consumption, bln rub



The company has set a target to increase the annual effect of the energy efficiency and energy saving programme to 2,2% by 2030, relative to the previous year's actual consumption of fuel and energy resources.

The Company's 2030 target for the use of renewable energy sources is to use up to 10% of the TATNEFT Group's total electricity production

Renewable energy

The development of renewable energy, such as solar and wind power, is of undisputed importance.

TATNEFT intends to develop these activities and is considering best opportunities and lucrative projects.

Currently, the main share (89%) of energy production from renewable energy sources in the TATNEFT Group is accounted for heat generation from pellet boilers, 11% accounts for electricity generation from small hydroelectric power plants at Karabash Reservoir, and 1% is generated by solar power plants in the Company's retail and sales network. In 2020,

the total energy produced from renewable energy sources was 1,221.2 tonnes of oil equivalent or 0.14 % of the TATNEFT Group's total energy production.

Investments in the amount of RUB 6,705 thousand were allocated to conduct instrumental studies to assess the wind and solar energy potential of the Company's territory of operation..

The Company's strategy gives weight to the renewable energy sources and recognizes their significance for bringing a cleaner, low-carbon energy future.

TATNEFT Group fuel and energy consumption

Fuel and Energy Resource	UoM	2018		2019		2020	
		Consumption in kind	Costs, million RUB	Consumption in kind	Costs, million RUB	Consumption in kind	Costs, million RUB
Electric power, including	thous. KWh	4 412 301	12 489	4 643 109	14 237	3 625 798	11 421
Industrial consumption	thous. KWh	4 394 890		4 623 697		3 611 949	
Heat energy*, including	Gcal	334 789	543	319 353	531	232 134	415
Industrial consumption	Gcal	290 745		268 800		187 047	
Natural gas, including.	thous. m³	704 689	2 964	874 750	3 822	953 372	4 188
Industrial consumption	thous. m³	704 433		874 344		952 566	
Gasoline (total) including:	tonnes	2 799,02	122,264	2 849,6	127,487	2 497,24	114,521
AI-80	tonnes	138,7	5,512	69,2	2,897	0,8	0,034
AI-92	tonnes	1 759,43	75,212	2 056,6	90,563	1 999,6	90,340
AI-95	tonnes	896,8	41,324	710,55	33,306	485,4	23,496
AI-98	tonnes	4,09	0,217	13,25	0,721	11,44	0,651
Diesel fuel	tonnes	2 407,1	99,107	3 088,5	132,387	4 289,6	190,521
Gas	tonnes	631	19,054	840	23 969	1 003,5	33 147

* Thermal energy for super viscous oil production is included in the natural gas purchases.

TATNEFT Group fuel and energy consumption

Fuel and Energy Resource	UoM	2018		2019		2020	
		Consumption in kind	Costs, million RUB	Consumption in kind	Costs, million RUB	Consumption in kind	Costs, million RUB
Electric power, including	thous. KWh	6 027 682	16 833, 077	6 267 991	18 775, 841	5 180 874	16 425,429
Industrial consumption	thous. KWh	5 990 446		6 126 577		5 168 262	
Heat energy*, including	Gcal	3 468 154	3 314,468	3 722 179	3 739,357	4 061 473	4 295,605
Industrial consumption	Gcal	3 421 156		3 683 207		4 016 708	
Natural gas, including.	thous. m³	1 990 178	8 732,258	2 126 429	9 649, 622	2 233 479	10 222,532
Industrial consumption	thous. m³	1 989 696		2 126 023		2 232 691	
Gasoline (total) including:	tonnes	3 984,03	170,636	3 868,41	168,339	3 443,5	153,341
AI-80	tonnes	194,96	7,798	101,97	4,294	0,9	0,039
AI-92	tonnes	2 431,31	101,828	2 632,66	112, 171	2 541,3	112,043
AI-95	tonnes	1 353,24	60 ,772	1 120,53	51, 154	889,8	40,606
AI-98	tonnes	4,52	0,238	13,25	0,721	11,5	0,653
Diesel fuel	tonnes	4 154,26	169,976	4 811,08	201,585	6 142,6	266,433
Gas	tonnes	691,73	20,373	971,8	26,337	1 073	34,799

* Thermal energy for super viscous oil production is included in the natural gas purchases.

To improve rational energy consumption, the Company advances its energy efficiency and energy saving management processes in all production activities through advanced innovative energy-efficient technologies and rational use of energy resources.

>

108

thous. tonnes

Oil equivalent saved in 2020

Logistics support

The Company buys and sells a significant amount of goods and services. It selects its suppliers according to the unified rules, mainly based on open e-bidding. Each potential supplier has an opportunity to participate in the tender procedure with the mandatory confirmation of compliance with the established criteria.

The Company increases transparency by adhering to stricter standards in its operations in comparison with industry standards and by making publicly available the information on service pricing and payments to the budget in the form of taxes. We cooperate with our suppliers to increase the transparency of their activities.

In its activities, the Company is guided by the Russian legislation and internal documents. In 2020, a Unified Standard was introduced that defines the principle of goods procurement for the needs of the Company and its subsidiaries.

Currently, the bulk of the supply chain is domestic producers of goods and services. One of Company's priorities is working with local suppliers.

In 2020, as part of the 2020 Logistics Strategy implementation, 21 projects were completed, including 14 category strategies, the main risks of logistics processes were identified, the inventory replenishment analytics system was introduced, the centralization of procurement processes was completed, and KPIs for key participants in logistics processes were established.

Company’s trade and procurement platform

The Company’s trade and procurement platform provides a unified bidding system for all TATNEFT Group enterprises, service and contracting organizations, being the only free platform in the Russian Federation for bidding procedures.

The Company conducts electronic tenders in an open form for depersonalized description of product properties. This allows the Company to create an active competitive environment in each procurement case.

To control the transparency of procurements, the Trade Platform has a module for monitoring the timing and efficiency of the procurement process according to regulated indicators, a module for auditing the supplier, a module for counterparty due diligence check prior to the contract conclusion (PEST analysis of suppliers is conducted, an assessment is performed of political, economic, sociocultural, and technological factors affecting the supplier and the deliverables, an audit of the technical and technological preparedness of suppliers is conducted). Optimization of the terms of competitive procedures was achieved with the transition to one-stage tenders.

In 2020, the Company developed and implemented the following measures in the Trade and Procurement Platform system of PJSC TATNEFT: a module for checking suppliers according to the criteria of the economic security division; automated receipt of technical-part protocols and procurement decision; integration with the Kontur.Fokus was configured for updating counterparty statuses. The price monitoring module was improved to provide the possibility to verify the price monitoring protocols, and the procedure for open online discussions of technical specifications was introduced.

As part of the development of the TATNEFT Group material and technical resources (MTR) procurement ecosystem, the following algorithms (web services) have been developed): transfer of data on illiquid MTR inventories from the accounting systems of the TATNEFT Group; on the transmission of the counterparty unreliability label (stop list) to the record systems of the TATNEFT Group.

Total number of quotations received	Total price of all published lots	Total number of all published lots	Number of contracts and specifications executed
40 525	53 612 936 306	6 723	10 006

Procurement activities

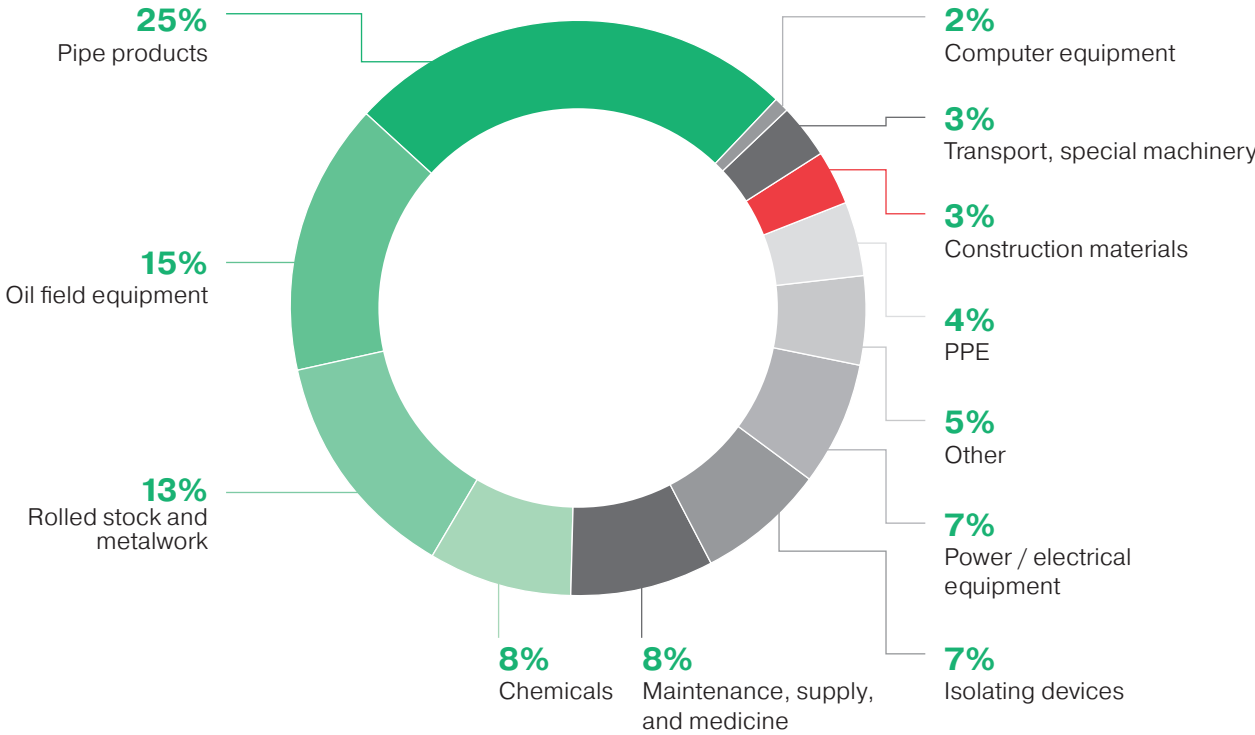
In 2020, the Company concluded more than 10 thousand contracts and specifications thereto with 1,057 suppliers, totaling RUB 28.2 billion (VAT excluded). 50 % of all orders were placed with the enterprises of the Republic of Tatarstan. Import contracts accounted for 1.5 %, including 1.47% for the purchase of personal protective equipment (PPE) and equipment for the production of PPE to combat the spread of coronavirus infection.

The low share of import contracts indicates a steady decline in the Company's import dependence.

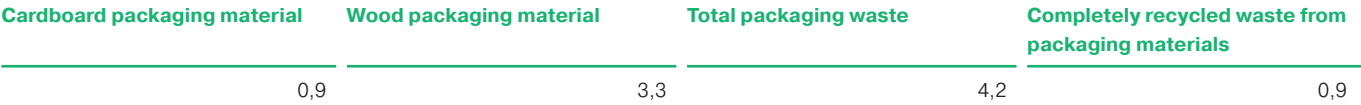
The principal share in the procurement structure accounts for the supply under the price books: framework and long-term contracts for an open amount, which allows for procurement without loss of time and resources as well as improves the efficiency of estimating the cost of facilities under construction and budget planning.

As of today, there are over 800 price books covering about 150 thousand stock-list items, which accounted for 84% of the total procurement in 2020 (81% in 2019).

Procurement structure by product categories, %



Reuse of materials, tonnes



Within the framework of the Procurement Centralization Project, a single information and regulatory space is being formed, which will ensure the manageability of the procurement system to improve the efficiency of working capital utilization. For these purposes, a project to create a procurement ECOSYSTEM has been initiated.

Banking business

The banking business is new in the TATNEFT Group portfolio and is represented by the companies of Zenit Banking Group.

In May 2020, the Banking Group was reorganized, and the Bank merged with PJSC Spiritbank and JSC Bank ZENIT Sochi. As of 01.01.2021, the Bank has 116 service points in 50 cities of presence, 3.3 thousand employees, 547 thousand retail customers, 14 thousand SME customers, and 1.5 thousand major corporate customers.

The program for improving efficiency and reducing costs, implemented by the Bank in cooperation with the Company, includes digitalization, development of new business lines in the bank, and obtaining synergies through interaction with the TATNEFT Group enterprises.

The Company's primary objective is to create a sustainable, market-oriented, profitable business and a liquid asset — powered by ZENIT Banking Group.

The banking business strategy provides for the transition to the most crisis-resistant model — the universal bank model, with the primary focus on increasing profit margins to the level of average market indicators and increasing business competitiveness with moderate risk appetite; most promising products and segments with the greatest potential for revenue growth and implementation of the development business model; the Group banks integration.

In 2020, the Banking Group managed to maintain its business performance indicators at an acceptable level, despite increased market risks. In the context of the pandemic and restrictive measures in the economy, the Bank paid special attention to customer support measures, which required the creation of additional reserves and affected the business return margin. The Bank's interest margin increased from 2.3% in 2019 to 2.9% in 2020.

The Bank has implemented an anti-crisis program to reduce costs and projects, as a result of which the CIR has decreased compared to the previous year. The key success factor was the achievement of operating income (+12% growth to 2019).

2020 key business projects

- Projects of the group's subsidiaries integration program: technological integration into ZENIT Banking Group (ZBG), automation of operations in financial markets, migration to a single processing center, withdrawal of processes from the NBS automated banking system (technological integration of 4 subsidiary banks);
- Terminal processing network maintenance model modification (shift of the ZBG terminal network to unified external support);
- Automation of liquidity calculations based on the EGAR front office system for the Treasury (liquidity management based on the EGAR front office system for the Treasury);
- Customer data improvement (CDI) ("gold cards" of individual clients, individual entrepreneurs, and legal entities for the purposes of official reporting).

Generally, the Bank met the crisis plan for the year. The key success factors were the fulfilment of operating income, reduction of expenses and maintaining the quality of the portfolio despite the crisis period.

The Bank's actual financial result for 2020 was RUB 2,9 bln, while the financial result before reserves and income tax increased by 60% compared to 2019 and amounted to RUB 0,6 bln. In a challenging macroeconomic environment, the Bank achieved a 27% year-on-year increase in net interest income and a 19% increase in net fee and commission income.

2021 business projects

- Development of the Champion Club (Ecosystem) program (creating a platform and connecting partner services to the ecosystem);
- Loyalty program, partner installment plan, including TATNEFT (transition to bonus accrual, the ability to join the partner loyalty program, including the ability to organize lending to individual customers of PJSC TATNEFT, under the installment plan);
- iBank system development (introduction of new products and services: service showcase; fast payment system; document designer);
- Implementation of the NSFR structural liquidity metric calculation based on the FOS (development and improvement of the liquidity risk management system, calculation and control of structural liquidity).

Corporate governance

1, 263 trillion rub

Value of consolidated assets as of 31.12.2020

3 396

Publications about the Company's corporate actions in the federal media in 2020

3 829

Publications about the Company's transactions, projects, and investments in the federal media in 2020



Corporate governance system

The Company’s corporate governance is aimed at ensuring the long-term sustainable growth of its shareholder value.

Corporate governance refers to a set of relationships between shareholders, the Board of Directors, the Company’s executive bodies, the Company’s employees, consumers of the Company’s products, and other stakeholders, which sets the rules and procedure for making corporate decisions that ensure the governance and control of the Company’s activities.

The Company’s corporate governance system is focused on the sustainable growth of the shareholder value in the long term and implies, among other things, the need to take into account the multifaceted economic, financial, macroeconomic, technological, environmental, and social aspects of the Company’s activities when making decisions.

The corporate governance model of the Company is built upon the strong engagement of its shareholders, the Board of Directors, top managers, executive bodies, employees, business partners, and local communities in the areas the Company operates to make strategically aligned decisions, ensure effective asset management, high operational and financial performance, increase investment attractiveness and gain a competitive edge for long-term continuous creation of economic value and sustainable development.

The corporate governance system complies with the legislation of the Russian Federation and meets the requirements for the issuers of the securities with the shares included in the top-tier quotation list of the Moscow Exchange and follows the rules of other stock exchanges, the Company’s securities are traded at, as well as observes the legal rights of its shareholders and maintains a high level of information disclosure.

The Company maintains a clear division of powers and delineation of responsibilities of the governance and executive bodies, assessment of the performance of their functions and duties, effective risk management and internal control mechanisms, prevention of corporate conflicts, counteraction of corruption and corporate fraud, and respect for the fundamental principles of human rights and ethical standards. The Company maintains best corporate practices following the guidance of the Bank of Russia’s Corporate Governance Code and the G20/OECD principles of corporate governance. It also pays due consideration to the international and national standards and regulatory documents relevant to various aspects of good governance.

In March 2021, TATNEFT received confirmation of its active status as a member of the UN Global Compact based on the results of the first year of joining the largest international initiative on sustainable development.

Historically, TATNEFT has been strongly committed to the principles of high corporate responsibility providing the alignment of the corporate interests with the UN Global Compact Agenda for sustainable development. This means that business decision-making abides by the fundamental ethical principles and human rights, the objectives of preserving a favorable environment, reducing the carbon footprint, improving social infrastructure, expanding innovation opportunities, ensuring economic growth, and improving the quality of life in the regions and areas where the TATNEFT Group’s entities carry out their operations. The goal-oriented

programs are implemented based on an open dialogue with the local community and stakeholders, which improves the targeting of the Company’s initiatives and decision-making transparency.

The Company sees much potential for combining the efforts of all participants in the Global Compact to integrate corporate experience and actions in achieving the sustainable development goals, which improves the corporate practice effectiveness in general.

The management of the sustainable development pillars is based upon the Company’s actions aligned with the UN fundamental principles and sustainable development goals, global trends in sustainable development, and national and regional development priorities.

TATNEFT is recognized as the corporate transparency leader among the biggest Russian companies*

* According to the rating of the Russian Regional Network for integrated reporting as of year-end of 2019.

Improving information openness is an important factor in business sustainability. As a public company, TATNEFT is well aware of its responsibility to all stakeholders and strives to provide maximum full information about its business activities, financial results, and socially significant information, including implementing the UN Sustainable Development Goals.

Corporate governance principles

- 1 Serving the legitimate interests of shareholders and pari passu in exercising their rights in the Company governance.
- 2 Delineation of powers and determination of responsibility of the governance bodies and executive bodies in the Company governance
- 3 Functioning of a highly professional and effective Board of Directors, including a sufficient number of independent directors
- 4 Full accountability of the Company’s governance bodies to the shareholders
- 5 Balance and effectiveness of the internal control and risk management system
- 6 Progressive and transparent dividend policy
- 7 Information transparency and disclosure on all material events and the most significant aspects of the Company’s activities for the shareholders and all interested parties
- 8 Ensuring long-term sustainable development of the Company
- 9 Commitment to fundamental human rights principles
- 10 Implementation of sustainable development Goals, development of ESG practices, and socially responsible investments
- 11 Openness to innovative technologies
- 12 Anti-Corruption
- 13 Compliance with ethical standards and maintaining an impeccable business reputation of the Company
- 14 Oversight of major corporate actions, including those in the controlled organizations
- 15 Open interaction with all participants in corporate relations

Strategic corporate governance objectives

- The Company builds its corporate governance on the integration of key priorities that form a single platform for managing the Company’s shareholder value and maximizing the profitability of the asset structure.**
- 1**

Improving the Company’s investment attractiveness and shareholder value through the long-term sustainable development with integration of the 17 Sustainable Development Goals of the UN Global Compact and ESG factors

2

Building an efficient strategic and investment planning process, implementation of production and business plans, and operational performance
- 3**

Constructive engagement of shareholders and investors with the Board of Directors and executive bodies for joint task-setting and effective decision-making

4

Professional and ethical responsibility of members of the Board of Directors and executive management bodies, officers, and employees of the Company
- 5**

An integrated system to ensure a high level of staff competence, effective incentive mechanisms, and a KPI system

6

Safeguarding and improving the quality and structure of assets by improving the ownership and organizational structure
- 7**

Development of an integrated risk management and internal control system

8

Integration of social aspects, industrial and environmental safety issues into the Company’s Strategy and its current operations
- 9**

Maintaining a high business reputation of the Company

10

Prevention and resolution of corporate conflicts
- 11**

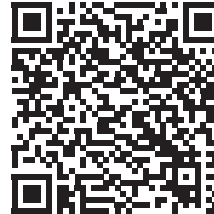
Providing high quality products and services

12

Ensuring transparency of the Company’s activities and information openness

The Company strives to comply with corporate governance standards, as this is one of the most critical conditions for high efficiency and sustainability of the business and the basis for socially responsible management of the Company’s activities.

The main internal documents defining the corporate governance system

 Articles of Association of PJSC TATNEFT n.a. V.D. Shashin	 Regulations on the General Meeting of Shareholders of PJSC TATNEFT n.a. V.D. Shashin	 Regulations on the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the Audit Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin
 Regulations on the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the General Director of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the Management Board of PJSC TATNEFT n.a. V. D. Shashin
 Regulations on the Revision Commission the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on Corporate Secretary of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the Internal Audit Management of PJSC TATNEFT n.a. V.D. Shashin	 Corporate Governance Code of PJSC TATNEFT n.a. V.D. Shashin
 Regulations on the Dividend Policy of PJSC TATNEFT n.a. V. D. Shashin	 Regulations on the Information Policy of PJSC TATNEFT	 Regulations on Information Disclosure to Shareholders of PJSC TATNEFT n.a. V. D. Shashin	 The TATNEFT Group Regulation
 Regulations on the procedure for access to the insider information of PJSC TATNEFT n.a. V.D. Shashin, the information privacy and confidentiality protection rules, and oversight of compliance with the legislation of the Russian Federation and the European Union and the internal documents adopted thereunder			

Improving corporate governance practices in 2020

In the reporting year, many efforts were made to improve the internal corporate procedures and practices and pursue sustainable development practices.

In the reporting year, the Company developed and approved a Risk Management and Internal Control Policy to delineate responsibilities and powers in risk management and internal control in the Company's governance system. The policy is based on generally accepted concepts and best practices in risk management and internal control, including the integrated concept to establish the COSO internal control system, the COSO ERM risk management concept within the framework of the recommendation of the Treadway Commission's Committee of Sponsoring Organizations.

In the light of the Bank of Russia's corporate governance reform, one of the features of which is the control of the entire chain of persons who have a significant

influence on each other, the Company's Board of Directors approved a new version of the TATNEFT Group Regulation in November 2020. The Regulation sets out the scope, structure, general standards, and principles of the corporate governance in the TATNEFT Group.

Also, in 2020, the Company's Board of Directors approved the "Regulation On the Procedure for Corporate Interaction of PJSC TATNEFT named after V. D. Shashin with Controlled and Affiliated Organizations", which defines the powers and procedure for the Company's activities in exercising its rights with respect to its controlled and related organizations to ensure effective interaction in planning, forming and controlling corporate actions on issues that require determining the Company's position.

Company's corporate governance compliance

85%

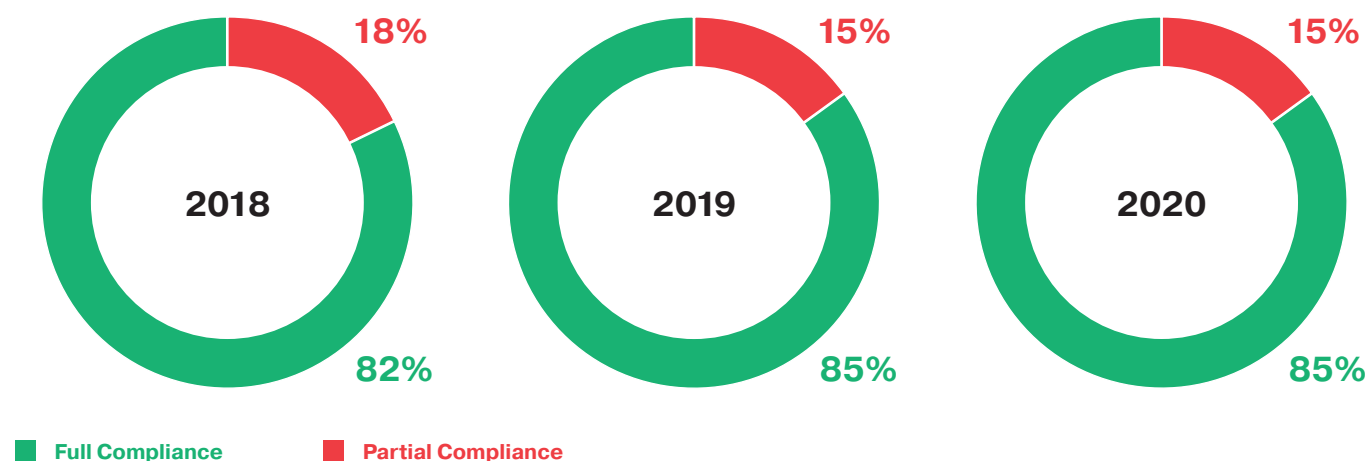
compliance with the provisions of the Corporate Governance Code recommended by the Bank of Russia

15%

partial compliance with the Code guidance*

**The results of the assessment of compliance with the Bank of Russia Code guidance are shown in Annex 4 to the Annual Report.*

Compliance of the company's corporate practices with the guidance of the bank of Russia's corporate governance code*



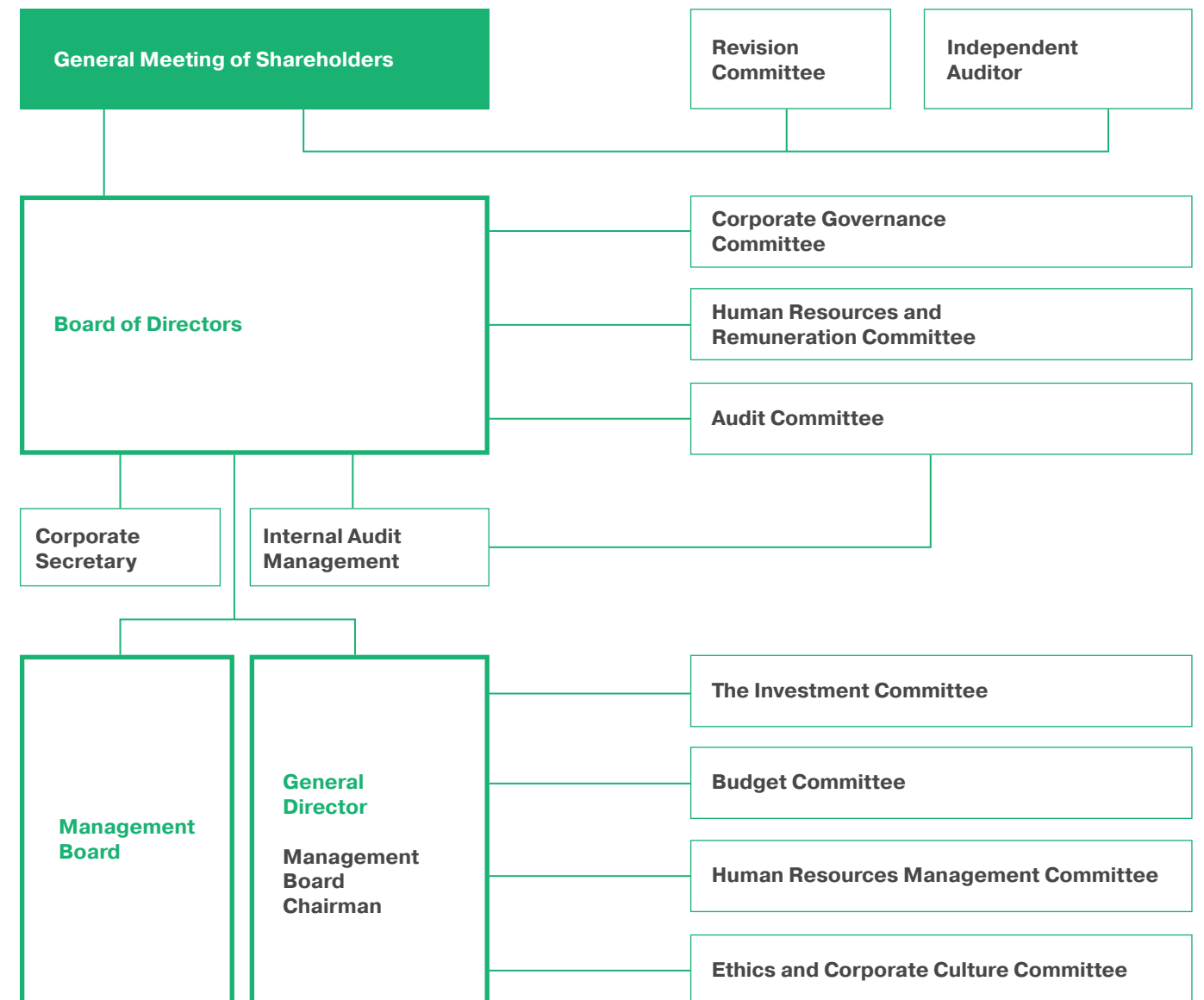
** The values of compliance of the Company's corporate practices with the Bank of Russia's Corporate Governance Code have been adjusted in line with the guidance published by the Bank of Russia on 17.03.2021 to improve the assessment performed by public joint-stock companies of the compliance of their corporate governance practices with the principles of the Corporate Governance Code.*

Corporate governance structure

A well-functioning corporate governance system is an important factor in the sustainable development and successful implementation of the strategy to create the Company's shareholder value

The Company has a well-developed corporate governance system, which is based on international standards of corporate conduct and business ethics, the requirements of Russian legislation, the requirements of the listing rules of PJSC Moscow Exchange, and the principles of the Corporate Governance Code recommended for application by the Bank of Russia (hereinafter referred to as the Code).

The corporate governance system of the Company is aimed at ensuring the legitimate rights and interests of shareholders and other interested parties, effective asset management and increase of share capital, growth of capitalization and dividend yield, maintenance of long-term economic growth based on effective management of corporate resources and risk control.



The Board of Directors of PJSC TATNEFT performs the key functions for strategic management of the joint-stock company and oversight of the executive bodies and plays a crucial role in improving the system and practice of the corporate governance based on the principle of continuity and advanced international standards.

The chief executive officer of the Company is the General Director of PJSC TATNEFT. The collegial executive body of the Company is the Management Board headed by the General Director. The General Director and the Management Board report to the Board of Directors and the General Meeting of Shareholders. General oversight of the financial and economic activities of the Company is carried out by the Revision Commission.

Planning of financial and operational targets is integrated into a unified corporate governance system of the Group under the Development Strategy and key decisions made by the Board of Directors with

considerations to sustainable development aspects. The authority to implement the production plans, economic, environmental, and social goals and objectives is delegated to the Company's management with overseeing at the level of the Board of Directors and its Committees, the Management Board, and the General Director.

The management of the sustainable development pillars is based upon the Company's actions aligned with the UN fundamental principles and sustainable development goals, global trends in sustainable development, and national and regional development priorities.

Responsibility for the Company's strategic planning and business operations is shared between among the Board of Directors, the General Director and the Management Board, as well as at the level of authorities of the executive managers in charge of the business streams with the performance management and motivation mechanisms based on the KPI system.

Management of the TATNEFT Group

The Company operates as a Group. PJSC TATNEFT is the corporate center of the Group, coordinating the business operations of the enterprises that form the Company's business streams and business segments.

The Company strengthens the mechanisms for the interaction of the controlled companies as the participants in the corporate environment of the TATNEFT Group, as practical strategic management tools, including the oversight of significant corporate actions in the controlled organizations. In 2020, the Regulation on the Procedure for Corporate Interaction of PJSC TATNEFT named after V. D. Shashin with Controlled and Affiliated Entities was updated, and a new version of the TATNEFT Group Regulation was approved.

Ensuring the uniform principles of corporate governance and transparency of the TATNEFT Group's activities, the Company develops a system of consistent corporate standards to implement the corporate strategy, increase shareholder value, and successfully grow the TATNEFT Group into a single system.

The Company develops a unified corporate information platform for managing controlled companies. It expands the integration of common corporate standards for the TATNEFT Group's entities, including the ESG practices and consolidation of actions to implement the Sustainable Development Goals.

General meeting of shareholders

The General Meeting is the supreme governing body of the Company. It operates under the regulatory legal acts of the Russian Federation, the Articles of Association, and internal documents of the Company.

The General meeting may be held in the form of a joint attendance gathering of shareholders to discuss items on the agenda and make decisions on matters put to the vote or in the form of an absentee voting meeting. The Company may hold the General Meeting of shareholders with an option to fill out electronic ballots online via the Internet.

The Annual General Meeting of shareholders of the Company, which took place in 2020, in compliance with the requirements of the current legislation of the Russian Federation* related to the prevention of the spread of coronavirus infection, was held in the form of absentee voting.

**Federal Law No. 50-FZ of 18.03.2020 "On the Acquisition by the Government of the Russian Federation of the Ordinary Shares of Sberbank of Russia from the Central Bank of the Russian Federation and Invalidation of Certain Provisions of Legislative Acts of the Russian Federation".*

The General Meeting of shareholders makes decisions on significant issues of the Company's activities.

The General Meeting of shareholders delegates the overall management of the Company to the Board of Directors. The procedure for holding the General Meeting of shareholders fully ensures the observance of the rights of shareholders. The procedure for preparing, convening, holding, and summing up the results of the general meeting of shareholders of the Company is defined by the Regulation "On the General Meeting of Shareholders of PJSC TATNEFT named after V. D. Shashin."

The Company holds an annual general meeting of shareholders once a year, not earlier than two, and not later than six months after the end of the fiscal year. In addition to the annual general meeting, extraordinary meetings of shareholders may be convened. The information is made available to the shareholders regarding the general shareholders' meeting agenda items in the amount and within the timeframe sufficient for them to choose a well-grounded stance on the considered matters and make decisions on participation in the meeting and the form of such participation.

The annual general meeting at all times must consider issues related to the election of members of the Board of Directors and the Revision Commission, approval of the auditor, approval of the annual report, annual accounting (financial) statements, appropriation of profit, including payments (declarations) of dividends, and losses as of reporting year-end, and approval of internal documents regulating the activities of the Company's governing

bodies. Shareholders make decisions on the most important issues of the Company's activities. The Federal Law requirements specify the full list of matters reserved to the general meeting of shareholders No. 208-FZ of December 26, 1995, "On Joint-Stock Companies." When electing the Board of Directors, the Company gives its shareholders the detailed background of each candidate such as biography, experience, and skills, and strives to ensure that the candidates are personally present at the general meeting of shareholders held in the form of joint attendance of shareholders.

Each shareholder has the right to participate in the meeting in person or by proxy. At the General Meeting, shareholders receive a detailed and reliable report on the company's ongoing corporate policy and production and business activities from the Board of Directors and executive bodies. The Board of Directors of the Company prepares reports for shareholders on each agenda item, presenting its position and dissenting opinions of members of the Board of Directors, if any.

Decisions on the agenda items of the general meeting of shareholders are made by voting by ballots under the current legislation and the Company's Articles of Association. When drafting the meeting's decisions, it is necessary to indicate by what majority votes decisions were made, and dissenting opinions are recorded. The minutes are signed by The Chairman and Secretary of the meeting. During the preparation for and holding the general meeting, the shareholders can freely and timely receive information about the meeting and its materials, pose questions to members of the company's executive bodies and the Board of Directors, and communicate.

The Company provides its shareholders with any available means of communication such as hotline and e-mail options, making it possible for the shareholders to ask questions about their share ownership, dividend payout procedure, etc., as well as express opinions and send questions about the agenda during the preparations for the General meeting of shareholders.

The general meetings of shareholders held in 2020:

Type of meeting: Annual general meeting of shareholders	Format of the meeting: Absentee voting	Meeting date: June 17, 2020
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The decisions taken by the Extraordinary General Meeting of Shareholders:

- 1. Approve the annual report of PJSC TATNEFT n.a. V.D.Shashin for 2019.**
- 2. Approve the annual accounting (financial) statements of PJSC TATNEFT n.a. V. D. Shashin for 2019.**
- 3. Approve the appropriation of profit (including payment (declaration) of dividends) of PJSC TATNEFT n.a. V. D. Shashin by the year-end reporting results, as follows:**
 - determine that the amount of dividends on ordinary shares based on the results of 2019 is 0% of the share par value, excluding previously paid dividends based on the results of six and nine months of 2019 in the amount of 6447% of the share par value;
 - effect the payment of dividends on preferred shares based on the results of 2019 in the amount of 100% of the share par value, excluding previously paid dividends based on the results of six and nine months of 2019 in the amount of 6447% of the share par value;
 - the remaining net profit after payment of dividends for 2019 is to be recognized as undistributed.

Set June 30, 2020, as the record date on which the persons entitled to dividends are determined. The dividends are to be paid in cash.

4. Elect the following individuals to the Board of Directors of PJSC TATNEFT n.a.V. D. Shashin:

- AGLIULLIN Fanil Anvarovich
- GAIZATULLIN Radik Raufovich
- GERECS Laszlo
- GLUKHOVA Larisa Yurievna
- LEVIN Yuri Lvovich
- MAGANOV Nail Ulfatovich
- NURMUKHAMEDOV Rafail Saitovich
- SABIROV Rinat Kasimovich
- SOROKIN Valery Yuryevich
- SYUBAEV Nurislam Zinatulovich
- TAKHAUTDINOV Shafagat Fakhrazovich
- KHALIMOV Rustam Khamitovich
- KHISAMOV Rais Salikhovich
- STEINER Rene Frederic

5. Elect the following individuals to the Revision Commission of PJSC TATNEFT n.a.V. D. Shashin:

- BORZUNOVA Ksenia Gennadyevna
- GALEEV Azat Damirovich
- GILFANOVA Guzal Rafisovna
- ZALYAEVA Salavat Galiaskarovich
- KUZMINA Venera Gibadullovna
- RAKHIMZYANOVA Lilya Rafaelovna
- FARKHUTDINOVA Nazilya Rafisovna
- SHARIFULLIN Ravil Anasovich

6. Approve the auditor of PJSC TATNEFT named after V. D. Shashin to perform the mandatory audit of the annual financial statements for 2020 prepared in accordance with the Russian and international accounting standards, for one year, the Joint-Stock Company PricewaterhouseCoopers Audit (JSC "PvK Audit").

Type of the meeting: Extraordinary general meeting of shareholders	Format of the meeting: Absentee voting	Date of the event: September 30, 2020
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The decisions taken by the extraordinary General meeting of shareholders:

2.Set October 12, 2020, as the record date on which the persons entitled to dividends are determined. The dividends are to be paid in cash.

1. Make the dividend payment for the six (6) months of 2020 as follows:

- on the PJSC TATNEFT preferred stock in the amount of 994% to the par value;
- on the PJSC TATNEFT ordinary stock in the amount of 994% to the par value.

All decisions adopted by the general meeting of shareholders in 2020 have been implemented.

The quorum of general meetings of shareholders for 2016 - 2020

June 24, 2016	Annual General Meeting of Shareholders	63,53 %
June 23, 2017	Annual General Meeting of Shareholders	61,97 %
December 12, 2017	Extraordinary General Meeting of Shareholders	66,69 %
June 22, 2018	Annual General Meeting of Shareholders	59,91 %
September 28, 2018	Extraordinary General Meeting of Shareholders	63,66 %
December 21, 2018	Extraordinary General Meeting of Shareholders	66,35 %
June 21, 2019	Annual General Meeting of Shareholders	62,97 %
September 13, 2019	Extraordinary General Meeting of Shareholders	65,44 %
December 19, 2019	Extraordinary General Meeting of Shareholders	67,67 %
June 17, 2020	Annual General Meeting of Shareholders	64,86 %
September 30, 2020	Extraordinary General Meeting of Shareholders	61,61 %

Board of Directors

On June 21, 2019, the General Meeting of shareholders elected the Board of Directors of PJSC TATNEFT from the candidates who have sufficient professional background in strategic management, knowledge and skills, as well as personal qualities to adopt well-balanced and objective decisions on the Company's growth and development with the membership that meets the scope of activities, interests, and needs of the Company.

Composition of the Board of Directors

At the first meeting of the Board of Directors of PJSC TATNEFT following the annual general meeting of shareholders held on June 21, 2019, Rustam N. Minnikhanov was unanimously elected the Chairman of the Board of Directors by all members of the Board of Directors, as the most influential member of the Board of Directors with a high level of professional skills and knowledge, significant background in management positions, and impeccable business and personal reputation.

The membership procedure, status, structure, functions, goals, and objectives, competencies, powers of the Board of Directors, the work procedures, and engagement with other governing bodies of the Company are determined by the Articles of Association and the Regulations on the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin, and distinguished from the competences of the executive bodies of the Company, which govern its current activities.

The general shareholders' meeting elects fourteen (14) members of the Board of Directors by cumulative voting (the candidates who won the most votes are deemed elected to the Board of Directors. One member of the Board of Directors is appointed based on the special "golden share" right (The Law of the Republic of Tatarstan of 26.07.2004 N

Chairman of Board of Directors

The Chairman of the Board of Directors plays a pivotal role in ensuring that the Board of Directors and its committees work effectively and efficiently.

The activity of the Chairman of the Board of Directors is focused on creating a constructive atmosphere for holding meetings, free discussion of issues considered by the Board of Directors to develop the most thoughtful and practical decisions.

The Chairman of the Board of Directors is a non-executive director. The Chairman of the Board of Directors is not a member of any of the Board of Directors committee.

The Board of Directors elects the Chairman of the Board of Directors of the Company from among its members by a majority vote of the Board of Directors' total number. The Chairman carries out his duties under the Company's Articles of Association, the Regulations on the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin, and the Corporate Governance Code.

The Chairman of the Board of Directors organizes its work, convenes and presides over meetings of the Board

of Directors, and arranges for minutes to be kept at such meetings. In the absence of the Chairman of the Board

of Directors, his duties are performed by one of the members of the Board of Directors upon the decision of the Board of Directors of the Company.

43-ZRT "On Privatization of State Property of the Republic of Tatarstan," clause 8.3 of the Company's Articles of Association). The Company is to include electing members of the Board of Directors in the annual general shareholders' meeting agenda.

The Company provides a transparent procedure for electing members of the Board of Directors and discloses information on the Board of Directors' current composition and candidates to the Board of Directors in advance. When nominating members of the Board of Directors and its committees, criteria and factors of professional skills and expertise are considered, including those in economic, environmental, and social areas.

At the first meeting after the appointment of the Board of Directors and the election of the Chairman of the Board of Directors, the Committees of the Board of Directors are formed.

The information on the Board of Directors' composition and its activities is disclosed on the Company's official website.

<https://www.tatneft.ru/aktsioneram-i-investoram/sistema-upravleniya-i-kontrolya/sovet-direktorov?lang=ru>

Main functions of the Chairman of the Board of Directors

- organizing the Board of Directors' operation.
- convening meetings, presiding over meetings.
- drawing up proposals for the task assignment among the members of the Board of Directors and its Committees.
- ensuring an open discussion of the agenda items and considering the opinions of all board members.
- identifying key issues to be considered by the Board of Directors and choosing the best format of the meeting to discuss the issues.
- representation of the Board of Directors in relations with shareholders, managers and other stakeholders

In the context of the spread of the COVID-19 infection, the Board of Directors responded effectively and promptly to the pandemic outbreak, promptly and carefully made important decisions in strategic planning, risk management, information security, key business processes of the Company, and personnel safety issues.

Powers and competencies of the Board of Directors

The Board of Directors provides an overall charge of the Company's activities, sets up priorities, strategy, and policy of the Company, authorizes and approves the strategic, long-term, and medium-term plans and programs of development of the TATNEFT Group, including investment, borrowings and asset management, main principles and approaches to the organization of the system of internal control and risk management, is responsible for the management of key risks of the Company affecting the achievement of its strategic targets and takes decisions on key projects and significant transactions oversees the achievement of strategic objectives, plans, and programs of the Company promotes timely disclosure of complete and reliable information on the activities of the Company.

When considering the Company's Strategy, shaping and approving plans, budgets, and investment programs, the Board of Directors regards the sustainable development aspects and goals in HSE, social policy, and human resource management.

One of the key duties of the Board of Directors is to establish effective executive bodies and ensure oversight of their activities. The competence of the Board of Directors pertains to the following matters.

The Board of Directors plays a crucial role in procuring that the Company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.

The Company ensures that the candidates to the Board of Directors and its committees are nominated and selected based on diversity, independence, professional skills, and expertise.

Following best corporate practices, the formation of the Board of Directors considers such factors as the national and gender diversity of the Board members.

The Board of Directors and executive bodies play a crucial role in shaping, setting, approving, and updating the Company's goals, values, mission, strategies, policies, and objectives to achieve economic, environmental, and social benefits.

The Board of Directors works under the approved plans, inter alia, summarizing the results of activities, determining the Company's priorities, preparing general meetings of shareholders, making decisions on authorization or subsequent approval of non-arm's length transactions and other transactions under the Articles of Association. To ensure the effective work of the Board of Directors, the Company accomplishes the following comprehensive actions:

- Providing information technology resources with a secure corporate communication link for rapid remote delivery of information materials to members of the Board of Directors regarding Board's meeting agendas;
- Making it possible to hold meetings of the Board of Directors and its committees in a video-conference format;
- Archival management and storage of Board of Directors' meeting minutes

The competence of the Board of Directors pertains to the following matters:

- election of executive bodies, termination of their powers, and motivation of executive bodies;
- oversight of the Company's activities based on regular progress reports of the executive bodies on the implementation of Strategy and business plans;
- improving the corporate governance system and practice in the Company;
- convening annual and extraordinary general meetings of shareholders, as well as matters related to the preparation of the general meeting of shareholders;
- approval of internal documents of the Company, except for internal documents with the approvals which are reserved to the competence of general meeting of shareholders and executive bodies of the Company;
- approval of the Company's registrar and the contract terms with the registrar, and termination thereof

The Company has mechanisms in place to provide members of the Board of Directors with information in the amount and within the timeframe sufficient for them to make balanced and objective decisions on the Board of Directors' agenda items.

Composition of the Board of Directors of PJSC TATNEFT

The Composition of the Company’s Board of Directors is based on a balance of knowledge, skills and expertise to ensure effective work.

In 2020, there were the following changes in the Board of Directors’ membership:

The powers of the members of the Board of Directors were terminated, namely

Muslimov Renat Khaliullovich
Khamaev Azat Kiyamovich

Elected to the Board of Directors as follows

AGLIULLIN Fanil Anvarovich
GLUKHOVA Larisa Yuryevna



MINNIKHANOV Rustam Nurgalieвич
Non-Executive Director

Chairman of the Board of Directors of PJSC TATNEFT
Member of the Board of Directors, PJSC TATNEFT*

- Born in 1957
- 1978 – graduated from Kazan Agricultural Institute
- 1986 – graduated from Soviet Trade Institute
- 1996-1998 – Minister of Finance of the Republic of Tatarstan
- July 1998-March 2010 – presided over the Government of the Republic of Tatarstan
- March 2010-Present – President of the Republic of Tatarstan

* As per the Orders of the President of the Republic of Tatarstan No. 80 of 17.02.2020, No. 59 of 27.01.2020 and the letter of the Ministry of Land and Property of the Republic of Tatarstan No. 1-30 / 2169 of 19.02.2020, by virtue of the special “golden share” right, he was appointed as a representative of the state (the Republic of Tatarstan) to the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



MAGANOV Nail Ulfatovich
Executive Director

General Director of PJSC TATNEFT
Member of the Board of Directors of PJSC TATNEFT
Chairman of the Management Board of PJSC TATNEFT
Regulations on the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

- Born in 1958
- 1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Ivan Gubkin
- July 2000-November 2013 – First Deputy General Director – Head of Crude Oil and Petroleum Product Sales Department of OJSC TATNEFT
- November 2013-Present – General Director of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Chairman of the Board of Directors of PJSC Bank ZENIT
- Chairman of the Board of Directors of INCO-TEK LLC
- Chairman of the Board of the TATNEFT Charitable Foundation
- Deputy Chairman of the Supervisory Board of the Ak Bars Hockey Academy n. a. Yu. I. Moiseev
- Member of the Board of Directors of LLC SCE Tatneft-Ak Bars
- Member of the Board of Directors of PJSC Nizhnekamskneftekhim
- Member of the Board of Directors of JSC Tatneftekhiminvest-Holding
- Member of the Board of Directors of Svyazinvestneftekhim JSC
- Member of the Board of Directors of Kontinental Hockey League, LLC
- Member of the Board of Directors of Tatneft Oil AG
- Chairman of the Board of Directors of TNA-Services NV
- Member of the Board of Directors of TAL OIL Ltd

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,000176	none



GAIZATULLIN Radik Raufovich
Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT
The Audit Committee Member of the Board of Directors of PJSC TATNEFT

- Born in 1964
- 1985 – graduated from Kazan Agricultural Institute
- June 2002 – Present, the Head of the Ministry of Finance of the Republic of Tatarstan

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



GERECS Laszlo

Independent Director authorized by the Board of Directors for the Company’s Climate Policy

Member of the Board of Directors of PJSC TATNEFT
The Audit Committee Member of the Board of Directors of PJSC TATNEFT
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

- Born in 1953
- 1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a.Ivan Gubkin
- 1995 – graduated from Oxford Business University
- 2012-31.12.2016 – Managing Director of MOL Oman – Representative Office of MOL Group in Muscat
- 01.01.2017-Present – Managing Director of G Petroconsulting Ltd

Participation in the governing bodies of other entities:

- Independent Advisor (Member of the Reserves Estimation Committee) MOL Group

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



LEVIN Yuri Lvovich

Independent Director

Member of the Board of Directors of PJSC TATNEFT
Chairman of the Audit Committee of the Board of Directors of PJSC TATNEFT
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

- Born in 1953
- 1975 – graduated from the Moscow Financial Institute
- 1979 – completed postgraduate courses at the Institute of World Economy and International Relations
- 2001-Present – Managing Partner of BVM Capital Partners Ltd.

Participation in the governing bodies of other entities:

- Member of the Management Board of B. V. Murray&Co. Inc
- Member of the Board of Directors of Joint-Stock Commercial Bank AK BARS (Public Joint-Stock Company)
- Member of the Board of Directors of Winter Finanz AG

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



STEINER Rene Frederick

Independent Director

Member of the Board of Directors of PJSC TATNEFT
Chairman of the HR and Remuneration Committee of PJSC TATNEFT
The Audit Committee Member of the Board of Directors of PJSC TATNEFT

- Born in 1964
- 1989 – graduated from the Higher Technical School of Zurich
- From 1992 Bachelor of Swiss Banking – Zurich
- 2011-Present – Co-founder, Head of Private Equity Programs at FIDES Business Partner AG, Switzerland

Participation in the governing bodies of other entities:

- Vice-Chairman of the Board of Directors of FB Zurich Football Club
- Member of the Board of Directors of FIDES Holding AG
- Member of the Board of Directors of BerlinBlu AG
- Member of the Board of Directors of Fischer Sohne AG

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



SABIROV Rinat Kasimovich

Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

- Born in 1967
- 1991 – graduated from Kazan State University
- 1994 – graduated from Kazan State Technological University
- 1998 – training courses under Presidential Management Training Program
- 2012 – completed Master of Business Administration Program at Colorado State University (USA)
- 2006-June 2010 – Head of the Department for the Petrochemical Complex of the Cabinet of Ministers of the Republic of Tatarstan
- June 2010-July 2020 – Assistant to the President of the Republic of Tatarstan
- July 2020-Present – General Director of JSC Gazprom Mezhregiongaz Kazan

Participation in the governing bodies of other entities:

- Member of the Board of Directors of PJSC Nizhnekamskshina
- Member of the Board of Directors of JSC Tatneftekhiminvest-Holding
- Member of the Board of Directors of PJSC Nizhnekamskneftekhim
- Member of the Board of Directors of PJSC Kazanorgsintez
- Member of the Board of Directors of Neftekonsorcium CJSC
- Member of the Board of Directors of PJSC "Ukratnafta
- Member of the Board of Directors of JSC Kazan Fair
- Member of the Board of Directors of Technology Transfer Center LLC

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



SOROKIN Valeriy Yuryevich
Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1964
- 1986 – graduated from Kazan State University
- 2003-Present – General Director of JSC Svyazinvestneftekhim

Participation in the governing bodies of other entities:

- Председатель Совета директоров ПАО «Таттелеком»
- Chairman of the Board of Directors of PJSC Tattelecom
- Chairman of the Board of Directors of PJSC Ak Bars Bank
- Chairman of the Board of Directors of First Construction Management LLC
- Chairman of the Board of the NGO Alabuga Special Economic Zone Promotion Foundation
- Chairman of the Board of the NGO Regional Foundation for the TUGAN IL Social and Economic Development
- Chairman of the Board of the NGO Physical Culture and Sports Promotion Foundation
- Member of the Board of the Systemic Medicine Foundation
- Member of the Board of Directors of Svyazinvestneftekhim JSC
- Member of the Board of Directors of JSC Tatneftekhiminvest-Holding
- Member of the Trustee Board of the Investment and Venture Fund of the Republic of Tatarstan
- Member of the Trustee Board of Kazan (Volga Region) Federal University
- Member of the Trustee Board of the NPO State Housing Fund under the President of the Republic of Tatarstan
- Member of the Trustee Board of Volga-Capital Non-State Pension Fund JSC
- Member of the Trustee Board of the NPO The Republican Foundation for the Revival of Historical and Cultural Monuments of the Republic of Tatarstan
- Member of the Trustee Board of the Foundation for Support of Culture and Sports
- Member of the Trustee Board of the Foundation for Promotion of Comfortable Environment in the Republic of Tatarstan
- Member of the Supervisory Board of the Interregional Clinical Diagnostic Center
- Member of the Supervisory Board of the Autonomous Non-Profit Organization Kazan Open University of Talents 2.0
- Member of the Supervisory Board of the World-Class Scientific and Educational Center in the Republic of Tatarstan

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



SYUBAEV Nurislam Zinatulovich
Executive Director

Member of the Board of Directors of PJSC TATNEFT
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin
Chairman of the Management Board of PJSC TATNEFT

- Born in 1960
- 1982 – graduated from the Plekhanov Moscow Institute of National Economy
- 2001-17.07.2016 – Head of the Strategic Planning Department – Adviser to the General Director for Foreign Economic Activity, Finance and Banking, PJSC TATNEFT
- 18.07.2016-Present – Deputy General Director for Strategic Development, PJSC TATNEFT

Participation in the governing bodies of other entities:

- Chairman of the Board of Directors of Plant Elastic LLC
- Chairman of the Board of Directors of IDELOIL JSC
- Member of the Board of Directors of Kara-Altyn Enterprise CJSC
- Member of the Board of Directors of URS-Trading House LLC
- Member of the Board of Directors of Carbon-Oil LLC
- Member of the Board of Directors of JSC Aznakaevsky Plant Neftemash
- Member of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of PJSC Bank ZENIT
- Chairman of the Trustee Board of National Non-State Pension Fund JSC
- Member of the Board of Directors of P-D - Tatneft-Alabuga Steklovologkno LLC
- Member of the Supervisory Board of Tatneft International Cooperatie U.A. (Netherlands)
- Member of the Board of the self-regulatory organization National Association of Non-State
- Pension Funds
- Member of the Board of Directors of PJSC Joint-Stock Commercial Bank AK BARS

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



TAKHAUTDINOV Shafagat Fakhrazovich
Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT
Adviser to the Chairman of the Board of Directors of PJSC TATNEFT

- Born in 1946
- 1971 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a.Ivan Gubkin
- 1999-November 2013 – General Director of OJSC TATNEFT
- November 2013-Present – Assistant to the President of the Republic of Tatarstan on the Oil Industry, Adviser to the Chairman of the Board of Directors of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Member of the Board of Directors of JSC National Non-State Pension Fund
- Chairman of the Board of Directors of PJSC Bank ZENIT
- Member of the Board of Directors of JSC Tatneftekhiminvest-Holding
- Chairman of the Board of Directors of Tatoiigas JSC
- Chairman of the Board of Directors of Tatex JSC
- Member of the Board of Directors of Neftekonsorcium CJSC
- Member of the Board of Directors of Bulgarneft JSC
- Chairman of the Board of Directors of Kara-Altyn Enterprise CJSC
- Chairman of the Board of Directors of JSC Tatnefteprom-Zyuzeyevneft
- Member of the Board of Directors of JSC Tatnefteprom
- Chairman of the Board of Directors of Carbon-Oil LLC
- Chairman of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of PACKER-BIS LLC
- Member of the Board of Directors of Selengushneft CJSC - until 19.06.2020
- Member of the Board of Directors of VELLOil CJSC - until 19.06.2020

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,116503	0,123914



KHALIMOV Rustam Khamisovich
Executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1965
- 1987 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a.Ivan Gubkin
- 2010-2011 – Director of OJSC Tatneft Branch in Libya
- 2011-2015 – Head of NGDU Elkhovneft of OJSC TATNEFT
- 2015-20.05.2018 – Deputy General Director for Oil and Gas Development and Production of PJSC TATNEFT
- 21.05.2018-30.06.2019 – First Deputy General Director for Oil and Gas Exploration and Production of PJSC TATNEFT
- 01.07.2019-Present – First Deputy General Director for Oil and Gas Exploration and Production - Head of Tatneft Upstream, PJSC TATNEFT

Participation in the governing bodies of other entities:

- Member of the Board of Directors of Yambuloil JSC

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,000056	none



AGLIULLIN Fanil Anvarovich
Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT from 17.06.2020

- Born in 1975
- 2004 – graduated from the Kazan Law Institute of the Ministry of Internal Affairs of the Russian Federation
- 2016-September 2019 – Head of the Security Service-Assistant to the President of the Republic of Tatarstan
- September 2019-present – Minister of Land and Property Relations of the Republic of Tatarstan

Participation in the governing bodies of other entities:

- Member of the Board of Directors of Svyazinvestneftekhim JSC

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



KHISAMOV Rais Salikhovich
Executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1950
- 1978 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a.Ivan Gubkin
- October 1997-Present – Deputy General Director-Chief Geologist of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Chairman of the Board of Directors of Kalmneftegaz OJSC
- Chairman of the Board of Directors of KalmTatneft JSC
- Member of the Board of Directors of New Oil Production Technologies LLC
- Member of the Board of Directors of Yambuloil JSC

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0.020341	0.021433



NURMUKHAMETOV Rafail Saitovich
Executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1949
- 1974 – graduated from Ufa Oil Institute
- 30.01.1998-31.01.2020 – Head of NGDU Leninogorskneft of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Member of the Board of Directors of Okhtin-Oil CJSC

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,010465	0,010107



GLUKHOVA Larisa Yurievna
Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT from 17.06.2020

- Born in 1976
- 1998 – graduated from Kazan State University
- November 21, 2013-June 22, 2017 – Minister of Justice of the Republic of Tatarstan
- From June 23, 2017-Present – Head of the State Legal Department of the Administrative Office of the President of the Republic of Tatarstan

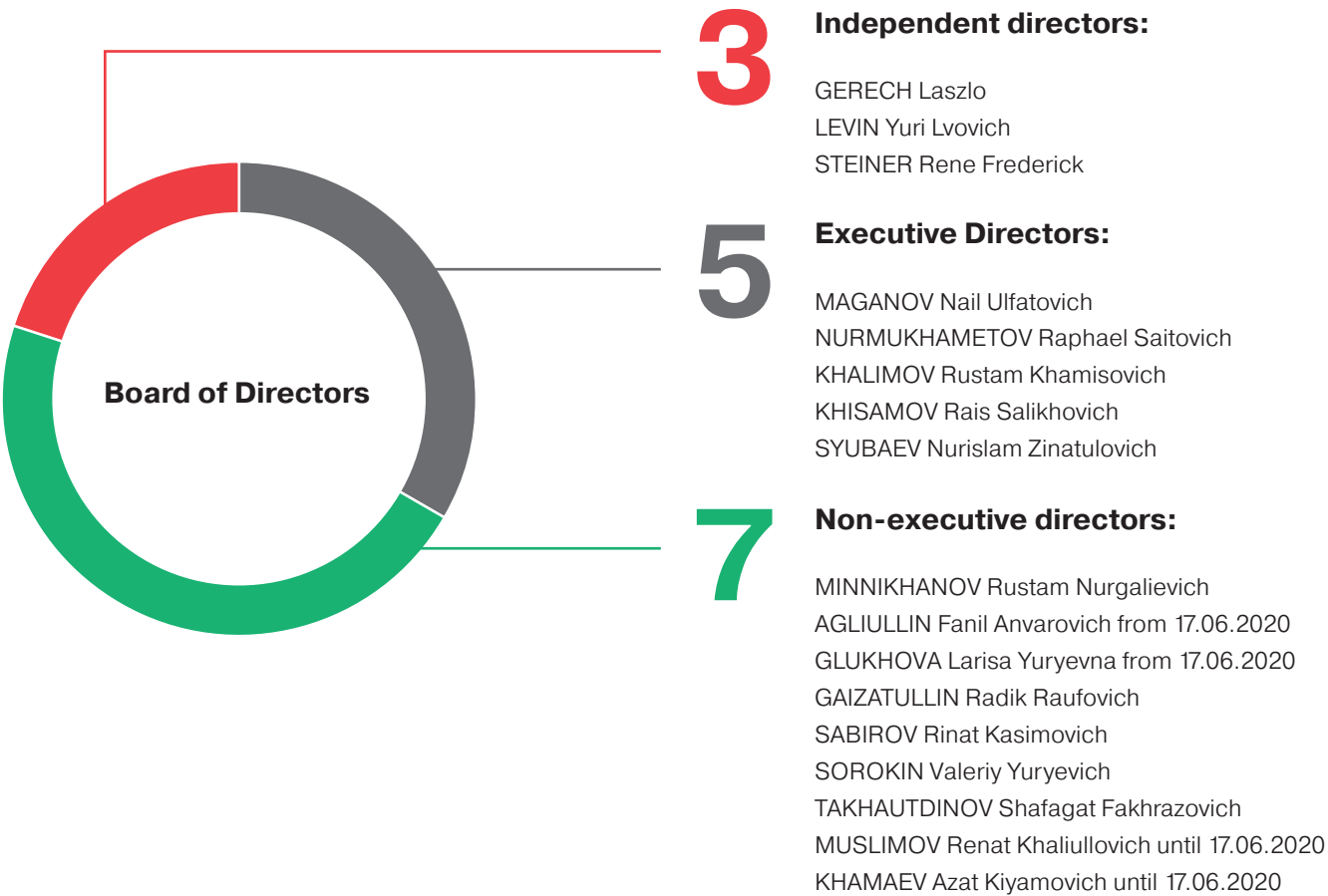
Participation in the governing bodies of other entities:

- Member of the Board of Directors of Svyazinvestneftekhim JSC
- Member of the Trustee Board of the NPO State Housing Fund under the President of the Republic of Tatarstan

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none

Balanced composition of the Board of Directors

The Board of Directors is composed of 15 directors, including three (3) independent directors (20% of the overall membership of the Board of Directors), seven (7) non-executive directors (46.7% of the overall membership of the Board of Directors), and five (5) executive Directors (33.3% of the overall membership of the Board of Directors).



The Board of Directors' composition is well balanced in terms of membership of independent, non-executive, and executive Directors. The Company believes that three independent directors and seven non-executive directors in the Board of Directors maintain a balance between the interests of various groups of shareholders, facilitating objectivity in decision-making and inspiring investors, shareholders, and other stakeholders with high confidence in the Company. The participation of five executive directors ensures a deep integration of the Board of Directors and executive bodies. The Company believes that three independent directors are sufficient to significantly influence the decision-making process and ensure flexibility and objectivity in resolving issues. Moreover, the independence of these directors' judgments enhances the Board of Directors' effectiveness and improves the Company's corporate governance system.

Three of the fifteen members of the Board of Directors are foreign citizens (20% of the Board of Directors' overall membership). The presence of foreign directors on the Board contributes to the strengthening of international business contacts and the penetration of best business practices into the established corporate culture of the Company.

Members of the Board of Directors of PJSC TATNEFT have high skills and knowledge, and professional background in strategic management, risk management, accounting, and audit, as well as in the Company's business streams, sufficient to make balanced and objective decisions in the best interests of the Company and its shareholders.

Independent Directors

Participation of independent directors with high professional backgrounds in the discussion of the issues considered by the Board of Directors, including those within the scope of the Board of Directors Committees and interaction with the management, has a very positive effect on the work of the Board of Directors and the corporate governance development.

In 2020, the independent directors made a strong focus upon the Company's risk management and internal control system

and other issues according to the Agenda of meetings of the Board of Directors and its committees.

As part of the Company's climate planning system development, the independent member of the Board of Directors, Mr. Laszlo Gerecs, was appointed responsible for overseeing the Company's activities related to climate change. Mr. Gerecs has good relevant expertise in this area and interacts with the Company's management to discuss actions and plans to reduce the carbon footprint.

Key specialization of Board members:

Financial investment

LEVIN Yuri Lvovich
STEINER Rene Frederick
GAIZATULLIN Radik Raufovich

Company business strategy and asset management

SOROKIN Valeriy Yuryevich
SYUBAEV Nurislam Zinatulovich
AGLIULLIN Fanil Anvarovich

Risks

TAKHAUTDINOV Shafagat Fakhrazovich
MAGANOV Nail Ulfatovich

Production operations, technology development

KHISAMOV Rais Salikhovich
KHALIMOV Rustam Khamisovich
NURMUKHAMETOV Rafail Saitovich

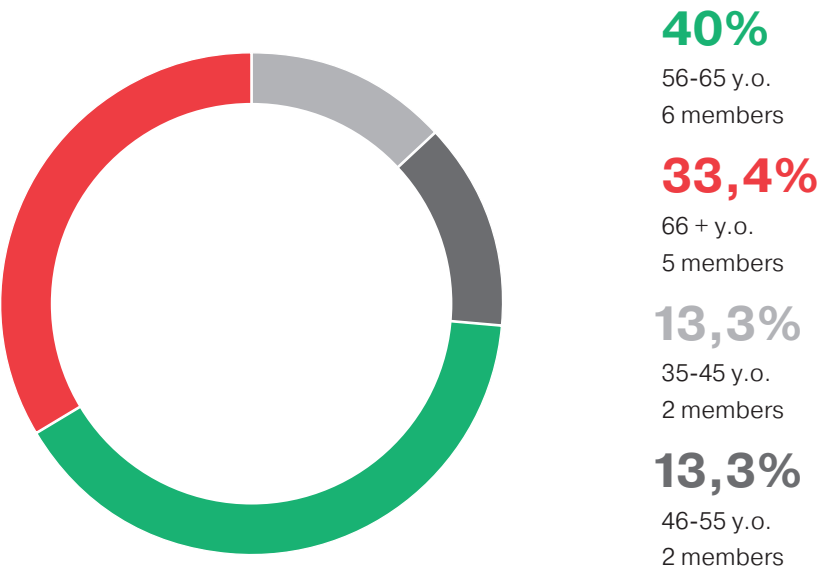
Legal risks

GLUKHOVA Larisa Yurievna

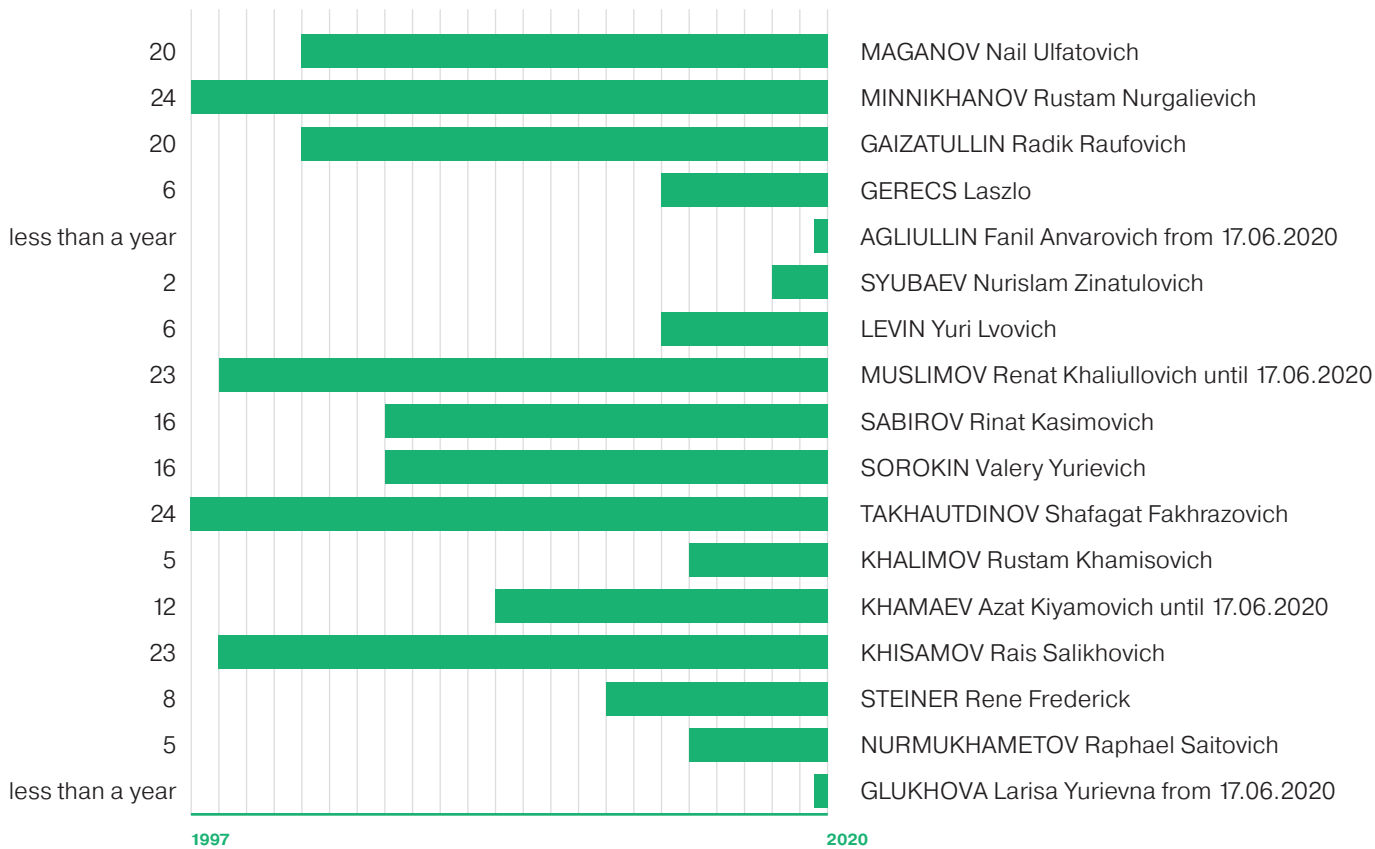
Climate issues

GERECS Laszlo

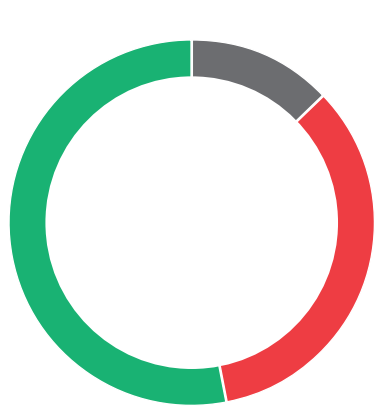
Age profile of the Board of Directors



Duration of service on the Board of Directors



Number of members of the Board of Directors by length of board tenure



53%
Over seven years
8 members

34%
One to seven years
5 members

13%
Less than a year
2 members

All members of the Board of Directors have significant work experience in the Company, high professional reputations and knowledge, which have a strong positive impact on consistent and balanced decision-making. The current composition of the Company’s Board of Directors is sufficiently diversified and balanced.

Enhancing the ESG professional expertise of the Board members

Members of the Board of Directors strive to improve their professional experience in the economic, environmental, and social spheres of the Company’s activities, in the context of the implementation of the Sustainable Development Goals of the UN Global Compact and the Paris Agreement signed under the UN Framework Convention on Climate Change, which regulates measures to reduce carbon dioxide in the atmosphere from 2020.

To ensure effective information to the Board of Directors, the Company uses modern information and technical resources and channels, including specialized software in Russian and English.

Succession of the Board of Directors

To shape and maintain an optimal and balanced composition of the Board of Directors, the Company ensures the continuity of the Board of Directors, which:

- contributes to maintaining the necessary overall competence of the Board of Directors when changing its members;
- ensures continuity of experience, best and effective practices implemented by the Board of Directors;
- makes it possible to systematically and consistently solve the tasks facing the Board of Directors and manage the Company’s risks;
- makes it possible to select for work on the Board of Directors exactly those whose contribution to the work will improve the Board of Directors’ performance.

The continuity of the Board of Directors allows considering the Company’s needs for timely rotation of the Board of Directors and introducing new members whose skills, experience, and

specialization meet the challenges of the changing external environment and the Company’s specifics.

The rotation of the Board of Directors is carried out consistently and in stages. The Company does not allow changing at a time more than half of the Board of Directors.

The Corporate Secretary of the Company provides that first-time elected members of the Board of Directors as soon as practicable get to know documents and materials pertaining to the Company’s activities, including the Company’s strategy, corporate governance system put in place in the Company, risk management, internal control system, distribution of duties and responsibilities between the executive bodies of the Company and other essential information related to the Company’s activities.

New members of the Board of Directors are always provided with explanations on compliance with the confidentiality rules and protection of insider information.

The Board of Directors meeting attendance in 2020

SURNAME, Name, Patronymic	30. 01	28. 02	04. 03	24. 03	20. 04	18. 05	25. 05	29. 06	20. 07	17. 08	25. 08	24. 09	28. 10	27. 11	21. 12	Total/ attendance
MINNIKHANOV Rustam Nurgalieovich.	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
MAGANOV Nail Ulfatovich	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
SYUBAEV Nurislam Zinatulovich	O	V	V	V	V	V	V	V	V	V	O	V	V	V	V	15/13
LEVIN Yuri Lvovich	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
GAIZATULLIN Radik Raufovich	V	O	V	V	V	V	V	V	V	V	V	V	V	V	V	15/14
GERECS Laszlo	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
MUSLIMOV Renat Khaliulloovich until 17.06.2020	V	V	V	V	O	V	O	O	O	O	O	O	O	O	O	7/5
SABIROV Rinat Kasimovich	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
SOROKIN Valery Yurievich	V	V	V	V	V	V	V	V	V	V	V	O	V	V	O	15/13
NURMUKHAMETOV Raphael Saitovich	V	V	V	V	O	V	V	V	V	V	V	V	V	O	V	15/13
TAKHAUTDINOV Shafagat Fakhrazovich	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
KHAMAEV Azat Kiyamovich until 17.06.2020	V	V	V	V	V	V	V	O	O	O	O	O	O	O	O	7/7
KHISAMOV Rais Salikhovich	V	O	V	V	V	V	V	V	V	V	V	V	O	V	V	15/13
KHALIMOV Rustam Khamisovich	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
STEINER Rene Frederick	V	V	V	V	V	V	V	V	V	V	V	V	V	V	V	15/15
AGLIULLIN Fanil Anvarovich from 17.06.2020	O	O	O	O	O	O	O	V	V	V	V	O	V	V	V	8/7
GLUKHOVA Larisa Yurievna from 17.06.2020	O	O	O	O	O	O	O	V	V	V	V	V	V	V	V	8/8

* in absentia

2020 Board of Directors' activities

In 2020, the Board of Directors comprehensively considered the issues of planning and performance of the Company's current operational and financial activities as part of the Strategy 2030 implementation. The impact of macroeconomic factors was reviewed in the context of continued oil production curbs under the OPEC+ Agreement, the consequences of tax changes in the oil industry, market price fluctuations, and other factors related to the analysis of long-term trends in the hydrocarbon market and their impact on the Company's development.

High priority issues were related to the possible transition to excess-profits tax, programs to improve efficiency, increase margins in the value chain, and optimize costs. The issues of human resources management, motivation systems, and KPIs were considered.

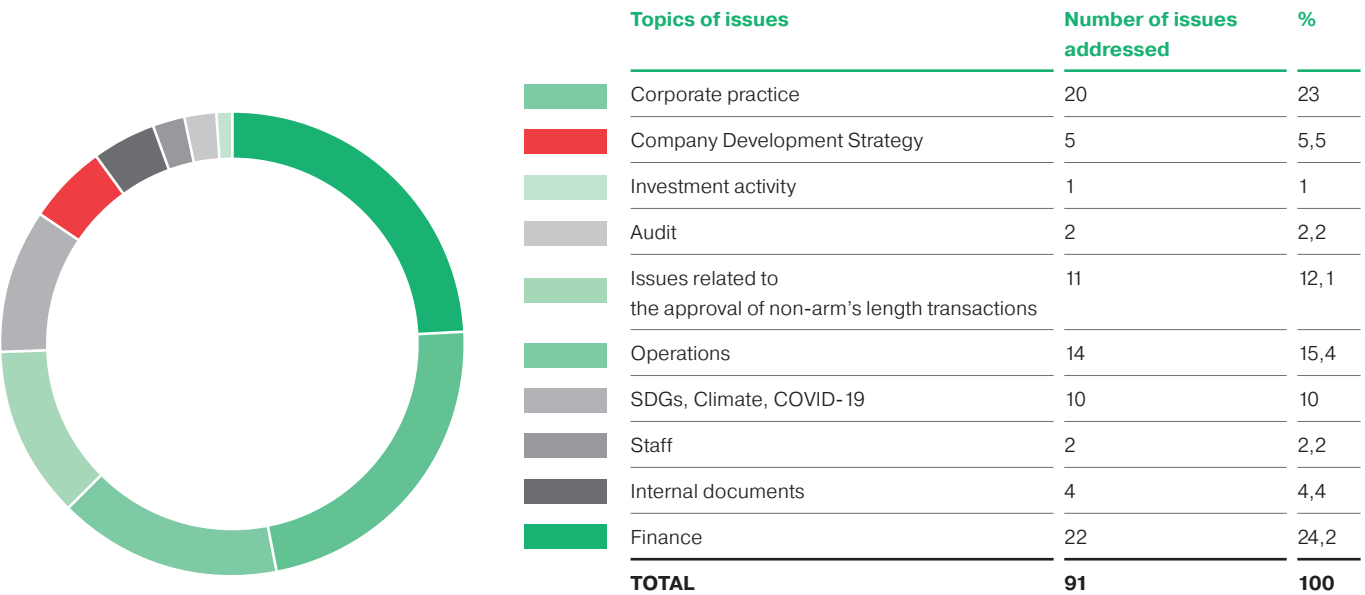
Close attention was paid to the COVID-19 pandemic impact on the Company's business operations and safeguarding

employee occupational health, industrial safety, and environmental protection.

In the reporting year, the tasks set were fulfilled. The key goals were achieved despite the external constraints.

In 2020, fifteen (15) meetings of the Board of Directors were held, including twelve (12) meetings in presentia and three (3) meetings in absentia. Altogether, more than 90 issues were considered. In-person meetings addressed issues related to the Company's strategy and corporate governance, the election of the Chairman of the Board of Directors, authorization of non-arm's length transactions, decision-making in preparations for the Company's annual and extraordinary general meetings of shareholders, operational issues, and the investment program.

Structure of main issues addressed by the Board of Directors in 2020



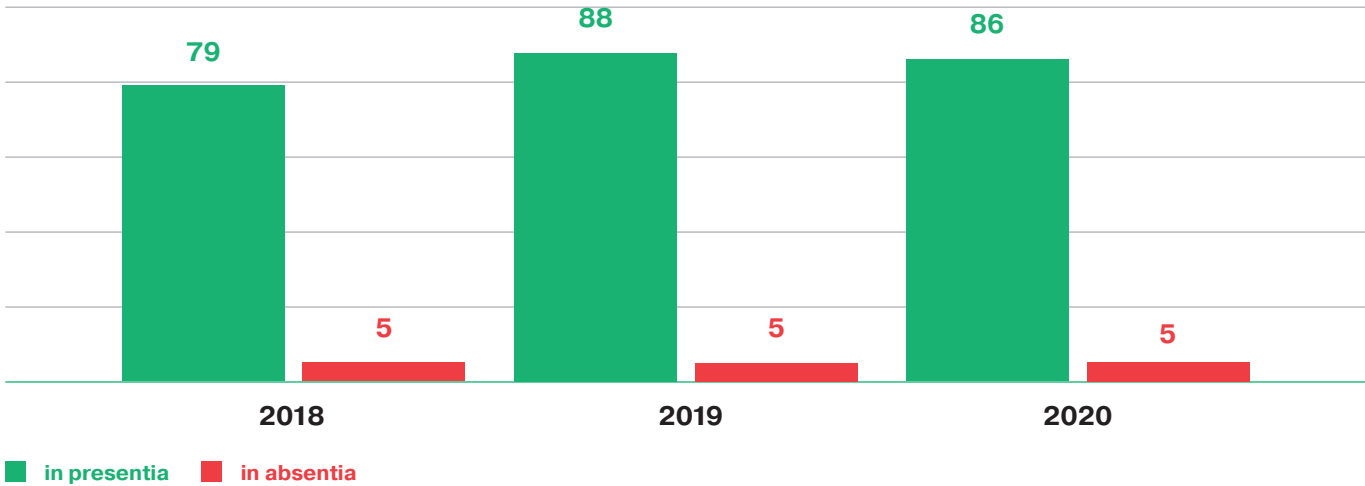
12 attendee meetings
3 absentee meetings

Number of Meetings held

91

Number of issues considered

Statistics on the number of issues considered by the Board of Directors for 2018-2020



Key topics in the core business stream addressed by the Board of Directors in 2020

Company strategic development. Strategy 2030

- On the implementation of the Exploration Strategy of PJSC TATNEFT n.a. V. D. Shashin.
- On the deployment of IT technologies, the IT strategy implementation results.
- On the TATNEFT Group strategy for compliance with the standards of the management system in health, safety and environment ISO 14001: 2015 and ISO 45001: 2018.

Production operations

- The 2019 performance results of the TATNEFT Group's companies.
- On the status of project implementation in the Republics of Turkmenistan, Uzbekistan, and Kazakhstan.
- On the implementation of projects for the development (support) of industrial small businesses, projects for the creation of the SEZ "ALMA" and the industrial park "Alabuga-2. Petrochemicals".
- On the development of the Domanik and Bitumen projects of PJSC TATNEFT n.a. V. D. Shashin.
- On measures to cut the production of hydrocarbons of the TATNEFT Group according to the production quotas under OPEC+agreement.
- On the implementation of the petrochemical complex development project, 2021 plans and forecasts.
- On external challenges and risks, trends and drivers affecting the business of the TATNEFT Group.

- On the progress of modernization of the Nizhnekamsk CHPP.
- On the dynamics of demand and measures to restore the income of wholesale and retail sales of oil and petroleum products.
- About the current work in relation to the non-core assets of the TATNEFT Group.Forecast performance indicators of the Exploration and Production business stream for 2020.
- On the 2020 exploration program performance across PJSC TATNEFT n.a. V. D. Shashin.

Sustainable development

- Implementation of the Sustainable Development Goals under the UN Global Compact in the day-to-day operations of PJSC TATNEFT n.a.V. D. Shashin.
- On the TATNEFT Group's actions to work with the staff in the climate change control (UN SDG, Goal 13).
- Key findings from the effects of the COVID-19 pandemic. On the planned measures to prevent strategic, operational and managerial risks associated with the spread of coronavirus infection and ensure the production process's continuity.
- On the implementation of the Sustainable Development Goal "Clean Water and Sanitation" (UN SDG, Goal 6).

- Taking urgent measures to combat climate change and its consequences.
- Protecting and restoring terrestrial ecosystems and promoting their sustainable use, sustainable forest management, combating desertification, halting and reversing land degradation, and halting biodiversity loss (UN SDG Goal 15)
- Ensure healthy lives and promote well-being for all at all ages (UN SDG Goal 3).
- Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (UN SDG Goal 4).

Investment and financial activities

- On the implementation of the investment program for 2019.
- 2019 Budget performance report
- Information on the status of accounts receivable and accounts payable of PJSC TATNEFT n.a. V. D. Shashin for 2019
- The PJSC TATNEFT financial and operating performance for the first quarter, the first six months, and the nine months of 2020.
- The report of the Revision Commission on the audit of the 2019 financial and business operations of the PJSC TATNEFT n.a. V.D. Shashin.
- The 2019 summary report of the Board of Directors, the annual report, the annual accounting (financial) statements, including the appropriation of retained earnings of PJSC TATNEFT n.a. V.D.Shashin.
- Approval of the 2020 budget by month.
- The 2020 financial and operating forecasts.

Audit

- The 2019 TATNEFT Group's consolidated financial statements prepared as per IFRS and the auditor's report on the financials and business operations audit performed by the Joint Stock Company PricewaterhouseCoopers Audit.
- On the results of the operations of the Internal Audit Department for 2019. Internal audit project plan and time budget of the Internal Audit Department for 2020.

Health, safety, and the environment with considerations to the climate change and carbon footprint reduction

- On the performance of the Exploration and Production Business Stream of PJSC TATNEFT n.a. V. D. Shashin for 2019, taking into account the improved working processes to ensure environmental friendliness and sustainability.
- The roadmap for the work program of the Health, Safety, and Environment Policy with considerations to the climate change.

The decisions of the Board of Directors can be found on the Company's website www.tatneft.ru

In the reporting year, the Board of Directors approved new versions of internal documents of PJSC TATNEFT:

1. Risk Management and Internal Control Policies of PJSC TATNEFT n.a. V. D. Shashin.
2. The PJSC TATNEFT n.a. V. D. Shashin Branch in Turkmenistan:
3. The TATNEFT Group Regulation
4. Regulations on the procedure for corporate engagement of PJSC TATNEFT n. a. V. D. Shashin with controlled and affiliated organizations

The 2020 Board of Directors' work plans

The Board of Directors approves the work plan with the agenda for every half-year period. The plan of matters under consideration is drafted based on the proposals of members of the Board of Directors, executive bodies, and top management. The work plan Including at all times as follows:

- oversight of the implementation of the Strategy and success in achieving targets;
- review of the Company's plans and results of financial and business activities;
- evaluating performance of the Board of Directors;
- preparation for and holding General meetings of shareholders, etc.

The key issues of the Board of Directors' work plan for the first half of 2021 include as follows:

- The results of the operations of the Internal Audit Department for 2020. Internal audit project plan and time budget of the Internal Audit Department for 2020.
- The progress of the organizational structure reform/improvement of the governance structure.
- Ensuring universal access to affordable, reliable, sustainable, and modern energy for all (SDG 7).
- Building resilient infrastructure, promoting inclusive and sustainable industrialization, and fostering innovation (SDG 9).
- Implementation of the investment program for 2020.
- Measures to prevent the spread and mitigate the consequences of the COVID-19 pandemic.
- Activities of the oilfield service companies amid low oil prices (drilling, workover, construction of pipelines, etc.) and the actions of PJSC TATNEFT to reduce the risks of economic and social challenges within the regions where it operates.
- Making cities and human settlements inclusive, safe, resilient and sustainable (SDG 11).
- The annual meeting of shareholders of PJSC TATNEFT named after V. D. Shashin.
- The TATNEFT Group's environmental program for 2021-2025.
- Prevention and fight against corruption in PJSC TATNEFT n.a. V. D. Shashin.
- The implemented social policy of PJSC TATNEFT n.a. V. D. Shashin (social priorities, Charitable Foundation).
- Ensuring the transition to sustainable consumption and

production patterns (SDG 12).

- The recommendation to the General Annual Meeting of Shareholders of PJSC TATNEFT of an audit firm to conduct an audit of PJSC TATNEFT's financial statements under IFRS and RAS for 2020. The 2020 financial and business results of the TATNEFT Group. On the status of the development of projects outside the Russian Federation.
- Strengthening the means of implementation and revitalizing the global partnership for sustainable development (SDG 17).
- The 2020 TATNEFT Group's consolidated financial statements prepared as per IFRS and the auditor's report on the financials and business operations audit performed by the Joint Stock Company PricewaterhouseCoopers Audit.
- Dividends for 2020 based on the operating performance results.
- The results of the internal assessment (self-assessment) of the quality of work of the Board of Directors and its committees.
- Plans for the production of high-viscosity and ultra-viscous oil in the new tax regimes. Cost optimization and technical optimization measures.
- The IT strategy of the TATNEFT Group until 2025 and the progress of digitalization. The report of the Revision Commission on the audit of the 2020 financial and business operations of the PJSC TATNEFT n.a. V.D. Shashin.
- The key priorities for the work of the committees of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin. The 2020 summary report of the Board of Directors, the annual report, the annual accounting (financial) statements, including the appropriation of retained earnings of PJSC TATNEFT n.a. V.D.Shashin.
- On the progress of risk management processes (organizational changes, policies, and regulations, work plan for 2021).
- The results of the measures taken to increase cash flow through working capital management.
- Measures to optimize costs across the entire value chain to minimize revenue loss implications
- The formation of Committees of the PJSC TATNEFT's Board of Directors.
- Other issues.

The Board of Directors has ongoing interaction with the Company's executive bodies and the Committees of the Board of Directors on all key management issues, including audit, evaluation of the activities of the members of the Board of Directors, human resources development, the KPI system, aspects of sustainable development, and others.

Committees of the Board of Directors

In order to improve the effectiveness and efficiency of the decisions taken by the Board of Directors, the Board of Directors operates three committees in the Company, which preliminary review the most important issues on the agenda of the Board of Directors and prepare appropriate recommendations within their competence:

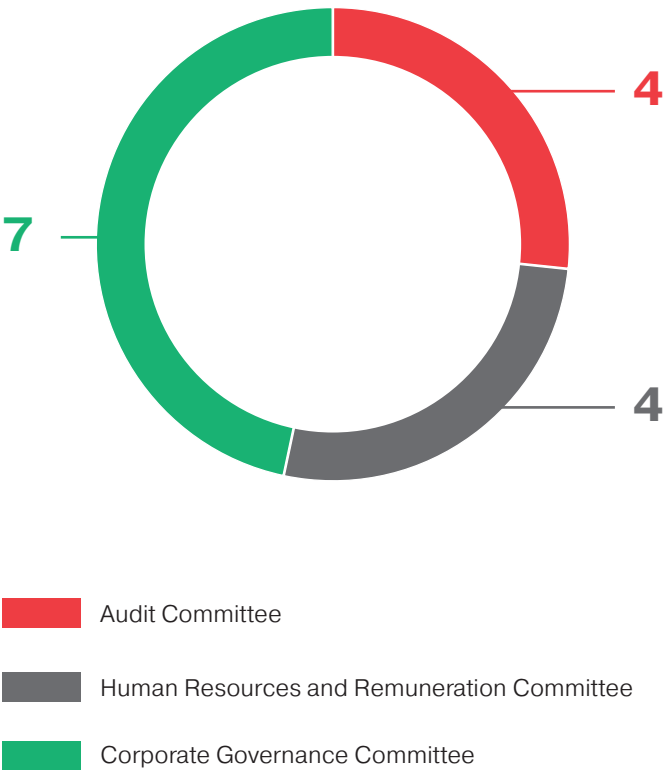
- Audit Committee
- Human Resources and Remuneration Committee
- Corporate Governance Committee

The activities of the committees are governed by the relevant regulations approved by the PJSC TATNEFT Board of Directors:

- Regulations on the Audit Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin
- Regulations on the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin
- Regulations on the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

The committees are fully accountable to the Board of Directors in their activities. The members of the committees are approved by the Board of Directors, taking into account the relevant knowledge and skills, and professional background of each candidate for committee membership. The Company provides the Board of Directors with the details of each candidate's background, expertise, knowledge, and skills for a particular committee.

Board of Directors' committee membership sizes



The Audit Committee and the Human Resources and Remuneration Committee have a significant membership of independent directors.

Audit committee

The Committee makes recommendations with regard to verifying the completeness, accuracy and fairness of accounting (financial) statements and other reporting, the reliability and effectiveness of the internal control and risk management

system, and the independence and objectivity of internal and external audit functions.

It is a permanent committee.

Committee members

LEVIN Yuri Lvovich (Chairman)
Independent Director

Member of the Board of Directors of PJSC TATNEFT
Managing Partner of BVM Capital Partners Ltd
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

The Audit Committee of the Board of Directors of PJSC TATNEFT consists of three independent directors. Chairman of the Committee Yu. L. Levin has relevant knowledge and skills in preparing, analyzing, evaluating, and auditing accounting (financial) statements.

In addition to independent directors, the Audit Committee includes R. R. Gaizatullin - Minister of Finance of the Republic of Tatarstan, a member of the Board of Directors with financial and audit expertise beneficial for the activities of the Committee.

The members of the Committee have the appropriate knowledge and skills in solving the tasks of the Committee.

GERECH Laslo

Independent Director

Member of the Board of Directors of PJSC TATNEFT
Managing Director of G Petroconsultind Ltd
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

Basic functions

- Overseeing the completeness, accuracy, and reliability of the accounting (financial) statements of PJSC TATNEFT, including the preparation of the consolidated financial statements of the TATNEFT Group with the integration of the financial statements of Bank Zenit.
- Coordination of the work of the external auditors and the Internal Audit Office and regular review of their reports.
- Organization of an independent assessment of the performance of the internal audit function and making suggestions for improving the work of the internal audit department.
- Verification of the external auditor's independence.
- Review and analyze the quarterly, six-month, and annual financial statements of PJSC TATNEFT, including the audits by its external auditor.
- Evaluation of candidates for auditors and submission of recommendations to the Board of Directors on the election of independent auditors of the PJSC TATNEFT financial statements under IFRS and RAS.
- Assistance to the Board of Directors in exercising oversight of the operation of the internal control and risk management systems of PJSC TATNEFT.
- Preliminary consideration of non-arm's length transactions.

STEINER Rene Frederick
Independent Director

Member of the Board of Directors of PJSC TATNEFT
Head of Private Equity Programs at FIDES Business Partner AG.
Chairman of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

GAIZATULLIN Radik Raufovich
Independent Director

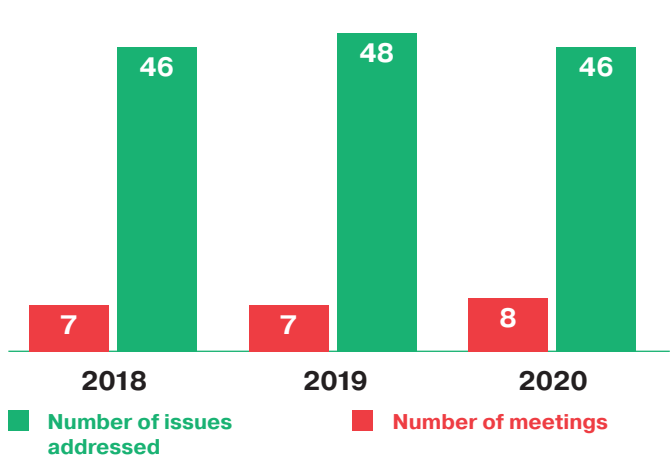
Member of the Board of Directors of PJSC TATNEFT
Minister of Finance of the Republic of Tatarstan

There were no changes in the composition of the Audit Committee during the corporate year.

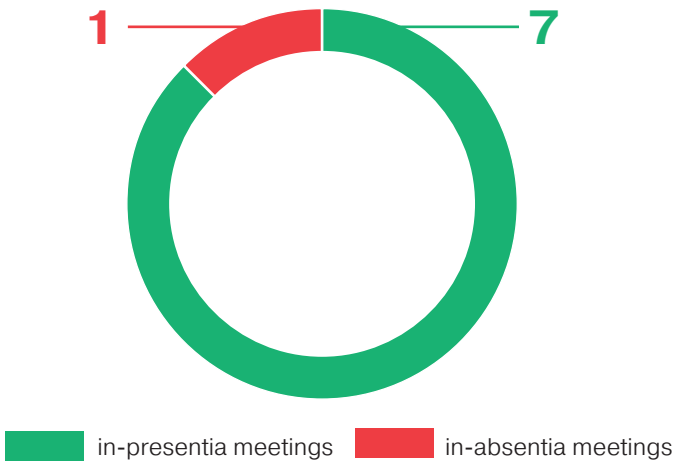
The audit committee activities in 2020

There were eight (8) Audit Committee's meetings held, including one (1) meeting in person and seven (7) in absentia with 46 issues considered.

Statistics on the Board of Directors’ Audit Committee meetings and the issues addressed for 2018-2020



Ratio of in-presentia and in-absentia Committee meetings in 2020



Main issues considered by the committee for 2018-2020

Subject matter	Number of issues 2018	Number of issues 2019	Number of issues 2020
Review of financial statements with the participation of external auditors	14	10	11
Issues related to the election of external auditors and confirmation of the external auditors' independence	3	4	3
Issues related to the work of the Internal Audit Department	15	14	13
Issues related to the preliminary review of non-arm's length transactions	4	3	3
Review of the MSCI report on accounting and corporate governance risks	-	1	-
Issues related to the disclosures on the PJSC TATNEFT financial position in the 2019 Annual Report	-	1	1
On the assessment of the current state of the PJSC TATNEFT corporate governance	-	1	1
Issues related the Company's sustainable development	-	-	3
Other	10	14	11

The audit committee meeting attendance*

Date of the event	30.01 In presentia	23.03 in absentia	20.04 in absentia	22.05 in absentia	29.06 in absentia	21.07 in absentia	23.09 in absentia	24.11 in absentia	Total
LEVIN Yuri Lvovich	V	V	V	V	V	V	V	V	8/8
GERECS Laszlo	V	V	V	V	V	V	V	V	8/8
STEINER Rene Frederick	V	V	V	V	V	V	V	V	8/8
GAIZATULLIN Radik Raufovich	V	V	V	V	V	V	V	V	8/8

** In 2020, the Audit Committee meetings were held mainly in absentia due to the quarantine restrictions imposed to prevent the spread of the coronavirus infection. All Audit Committee members participated in the meetings or sent a written opinion on the meeting's agenda items.*

Human resources and remuneration committee

The Committee combines duties in terms of performing functions on human resources (nominations) and functions on remuneration.

The Committee puts together recommendations to the Board of Directors on the effectiveness of the human resources policy, the system of nominations and remuneration, the evaluation of candidates for the membership to the Board of

Directors and the company's management, the compliance of independent directors with the independence criteria, as well as the effectiveness and efficiency of the Board of Directors, executive bodies and top managers of the Company.

Committee members

STEINER Rene Frederick (Chairman)

Independent Director

Member of the Board of Directors of PJSC TATNEFT
 Head of Private Equity Programs at FIDES Business Partner AG.
 The Audit Committee Member of the Board of Directors of PJSC TATNEFT

GERECS Laszlo

Independent Director

Member of the Board of Directors of PJSC TATNEFT
 Managing Director of G Petroconsultind Ltd
 The Audit Committee Member of the Board of Directors of PJSC TATNEFT

LEVIN Yuri Lvovich

Independent Director

Member of the Board of Directors of PJSC TATNEFT
 Managing Partner of BVM Capital Partners Ltd
 Chairman of the Audit Committee of the Board of Directors of PJSC TATNEFT

SABIROV Rinat Kasimovich

Non-Executive Director

Member of the Board of Directors of PJSC TATNEFT
 General Director of Gazprom Mezhhregiongaz Kazan JSC (since July 2020)
 Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

There were no changes in the composition of the Audit Committee during the corporate year.

Basic functions of committee

Performing functions for human resources (nominations):

- Assessment of the composition of the Board of Directors in terms of professional qualifications, experience, independence of its members, participation in the work;
- Identifying priority areas for strengthening the Board of Directors' membership;
- Engagement with all groups of shareholders in the selection of candidates to the Board of Directors;
- Analysis of professional qualifications and independence of candidates proposed by shareholders to the Board of Directors, etc.

Performing of remuneration functions:

- Development and periodic review of the Company's policy on remuneration of the Board of Directors members, executive bodies, and other key management personnel, including the development of the parameters of the program for short-and long-term motivation of members of executive bodies;
- Overseeing the adoption and implementation of the Company's remuneration policy and incentive programs;
- Preliminary assessment of the work of the Company's executive bodies and other key management personnel at the year-end and assessing the achievement of the goals set as part of the motivation program, etc.

Activities of the HR and Remuneration Committee in the reporting year

The Committee’s key priorities are as follows:

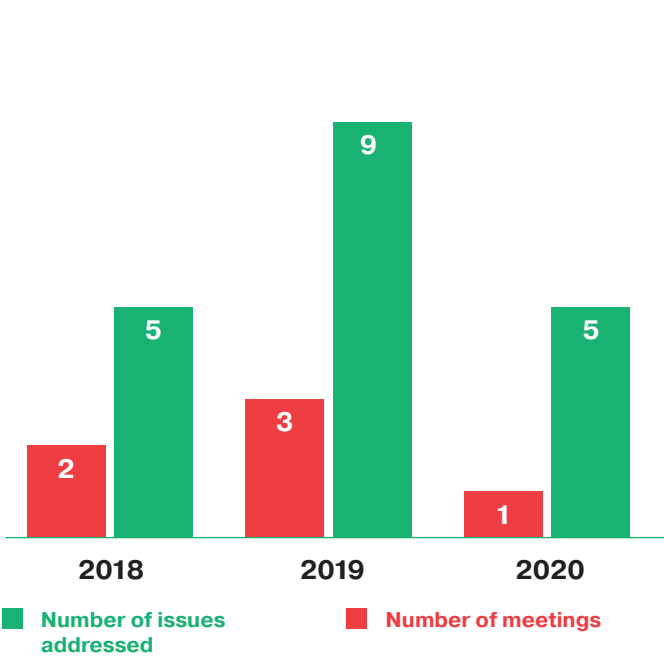
- improving the effectiveness of the Company’s development management by drawing out well-informed recommendations to the Board of Directors regarding the personnel policy, succession policy, the system of appointments and remuneration of the Company, assessment of the performance of the Board of Directors, executive bodies and other top managers of the Company;
- development and oversight of the implementation of the Company’s HR policy concerning senior management.

One absentee meeting of the HR and Remuneration Committee was held in 2020

Main issues considered by the Corporate Governance Committee in 2020

Subject matter	Number of issues
Strategic development of the functional direction of the Personnel Management of the TATNEFT Group	1
Implementation of the satisfaction assessment system in PJSC TATNEFT	1
Updated information on the progress of projects in key functional areas	1
Approval of the Committee meeting schedule and the work plan for 2020	1
COVID- 19: assessment/review of the experience of the last 4 months of the TATNEFT Group	1

Statistics on the Board of Directors’ HR and Remuneration Committee meetings and the issues addressed for 2018-2020



The HR and Remuneration Committee meeting attendance*

Date of the event	05.11.2020	Total/attendance
STEINER Rene Frederick	V	1/1
SABIROV Rinat Kasimovich	V	1/1
LEVIN Yuri Lvovich	V	1/1
GERECS Laszlo	V	1/1

** The Audit Committee meetings were held in 2020, mainly in absentia due to the quarantine restrictions imposed to prevent the spread of the coronavirus infection. All HR and Remuneration Committee members participated in the meetings or sent a written opinion on the meeting’s agenda items.*

Corporate Governance Committee

The Committee assists the Board of Directors in developing and improving the corporate governance system and practice across the Company by prior reviewing the corporate governance issues that fall within the competence of the Board of Directors, regulating relationships between shareholders, the Board of Directors and Executive bodies of the Company, as well as the issues of interaction with legal entities controlled by the Company and other stakeholders. It is a permanent committee.

Committee members

MAGANOV Nail Ulfatovich (Chairman)
General Director

Member of the Board of Directors of PJSC TATNEFT
Chairman of the Management Board of PJSC TATNEFT

SYUBAEV Nurislam Zinatulovich

Deputy General Director for Strategic Development of PJSC TATNEFT
Member of the Board of Directors of PJSC TATNEFT
Member of the Management Board of PJSC TATNEFT

SABIROV Rinat Kasimovich

Member of the Board of Directors of PJSC TATNEFT
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

GAMIROV Damir Maratovich

Acting Corporate Secretary
Deputy Head of the Corporate Secretary’s Office of PJSC TATNEFT

In 2020, there were changes in the membership of the Committee as follows:

- the powers of the members of the Management board were terminated

VALEEVA Nuriya Zufarovna (Minutes of the Board of Directors No. 2 of 29.06.2020);

Evgeny Tikhturov (Minutes of the Board of Directors No. 10 of 28.02.2020);

- a new member was elected to the Committee:

ALPAROVA Aigul Minkharisovna (Minutes of the Board of Directors No. 2 of 29.06.2020).

Members of the Committee have relevant knowledge and skills and expertise in the corporate law, requirements of stock market regulators to issuers of the securities market, international standards of corporate governance, socially responsible investment, ESG practices, and Sustainable Development Goals of the UN Global Compact.

ALPAROVA Aigul Minkharisovna

Head of Technical and Economic Information and Dissemination of Best Practices of PJSC TATNEFT

MOZGOVOY Vasily Alexandrovich

PJSC TATNEFT Corporate Finance Assistant to the General Director

DORPEKO Natalia Yevgenevna

Corporate Consultant to the General Director of PJSC TATNEFT

Basic functions of committee

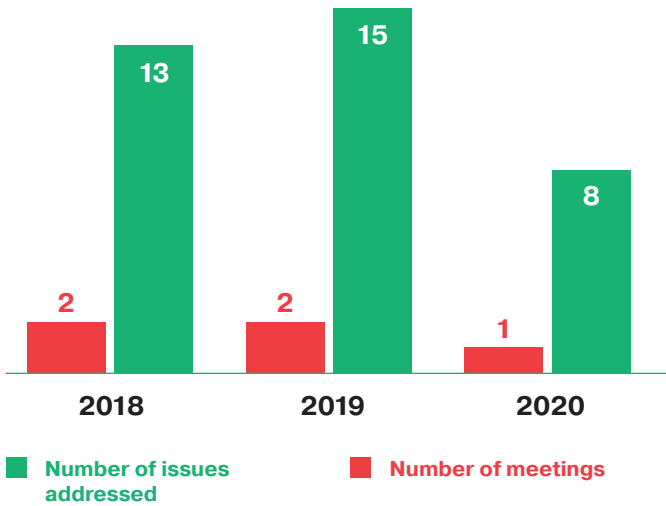
Preparation of recommendations to the Board of Directors regarding corporate practice issues:

- Securities Policy;
- Dividend policy;
- Convocation, preparation, and holding of annual and extraordinary general meetings of shareholders;
- Amendments to the Articles of Association and other internal documents of the Company to be approved within the competence of the General Meeting of Shareholders and the Board of Directors;
- Analysis and evaluation of the implementation of the Company's policy in conflict of interest management;
- Monitoring the reliability and effectiveness of the risk management and internal control system, etc.

Corporate governance committee

In 2020, the Committee held one meeting.

Statistics on the Board of Directors’ corporate governance committee meetings and the issues addressed for 2018-2020.



Main issues considered by the corporate governance committee in 2020

Subject matter	Number of issues
Amendments to the Company's internal documents	2
The procedure for self-assessment of the members of the Board of Directors	1
Changes in the current legislation and current corporate governance practices governing the Company's activities related to the corporate law	1
The main trends of investors' interests in ESG, carbon footprint, climate impact and their disclosure in the Company's financial statements	1
Development of the governance system of controlled companies	1
Compliance of corporate practices with the Bank of Russia's Corporate Governance Code and international standards	1
Preparation for the general meeting of shareholders	1

The corporate governance committee meeting attendance*

Date of the event	10.04.2020	Total/attendance
MAGANOV Nail Ulfatovich	V	1/1
GAMIROV Damir Maratovich	V	1/1
ALPAROVA Aigul Minkharasovna	V	1/1
DORPECO Natalia Evgenievna	V	1/1
MOZGOVOI Vasily Alexandrovich	V	1/1
SABIROV Rinat Kasimovich	V	1/1
SYUBAEV Nurislam Zinatulovich	V	1/1

Performance assessment of the Board of Directors and its committees

The Company has a practice in place to assess the performance of the Board of Directors, its members and committees as a whole. It is a regular assessment carried out at least once a year using a self-assessment procedure.

The assessment is carried out by fifty (50) criteria in five (5) key components: competence and powers of the Board of Directors; composition of the Board of Directors; committees of the Board of Directors; the procedures of the Board of Directors; the annual general meeting of shareholders.

The assessment technique uses a polling survey of the Board of Directors members about their activities during their tenure of office as members of the Board of Directors of PJSC TATNEFT since their election in the corporate reporting year. The survey is based on the RAEX rating scale (RAEX is included in the register of credit rating agencies of the Bank of Russia, RAEX ratings are included in the list of the official requirements for issuers and are used by the Central Bank of Russia, the Moscow Exchange, and professional experts).

Distribution of average scores by key components

Criterion description	2018	2019	2020
Competences and powers of the Board of Directors	4,24	4,17	4,38
Composition of the Board of Directors	4,30	4,21	4,41
Committees of the Board of Directors	3,98	4,00	4,33
Work procedure of the Board of Directors	4,20	4,24	4,35
Annual General Meeting of Shareholders	4,41	4,54	4,65

Assessments analysis (explanation)

In 2020, the Board of Directors ‘ self-assessment was conducted for the reporting corporate year. The self-assessment results and its analysis were reviewed at an in-person meeting of the Board of Directors. (Minutes No. 12 of 24.04.2019).

Based on the self-assessment results, a positive conclusion was made regarding the work performance of the Board of Directors in the reporting corporate year. At the same

time, the Board of Directors’ self-assessment process reflects the opinion on further improvement of the Board of Directors’ working mechanisms and development of the corporate practices. The summarized comments on the Board of Directors’ activities were submitted to the Corporate Governance Committee and the HR and Remuneration Committee.

The self-assessment includes 50 criteria for five (5) key components of corporate governance practice

The work quality assessment of the Board of Directors is intended to evaluate the effectiveness of the Board of Directors, its committees and members, the alignment of their services with the company’s development needs, and promote the Board of Directors’ better performance and identify potential improvement areas.

Sole executive body

General Director

The PJSC TATNEFT operations are run under the leadership of the General Director who acts as the sole executive body.

The General Director serves as the Chairman of the PJSC TATNEFT Management Board.

The General Director serves his duties under the guidance of the current legislation, the Articles of Association of the PJSC TATNEFT and the Regulations on the General Director of PJSC TATNEFT, and the Company's internal documents and resolutions of the General Meeting of shareholders and the Board of Directors of the Company.

The General Director is appointed by the Company's Board of Directors. The General Director is accountable to the Company's Board of Directors and the Shareholders' Meeting.



MAGANOV Nail Ulfatovich
General Director

Since November 2013, the General Director of TATNEFT has been Nail Ulfatovich Maganov.

The General Director is in charge of the Company's day-to-day operations, determines the Company's organizational structure, oversees the soundness of the Company's assets and their practical use, addresses corporate matters related to the management of the Company's business structure, the health, safety, and environmental protection, the development of human resources and social guarantees for employees, as well as the sustainable development and corporate responsibility.

Per the Regulations, the General Director has the right to entrust certain matters to the charge of his deputies.

The Company's organizational and administrative documents delineate the duties and responsibilities between the General Director and the Deputy General Directors in terms of organizing the work in the following areas:

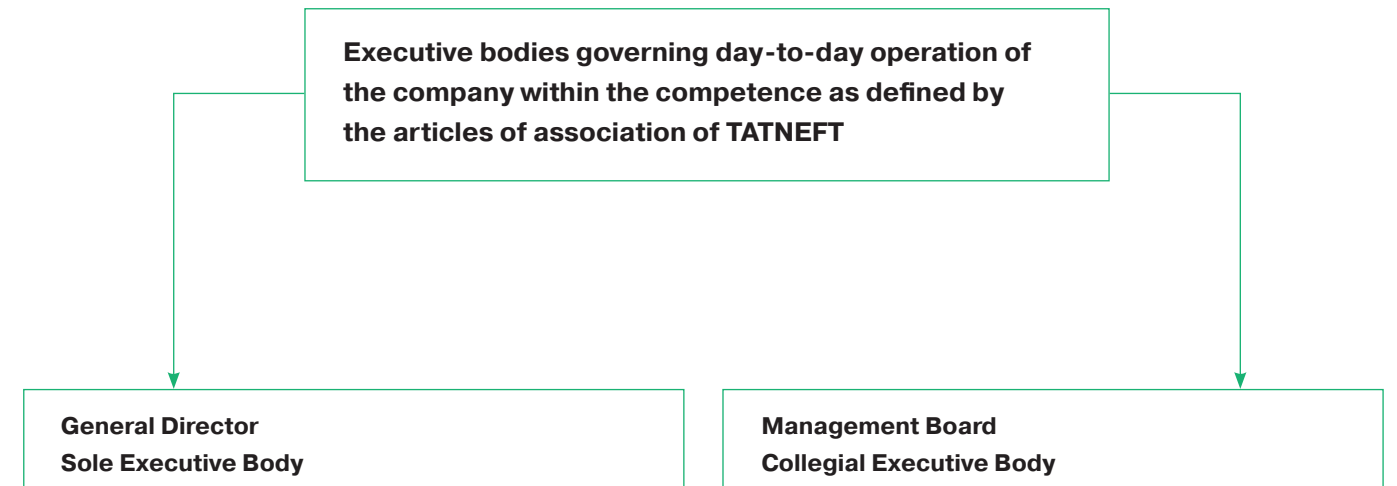
- strategic development;
- core business activities: oil and gas production, geological exploration, creation of engineering and design base for the development of oil and gas fields;
- geological prospecting and exploration, and management of external oil and gas projects;
- workover and drilling, and enhanced oil recovery;
- power generation, mechanics, logistics and transport, corporate engineering policy;
- telecommunications, information infrastructure, information security;
- fire prevention, industrial and environmental safety, occupational health and nature protection;

- capital construction;
- economics and finance;
- social development;
- engagement with Federal authorities of the Russian Federation, ministries, representative offices of foreign countries and companies;
- representation and upholding of interests in the Federal Executive Bodies of the Republic of Tatarstan, legislative and executive authorities, institutions, organizations and enterprises of the Republic of Tatarstan.

The Deputy General Directors of PJSC TATNEFT manage the work and bear responsibility for the relevant business streams of the Company with regard to the strategic and long term planning, fulfilment of technical and economic targets, the effective and efficient use of fixed assets, raw materials, fuel and power, and other resources, production engineering and workplace management, occupational health and safety and other business areas of the Company. The duties and responsibilities are shared between the General Director and Deputy General Directors under the Company's internal organizational and administrative documents.

Management board

The Management Board is a collegial executive body that is in charge of the day-to-day management of the TATNEFT Company, development, and implementation of the overall development strategy of the Company's subsidiaries.



The Management Board operates under the current legislation, the Articles of Association of PJSC TATNEFT n. a. V. D. Shashin and the Regulations on the Management Board of PJSC TATNEFT n.a. V. D. Shashin and other internal documents of the Company.

The procedure for forming the Management Board, the rights, duties and responsibilities of the Management Board members, and the Management Board operating regulations are established by the Regulations on the Management Board of PJSC TATNEFT n.a. V. D. Shashin. The contracts also determine the rights and duties of the Management

Board members entered into on behalf of the Company by the Chairman of the Board of Directors with each member of the Management Board.

The Management Board consists of senior managers of the Company who have the necessary professional background and managerial experience in the Company's activities.

The Management Board meetings are held in accordance with the work plan thereof.

The size of the Management Board is determined by the Board of Directors.

In 2020, there were the following changes in the Management Board's membership:

The powers of the members of the Management Board were terminated

TIKHTUROV Yevgeny Alexandrovich and

IBRAGIMOV Nail Gabdulbarievich (Minutes of the Board of Directors No. 10 of 28.02.2020)

The Management Board composition in 2020



MAGANOV Nail Ulfatovich

General Director of PJSC TATNEFT
Member of the Board of Directors of PJSC TATNEFT
Chairman of the Management Board of PJSC TATNEFT
Regulations on the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

- Born in 1958
- 1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Ivan Gubkin
- July 2000-November 2013 – First Deputy General Director - Head of Crude Oil and Petroleum Product Sales Department of OJSC TATNEFT
- November 2013 - present - General Director of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Chairman of the Board of Directors of PJSC Bank ZENIT
- Chairman of the Board of Directors of INCO-TEK LLC
- Chairman of the Board of the TATNEFT Charitable Foundation
- Deputy Chairman of the Supervisory Board of the Ak Bars Hockey Academy n. a. Yu. I. Moiseev
- Member of the Board of Directors of LLC SCE Tatneft-Ak Bars
- Member of the Board of Directors of PJSC Nizhnekamskneftekhim
- Member of the Board of Directors of JSC Tatneftekhiminvest-Holding
- Member of the Board of Directors of Svyazinvestneftekhim JSC
- Member of the Board of Directors of Kontinental Hockey League, LLC
- Member of the Board of Directors of Tatneft Oil AG
- Chairman of the Board of Directors of TNA-Services NV
- Member of the Board of Directors of TAL OIL Ltd

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,000176	none



GLAZKOV Nikolai Mikhailovich

Chairman of the Management Board of PJSC TATNEFT
Deputy General Director for Capital Construction of PJSC TATNEFT

- Born in 1960
- 1988 – graduated from Kazan Institute of Engineering and Construction
- 2008-2010 – Head of the Capital Construction Department of OJSC TATNEFT
- 2010-Present – Deputy General Director for Capital Construction of PJSC TATNEFT

Participation in the governing bodies of other entities:

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none



MUKHAMADEEV Rustam Nabiullovich

Chairman of the Management Board of PJSC TATNEFT
Deputy General Director for Social Development of PJSC TATNEFT

- Born in 1952
- 1977 - graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Ivan Gubkin
- 2001-04.12.2017 – Deputy General Director for Human Resources and Social Development of PJSC TATNEFT
- 04.12.2017-31.01.2020 – Deputy General Director for General Issues of PJSC TATNEFT
- 01.02.2020-Present – Deputy General Director for Social Development of PJSC TATNEFT

Participation in the governing bodies of other entities:

- Member of the Board of Directors of IC Chulpan JSC
- Member of the Management Board of Tatneft-School Private Educational Institution
- Member of the Management Board of the OJSC Tatneft Almetyevsk Medical Facility

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
0,004204	0,004264



SYUBAEV Nurislam Zinatulovich

Member of the Board of Directors of PJSC TATNEFT
Chairman of the Management Board of PJSC TATNEFT
Deputy General Director for Strategic Development of PJSC TATNEFT
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin

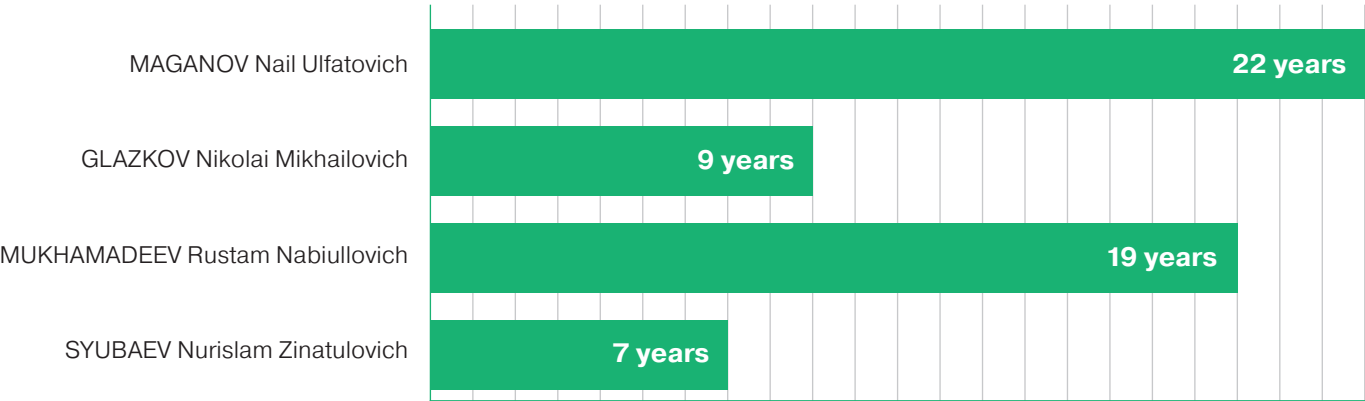
- Born in 1960
- 1982- graduated from Moscow Institute of National Economy n.a. G.V. Plekhanov
- 2001-17.06.2016 – Head of the Strategic Planning Department - Adviser to the General Director for Foreign Economic Activity and Financial and Banking Issues
- 18.07.2016-Present – Deputy General Director for Strategic Development, PJSC TATNEFT

Participation in the governing bodies of other entities:

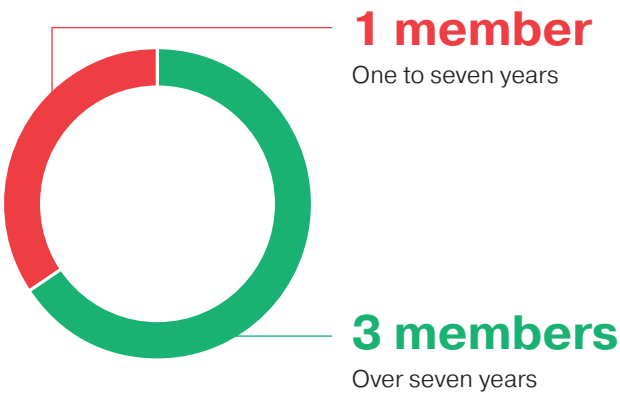
- Chairman of the Board of Directors of Plant Elastic LLC
- Chairman of the Board of Directors of IDELOIL JSC
- Member of the Board of Directors of Kara-Altyn Enterprise CJSC
- Member of the Board of Directors of URS-Trading House LLC
- Member of the Board of Directors of Carbon-Oil LLC
- Member of the Board of Directors of JSC Aznakaevsky Plant Neftemash
- Member of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of PJSC Bank ZENIT
- Chairman of the Trustee Board of National Non-State Pension Fund JSC
- Member of the Board of Directors of P-D - Tatneft-Alabuga Steklovokno LLC
- Member of the Supervisory Board of Tatneft International Cooperatie U.A. (Netherlands)
- Member of the Board of the self-regulatory organization National Association of Non-State
- Pension Funds
- Member of the Board of Directors of PJSC Joint-Stock Commercial Bank AK BARS

Equity stake in the Company %	Person’s ordinary share ownership in the Company %
none	none

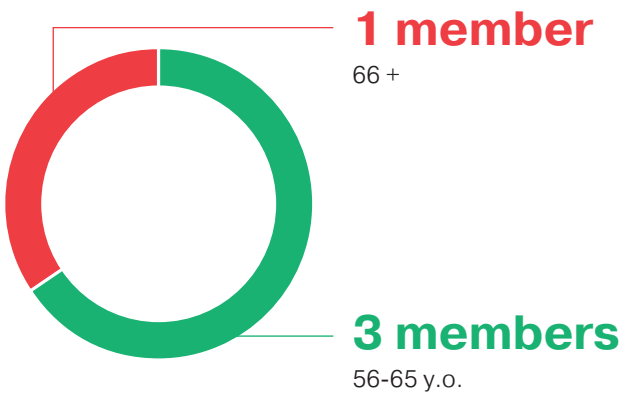
Management Board tenure



Length of service on the Management Board



Age profile of the Management Board



Management Board meeting attendance in 2020

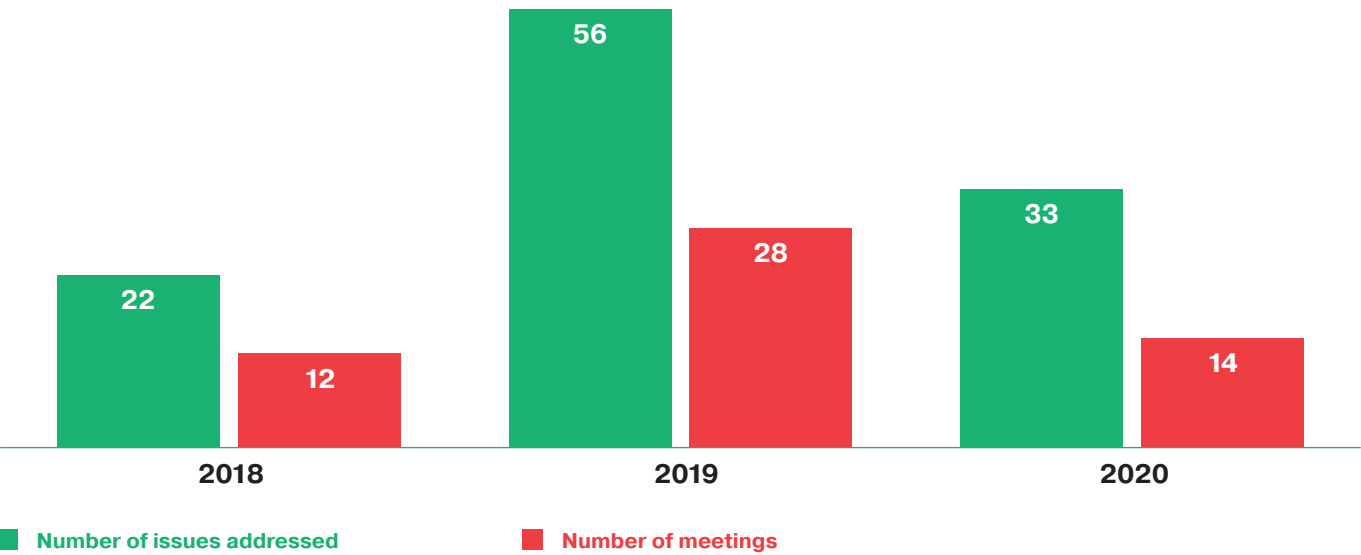
Date of the event	27.01	25.02	25.02	18.03	26.05	01.06	04.08	24.08	26.08	02.11	24.11	24.11	11.12	25.12	Total/ attendance
MAGANOV Nail Ulfatovich	v	v	v	v	v	v	v	v	v	v	v	v	v	v	14/14
GLAZKOV Nikolai Mikhailovich	v	v	v	v	v	v	v	v	v	v	v	v	v	v	14/14
MUKHAMADEEV Rustam Nabiulloevich	v	v	v	v	v	v	v	v	v	v	v	v	v	v	14/14
SYUBAEV Nurislam Zinatulovich	v	v	v	v	v	v	v	v	v	v	v	v	v	v	14/14

* extraordinary

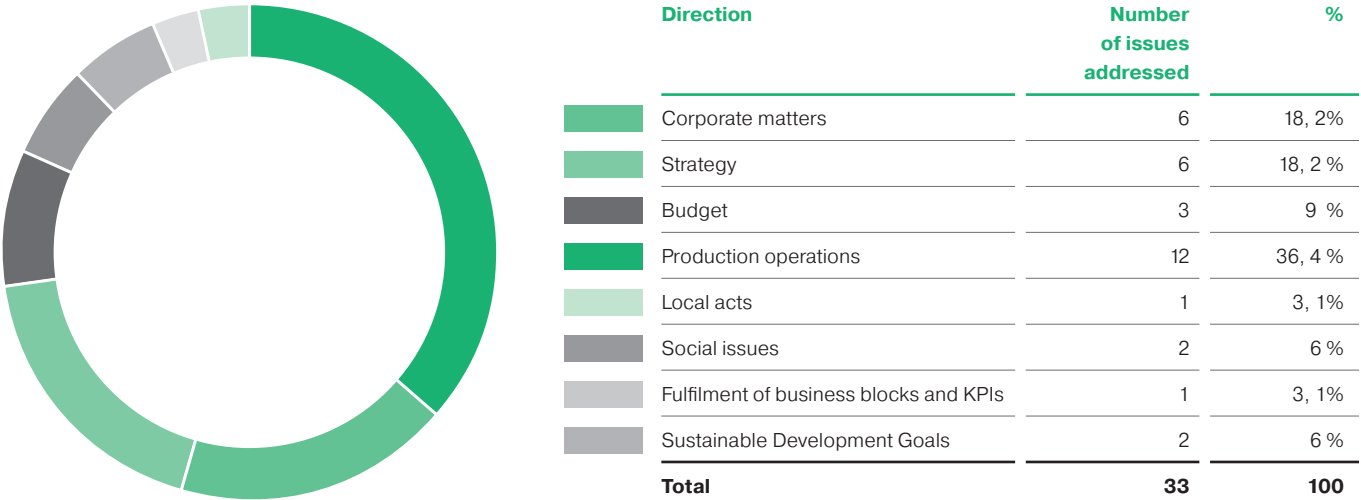
Activities of the Management Board

In 2020, the Management Board continued delivering on the Company’s Development Strategy following the Board of Directors’ decisions.

Statistics on Management Board meetings for 2018-2020



Structure of issues reviewed by Management Board in 2020



Remuneration of members of governing bodies

The Board of Directors sets the Company’s policy on remuneration and/or reimbursement of costs (compensations) to the members of the Board of Directors, members of its executive bodies, and other key managers of the Company.

Remuneration of the members of the executive bodies and other key managers is determined in such a way as to provide a reasonable and justified ratio between the fixed part of the remuneration and the variable part of the remuneration, which depends upon the performance results of the Company and the personal (individual) employee’s contribution to the final result.

The Remuneration Committee consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors has been set up for preliminary review of issues related to establishing effective and transparent remuneration practices.

When forming a remuneration system and determining the specific amount of remuneration to the members of the Company’s governing bodies, it is assumed that the amount of the remuneration paid should be sufficient to engage, motivate and retain persons with the relevant professional background, knowledge, and skills required for the Company.

The remuneration system is based on the principles and guidelines of the Corporate Governance Code in alignment with the Company’s current practice of remuneration and compensation accrual.

The company seeks to establish the remuneration for the members of the Board of Directors based on the contribution they make to the Company’s growth and development. An adequate level of remuneration helps attract highly qualified candidates and provides compensations for the time and effort they spend to get prepared for and participate in the meetings of the Board of Directors.

The system of the management staff remuneration is formed in alignment with the Company’s Strategic Goals 2030.

The Company’s management staff motivation policy is aimed at creating a unified remuneration system with its variable part linked to the key performance indicators that reflect the success in achieving the Company’s strategic goals.

Remuneration of the PJSC TATNEFT Board of Directors’ members

The remuneration is paid out to the members of the PJSC TATNEFT Board of Directors under the Regulations on payment of monetary remuneration to the members of the Board of Directors and the Revision Commission of PJSC TATNEFT.

The remuneration of the members of the Board of Directors is made up of the fixed and variable parts. The fixed part of remuneration is established by the Regulations and is indexed concurrently with changes in tariffs and salaries of employees of PJSC TATNEFT.

The variable part of the remuneration for the members of the Board of Directors is formed depending on fulfillment of the following key performance indicators:

- the year-on-year ratio of the Company’s capitalization;
- dividend costs to net profit ratio (year-on-year);
- amount of additional profitability versus basic profitability.

The amounts of remuneration to be paid to the members of the Board of Directors is established by a decision of the General Meeting of shareholders and provides for, inter alia, as follows:

- remuneration for serving as a member of the Board of Directors;
- remuneration for serving as the Chairman of the Committee of the Board of Directors.

In 2020, the total remuneration paid out to the members of the Company’s Board of Directors amounted to 289 565 673, 67 rubles, including the remuneration for participation in the work of the Management Board, salaries, bonuses, and other types of remuneration. Compensation to the members of the Company’s Board of Directors amounted to 1 819 487,93 rubles.

Information on the amount of Remuneration and Compensation to the Board of Directors members

Indicator	2020
Remuneration for the service on the management body	108 178 531,00
Salaries	17 174 690,21
Bonuses	162 607 545,79
Commissions	0
Other types of remuneration	1 604 906,67
TOTAL	289 565 673,67
Compensations	1 819 487,93

Remuneration of the Management Board members

The payments are made to the Management Board members under the basic terms of the concluded contracts for the duties performed by a Management Board member, that include, inter alia, putting decisions in practice made by the General Meeting of shareholders and the Board of Directors, participating in making plans for the Company growth and development, improving efficiency and productivity of the Company and some of its business units.

In 2020, the total remuneration paid out to the Company’s Management Board members amounted to 150 873 308, 40 rubles, including the remuneration for participation in the work of the Management Board, salaries, bonuses, and other types of remuneration. Compensation to the members of the Company’s Management Board amounted to 157 568, 00 rubles.

Information on the amount of Remuneration and Compensation to the the Management Board members

Indicator	2020
Remuneration for the service on the management body	3 379 382,00
Salaries	19 851 081,74
Bonuses	117 922 584,12
Commissions	0
Other types of remuneration	9 720 260,54
TOTAL	150 873 308,40
Compensations	157 568,00

Note: The amount of remuneration under the IFRS methodology is indicated in Note 26 “Related-party transactions” in the consolidated financial statements prepared under international financial reporting standards and the independent auditor’s report. For more information, please refer to the Annual Report, Annex 1.

Corporate secretary

The main task of the Corporate Secretary is the efficient implementation of the Corporate policy and organization of efficient communications among the shareholders, management and control bodies and the Company itself.

The Corporate Secretary ensures the efficient interaction of the members of the Board of Directors with the Company's shareholders and their representatives, with the executive bodies of the Company, executives and employees of the divisions of the Company, coordination of the Company's actions to protect the rights and interests of the shareholders, conducting meetings and minutes of meetings of the Board of Directors.

The Corporate Secretary reports to the Board of Directors, is appointed and dismissed by the General Director based on the decision of the Board of Directors.

The duties of the Corporate Secretary are assigned to Damir Maratovich GAMIROV by the Decision of the Board of Directors dated November 6, 2017.

GAMIROV Damir Maratovich

Acting Corporate Secretary – Deputy Head of the Office of the Corporate Secretary of PJSC TATNEFT

Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT

- Born in 1980
- In 2003, graduated from Ufa State Petroleum Technical University
- From 2013 to April 16, 2017, Economist at the Securities Section of the Property Management Department of PJSC TATNEFT
- From April 17, 2017 to the present, Deputy Head of the Office of the Corporate Secretary of PJSC TATNEFT

Share in the authorized capital of the Company, %	Share of the Company’s ordinary shares owned by the person %
0, 000064	none

The Corporate Secretary enjoys appropriate level of independence from the executive bodies of the Company and has necessary powers and resources to perform his tasks.

The Corporate Secretary acts in accordance with the Company's Articles of Association and the Regulations on

the Corporate Secretary of PJSC TATNEFT, which takes into account all the requirements of the Moscow Exchange PJSC and the recommendations of the Bank of Russia Code regarding the activities of the Corporate Secretary.

Key functions of the corporate secretary

- To ensure the efficiency of the mechanisms for implementation by the Company, subsidiaries, and affiliates of the corporate procedures related to the exercise of the rights of shareholders and other participants of the Company's corporate relations.
- To ensure the preparation and holding of General Meetings of Shareholders and meetings of the Board of Directors, including the preparation of materials for meetings of the Board of Directors in accordance with the internal documents of the Company.
- To ensure the work of committees of the Board of Directors of the Company, coordination of their activities.
- To provide for interaction of the Company with the exchanges, registrar, depositories, government bodies supervising corporate relations and securities market, and with other professional participants of the securities market within the scope of authorities vested in the Corporate secretary.
- To ensure compliance with the requirements for disclosure of information, provision of documents and information upon shareholders' requests, efficiency control of corporate mechanisms for disclosure of information, and proper storage of corporate documents of the Company.
- To compile a list of information classified as insider information, work with insiders, control over insiders' transactions with securities of the Company.
- To ensure the Company's interaction with its shareholders and participate in preventing the corporate conflicts.
- To monitor the Company's compliance with the requirements of corporate legislation, terms of internal documents of the Company, and shareholders' rights in the part related to the competence of the Corporate Secretary, take the necessary measures to eliminate such violations, minimize the consequences of such violations.
- To prepare an annual report to the Board of Directors on the status of corporate governance in the Company and its development prospects.
- To monitor the Company's compliance with the requirements of corporate legislation, terms of internal documents of the Company, and shareholders' rights in the part related to the competence of the Corporate Secretary, take the necessary measures to eliminate such violations, minimize the consequences of such violations.

- To participate in improving the system and practice of corporate governance of the Company, formation of mechanisms and regulations of corporate practice, monitoring their efficiency. To assess efficiency of the corporate governance system of the Company. To promote development of the corporate governance system in the subsidiaries and affiliates in the interests of TATNEFT Group.

Office of the corporate secretary

The scope of competence of the Corporate Secretary Office includes maintaining an efficient system of interaction between all participants of corporate relations, including subsidiaries and affiliates, monitoring the implementation by the Company, subsidiaries, and affiliates of corporate procedures relating to the exercise of the rights of shareholders and other participants in corporate relations, ensuring the Company's interaction with a specialized registrar, depositories, with government bodies authorized to regulate corporate relations and the securities market as well as with other participants of the securities market.

The Office of the Corporate Secretary ensures the organization and control of compliance with the requirements of legislation on public disclosure of information, including the preparation and disclosure of information in the form of an annual report, issuer's quarterly reports, material facts, as well as documents and information related to the issuance and circulation of securities for organized stock market, provision of documents and information requested by shareholders, proper storage of corporate documents of the Company. As part of improving corporate practice, the Office of the Corporate Secretary monitors the effectiveness of the Company's current procedures and ensures that an annual report to the Board of Directors on the state of corporate governance in the Company and its development prospects is prepared.

Internal audit

The internal audit of the Company is aimed at assessing the reliability of the Company's business processes, provides for identification of internal reserves to improve the efficiency of the financial and economic activities of PJSC TATNEFT, including the Group's companies.

The internal audit is carried out in accordance with the plan approved by the Board of Directors.

The scope areas of internal audit in 2020:

- Information security, Data protection;
- Capital Construction and Repair of facilities of Exploration and Production business area;
- Safekeeping of Property;
- Human Resources management: personnel comprehensive assessment;
- Reservoir pressure maintenance;
- Sales of Tire products;
- Management of the retail network of fuel filling stations;
- In-house production of Machinery business area;
- Organization of Interaction with External services

When preparing the annual plan, the proposals and risks received as a result of the managers survey of the business segments and divisions of the Company, the results of previous audits are taken into account.

As part of the audit, a system of internal control over the operational efficiency of processes, compliance with the legislation, and safety of property is considered. The audit is conducted on a risk-based approach. The report on the results of the internal audit is sent to the management of the Company and the Audit Committee. Subsequently, the Internal Audit Department monitors the implementation of measures and informs the management of the Company and the Audit Committee of the Board of Directors on the progress of elimination of the identified deficiencies.

Internal Audit and Control Principles

Regulation on the Internal Audit Department of PJSC TATNEFT was approved by the Board of Directors of PJSC TATNEFT (Decision No. 3, Minutes No. 9 of January 29, 2016). The internal audit function is isolated by the nature of its activities, it has the necessary independence status. The internal audit, together with the Board of Directors of PJSC TATNEFT and the Executive Management of the Company, is involved in improving the system of internal control and risk management.

Control inspections

In 2020, as per the annual plan 9 audits were conducted, following the results of which 151 activities were developed and monitored. In addition, as instructed by the Company's management, the Internal Audit Department took part in the unscheduled projects on various issues of financial and economic activities.

Quality assessment of the internal audit function

In the first quarter of 2021, Ernst & Young LLC - Assessment & Advisory Services assessed the quality of the internal audit function realized by the Company's internal audit department. Based on the results of the assessment carried out in accordance with the requirements of the the External Quality Assessment Manual for the Internal Audit Activity of the Institute of internal auditors. The activities of the Company's internal audit department generally comply with the International Professional Standards for Internal Audit of the Institute of Internal Auditors and the Code of Ethics.

Independent Auditor

In order to independently assess the reliability of the accounting (financial) statements, the Company annually engages an external auditor to conduct an audit of statements prepared under IFRS and RAS. The external auditor is approved by the General Meeting of Shareholders on the recommendation of the Board of Directors of the Company, adopted on the basis of the assessment carried out by the Audit Committee.

AO PricewaterhouseCoopers Audit was approved as an auditor for compulsory audit of the annual financial accounting statements for 2020 prepared in accordance with Russian and International Accounting Standards by the decision of the Annual General Meeting of Shareholders (Minutes No. 32 dated June 17, 2020).



Control inspections of the internal audit

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Information security, Data protection	Checking the availability and compliance with information security requirements. Information security risk management. Access control and protection of corporate and personal data.	Develop a target information security model and a roadmap for the systematic implementation of information security measures. Rank information systems based on the impact of risks (loss, distortion or disclosure of data) on the business continuity of the Company. Process and store critical data on the resources of your own data center. For specialized data, use systems based on industrial data management systems. Update the requirements and regulations for data backup. To update the requirements and regulations for the provision and termination of access to information resources. The effect of eliminating these shortcomings may amount to RUB 250-300 million.	Activities are approved. Activities are being implemented.
Capital Construction and Repair of facilities of Exploration & Production business area	Design (cost, quality, expertise). Formation of the budget of capital construction projects and control of their development. Formation and control of compliance with work schedules.	Develop a responsibility matrix for the capital construction and overhaul process. Appoint managers for the largest construction projects. When managing construction projects, apply a project-based approach. Establish KPIs for meeting deadlines for key milestones in construction projects. The start of construction projects is carried out only with the availability of design and permits. Sign detailed work schedules at the time of conclusion of contract agreements. Formalize changes in work schedules in the form of additional agreements to the contract. Periodically provide a brief information on the implementation of work schedules to the company's management. Introduce a system for evaluating (rating) construction contractors. If necessary, develop automated management systems. The effect of eliminating deficiencies can be up to RUB 200-300 million.	Activities are approved. Activities are being implemented.
Safekeeping of Property	Assessment of the quality of the inventory of the company's property. Checking the availability of a mandatory transfer of property when changing materially responsible persons (hereinafter - MOL). Existence of justification when writing off fixed assets (hereinafter - OS).	Conduct unscheduled inventories of property that is not assigned to the MOL. Determine and formalize the limit for assigning property to one MOL. Conduct an internal audit on significant shortages, on the fact of the dismissal of the MOL without transfer of property, as well as unreasonable write-off of fixed assets. Categorize the remains of property (goods and materials, new and dismantled used equipment) in the warehouses of NGDU and organize their reliable accounting. The effect of eliminating deficiencies can be up to RUB 120 million.	Activities are approved. Activities are being implemented.

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Human Resources management: personnel comprehensive assessment	Analysis of the procedure for a comprehensive assessment of personnel. Verification of the existence and application of evaluation criteria. Verification of compliance with the specified deadlines and saving the results.	Take into account the availability of general-purpose skills (soft skills) Improve the quality of professional assessment, introduce ranking criteria by importance, improve the algorithm for issuing an opinion. To approve the internal algorithm for the basic (mandatory) screening of candidates according to the criteria of economic security. Together with customers, establish target competency models and criteria for their assessment for different positions. Discuss the final results of the assessment with the customer in the form of a candidate's compliance scale. Provide detailed feedback to candidates (strengths and weaknesses). The minimum effect of eliminating these shortcomings may be RUB 150-300 million.	Activities are approved. Activities are being implemented.
In-house production of Machinery business area	Planning and implementation of the BMZ production program. Interaction of BMZ with subsidiaries (Bummash Plant LLC and TatNIIneftemash JSC), which are part of the Mechanical Engineering business area (hereinafter referred to as subsidiaries), within the framework of cooperation in fulfilling orders. Working capital management.	Extend corporate procurement rules to the activities of subsidiaries of BN Mashinostroenie. To calculate the integral quality indicator, apply all complaints and claims for which it was established that the discrepancy arose through the fault of BMZ. Perform factor analysis of the reasons for the excess of actual stocks over the standards. Develop a corrective action plan. Develop a procedure for monitoring the timeliness of posting, transfer and write-off of materials, providing for the possibility of applying disciplinary measures. Update the planned cost of BMZ products when costs change by more than 10%. The effect of eliminating deficiencies can be up to RUB 100-150 million.	Activities are approved. Activities are being implemented.

Continuation of the table on page 174

Control inspections of the internal audit (continued)

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Reservoir Pressure Maintenance	Evaluation of the effectiveness of investment in work performed on injection wells. Efficiency of operation of injection wells. Reliability of reporting on the state of the well stock.	Carry out selective control of the tightness of packers in injection wells, the reliability of the KIS ARMITs data and the fulfillment of the instructions. Based on the results of inspections, analyze and develop measures. When introducing a packer in order to isolate a breakdown in the production casing (hereinafter referred to as e / c), increase the frequency of monitoring the tightness of the packer up to 1 time per month. If a packer leak is detected, stop the injection well for 24 hours until the leak is eliminated. To update the methodology for calculating additional production at injection wells used in the Tatneft-Oil Production system. Eliminate the calculation of additional production based on ineffective EOR at injection wells. Provide monthly monitoring of the efficiency of cross-well pumping based on reported data on the operation of reacting production wells. Analyze the wells in which the technology of simultaneous production and injection (hereinafter - ORDiZ) was introduced, identify the reasons for packer leakage. Taking into account the identified reasons, develop updated criteria for the selection of wells for the implementation of ORDiZ. Regulate the procedure for accounting for the stock of injection wells, including ensuring transparency of information on the actual number of inactive wells and developing uniform requirements (criteria) for the procedure for putting injection wells into inactivity. The effect of eliminating the deficiencies can amount to more than RUB 1 billion.	Activities are approved. Activities are being implemented.
Management of the Retail Network of Fuel filling stations	Assessment of the implementation of the BN Strategy "Retail Business". Checking activities and projects to reduce costs and increase the profitability of the business line. Assessment of the efficiency of investment development, analysis of the reasons for the delay in the construction of gas stations Analysis of the effectiveness of pricing, procurement and sale of related products. Analysis of the quality of services and services, customer satisfaction, checking feedback on requests.	BN's retail business strategy is not balanced, it is required taking into account the current position of competitors, expansion of the filling station network, changes in sales margins and other factors. Perform an article-by-article analysis of the cost structure and performance indicators for unprofitable filling stations. To focus on the development of filling stations with good potential and sales volumes, to "clean up" the network of low-profit unpromising objects. To shorten the terms of investment development, to set the target period (period) of typical reconstruction and construction. To establish step-by-step monitoring of operational risks and measures for the main processes of BN "Retail Business". To develop a marketing strategy for promoting the TATNEFT filling station network, to establish goals and a procedure for monitoring costs and effects. Introduce a maintenance and repair system. Develop a franchise program under the TATNEFT brand and bring it to the market. Eliminate shortcomings in the accounting and processing of requests, establish feedback. The effect of eliminating deficiencies can amount to more than RUB 800 million.	Activities are approved. Activities are being implemented.

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Sales of Tire products	Formation of plans for the production and sale of tires. The applied pricing policy and the effectiveness of marketing activities. Relationship with dealers.	Consider the feasibility of increased production and measures to promote sales of tires with larger rims with higher profitability indicators. Consider the issue of the advisability of applying to buyers of tire products guarantees for the selection of tires according to the nomenclature list and the quantity specified in monthly applications, with the use of options. To develop and implement for dealers and retail outlets a system of express assessment of tire products for prompt identification of factory defects and defects. Assign the "Dealer" status to customers based on the results of a check of compliance with the criteria with the issuance of checklists. Make an informed decision to terminate dealer agreements for 2020 for defaulting dealers. The effect of eliminating these shortcomings can amount to RUB 200-300 million.	Activities are approved. Activities are being implemented.
Organization of Interaction with External Services	Pricing. Cost control.	For interaction with OOO Tatintek: Provide the return of the overvalued or outstanding work, apply measures of responsibility to the perpetrators. Develop a procedure for checking the work performed at the acceptance stage. Develop flow charts for maintenance. For interaction with OOO TNG-Group: Ensure the return of the cost of the accepted work, not provided for by the contract, and work at an overvalued value. Apply measures of accountability to those responsible persons.	Activities are approved. Activities are being implemented.
		For interaction with transport service providers: On the fact of using equipment for personal purposes, conduct an internal audit for 2017-2019. Apply measures of accountability to those responsible. Check the intended use of vehicles that are not equipped with a GPS navigation system. Based on the results, make appropriate decisions. The effect of eliminating the deficiencies can amount to about RUB 130 million.	

Beginning of the table on page 172

Revision Commission

The Revision Commission monitors the financial and economic activities of the Company, officials, subdivisions and services, branches and representative offices. The Revision Commission is a permanently elected body of the Company.

The Revision Commission is elected by the General Meeting of Shareholders and accountable thereto. Members of the Revision Commission may not simultaneously be members of the Board of Directors of the Company, as well as occupy other positions in the management bodies of the Company. The Revision Commission activities are regulated by the Company's Articles of Association.

The Revision Commission is an elected body of eight members by the General Meeting of Shareholders for a term until the next Annual General Meeting of Shareholders. One member of the Audit Commission of the Company is appointed on the basis of the special right of the "Golden share" (Law of the Republic of Tatarstan dated July 26, 2004 N 43-ZRT "On privatization of the state property of the Republic of Tatarstan"). Any shareholder or any person nominated by a shareholder may be a member of the Revision Commission.

The audited items of the Revision Commission are the Company's activities, including the identification and assessment of risks arising from the results and in the process of the financial and economic activity.

The Revision Commission inspects the legality of the agreements concluded by the Company, settlements with counterparties, develops recommendations to the Company to improve the management efficiency of the Company's assets and other financial and economic activities of the Company, reduce financial and operational risks, improve the internal control system, and confirms the accuracy of the data included in the Annual Report of PJSC TATNEFT and annual accounting (financial) statements of the Company, and also confirms the reliability of the data contained in the report on interested-party transactions concluded in the reporting year.

The Revision Commission submits the conclusion on the annual audit results in accordance with the regulations and procedures of financial reporting and accounting statements to the Board of Directors no later than forty days before the Annual Meeting.

Revision commission

Members of the Revision Commission

GILFANOVA Guzal Rafisovna (CHAIRPERSON)

- Year of birth: 1967
- In 1993, graduated from Saint Petersburg State University
- In 2005, graduated from Kursk Regional Finance and Economics Institute
- From 2013 to present, Deputy Head of the Control and Auditing Department

BORZUNOVA Ksenia Gennadiевна

- Year of birth: 1980
- In 2003, graduated from Kazan State Financial and Economic Institute
- From 2006 to present, Head of Economics Department of the Ministry of Land and Property Relations of the Republic of Tatarstan

GALEYEV Azat Damirovich

- Year of birth: 1977
- In 1999, graduated from Kazan State Agricultural Academy
- In 2008, graduated from Ufa State Petroleum Technical University
- From 2007 to 2018, Head of Investment Department at NGDU Aznakayeyskneft of PJSC TATNEFT
- From 2018 to December 1, 2019, Deputy Head of NGDU Jalilneft of PJSC TATNEFT on Economics
- From December 1, 2019 to present, Head of Investment Project Analysis Office, Investment Department

FARKHUTDINOVA Nazilya Rafisovna

- Year of birth: 1963
- In 1985, graduated from Kazan Financial and Economic Institute
- From 2010 to present, Deputy Director for Economics and Finance of OOO TagraS-RemService

ZALYAEV Salavat Galiaskarovich

- Year of birth: 1975
- In 1999, graduated from Moscow Military Institute of Federal Border Service of the Russian Federation
- From 2002 to present, Leading Legal Counsel of Corporate & Legal Section of the Legal Department, PJSC TATNEFT

KUZMINA Venera Gibadullova

- Year of birth: 1946
- In 1972, graduated from Moscow Institute of Petrochemical & Gas Industry named after Academician I.M. Gubkin
- From 2002 to 2014, Economist at NIS, OAO TATNEFT
- From 2014 to present, Labour Veteran

RAKHIMZYANOVA Liliya Rafaelovna

- Year of birth: 1967
- In 1988, graduated from Kazan Financial and Economic Institute
- From 2010 to August 2012, Head of Oil & Gas Production Section, Hydrocarbons Department, Ministry of Energy of the Republic of Tatarstan
- From August 2012, Head of Oil Production & Refining Department, Ministry of Industry and Trade of the Republic of Tatarstan

SHARIFULLIN Ravil Anasovich

- Year of birth: 1961
- In 1990, graduated from Kazan Financial and Economic Institute
- From 2009 to 2012, Chief Accountant of NGDU Yamashneft
- From 2012 to present, Head of Control and Auditing Department, PJSC TATNEFT

YUSUPOVA Sariya Kashibulkhakovna*

- Year of birth: 1965
- In 1986, graduated from Kazan Financial and Economic Institute
- From 1991, Deputy Head of Economic Analysis Department, Ministry of Finance of the Republic of Tatarstan

** She was appointed as the State Representative (Republic of Tatarstan) on the basis of a special right ("Golden share") to the Revision commission of the Company by Orders of the President of the Republic of Tatarstan No. 80 dated February 17, 2020, No. 59 dated January 27, 2020 and the letter of the Ministry of Land Property of the Republic of Tatarstan No. 1-30/2169 dated February 19, 2020*

Remuneration of the revision commission members

In 2020, the total amount of remuneration to the members of the Company's Revision Commission amounted to RUB 21 296 886,31 , including remuneration for participation in the work of the Revision Commission, wages, bonuses and other types of remuneration.

Name of indicator	2018	2019	2020
Remuneration for participating in the work of the supervisory body	2 177 921,00	2 784 625, 46	2 103 475,00
Wages	3 211 310, 45	4 306 060,00	4 361 671,25
Bonuses	4 666 232,66	8 358 906,79	14 825 680,81
Other types of remuneration	22 260,29	132 865,94	6 059,25
Total	10 077 724, 40	15 582 458, 19	21 296 886,31
Compensations	0,00	0,00	0,00



Conclusion of the Revision Commission on the results of the audit of financial and economic activities, annual financial statements and the reliability of the data contained in the annual report for 2020.



Conclusion of the Revision Commission on the reliability of the data contained in the Report on interested-party transactions concluded by PJSC TATNEFT in 2020.

Risk management and internal control

Risk management is a continuous systematic process integrated into the strategic and operational management of the Company at all levels of its activities in order to affect a risk to reduce its level, eliminate or mitigate the consequences of the risk. Risk management implies a comprehensive analysis of threats and opportunities to achieve the business goals and development of optimal management decisions by the Board of Directors, General Director, Management Board, management and other employees of the Company.

The Company's risk management and internal control system is based on a set of organizational measures and procedures taken to achieve an optimal balance between the growth of the Company's value, profitability and risks, to ensure financial stability and safety of assets, to conduct business effectively, to comply with legislation, the Company's Articles of Association and other internal documents, to prepare timely reliable reports and disclose significant information.

The document regulating the risk management and internal control in TATNEFT Group is the Risk Management and Internal Control Policy approved by the Board of Directors of PJSC TATNEFT (Minutes No. 2 dated June 29, 2020), which defines the goals, objectives and principles of risk management, the functions of participants in the corporate risk management system, as well as the relationship of the risk management process with the processes of strategic and investment planning, operational planning, human resources and labour relations management, supply chain, aspects of industrial safety, environmental and social activities.

The risk management and internal control system is aimed at providing reasonable confidence in achieving the Company's goals:

- Strategic goals;
- Operational goals aimed at ensuring the effectiveness of the Company's financial and economic activities and the safety of assets;
- Ensuring full compliance of the Company's activities with the applicable legal requirements and requirements of local regulatory documents, protection of legal rights of shareholders;
- Ensuring timely preparation of reliable financial and non-financial information;
- Timely and complete disclosure of information and protection of insider information;
- Ensuring labour protection, industrial safety, regulatory documents on environmental impact, as well as information and cyber security, personal data protection.

Taking into account the dynamic development of the business environment, the constant change in the composition, quality and intensity of factors that can affect the Company's activities, the risk management system is constantly being improved to ensure a prompt response to emerging challenges.

The Company continuously develops the risk management and internal control system based on the generally accepted concepts and practices, including in accordance with the "Integrated Concept of Building an Internal Control System" COSO ERM, the Concept (COSO) "Risk Management of organizations. Integrated Model", the Committee of sponsored organizations of the Treadway Commission; international standards ISO31000 "Risk Management. Principles and Guidelines", ISO31010 "Risk Management. Risk Assessment Methods", relevant GOST standards and others.

The opportunities offered by the risk management process assist the Company's management in achieving the target indicators of profitability and efficiency, as well as to prevent unsustainable use of resources.

Risk management enables the management to act effectively in the face of uncertainty and associated risks, and to seize new opportunities, increasing the potential for Company's value growth.

Target focus:

- Development of a risk management system based on integration of risk identification and control into the processes of strategic planning, formation and implementation of the investment program, operational and financial activities, as well as identification of economic, environmental and social risks.
- Interaction with stakeholders to identify financial, industrial, technological, legal, economic, environmental and social impacts that can create risks and effective opportunities in the risk management.
- Analysis of the effectiveness of the risk management methods used.

Levels of ensuring the reliability and efficiency of the risk management and internal control system

Strategic level of management	• Board of Directors of PJSC TATNEFT • Audit Committee of the Board of Directors • Corporate Governance Committee of the Board of Directors	• Defining the main principles and approaches to the organization of the Company's Risk Management and Internal Control System (RMICS). • Control over the implementation of the risk management and internal control system, organization of analysis and evaluation of the RMICS effectiveness. • Approval of the main directions of development of RMICS, control of their implementation. • Approval of reports on risks of financial and economic activities at the corporate level. • Approval of risk appetite. • Control of RMICS performance and reliability.
Operational level of RMICS management	• General Director of PJSC TATNEFT • PJSC TATNEFT Management • Corporate Governance Committee of Company's Board of Directors • Authorized person of the Company on coordination the functioning and development of the risk management and internal control system • Department of economic security, information protection, civil defense and emergency situations • Structural divisions of PJSC TATNEFT that perform separate functions of risk management and internal control for business/ functional units within the framework of the RMICS.	• Formation and maintenance of a control environment that contributes to the RMICS effective functioning. • Support for the introduction and implementation of programs to improve the RMICS. • Coordination of risk management and internal control processes. • Development and updating of the methodological base in the field of ensuring the RMICS processes. • Coordination of the RMICS processes in the field of controlling corporate fraud and corruption. • Implementation of the RMICS elements in business/functional units, in the business processes of the business/functional units.
Independent monitoring and assessment of the RMICS effectiveness	• Audit Commission of PJSC TATNEFT • The internal audit service of PJSC TATNEFT	• It controls the financial and economic activities of the Company. • It performs an independent assessment of the RMICS reliability and effectiveness at the corporate and business process level.

Key principle of the risk management system – Precautionary principle

The Company's principal approach is to assess the likelihood of a risk event occurring and the priority of preventive measures over reactive ones. The Company adheres to the precautionary principle, which is one of the basic principles in the system of strategic and current planning of activities in all areas. This principle defines a risk control mechanism to prevent the occurrence of risk or its minimization in circumstances beyond the control of the Company.

In order to ensure the company’s sustainable development, risk management is integrated into the decision-making mechanisms and management system and in all areas of activity:

Organizational sustainability	Business continuity	Safety
• Strategy and planning • Compliance with legal requirements • Corporate governance • Safety and efficiency of assets • Information technologies • HR issues	• Corporate governance • Investment policy • Production processes • Technology and intangible assets • Financial results • Quality of products and services • Information security	• Corporate governance • Industrial safety • Occupational health and safety • Environmental protection • Reducing climate impact • Information and cyber security • Anti-corruption

The corporate risk management system is aimed at identifying potential risks and the possibility of taking timely measures to eliminate or minimize them, which makes it possible to adjust the business planning, investment activities and social policy of the Company.

When analyzing potential risks, external and internal factors are considered.

- External factors: market, industry, socio-economic, political, financial, market and other conditions of the Company and its subsidiaries and affiliates.
- Internal corporate factors: managerial, production, personnel, social, environmental and others.

The Company uses forecasting software tools that allow it to take measures to minimize potential risks. In particular, corporate planning uses various scenarios that allow responding quickly to external changes and unpredictable impacts.

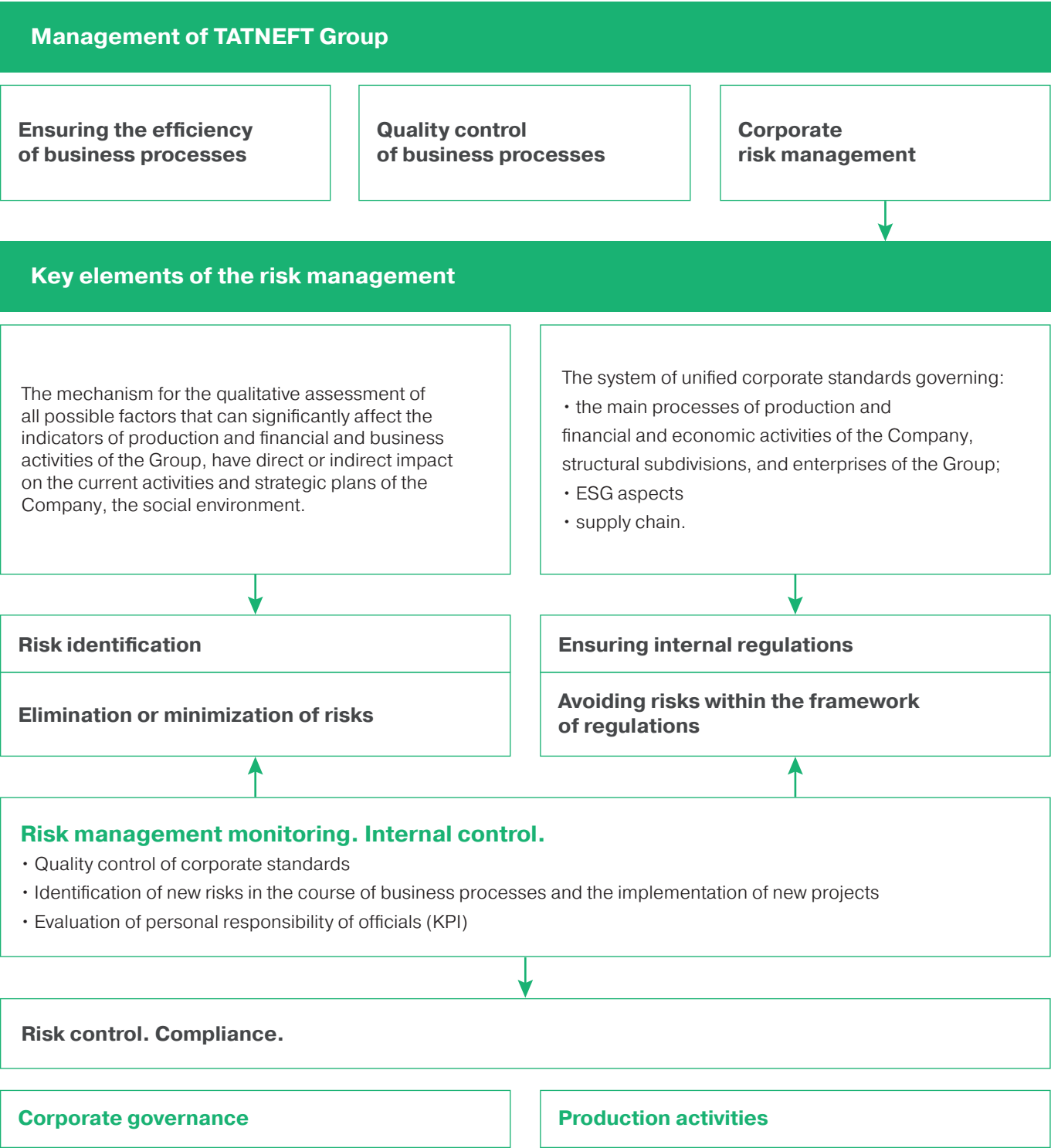
An important component of the risk management system is ensuring the implementation of uniform corporate standards governing the main processes of production and financial and business activities of PJSC TATNEFT and the Group’s enterprises.

The Company’s management system includes the relationship between management KPIs and goals of the risk management and internal corporate control.

Information on the main results of the assessment of the effectiveness of the risk management and internal control system of the Company for 2020, carried out by the Audit Committee

Based on the audit results, no critical facts were found on the basis of which it would be possible to conclude that the system of internal control and risk management in the Company is ineffective. Recommendations were given to address the weaknesses identified. Corrective actions have been developed and their implementation is regularly monitored by the Internal Audit Department.

Risk management and internal control system



Approaches in risk assessment:

- Risk identification
- Planning of risk reduction measures
- Risk monitoring and control of risk reduction measures

Risk management principles

Uniformity of the Company's methodological base:

The risk management system is based on uniform approaches and standards for all structural subdivisions and subsidiaries of the Company.

Continuity:

The risk management system operates on an ongoing basis.

Integrity:

The risk management system covers all lines of the Company's business and all types of risks arising within their framework. Control procedures exist in all business processes of the Group at all levels of management.

Accountability:

The risk management system defines the competence for decision-making and control in the field of risk management at all levels of TATNEFT Group.

Awareness and promptness of communication:

The risk management process is accompanied by the availability of objective, reliable, and relevant information.

Efficiency:

The Company makes efficient use of resources to implement the risk management measures.

Reasonable confidence:

The risk management system can provide only reasonable guarantees for the achievement of the Company's goals but cannot provide an absolute guarantee due to the inherent limitations of the external and internal environment.

Adaptability:

The risk management system is regularly improved to identify all possible risks of activities and maximize the use of risk control and management methods.

Strict regulation:

All operations are conducted in accordance with the procedure for their implementation, established by the internal regulatory documents.

Active management involvement:

The management of the Company and its subsidiaries and affiliates participates actively and provides support in implementation and improvement of the risk management system of TATNEFT Group.

Internal control

The Company carries out works to identify risks of business processes and introduce control procedures, which contribute to improving the efficiency of business processes, ensuring the accuracy of financial reporting, compliance with the legislation and internal regulatory documents of the Company. Internal control supports the executive bodies in improving the efficiency of the Company's management, the implementation of financial and economic activities.

The risk management and internal control process helps to ensure compliance with laws and regulations, to avoid damage to the company's reputation and related consequences. To keep risks at an acceptable level, part of the risks are insured.

To minimize the possible negative impact on the results of financial and economic activities, the Company develops and implements appropriate compensating measures. To keep risks at an acceptable level, some of the risks are insured.

Risk management system infrastructure

The distribution of responsibilities, the availability and improvement of internal regulatory framework, organizational measures and coordination allow the risk management process to be carried out on the company-wide basis. The risk management infrastructure integrates the risk management process with all the Company's business processes, including business planning, internal control, and audit. The Company develops a set of components and mechanisms that provide the basis for effective risk management and internal control.

A unified register of risks and control procedures (risk map) is being formed, quantitative models are being developed to assess the key risks of the Company. The development, implementation and unification of control procedures in the Company's business processes is underway on an ongoing basis.

The Company adheres to the principle of continuous improvement of the infrastructure and process of the risk management system based on:

- Distribution of responsibilities for the RMICS
- Improving the internal standard and regulatory base
- Relationship of the RMICS with all business processes
- Sequence of actions
- Internal control
- Monitoring
- Development and implementation of measures for the quality of risk management.

Current plans to improve the risk management and internal control system

- Further improving the effectiveness of mechanisms for a systematic approach to identifying and assessing risks.
- Development of internal procedures for reporting business process risks.
- Determination of risk appetite based on the Company's planned business goals.
- Determination of risk appetite based on the Company's impacts on environment, climate, and social factor.
- Development of communication mechanisms of the KPI management system with the objectives in the field of risk management and internal corporate control.
- Further integration of the risk management and internal control system into the supply chain at the level of suppliers and contractors.
- Implementation of the risk management standards of the international system ISO 31000:2018.

Operational and other risks

The Company updates systematically operational risks for business divisions involved in achieving the Company's strategic goals. Identification and assessment of operational risks is aimed at increasing the probability of achieving medium-term goals and indicators of business plans of company divisions within 1-3 years, including EBITDA and production indicators. The list of planned financial and economic indicators is standardized for the entire scope of the Company's business planning. When forming business plans and sources of financing, the Company takes into account financial risks, credit risks - when selling products and services, and applies various financial instruments and insurance. The Company provides centralized allocation and monitoring of investment performance, taking into account liability limits, feasibility and risk information.

Strategic risks

The Company forecasts systematically and takes into account the main trends, challenges and risks that may have a significant impact on access to the resource base, services, equipment and technologies, qualified personnel, sales markets, etc. over the long term. Global socio-economic processes, climate change, the state of foreign policy and government regulation, infrastructure and other conditions and restrictions that may affect the Company's future profile are taken into account.

Information on the main risks is provided in Appendix 5 to this Annual Report "Main Risks" section

Liability risks insurance of members of management bodies

The Company insures the liability risks of members of the Company's management bodies, including those abroad, under the terms and in the amounts that are consistent with the insurance market for such risks in the Russian Federation. During 2020, the SOGAZ JSC was the insurer of such risks of the Company.

Events after the reporting date

Since January 2021, the insurance public joint-stock company INGOSSTRAKH has been insuring the risks of liability of members of governing bodies.

Insider information protection. Procedures and regulations

PJSC TATNEFT pays special attention to the measures aimed at preventing inadmissible misuse of the insider information. In its activities the Company is guided by Federal Law No. 224-FZ "On Preventing the Illegal Use of Insider Information and Market Manipulation and on Amending Certain Legislative Acts of the Russian Federation" dated July 27, 2010, other legislation of the Russian Federation, and Regulation (EC) 596/2014 of the European Parliament and Council of the European Union "On Market Abuse" dated April 16, 2014.

The Company provides all necessary procedures for the protection of insider information with the relevant internal regulatory documents: The Company has enacted the Regulations for Access to Insider Information of PJSC TATNEFT named after V.D. Shashin, Rules for protection of its confidentiality and monitoring compliance with the legislation of the Russian Federation and the European Union and internal documents adopted thereunder, the List of information relating to insider information of PJSC TATNEFT named after V.D. Shashin, the Rules of interaction of departments and offices of the Executive office, structural divisions of PJSC TATNEFT named after V.D. Shashin, when disclosing the information recognized in accordance with the laws of the Russian Federation and the European Union and/or the UK as insider information and material facts of the issuer of securities governing the procedure:

- circulation of the insider information within the Company;
- access to the insider information;
- disclosure of the insider information;
- making transactions with the Company's securities, including the procedure for informing the Company by insiders about such transactions.

In accordance with the requirements of the EU Regulation 596/2014 of the European Parliament and Council of the European Union dated April 16, 2014, a special procedure applies to the implementation of transactions with the Company's securities by members of the Board of Directors and the Management Board. Members of the Company's governing bodies are informed of the requirements for handling insider information, procedure and deadlines for notifying the regulatory authorities and the Company of securities transactions; a ban on transactions with the Company's securities in closed periods.

In accordance with the best international practices, insiders who are not members of the Company's management bodies also establish restrictions on carrying out transactions with securities in the so-called closed periods.

The Company annually develops a Calendar of periods available to the insider for transactions with the Company's securities and their derivative securities in accordance with Regulation (EU) 596/2014 of the European Parliament and the Council "On Market Abuse" dated April 16, 2014. This calendar is made available on the Company's website.

On an ongoing basis, the explanatory work is being conducted on the requirements of the applicable legislation by informing

the Company's employees with the access to insider information, including through the corporate website of the Company.

The Board of Directors decided to appoint Damir Maratovich Gamirov, Acting Corporate Secretary – Deputy Chief of the Office of the Corporate Secretary, as a person responsible for monitoring compliance with the requirements of the legislation of the Russian Federation on countering the unlawful use of insider information and market manipulation.

Insider information protection committee

GAMIROV Damir Maratovich (Chairman) — Acting Corporate Secretary - Deputy Head of Corporate Secretary Office, the person responsible for monitoring the compliance with the Law on Countering the Misuse of Insider Information.

ALPAROVA Aigul Minharisovna — Head of Technical & Economic Information and Promotion of Best Practices Department, PJSC TATNEFT (from March 18, 2021)

GLUSHKOV Piotr Andreevich — Advisor to General Director for International Legal Issues, PJSC TATNEFT

MOZGOVOI Vasilii Aleksandrovich — Assistant to Director General for Corporate Finance, PJSC TATNEFT

RAKHMATULLIN Ildar Asylgaraevich — Head of Internal Audit Department, PJSC TATNEFT (until 18.03.2021)

KHAMADYAROV Rifdar Rifkatovich — Deputy Chairman of Trade-Union Committee, PJSC TATNEFT (until 18.03.2021)

BESPALOV Alexey Petrovich — Head of Corporate Technical Policy Department, PJSC TATNEFT (until 18.03.2021)

The list of PJSC TATNEFT insiders is updated upon inclusion or exclusion of insiders of the Company from it. As of December 31, 2020, the list of PJSC TATNEFT insiders included 14 legal entities and 255 individuals. During 2020, 31 individuals and 1 legal entity were included in the list of insiders, and 27 individuals were excluded.

Notifications on the inclusion of persons in the list/ on the exclusion of persons from the list of PJSC TATNEFT insiders are timely sent to insiders of the Company. During 2020, 41 notifications were sent to Company insiders.

In accordance with the trade organizer inquiries (Moscow Exchange PJSC) to submit the list of insiders, the Company provided 8 lists of the insiders to the trade organizer in 2020.

Information policy

Disclosure of Information

The Company follows the principles of information transparency, guarantees the timely provision of essential information to its shareholders, the investment community and all interested parties based on:

- Regular and consistent disclosure of information regarding the main areas of the activity;
- Efficient disclosure of relevant information on the material events and facts in the Company's activities;
- Guaranteed accuracy and completeness of the disclosed information about the Company and its controlled entities which are of substantial importance within the framework of the TATNEFT Group;
- Availability of the information to the stakeholders and equal access to information for similar categories of stakeholders;
- Integrity and consistency of the information disclosed by various means and/or in various forms, as well as comparability of disclosed indicators for different periods of time;
- Provision of the financial and other information free from influence of any persons or their groups.

The Company discloses material information about its activities and avoids a formal approach to information disclosure. At the same time, the Company does not evade from disclosing negative information about itself, if such information is essential for shareholders, investors and other stakeholders. The Company seeks to provide simultaneous and equivalent disclosure of material information in the Russian Federation and abroad in accordance with the circulation of the Company's securities in overseas organized securities markets, including in the form of foreign depositary receipts. The equivalence of information disclosure means that if it is disclosed in an organized market in one country, the same content should be disclosed in other countries where the Company's securities circulate in organized markets

Disclosure, dissemination, and provision of information are carried out in the volume, manner, and within the time limits established by applicable Russian and applicable foreign law in the field of information disclosure by issuers of securities.

In the field of information disclosure, PJSC TATNEFT is guided by the Federal Law No. 39-FZ dated April 22, 1996 "On the Securities Market," the Federal Law No. 208-FZ dated December 26, 1995 "On Joint Stock Companies," Bank of Russia Regulations No. 454-P dated December 30, 2014 "On Information Disclosure by Issuers of Equity Securities," and is also guided by the requirements of PJSC Moscow Exchange and London Stock Exchange, recommendations of the Corporate Governance Code of the Bank of Russia.

Information subject to mandatory disclosure in accordance with the legislation of the Russian Federation is disclosed in the information and telecommunication network on the Company's official website (tatneft.ru) in the Russian and English languages as well as in the news feed and on the website of the Internet information agency (JSC Screen) authorized to carry out actions to disclose information of the Company.

Disclosure of Statements

The Company discloses the annual consolidated financial statements together with the auditor's report, and the consolidated interim condensed financial statements with the opinion on the results of the review of the consolidated interim condensed financial statements. The Company also discloses the annual financial statements together with the audit's report and interim accounting statements.

Transparency of financial statements is one of the key elements of the corporate governance.

March 27, 2020 - The Company has published the audited RAS annual accounting statements for 2019 and March 31, 2020 - audited IFRS consolidated annual financial statements for 2019;

March 29, 2021 - The Company has published the audited RAS annual accounting statements for 2020 and March 31, 2021 - audited IFRS consolidated annual financial statements for 2020.

Disclosure, distribution, and provision of information are carried out in the volume, manner, and within the time limits established by current russian and applicable foreign law on information disclosure by issuers of securities.

Company discloses material information about the activity and avoids the formal approach to information disclosure.

100

Messages disclosed in «screen» information agency

163

Press releases published on the company official site

Prevention and regulation of potential conflicts of interest

The Company strives to prevent possible corporate conflicts through transparent corporate governance procedures and strict adherence to the Code of Corporate conduct. In the event of any corporate conflict, the Company shall take all possible measures to resolve it and protect the rights and legitimate interests of shareholders, as well as other participants in the corporate relations.

Potential conflicts of interest are prevented at all levels of the Company’s management.

The Board of Directors applies procedures aimed at preventing and managing conflicts of interest. The Company provides for the information disclosure about conflicts of interest in case of their occurrence.

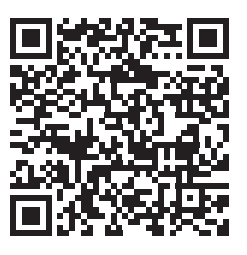
The corporate governance system of the Company includes a framework of rules and procedures aimed at regulating and eliminating possible conflicts of interest at all management levels - between management bodies and shareholders, as well as between the shareholders, if the conflict affects the interests of the Company, identifying and resolving all possible general and specific problems, related to the rights of shareholders at the level of the Board of Directors, Executive bodies, Top managers and employees of the Company. This work is carried out in collaboration with the Corporate Secretary Office with Committees of the Board of Directors,

the Legal Department, the Office of Economic Security, the Office of Internal Audit and other competent divisions of the Company.

In the event of conflict of interests, the Company provides mechanisms of taking all the necessary and possible measures for its full regulation, as well as creating conditions that preclude conflict in the future.

Prevention and settlement of corporate conflicts is a part of the risk management policy and is entrusted to the Board of Directors and the Corporate Governance Committee of the Board of Directors. The competence of the executive bodies of the Company to participate in the consideration and resolution of corporate conflicts is determined by the nature of the conflict.

In 2020, the Company did not make any transactions recognized as major transactions under Federal Law No. 208-FZ "On Joint-Stock Companies" dd. 26.12.1995.



The report on the non-arm’s length transactions made by the Company in 2020 is available on Company’s website: <https://www.tatneft.ru/aktsioneram-i-investoram/raskritie-informatsii/k-sobraniyam-aktsionerov>

Shareholders

In order to prevent potential conflicts at the level of shareholders, the Company provides equal opportunities for shareholders to exercise the rights provided for by applicable law. Ensuring the interaction of the Company with shareholders and participation in the prevention of corporate conflicts are within the competence of the Board of Directors of the Company. In addition, the Company organized work on interaction with shareholders, including clarification of the position of the Company at the request of shareholders.

Board of Directors

The function of conflict of interest management in the Company is assigned to the Board of Directors, which is enshrined in the Regulation on the Board of Directors. To prevent possible conflicts of interest among members of the Board of Directors, the Company introduced certain restrictions and requirements for members of the Board of Directors. In accordance with the Regulation on Board of Directors, a member of the Board of Directors must refrain from actions that will or may lead to a conflict of interest. When considering agenda items, members of the Board of Directors assess their possible conflict with the interests of the Company. On issues that, in the opinion of a member of the Board of Directors, may result in such a conflict of interest, the director does not participate in the vote, and if necessary, does not participate in its discussion. A member of the Board of Directors shall notify the Chairman of the Board of Directors of a conflict of interest or the possibility of its occurrence. Monitoring compliance with the mechanism to prevent a conflict of interests of members of the Board of Directors is carried out by the Chairman of the Board of Directors and independent directors. Independent directors are required to take all necessary and possible measures to prevent and resolve conflicts, minimize the consequences of conflicts between the Company and its shareholders, provide effective protection for all shareholders in case of violation of their rights.

In the reporting year, there were no conflicts of interest among the members of the Board of Directors.

Executive bodies

The Chief Executive Officer and members of the Management Board of the Company should refrain from taking actions that could lead to conflict of interest, and in the event of such a conflict should immediately inform the Chairman of the Management Board/ Chairman of the Board of Directors.

Top managers and employees

The Company considers the conflict of interests at the level of top managers and employees as situations and circumstances in which the private interests of an employee or his/her close persons and/or relatives contradict or may contradict the interests of the Company and, thus, affect or may affect the proper performance of their job functions, including his/her objective decision-making, as well as those that can lead to harm to the rights, legitimate interests, property and (or) business reputation of PJSC TATNEFT. Preventive measure and prevention of conflicts of interest at the level of employees of the Company is regulated by the Code of Corporate Governance of the Company, the Code of Corporate Culture, which defines the concepts of conflict of interest, corruption actions and regulates the prevention of conflicts of interest, as well as the Anti-Corruption Policy of the Company and a number of other internal documents. To prevent a conflict of interest at the level of the Company’s employees, the rules for transactions with financial instruments by persons included in the list of insiders and the rules for disclosing insider information have been established and their implementation is regularly monitored. This procedure is governed by the “Regulation on the procedure for access to insider information of PJSC TATNEFT named after V.D. Shashin, the rules for protecting its confidentiality and monitoring compliance with the requirements of the legislation of the Russian Federation and the European Union and internal documents adopted in accordance with it.

Anti-corruption policy

Corporate anti-corruption & anti-fraud policy. Approved documents.

The Anti-corruption Policy Standard applies.

The Company has enacted the Anti-corruption Policy adopted by PJSC TATNEFT Board of Directors in 2014 (Minutes No. 3 dated July 25, 2014), which is applied in all the areas of the Company’s activities.

In the anti-corruption activities, the Company is guided by:

- Legislation of the Russian Federation
- Standard for Organization of the Anti-Corruption Policy of JSC Tatneft named after V.D. Shashin
- Regulation on Settlement of Conflict of Interests in PJSC TATNEFT named after V.D. Shashin
- Regulations on accepting and giving gifts in PJSC TATNEFT named after V.D. Shashin
- Regulations on compliance with anti-corruption norms and rules in the process of fulfilling contractual obligations,
- Rules of operation of the Hot Line corporate system,
- Code of Corporate culture for PJSC TATNEFT employees,
- Regulation on verification of suppliers of goods, works and services on economic security criteria,
- Regulation on organization of the contractual work in PJSC TATNEFT named after V.D. Shashin.

The Company carries out its operations under the ISO 37001:2016 international standard

Availability of the company’s anti-corruption public position

In accordance with the Council of Europe Convention on Criminal Liability for Corruption, Federal Law No. 273-FZ of December 25, 2008 “On Combating Corruption”, Decree of the President of the Russian Federation “On the National Plan for Combating Corruption for 2018-2020” and the Standard “Anti-corruption policy of PJSC TATNEFT named after V.D. Shashin” the Company strictly complies with the anti-corruption legislation of the Russian Federation, as well as the anti-corruption legislation of other countries in the territories of the operation. Information on anti-corruption activities is available on the official website of PJSC TATNEFT - www.tatneft.ru

The Company’s anti-corruption position is public.

Responsibility for implementation of the corporate anti-corruption policy

Responsibility for implementation of the corporate anti-corruption policy is imposed on the Economic Security Department, Information Protection, Civil Defense and Emergency Situations Department, Legal Department, Internal Audit Department, Control and Audit Department, Human Resources Department, Personnel Audit Service. In the entities of TATNEFT Group – the responsibility is laid on the management of TATNEFT Group organizations.

All employees, regardless of their position, shall be held liable under the current legislation of the Russian Federation for failure to comply with the principles and the requirements of the Anti-Corruption Policy. Persons guilty of violating the requirements of the Anti-Corruption Policy may be brought to disciplinary, administrative, civil or criminal liability at the initiative of the Company, law enforcement agencies or other persons according to the procedure and on the grounds stipulated by the legislation of the Russian Federation, the Company’s Articles of Association and internal documents, employment contracts.

Description of principles, rules, procedures aimed to prevent corruption in all aspects of the company activities

Non-acceptance of corruption and prohibition of corrupt practices

The Company’s activities are based on the prevention of corruption in all forms and manifestations. All employees, members of the management bodies of the Company and other persons acting on behalf of the Company or in its interests, are prohibited directly or indirectly, personally or through any mediation, from participating in corruption actions regardless of the practice of doing business in a particular country or region.

TATNEFT does not allow corruption practices, including the manifestation of conflict of interest, both in relation to representatives of the state, public organizations, organizations of any form of ownership, political figures and other third parties, and in relation to employees of the Company, in any way, including through abuse of official position in order to derive any personal benefit.

Inevitability of punishment

The Company investigates all reasonably substantiated reports of violations of the appropriate procedures to counteract involvement in corruption activities and prosecutes those responsible without taking into account their position, term of work, status with the Company and other relationships with it in the manner established by applicable law and local regulatory documents of the Company. The Company makes every possible reasonable and legal effort to prevent violations as quickly as possible. The Company makes public information about individuals who violate the requirements of applicable law and the Anti-Corruption Policy.

Legitimacy

The Company and its employees are obliged to comply with the norms of the Russian anti-corruption legislation, as well as the applicable norms of foreign anti-corruption legislation when they enter into legal relations falling within the scope of such legislation.

Top Management Tone

The Company Executives, including the members of management bodies, heads of departments, departments and other divisions of the Company, must declare a strong stand against any forms and manifestations of corruption at all levels, demonstrate, implement and comply with it in practice.

Consistency and proportionality

The Company develops and implements a system of appropriate procedures to counteract and prevent involvement in corruption activities. The Company strives to make the procedures as transparent, clear, feasible and reasonably consistent with the identified risks.

Due diligence principle

The Company carries out monitoring and verification of counterparties and candidates for positions in the Company before making a decision on starting or continuing business relations, or hiring them for reliability, rejection of corruption and risk of conflict of interest.

Information and training

The Company informs and clarifies the principles and norms of the applicable law, the Anti-Corruption Policy and other local regulatory documents in relation to counteracting involvement in corruption, including the training of the employees on the basics of countering engaging in corruption and explains its policies in this area to counterparties.

Monitoring

The Company carries out continuous monitoring of the implemented procedures to combat and prevent involvement in corruption activities and monitors their compliance. The Company periodically makes an independent assessment of the state of the system for counteracting involvement in corruption, as well as evaluating the compliance of the Company’s activities with the applicable laws and the Anti-Corruption Policy. The results of the assessment are reported to shareholders and the public in the annual report, press releases and other information materials.

In order to ensure comprehensive security of the trading and procurement platform, the Company has implemented the following measures:

- A comprehensive inspection system has been set up, including access control system, video surveillance, recording of office phone conversations of the trading and procurement platform staff;
- The possibility of uncontrolled online access for software developers of the trading and procurement platform is excluded;
- Digital footprint analysis procedure has been developed to identify bidders collusion.

Messages about violations of the Anti-Corruption Policy can be transmitted in the following ways:

- to the line manager or superior manager;
- to the round-the-clock telephone of the hot line of the Company;
- to law enforcement agencies.

Regular risk assessment related to involvement in corruptions.

The Company identifies, evaluates and periodically re-assesses corruption risks characteristic of its potentially vulnerable business processes. When identifying and assessing risks, the Company takes into account the fullness of information on activities and plans, including investment and strategic ones, available at the time of the assessment and reassessment.

The Company guarantees confidentiality to all Employees and other persons who in good faith report corruption risks and violations. Messages can be sent to: the line manager or superior manager, the hot line of PJSC TATNEFT, law enforcement agencies.

Results of the anti-corruption programs implementation for the period of 2016-2020

Continuous anti-corruption activities have ensured that the number of corruption cases has been minimised.

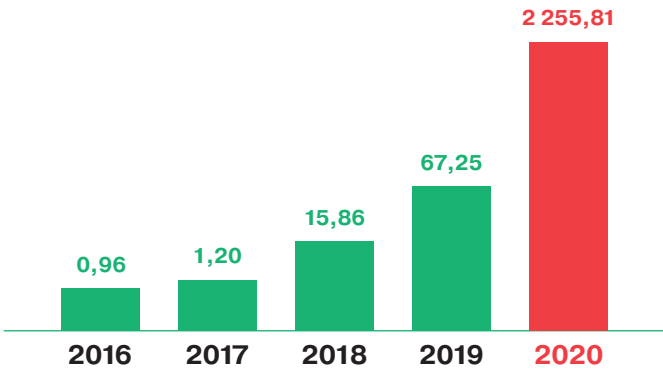
Over 100 investigations have been conducted for the last five years. Disciplinary and other measures were taken against 96 perpetrators, criminal cases were opened, and sentences were passed against 13 persons, 13 counterparties were added to the stop list. 12 cases are currently under investigation.

Informing personnel about anti-corruption methods

Web-based informing is realized by releasing a statement in the Anti-Corruption section of the official website of PJSC TATNEFT. Anti-corruption conditions are included in all types of agreements in a separate section.

The Company informs the staff and clarifies the principles and norms of the applicable law, the Anti-Corruption Policy and other local regulatory documents in relation to counter-acting involvement in corruption. Availability of the regulatory framework contributes to formation of employee behaviour rules and counteracts their involvement in corrupt activities.

Dynamics of the prevented loss for the period of 2016-2020 (RUB mln)



The Company employees, including the Economic Security, Information Protection, Civil Defense and Emergencies Department, adhere to fundamental human rights principles. Human Rights aspects are included in the Company’s personnel development programs.

Anti-monopoly policy

The Company operates in strict accordance with the anti-monopoly state regulation, legislation, recommendations of the Federal Antimonopoly Service (FAS Russia), and the best international practices. The Company follows the principles of competitive business conduct and provides for rules of conduct for employees aimed at preventing violations of anti-monopoly legislation.

The Company is constantly improving the internal procedures aimed at alerting and preventing violations of the current anti-monopoly legislation, including training of employees in anti-monopoly regulation.

Hotline information system

The Company effectively operates a special-purpose confidential channel, through which an employee or an outsider can report facts of various violations related to the Company’s activities — professional activities, corporate governance and corporate ethics issues, respect for human rights, work schedule, social aspects, industrial and environmental safety, labour protection, quality of products and services, other issues, including those of corruption nature – “Hotline”.

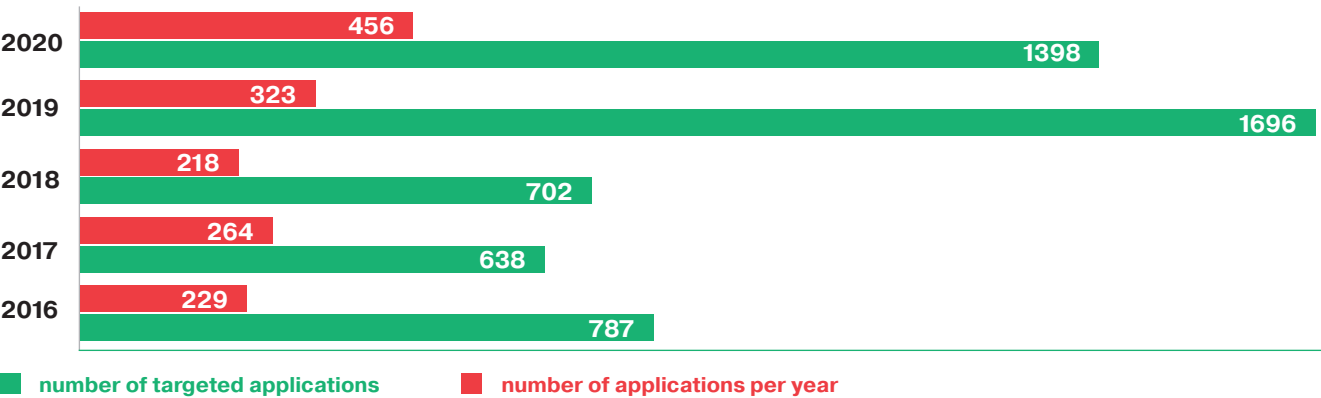
An independent operator receives calls, with the anonymity provisions of whistleblowers who report violations and corruption.

All applications are checked. The results of the checks are recorded in the Internal Audit Department, which has the function of the Hotline coordinator.

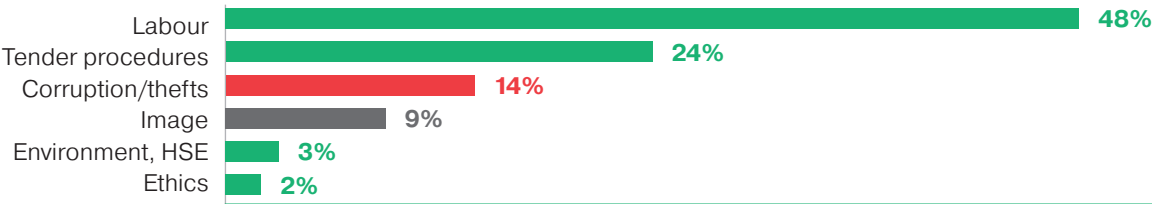
There is a practice of rewarding whistleblowers who provide the information that has enabled to prevent and/or compensate for losses due to corruption.

In 2020, the hotline operator received and processed 2000 calls, 25% of them were targeted applications related to identifying deficiencies, violations and thefts.

Number of Hotline applications for the period of 2016-2020



The main topics of applications: information on violations of corporate procedures, labour legislation, possible thefts of the Company’s property, social and ethical issues.



Each application was accepted for consideration with the appropriate measures taken, including those aimed at reducing the risks of violations in the production and economic activities, as well as improving labour discipline and responsibility of the

employees. Additional control measures were introduced to prevent previously identified violations in the future.

The hotline number is posted on the website, information stands, payroll sheets, overalls of the Company’s employees.

Hotline information system

Telephone: 8 800 100 4112
E-mail: tn@88001004112.ru

Corporate cyber security policy

Cyber security is a high focus area for the Company's top management.

In the context of the transition to digital transactions and increased electronic communications traffic, the Company takes a responsible approach to controlling the risks of cyber intrusions into corporate information systems, which can damage the safety of assets, operating and financial activities, and the interests of shareholders and investors. The Company takes measures to ensure a highly protected internal cybersecurity system and seeks to convey confidence in its quality to all the stakeholders.

The Company takes into account global cyber security challenges that pose potential risks and provide new opportunities in the development of information technology. The Company's key cybersecurity initiatives are based on analyzing the synergy potential of digital solutions and reducing operational risks.

The Company follows regulatory requirements and considers cyber security in three main aspects:

- Integration of information protection processes and tools into ongoing digital transformation strategic initiatives
- Security using advanced technologies
- Improving the efficiency of cybersecurity functions

The Company forms a transparent holistic multi-level cyber risk management system and integrates it into the overall risk management system.

The Corporate Information Security Center was set up during the restructuring process of 2020, which ensures cyber security of personal data of the employees involved in the Company's production processes, cyber security of the critical information infrastructure facilities of the TATNEFT Group of companies and overall cyber security of the information and telecommunications systems involved in production processes.

Continuous monitoring and response to cybersecurity incidents in terms of ensuring integrity, availability and confidentiality of information resources of the TATNEFT Group is carried out.

In its cybersecurity activities the Company is guided by the Russian legislation, Information Security Policy, Regulations on Information Security, Instruction on Identification and Ranking of Cyber Security Risks, Regulations on Interaction of the National Coordinating Center for Computer Incidents and PJSC TATNEFT n.a. V.D. Shashin in Reporting Computer Incidents to FSB, Response to Computer Incidents and taking measures to eliminate consequences of computer incidents.

Cybersecurity training was implemented to raise awareness of the TATNEFT Group employees about information security requirements.

> 6 thousand
employees were trained

During 2020, the events were organized to survey the cyber-security level, as part of the implementation of measures for the transition to the paperless document flow, to generate about 3000 electronic signatures and block the access from the corporate data network to 41 million sites containing prohibited and dangerous content. The specialists developed a project to centralize the anti-virus protection service.

9 000 remote workplaces were organized in order to manage the COVID-19 pandemic conditions, reduce the risks of its impact on the production processes of TATNEFT Group's business streams and reduce the time the employees spend in the office.

3 000
Units of electronic signatures

41 mln
sites blocked

Plans for 2021:

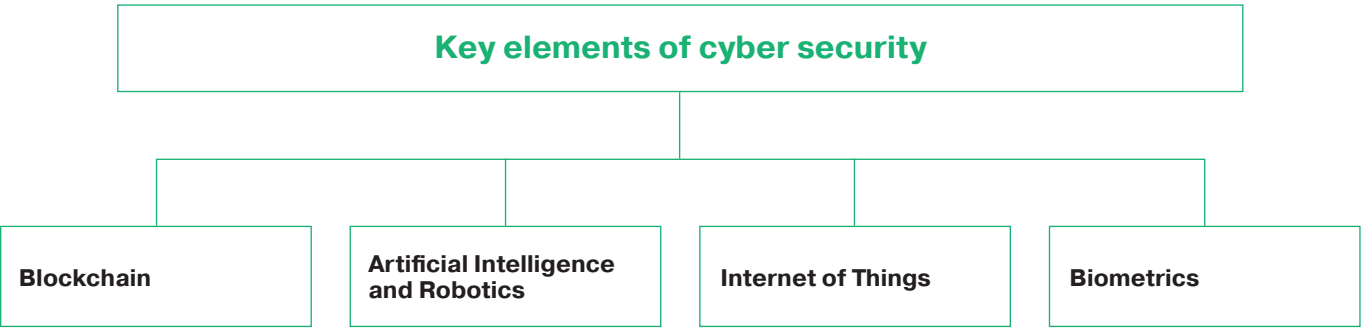
- Modernization of the generation process of reinforced qualified electronic signatures
- Approval and implementation of PJSC TATNEFT cybersecurity policy.
- Implementation of centralized management of the anti-virus protection system across the TATNEFT Group

Personal Data Protection

The Company ensures the personal data protection by implementing internal procedures in accordance with the law. The Company takes into account the European General Data Protection Directive (GDPR), which was entered into force in 2018.

9000
Remote Workplaces

Corporate Cyber Security Operations Center



Interaction with shareholders and investors

rub 103,5 bln

Profit of TATNEFT group shareholders in 2020

4 974

Publications on the securities in federal mass
media in 2020

1 162

Publications on the Company's financial results
in federal mass media in 2020



Shareholders’ equity

The Company’s securities have been represented on the Russian and International stock markets for over 25 years including the Moscow and London stock exchange.

The geography of the shareholders’ location covers Russia (the major part of shareholders), North America, Australia, European and Asian countries.

The Company’s ordinary and preferred shares, and bonds enlisted in the Level 1 quotation lists are traded on PJCS Moscow Exchange. TATNEFT shares are included in the calculation base of the RTS and MICEX indices which are the main indicator of the Russian stock market.

The Company’s depositary receipts are enlisted in the London Stock Exchange and are traded in the Xetra system of the Deutsche Börse group of companies.

Events after the reporting date

The Company’s shares, as the most demanded stocks, have been admitted to the organized trading on the Saint-Petersburg Stock Exchange since 18 March 2021 without inclusion in the quotation lists.

The Company hereby declares that it does not have any information about the existence of the shares ownership in excess of five percent, other than those disclosed, as well as the information about the possible acquisition of the control

by certain shareholders to the extent disproportionate to their interest in the equity capital of the Company, including the one on the basis of shareholder agreements or by any other means.

The company’s equity share is rub 2 326 199 200

Information on each category (type) of shares

Full name of securities (Kind and Type)	Ordinary registered shares	Preferred registered shares	Exchange-traded bonds
Security issue form	Uncertificated	Uncertificated	Uncertificated
Quantity issued, pcs	2 178 690 700	147 508 500	15 000 000
Par value of one (1) security (RUB)	RUB 1	RUB 1	RUB 1000
State registration number of the issue of securities	1-03-00161-A	2-03-00161-A	4B02-01-00161-A-0013
State registration date	26.10.2001	26.10.2001	20.12.2019
ISIN code	RU0009033591	RU0006944147	RU000A1018K1
Exchange and trading code	PJSC Moscow Exchange, TATN	PJSC Moscow Exchange, TATNP	PJSC Moscow Exchange, RU000A1018K1

In 2020, in accordance with the depositary agreement between PJSC TATNEFT n.a. V.D. Shashin and the Bank of New York Mellon the depositary receipts (ADRs) for the Company’s ordinary stocks have been issued for circulation in foreign markets, 6 ordinary shares in one ADR, with ISIN code US8766292051. The main trading platform of the Company’s ADRs trading is the London Stock Exchange (trading code - ATAD). The Company’s ordinary shares of 24.53% of the share capital are deposited for conversion into American Depositary Receipts (ADRs).

Events after the reporting date.

At the beginning of 2021 the Company decided to change its depositary bank. Since February 18, 2021 the depositary bank for the Company’s ADR programme is Citibank, N.A.

When selecting a depositary bank both the terms of the depositary bank’s support for attracting new investors, expanding cooperation with them, maintaining a high level of corporate governance and implementing new best practice were considered, as well as the possibilities of developing cooperation in other areas. As a result of this assessment, Citibank, N.A. was identified as a preferred candidate for the depositary bank function for the Company’s ADR programme.

Investment potential of the securities

PJSC TATNEFT Securities have been circulating in the Russian and international stock markets for more than 25 years. The Company’s shares are traded at the Moscow Exchange PJSC (first level quotation list), and at the London Stock Exchange as the American Depositary Receipts (ADRs).

Shares (ordinary, including ADRs and preferred) of PJSC TATNEFT are included in many stock indices, reflecting both the size of TATNEFT as a Company with a large capitalization and high rates of return, including:

Ordinary and preferred shares:

Moscow Exchange Index, Moscow Exchange Oil and Gas Index, RTS Index, RTS Oil and Gas Index.

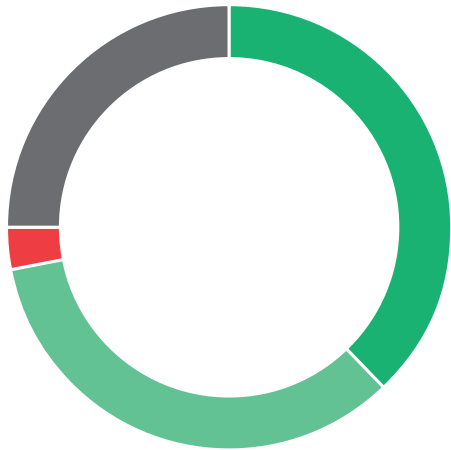
Ordinary shares:

Moscow Exchange blue chip index, MSCI Russia, MSCI Russia 10/40, MSCI Emerging Markets EMEA, MSCI Emerging Markets Quality Index.

ADRs:

FTSE Russia IOB, MSCI Russia ADR/ GDR Index, S&P/ BNY Mellon Russia Select DR Index, MVIS Russia Index.

Equity capital structure (% of equity capital)



34%

Legal entities under the control of the Republic of Tatarstan

38%

Other shareholders

3%

Treasury groups

25%

ADR Program

The total number of shareholders of the Company exceeds 120 thousand shareholders.

There are no shares held by the Company.

The shares held by the legal entities controlled by the Company account for 3,47% of the Company's authorized capital.

The total number of ordinary shareholders included in the list of persons entitled to participate in the general meeting of shareholders as of 06.09.2020 is 105 473 shareholders.

Shareholders holding shares of 5% or more of the authorized capital, as of 31.03.2021:

Item No.	Full name of legal entity	Entity Type	In % of authorized capital	In % of voting (ordinary) shares
1.	Svyazinvestneftekhim Joint Stock Company	Owner (in the nominal holding of Joint Stock Company "Central Depository of the Republic of Tatarstan")	27,232389	29,071778
2.	Citibank, N.A.	Depositary Programs Account (in the Central Depository Nonbanking Credit Organization, "National Settlement Depository" Joint Stock Company)	24,526470	26,187038

The total trading volume of ordinary shares during the main trading amounted to RUB 665 742 648 977; the average daily volume - RUB 2 662 970 596.

The volume of over-the-counter transactions with ordinary shares amounted to RUB 34 712 149 462 rubles; the average daily turnover - RUB 139 968 345.

The total trading volume of ordinary shares through the Moscow Exchange, taking into account over-the-counter transactions, amounted to RUB 718 613 808 116.

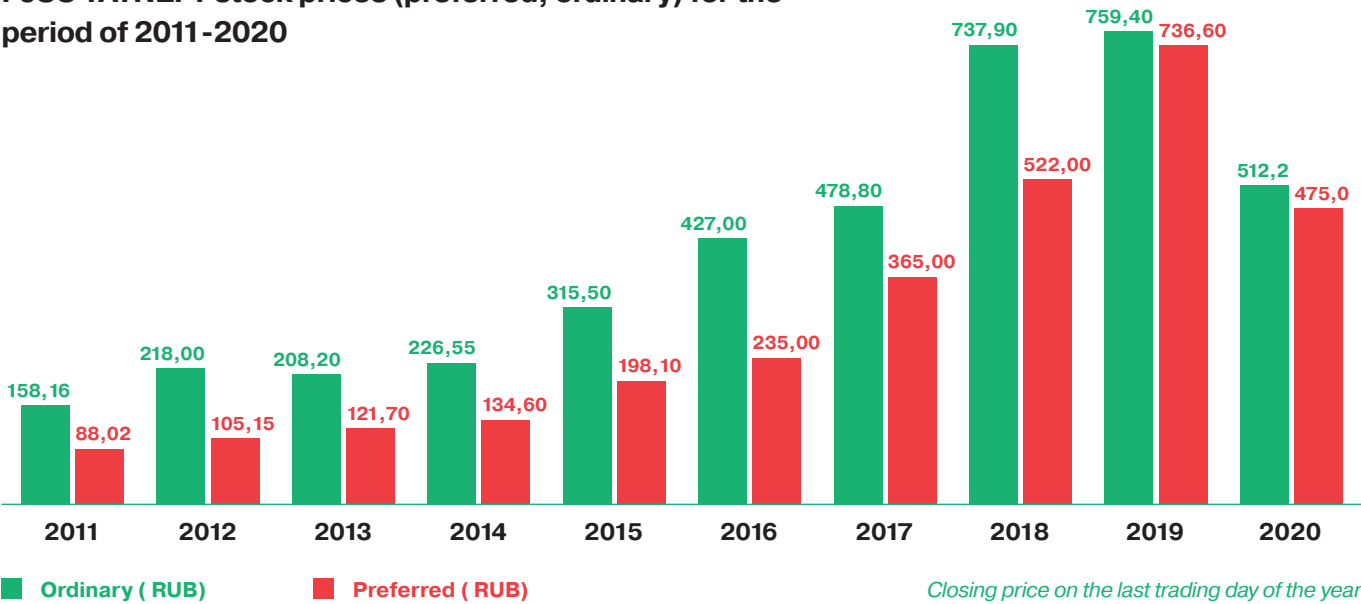
The total trading volume of preferred shares during the main trading amounted to RUB 156 365 598 987; the average daily volume - RUB 625 462 396.

The volume of over-the-counter transactions with preferred shares amounted to RUB 14 554 088 028 rubles; the average daily turnover - RUB 72 049 941.

The total trading volume of preferred shares through the Moscow Exchange, taking into account over-the-counter transactions, amounted to RUB 170 919 687 015.

The main exchange trading volume of TATNEFT ADRs amounted to USD 2 943 762 218,38 (average daily turnover – USD 11 589 615,03); including over-the-counter transactions and other transactions through the London Stock Exchange, the total trading volume amounted to USD 3 252 009 232,94 dollars or USD 12 803 185,96 per day.

PJSC TATNEFT stock prices (preferred, ordinary) for the period of 2011-2020



Dividend policy

The Company adheres to a progressive dividend policy recognizing dividends as one of the key indicators of investment attractiveness for shareholders, and seeks to increase dividends based on the consistent growth of business profitability.

The Board of Directors of the Company determines the recommended for the general meeting of shareholders amount of dividends on the basis of economically sound approach to the distribution of profits and maintaining a balance of short-term (income generation) and long-term (development of the Company) interests of shareholders.

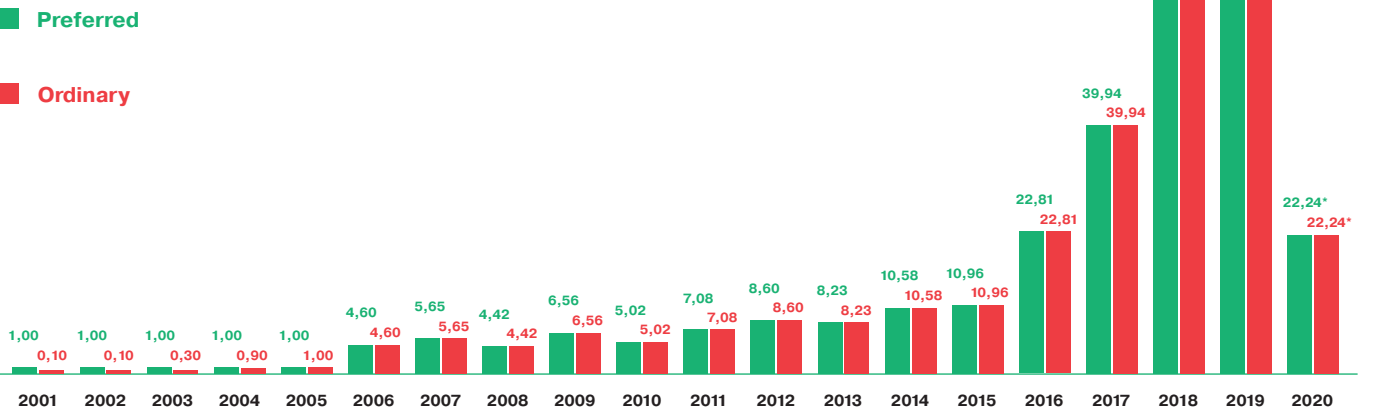
The principles and conditions for making decisions on payment (announcement) of dividends, the procedures used to determine the amount and dividends payment are specified by the Regulation on the Dividend Policy of PJSC TATNEFT approved by the Board of Directors of the Company (Minutes No.9 Decision No. 7 dated January 01, 2018). The Regulation is based on observance of the rights of shareholders stipulated by the legislation of the Russian Federation and best corporate governance practices

The Board of Directors of the Company, when determining the amount of dividend recommended to the general meeting

of shareholders (per share), is governed by the amount of the Company's net profit and assumes that the amount allocated to dividends is at least 50% of the net profit determined in accordance with Russian Accounting Standards (RAS) or IFRS, whichever is the larger. With that, the Board of Directors takes into account, based on information received from the executive bodies, the duties and investment program of the Company, the need in working capital and required reserves for normal business operations, and assumes that free cash that is formed after funding the specified investment program, execution liabilities and other needs of the Company can be distributed in the form of dividends.

In June 2020, dividends were approved at the level of 96.2% of RAS net profit (by 2019 year-end results), and according to the results of 6 months of 2020, the level of dividend payments amounted to 100% of RAS net profit.

Dividends per share, rub

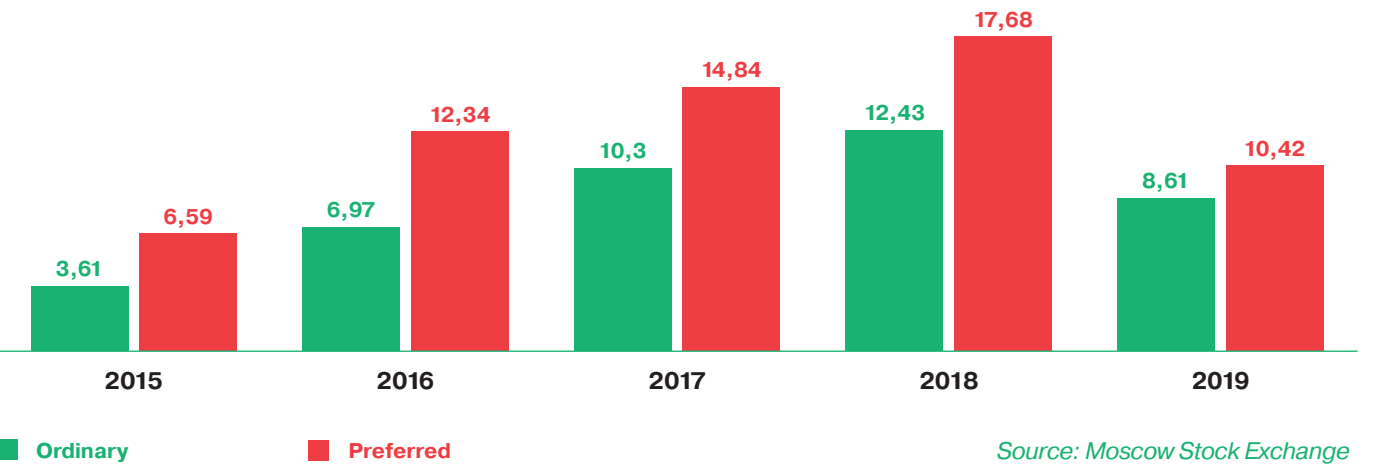


According to the 2020 year-end results, it was recommended to allocate RUB xxx billion xxx million to pay dividends which is xxx % of the RAS net profit obtained (with the rounding to two decimal places after the comma of the dividend per share). The Company's cash flows provide the payment of this amount of dividends without creating a source deficit for implementing the investment program, conduct of operating activities and the fulfillment of existing obligations.

Based on the results of 2020, the Board of Directors recommends the annual general meeting of shareholders of PJSC

TATNEFT to make a decision on the payment of dividends on preferred and ordinary shares, taking into account previously paid dividends for 6 months in the amount of xxx% to the par value of preferred and ordinary shares. Taking into account the fact that for 6 months of 2020, PJSC TATNEFT, in accordance with the decision of the general meeting of shareholders held on September 30, 2020, accrued interim dividends in the amount of RUB 23 billion 122 million, additional dividends for 2020 year will amount to RUB xxx billion xxx.

Dividend yield on shares for the 2015 – 2019 period (preferred, ordinary)



Dividend payout history for the last five completed financial years

Year (period)	for 2015	for 2016	For 9 months of 2017	For the 4. Q 2017	For 2017 Total:
Total amount of accrued dividends (RUB billion)	25,495	53,061	64,622	28,287	92,909
Total amount of dividends paid (RUB billion)	25,468	53,006	64,561	28,26	92,821
Ordinary shares (% of par value)	1096%	2281%	2778%	1216%	3994%
Ordinary shares (Dividends amount)	10,96	22,81	27,78	12, 16	39,94
Preferred shares (% of par value)	1096	2281	2778	1216	3994
Preferred shares (Dividends amount)	10,96	22,81	27,78	12, 16	39,94
Dividends (% of net profit)	30	50,6	75	75	75
Date of the decision to pay dividends	Annual General Meeting of Shareholders at the end of 2015, which was held on 24.06.2016, Minutes No. 23 dated 29.06.2016	Annual General Meeting of Shareholders at the end of 2016, which was held on 23.06.2017, Minutes No. 24 dated 28.06.2017	Extraordinary General Meeting of Sharehold-ers based on the results of 9 months of 2017, which took place on 12. 12.2017, Minutes No. 25 dated 14. 12.2017	Annual General Meeting of Share-holders at the end of 2017, which was held on 22.06.2018, Minutes No. 26 dated 27.06.2018	
The date on which persons that have (had) the right to receive dividends are (were) determined	08.07.2016	07.07.2017	23. 12.2017	06.07.2018	
Date of actual payment	To nominal hold-er - 22.07.2016 To shareholders registered in the register of shareholders - 12.08.2016	To nominal hold-er - 21.07.2017 To shareholders registered in the register of shareholders - 11.08.2017	To nominal hold-er - 15.01.2018 To shareholders registered in the register of shareholders - 05.02.2018	To nominal holder - 20.07.2018 To shareholders registered in the register of shareholders - 10.08.201	

Year (period)	for 6 months of 2018	for 9 months of 2018	For the 4. Q 2018	For 2018 Total
Total amount of accrued dividends (RUB billion)	70,414	51,781	75,322	197,517
Total amount of dividends paid (RUB billion)	70,342	51,725	75,247	197,314
Ordinary shares (% of par value)	3027%	2226%	3238%	8491%
Ordinary shares (Dividends amount)	30,27	22,26	32,38	84,91
Preferred shares (% of par value)	3027	2226	3238	8491
Preferred shares (Dividends amount)	30,27	22,26	32,38	84,91
Dividends (% of net profit)	75	75	100	100
Date of the decision to pay dividends	Extraordinary General Meeting of Sharehold-ers based on the results of 6 months of 2018, which was held on 28.09.2018, Minutes No. 27 dated 29.09.2018.	Extraordinary General Meeting of Sharehold-ers based on the results of 9 months of 2018, which was held on 21.12.2018, Minutes No. 28 dated 24. 12.2018.	Annual General Meeting of Share-holders at the end of 2018, which was held on 21.06.2019, Minutes No. 29 dated 25.06.2019.	
The date on which persons that have (had) the right to receive dividends are (were) determined	12. 10.2018	09.01.2019	05.07.2019	
Date of actual payment	To nominal holder - 26. 10.2018 To shareholders registered in the register of shareholders - 20. 11.2018	To nominal holder - 23.01.2019 To shareholders registered in the register of shareholders - 13.02.2019	To nominal holder - 19.07.2019 To shareholders registered in the register of shareholders - 09.08.2019	

Continuation of the table on page 202

Dividend payout history for the last five completed financial years (continued)

Year (period)	6 months 2019	9 months 2019	4 Q of 2019	For 2019 Total:
Total amount of accrued dividends (RUB billion)	93,304	56,666	0, 147	150, 118
Total amount of dividends paid (RUB billion)	93,206	56,612	0, 147	149,965
Ordinary shares (% of par value)	4011%	2436%	0%	6447
Ordinary shares (Dividends amount)	40, 11	24,36	0	64,47
Preferred shares (% of par value)	4011	2436	100	6547
Preferred shares (Dividends amount)	40, 11	24, 36	1,00	65,47
Dividends (% of net profit)	100	100	96,2	96,2
Date of the decision to pay dividends	Extraordinary General Meeting of Shareholders based on the results of 6 months of 2019, which was held on 13.09.2019 Minutes No. 30 dated 16.09.2019.	Extraordinary General Meeting of Shareholders based on the results of 9 months of 2019, which was held on 19.12.2019, Minutes No. 31 dated 23.12.2019.	Annual General Meeting of Shareholders at the end of 2019 which was held on 17.06.2020, Minutes No. 32 dated 17.06.2020	
The date on which persons that have (had) the right to receive dividends are (were) determined	27.09.2019 r.	30.12.2019	30.06.2020	
Date of actual payment	To nominal holder - 11.10.2019 To shareholders registered in the register of shareholders - 01.11.2019	To nominal holder - 21.01.2020 To shareholders registered in the register of shareholders - 11.02.2020	To nominal holder - 14.07.2020 To shareholders registered in the register of shareholders - 04.08.2020	

Year (period)	6 months of 2020	For 2020 Total:*
Total amount of accrued dividends (RUB billion)	23, 122	—
Total amount of dividends paid (RUB billion)	23, 102	—
Ordinary shares (% of par value)	994	2224
Ordinary shares (Dividends amount)	9,94	22,24
Preferred shares (% of par value)	994	2224
Preferred shares (Dividends amount)	9,94	22,24
Dividends (% of net profit)	100	—
Date of the decision to pay dividends	Extraordinary General Meeting of Shareholders based on the results of 6 months of 2020, which was held on 30.09.2020, Minutes No. 33 dated 30.09.2020	Annual General Meeting of Shareholders for the year 2020
The date on which persons that have (had) the right to receive dividends are (were) determined	12.10.2020	—
Date of actual payment	To nominal holder – October 26, 2020. To shareholders registered in the register of shareholders – November 17, 2020.	—

* PJSC TATNEFT Board of Directors made a decision to recommend the General Meeting of Shareholders to approve payment of dividends for 2020 on preferred and ordinary shares in the amount of XXXX% (taking into account previously paid dividends for 6 months) of the par value (Minutes No. XXXXXX)

* The Board of Directors of PJSC TATNEFT (Minutes No. 12 of 28.04.2021) decided to recommend to the General Meeting of Shareholders to determine the dividend payment for 2020, taking into account previously paid dividends based on the six-month results as follows:

- on the preferred stock in the amount of 2224% to the par value;
- on the ordinary stock in the amount of 2224% to the par value.

Beginning of the table on page 200

Protection and ensurance of shareholders' rights

The Company has created a multi-level system for protecting the shareholders' rights of the Company.

Guarantees of the shareholders' rights Provided by law and listing rules

In accordance with the legislation of the Russian Federation, the shareholders of the Company are entitled to:

- vote at the General Meeting of Shareholders on the principle of "one share - one vote" when voting on issues in respect of which they have the right to vote;
- submit issues to the agenda of the General Meeting of Shareholders and candidates for members of the Board of Directors (if the shareholders have at least 2% of voting shares);
- exercise the preemptive right when placing shares and equity securities convertible into shares;
- receive dividends declared by the Company in proportion to the number of shares owned by the shareholder;
- get acquainted with the information and materials presented in preparation for the General Meeting of Shareholders;
- obtain information on the Company's activities of the upon request and in accordance with the conditions established by the legislation of the Russian Federation;
- investment power to freely dispose of shares;
- exercise other rights established by the legislation of the Russian Federation.

The company provides all the terms for the shareholders to implement their rights

- The right to participate in the management of the Company by voting at the General Meeting of Shareholders of PJSC TATNEFT.
- The right to participate in the formation of the Board of Directors of PJSC TATNEFT in accordance with the conditions stipulated by the legislation of the Russian Federation.
- The right to receive part of the Company's profits in the form of dividends.
- The right to receive the necessary information about the Company on a timely and regular basis.
- The right to free and unhindered disposal of shares, reliable methods of recording rights to shares.

Key principles of interaction with the company shareholders

Guaranteed equal provision and observance of the legal rights and interests of all shareholders of the Company, regardless of the size of the block of shares they own, established by the current legislation of the Russian Federation, requirements and recommendations of stock market regulators in which the Company's shares circulate.

Constant interaction of the Company's management with all shareholders in order to effectively manage the Company and ensure its sustainable and dynamic development.

Constant improvement of existing and development of new mechanisms and forms of interaction with shareholders, increasing the efficiency and quality of interaction, taking into account the emergence of new shareholders, setting new tasks by shareholders.

Identification and resolution of all possible general and specific problems associated with the exercise of the shareholders' rights.

Taking all necessary and possible measures in the event of a conflict between the bodies of the Company and its shareholders (shareholder), as well as between shareholders, if the conflict affects the interests of the Company, to fully resolve the conflict, as well as creating conditions that preclude future conflicts.

The Company has enacted the Regulations on providing information to the shareholders. The Regulation establishes the procedure and deadlines for providing the shareholders and persons exercising share rights, as well as their representatives of documents and copies of such documents.

Protection of share rights

The Company provides reliable and secure methods of recording share rights, involving a professional registrar to keep records.

The Company's Registrar

The organization that registers the rights to equity securities of PJSC TATNEFT is Eurasian Registrar Limited Liability Company, which has been conducting professional activities on the Russian securities market as a specialized registrar for more than 20 years.

Eurasian Registrar is in the top 10 largest Russian registrars and maintains registers of more than 600 issuers, the rights to shares of which are recorded on 169,844 personal accounts of securities owners. Shareholder service centers and transfer-agent points are open in 52 regions of the greatest presence of the Company's shareholders: this is the central office, 6 branches, 50 transfer-agent points in partner registrars.

The Registrar is a member of the self-regulatory organization Professional Association of Registrars, Transfer Agents, and Depositories (SRO PARTAD).

The high degree of reliability and security of maintaining electronic databases is ensured by the use of the Zenit registry management system, which has the certificate of SRO PARTAD. The software and hardware capacity of the Registrar allows servicing over 1 million personal accounts of the owners of securities.

Guarantees to customers are provided by Ingosstrakh comprehensive insurance policy for the compensation of property damage as a result of the registration activity.

Information about the registrar, the procedure for transferring the rights to the shares of PJSC TATNEFT, obtaining extracts from the register of shareholders and performing other actions is available at <http://eard.ru>

The Company along with the Registrar regularly informs shareholders about the need to update the information on shareholders contained in the register of shareholders of PJSC TATNEFT.

The Company together with the Registrar annually sends shareholders letters notifying them of the need to amend the register of shareholders of the Company in the event that the shareholder has changed address and bank details, or other data necessary for payment of dividends to shareholders.

The Company also searches for "sleeping" shareholders or their heirs.

Interaction with shareholders

Ensuring the confidence of shareholders and investors in the effectiveness of their investments, long-term and steady growth of shareholder value is a key aspect of TATNEFT's corporate practice.

The key priority of the Company's interaction with shareholders and the investment community as a whole is building a dialogue and effective feedback from investors and analysts, reviewing and discussing their opinions about the Company and its investment history by responsible managers, making appropriate decisions.

The Company's interaction with shareholders and investors is based on the availability of responsible managers and key employees of the Company to communicate with shareholders, investors, and stock market analysts, as well as consultants to institutional investors on voting issues, discussing development plans and results of the Company's activities.

The Company's interaction with shareholders and investors is carried out through telephone conferences, group and individual meetings, including investment conferences, visits to the Company and special trips (roadshows) of authorized representatives of the Company to the main international financial centers.

In order to ensure implementation of the corporate rights, as well as effective interaction with shareholders in the Company, several communication channels are operated:

- Round-the-clock Hotline for PJSC TATNEFT shareholders: Telephone number 8 800 100 4 112.
- Multichannel phone numbers for receiving and processing oral inquiries: 8 (8553) 37-37-71; 8 (8553) 37-37-39.
- Postal address for receiving written inquiries: 75 Lenina Str., Almet'yevsk 423450, Republic of Tatarstan, Russian Federation
- E-mail for sending electronic messages: ocb@tatneft.ru.
- Fax: 8 (8553) 37-35-08

History of shareholder inquiries in 2016-2020

No.	Description	2016	2017	2018	2019	2020
		Number of inquiries	Number of inquiries	Number of inquiries	Number of inquiries	Number of inquiries
1.	Updating personal data	203	228	317	349	615
2.	Registration of inheritance rights	150	169	228	257	354
3.	Selling and redemption of shares	57	70	92	100	255
4.	Dividend payment	1 265	1 466	2 008	2496	3965
5.	Providing 2-NDFL certificate	103	119	158	98	128
6.	Issues related to general meeting of shareholders	43	50	71	168	624
7.	Notary, court inquiries	61	69	96	61	109
8.	Other issues	83	96	131	203	596
Total		1 965	2 266	3 101	3732	6840

In 2020 - 2021 the Company sent 3,850 letters to the shareholders whose dividends had been returned to the Company by the Russian Post due to non-receipt by recipients more than 2 times.

In 2020, the PJSC TATNEFT Corporate Secretary's Office received 6 840 enquires from shareholders.

Interaction with institutional investors

PJSC TATNEFT is one of the largest public companies in Russia and its shares are actively traded on Russian and international stock exchanges. Among the shareholders of TATNEFT are large international investors, including sovereign funds that manage pension savings and private capital. Recently, the number of domestic investors, both legal entities and individuals, has been increasing.

The Company actively interacts with investors informing them about the results and plans of the TATNEFT Group, strategic initiatives and prospects for the business value growth, as well as the actions of the TATNEFT Group to achieve the goals of sustainable development.

Traditionally, the investors meetings were held in the face-to-face meeting format, but the COVID-19 pandemic has led to the transition of almost all the meetings into the online format. This led to a significant increase in communications with investors and analysts. During 2020, there were over 100 meetings with investors and analysts held. In June and November, Mr Nail U. Maganov, General Director of the Company and other TATNEFT top managers held the online meetings with investors and analysts. After the publication of IFRS financial results, webcasts were conducted. The Company representatives met with investors and analysts on a regular basis using video communication platforms, both independently and in the framework of virtual conferences organized by international and Russian investment banks, including Goldman Sachs, J.P. Morgan, UBS, Bank of America, VTB Capital, Sber CIB, Renaissance Capital, Wood & Co., ATON and others. TATNEFT took part in the special online meetings for Russian investors organized by VTB and Sber banks.

The Company has a special-purpose telephone line and e-mail address for investors. Dialogues are regularly conducted with analysts of the "selling side" of investment companies and banks.

In 2020, TATNEFT shares were covered by more than 15 analysts from the "selling side" of investment banks and companies.

In general during 2020, the Company's specialists answered more than 1,500 questions and inquiries from investors and analysts. Most of the questions concerned the Company's actions during the pandemic period, the impact of the crisis on investment and dividend policies, initiatives and forecasts for the recovery of the Company's value, changes in taxation of the industry, progress in the area of sustainable development goals.

Structure of investors and analysts inquiries in 2020:

Inquiry Description	%
Performance indicators and plans (production and refining)	15
Company Strategy and its implementation	10
Financial results	5
Taxation of the industrial business	20
Sustainable development (social policy, ecology and climate change mitigation, corporate governance)	10
Tackling the coronavirus pandemic (COVID-2019)	10
Dividends and dividend policy	25
Other macroeconomic conditions and development of the industry	5

The opinions of investors and analysts are promptly brought to the attention of the responsible managers, discussed and taken into account when making decisions. The Board of Directors of the Company, the Corporate Governance Committee and the Audit Committee of the Board of Directors are constantly informed about the work on interaction with investors.

Most of the inquiries were answered during the direct communications and correspondence with investors and analysts based on the published information; answers to some questions were prepared with the involvement of responsible services of the Company and were sent in writing or communicated orally. The main language of communication with investors and analysts is English. The Company has organized the process of prompt preparation of answers to investor inquiries in various areas of activity. Responses are provided in written and oral form with the mandatory disclosure and publication of any information that is material and may affect the value of the Company's securities.

During 2020, the Company prepared and published 4 presentations:

- Presentation for the virtual meeting with investors and analysts, June 2020.
- Presentation of IFRS operating results for Q2 2020
- Presentation for investors and analysts for the virtual meeting on November 5, 2020
- IFRS Results of TATNEFT Group activities for Q3 2020

Materials for shareholders and investors, including the press releases, presentations, Annual Report and integrated report taking into account the aspects of the Company's sustainable development, significant facts about decisions of the Board of Directors of the Company, are available on the corporate website www.tatneft.ru.

In order to achieve the highest possible quality of interaction with the shareholders, the Company strives to use the most reliable methods and forms of communication, including advanced information technologies.

Sustainable Development

10 Sustainable 17 Goals

Development Principles of the UN Global Compact

TATNEFT has historically adhered to the principles of high corporate responsibility and alignment of corporate interests with the UN Global Compact Agenda for Sustainable Development. This means that making any business decisions we take into account the objectives of preserving the environment, reducing the carbon footprint, improving social infrastructure, expanding innovative opportunities, economic growth, and improving the life quality in the territories of TATNEFT Group enterprises' operation. Targeted programs are implemented based on open dialogue with the local community and stakeholders, which increases the targeting of the Company's initiatives and transparency of decision-making.

Sustainable Development Management System

The Company's strategy includes aspects of sustainable growth and ensuring of favorable economic and social conditions for business development based on the most rational use of all types of resources and creating of value for stakeholders at each stage of activity.

The Company adheres to

10 Principles

17 Goals

of Sustainable Development of the UN Global Compact.



Economic aspect

Compliance with the UN goals:

- Participation in the development of the national fuel and energy complex infrastructure.
- Job creation.
- Added value creation.
- Assistance to local economies.
- Introduction of innovations.
- Ensuring financial and economic stability of the Group's enterprises.
- Development of the in-house research and production base integrated with the leading industry research centers.

The Company's priority Goals include the following: SDG 3 "Good Health and Well-Being", SDG 4 "Quality Education", SDG 6 "Clean Water and Sanitation", SDG 7 "Affordable and Clean Energy", SDG 9 "Industrialization, Innovation and Infrastructure", SDG 11" Sustainable Cities and Communities", SDG 12 "Responsible Consumption and Production", SDG 13 "Climate Action", SDG 15 "Life on Land", SDG 17 "Partnerships to achieve the Goals".



Innovations

Compliance with the UN goals:

The Company's strategy is based on the principles of innovative development.

The target focus includes the technologies required to implement the Strategy for overcoming challenges that hinder its achievement. The Company develops and implements consistently the most cutting-edge solutions, many of which are unique in the industry and in the technology supply market. Interaction with the national and foreign leading scientific, technical, and technological centers allows for the integration of production tasks and extensive experience with innovative scientific potential in all fields of the Company's activities.



Environmental aspect

Compliance with the UN goals:

- Environment protection.
- Use of recyclable materials.
- Use of environmentally friendly sources of energy.
- Energy saving.
- Waste treatment.
- Ensuring safe working conditions, protecting the health of the personnel and the population living in the areas of the Company's operation.
- Reduction of environmental footprint and prevention of environmental damage from economic activities.
- Rational use of natural resources.
- Implementation of a set of measures to maintain the environment in the regions of the Company's operation at the standard admissible level compliant with the potential of natural ecosystems for self-recovery.
- Increasing the level of health and safety, reducing injuries, accidents, occupational diseases.
- Reduction of man-induced burden and maintenance of natural environment and human habitat in a favorable state.
- Rational use, restoration, and protection of natural resources, biodiversity conservation.
- Combating climate change.
- Implementation of the world's best practices in the field of environmental safety.



Social aspect

Compliance with the UN goals:

- Law compliance.
- Respect for human rights.
- Positive public opinion.
- Quality management.
- Provision of high quality goods and services.
- Continuous improvement of product quality.
- Striving to follow changing demands of consumers.
- Provision of reliable information on the Company's products.
- Assistance in the socioeconomic development of the regions of the Company's operation.
- Support for local communities in the areas of presence.
- Development of human capital in the territories of the Company's operation.
- Addressing socially significant issues in the territories of the Company's operation through cooperation with local communities.
- Promotion of education, culture, and sports.
- Support for vulnerable social groups.
- Ensuring competitive compensation and social benefits for employees.
- Development and training of personnel, formation of personnel reserve.
- Good working conditions.
- Development of effective corporate communication with all stakeholders.
- Implementation of best social practices.

Human Rights

TATNEFT has historically recognized the importance and value of the fundamental human rights and freedoms proclaimed by the UN and throughout its activities, it observes the responsibility commitments concerning the principles of human rights, labor relations, and the fight against corruption as reflected in international declarations and conventions:

- UN Universal Declaration on Human Rights;
- UN Declaration on the Environment and Development;
- Guiding Principles on Business and Human Rights endorsed by the resolution of the UN Human Rights Council;
- OECD Guidelines for Multinational Enterprises;
- Declarations and Conventions of the International Labor Organization concerning multinational corporations and social policy, labor, freedom of association, and protection of the right to organize and to bargain collectively, as well as the Social Charter of Russian Business.

The Company recognizes and respects the rights of each employee to collective representation, freedom of association, the right to organize employees into trade unions, and the right to collective bargaining.

The Company assesses its activities in the field of human rights in the course of regular assessment of corporate practices, including in the form of management self-assessment.

The Company's services and divisions that are directly related to the personnel management, security, and anti-corruption activities are regularly trained in human right aspects. Employees of the Company, including the services related to the personnel and security management activities, are continuously involved in procedures regarding human rights aspects and regularly take appropriate training. The Company plans to develop a human rights topic within the Corporate University with the involvement of employees of contractors and suppliers.

The Company's human-right-related activities are assessed in the course of analyzing aspects and drawing up a report on sustainable development.

Main areas of monitoring in relation to human rights aspects:

- Compliance with the requirements of law;
- Internal audit in terms of compliance with corporate procedures and standards according to business lines;
- Conducting procedures for assessing the impact of production activities on environment and the effectiveness of health and safety measures;
- Interaction with a trade union organization and monitoring the implementation of a Collective Bargaining Agreement;
- Analysis of feedback, including that within the Hotline program.

When implementing business projects in the countries with different political systems and cultural traditions, the Company believes that everyone should enjoy all the rights and freedoms proclaimed, including the right to work, the right to a favorable environment, the rights of indigenous minorities and special groups of the population, without any distinction, regardless of race, skin color, gender, age, language, religion, political or other beliefs, national or social origin, disability, property, class, or any other status as well as equal opportunities for women and men, excluding any forms of harassment or discrimination in the field of work and employment.

The Company uses its best endeavors to prevent any adverse human rights impacts that is directly related to its business activities, products or services, business relations, as well as to preserve the national cultural identity of ethnic groups inhabiting the regions of the Company's operations, and takes all available measures to eliminate the consequences of such an impact, should it happen.

Responsibility to stakeholders

The Company strives for a consensus with suppliers, contractors, and business partners in the field of fundamental human rights principles and makes certain efforts to prevent human rights violations in the practices related to the Company's activities.

Key principles of interaction with stakeholders

Safety

Consumer health and safety protection includes the provision of products and services that are safe and do not pose an unacceptable risk of harm when used or consumed. The Company controls strictly the compliance with all regulatory requirements governing the quality of products and services. At all life-cycle stages of the offered products and services, the Company assesses their impact on health and safety to identify opportunities for improvement.

No cases of noncompliance with the regulatory requirements concerning the impact of products and services on health and safety were registered in 2020.

Obtaining information

The Company provides consumers with the access to complete, accurate, and comprehensible information that enables them to make informed decisions according to their individual expectations. Contracts concluded for the supply of products are set out in a clear, precise, and plain language, do not contain unfair contractual obligations, and provide clear and sufficient information on the price, product features, and terms and conditions of the contract.

No cases of noncompliance with the regulatory requirements in respect of informing consumers on the features of products and services were registered in 2020.

Fair and responsible marketing practices

The Company uses only fair marketing practices and protects consumers from unfair or misleading advertising or labeling. The Company's activities in the field of promoting products and services, advertising, and marketing comply with the legislation of the Russian Federation.

In 2020, no cases of noncompliance of the Company's activities with the legislation in the field of promoting products and services, advertising, and marketing were registered. In the reporting year, the Company was not charged with fines for noncompliance with the legislation and regulatory requirements concerning the provision and use of products.

Compensation for damage

The Company has clear mechanisms for addressing claims of and resolving disputes with consumers as well as measures to prevent them.

All cases of receiving complaints from consumers are registered, the reasons are analyzed and, in case of objective claims, appropriate measures are developed. The Company takes preventive measures to avoid damage to the interests of consumers.

Privacy

The Company ensures respect for privacy and protection of personal data through the use of reliable and secure systems for the collection and protection of consumer data. Information on consumers is collected only in legal ways. The collection of personal data of consumers of the Company's products and services is limited to the information required for the provision of products or rendering services or is provided on a voluntary basis with the consumer's consent. Protection of the collected personal data of consumers is ensured with the use of the effective security measures.

In 2020, there were no complaints regarding violations of consumer privacy and loss of consumer data.

Health, safety, and environment in view of climate change

Strategic priorities

The Company is one of the leaders of the fuel and energy complex of the Russian Federation and is aware of the nature and scale of the impact of its activities, correlates them with the importance of rational use of natural resources, ensuring safe working conditions, protecting the health of personnel employed in all business segments and the population living in the TATNEFT Group organizations' operation areas as well as preserving a favorable environment and reducing climate risks.

Ensuring the safety, protection of human life and health, and maintaining favorable environment are among the Company's key priorities. The Company applies a new version of the Policy on Health, Safety, and Environment (HSE), taking into account a climate change issue, formed on the grounds of international best practices and a risk-based approach. The Company's principles in this area are recognition of the priority of life and health of people to industrial activities, a high level of industrial safety, ensuring the level of potential for self-restoration of ecosystems, reducing the negative impact on the environment and the carbon footprint for a sustainable energy future.

In 2020, the Board of Directors set long-term goals for reducing the carbon footprint by 2030 and approved targets for greenhouse gas emissions for the TATNEFT Group, and reviewed the organizational structure for managing industrial and environmental safety, taking into account climate-related factors.

To achieve this goal, the Company undertakes the following obligations:

- Ensuring safe and healthy working conditions for employees to prevent injuries and deterioration of health.
- Improving the level of labor and health protection, industrial and environmental safety, minimizing the risk of accidents at hazardous production facilities.
- Continuous improvement of HSE performance indicators.
- Ensuring control over potentially adverse impacts on the environment, occupational safety and health, industrial and environmental safety in the supply chain and implementing appropriate measures to minimize/eliminate such impacts.
- Implementation of effective measures for production control and audit of the implementation of current HSE standards and rules, emergency prevention — based on the introduction of modern information technologies, methods of technical diagnostics and remote monitoring.

The Company implements international standards ISO 14001:2015 “Environmental Management System” and ISO 45001: 2018 “Occupational Health and Safety Management System.”

To improve management practices in addressing the climate change challenges it is planned to integrate the standards of system ISO 14064- 1:2018; ISO 14064- 2:2019; ISO 14064–3:2019

Health and safety

The Company aims to achieve leadership in ensuring accident-free production activities, safe working conditions for the Company’s employees as well as rational use of natural resources, minimizing the adverse impact on environment, and preserving favorable environment for the present and future generations.

Key objectives in the field of industrial safety, labor, and environmental protection are to improve the level of safety at hazardous production facilities as well as to ensure the rational use of natural resources and reduce the level of adverse impact on the environment.

The Company’s key priority is to ensure life and work safety.

The Company makes systematic efforts to improve working conditions in the workplace. The main tool for assessing and managing working conditions is the procedure regulated for this purpose by the Russian legislation — the special assessment of working conditions (SAWC). The 2018–2020 SAWC procedure covered all workplaces of TATNEFT Group enterprises. Following the special assessment, measures are being developed to improve working conditions in the workplaces.

The Company has signed a general contract for scheduled (once every 5 years) and unscheduled special assessment of working conditions at workplaces in structural subdivisions in 2020–2021.

The amount of over RUB 1,370 billion has been allocated for occupational safety efforts in 2020. Average costs per 1 employee amounted to circa RUB 26.6 thousand. The dynamics of occupational safety expenses for TATNEFT Group, in particular, per employee, shows a positive trend.

Occupational safety expenses for TATNEFT Group, including per employee, thous. Rub

Year	Funds spent on occupational safety efforts	Funds spent on occupational safety efforts per 1 employee
2018	1 060 052,66	23,9
2019	1 327 699,50	26,8
2020	1 370 504,00	26,6

In 2020, 17 accidents were registered in the TATNEFT Group, with no fatalities.

Dynamics of occupational injuries in the TATNEFT Group

Year	Number of accidents (including fatal)			Lost time injury frequency rate*	LTIFR
	Total	Where men	Where women		
2018	6 (1)	4 (1)	2 (0)	0,14	0,08
2019	22 (3)	18 (3)	4 (0)	0,44	0,26
2020	17 (0)	14 (0)	3 (0)	0,34	0,2

* Lost time injury frequency rate is the number of injured per 1,000 employees.

In 2020, the Lost Time Injury Frequency Rate (the number of working time loss cases attributed to the total working time in the organization for the reporting year and normalized per 1 million people/hour) for TATNEFT Group was 0.2.

In 2020, the TATNEFT Group experienced an increase in the number of days of temporary disability as a result of work-related accidents. The reason for the increase was the group cases of injuries that occurred at the end of 2019, for which the days of disability were transferred to the early 2020.

Dynamics of the number of days of temporary disability due to accidents

	Total	men (average per each injured)	women (average per each injured)
2018	499	458 (114,5)	41 (20,5)
2019	431	321 (17,8)	110 (27,5)
2020	1 765	1 583 (113,1)	182 (67,7)

To organize joint actions of the administration and the trade union committee to ensure the observance of occupational safety requirements, to prevent occupational injuries and occupational diseases, and to preserve the health of employees, the Company has established an Occupational Safety Committee. It has 16 members elected on a parity basis — 8 representatives from each party of the partnership. Also, joint occupational safety committees have been established in each structural subdivision.

The committees develop a program of joint actions of the management and the trade union committee to improve working conditions, occupational safety, prevent occupational injuries and diseases. Members of the committees participate in the preparation of the “Occupational Safety” section, the collective bargaining agreement and occupational safety agreement, inform employees on the conditions and occupational safety in the workplace, the existing risk of health damage, and the protection equipment, compensation, and benefits due to employees.

Production control over compliance with the industrial safety and labor protection requirements in TATNEFT Group

Production control in the TATNEFT Group is implemented based on the Regulations “On Health and Safety Management System in PJSC TATNEFT” and Regulations “On Production Control of Compliance with Health and Safety Requirements at Hazardous Production Facilities of PJSC TATNEFT.”

In-process monitoring in TATNEFT Group provides the

involvement of chief specialists and specialists of operations and process services and departments in carrying out preventive measures. The work of the permanent commission (PC) on occupational safety, the Process Monitoring Committee, the Fire Safety Commission, and the internal audit group of the integrated management system has been organized.

Identification of significant issues of personnel health and addressing them

In addition to the voluntary medical insurance programs for outpatient services, inpatient services, rehabilitation treatment, and comprehensive medical care operating under the contract, a program of sanatorium rehabilitation of employees involved in harmful and/or dangerous occupational risk operates in the Company. To preserve health and reduce the days of temporary incapacity for work, employees engaged in work with harmful and/or hazardous working conditions are provided with 14-day sanatorium rehabilitation at least once every 3 years. In 2020, RUB 5.5 million were refunded to the sanatorium treatment of employees from the amounts of insurance contributions for compulsory social insurance against work-related accidents.

In connection with the novel coronavirus infection, the Company has taken comprehensive measures to minimize the risk of infection of its employees and to ensure the uninterrupted operation of its units and enterprises.

Environment

In its operations, the Company considers responsible policy, the creation of a safe and favorable environment, the development of cities and localities, and the improvement of the ecology of the region as its priorities. It aims to become an industry leader in the efficiency of environmental protection measures.

The Company takes measures to prevent environmental pollution, reduce and prevent adverse impacts thereon, in particular, on natural objects with increased vulnerability and objects the protection and preservation of which is of particular importance; to increase the energy efficiency of production processes, to ensure resource saving, efficient use, and minimal loss of natural resources.

Production and investment planning include the identification of all significant impacts on the environment, including reduction of losses of oil, gas, and products of oil and gas and the prevention of their entry into the environment; increasing efficiency of associated petroleum gas; reducing greenhouse gases; reducing significant impacts of the Company's activities, products, and services on biodiversity of protected natural areas and areas of high biodiversity value outside of protected natural areas; conducting additional risk assessment in the ecologically valuable territories.

The Company implements integrated environmental impact assessment (EIA) approaches for the project from the construction stage to the liquidation stage within the project

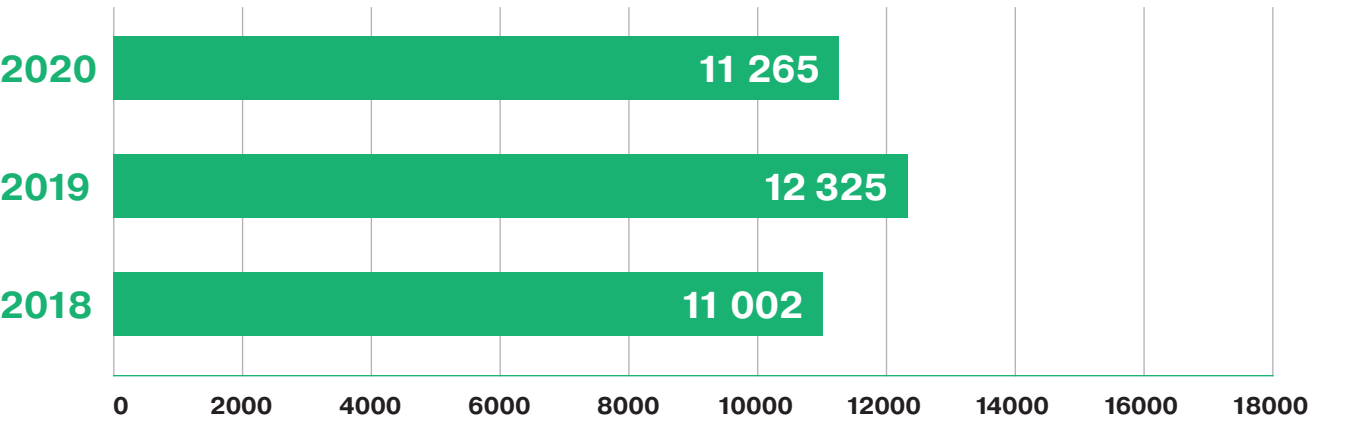
implementation and its affiliated projects; strategic environmental assessment (SEA) in the case of implementing major infrastructure projects.

A necessary condition for effective performance in this area and in reducing production risks is greater involvement of employees and maintaining an open dialogue with stakeholders on the HSE issues.

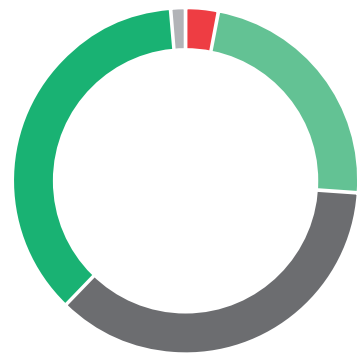
In 2020, TATNEFT Group enterprises continued their targeted systematic work in the field of improving the environmental safety of technological processes.

In 2020, the TATNEFT Group spent RUB 11.3 billion on environmental protection efforts, which is 30.8% more than in 2019. The increase in the amount of expenses is due to a change in the methodology of the Federal State Statistics Service for the current environmental protection costs accounting: attribution of depreciation charges for the restoration of fixed assets for environmental protection to current environmental protection expenses.

Environmental protection expenses in TATNEFT Group, mln rub



Spending for environmental activities in accordance with the european classification of environmental activities



23,1%

For wastewater collection and treatment

36,1%

For atmospheric air protection and climate change prevention

3,3%

For waste management

36,7%

For land protection and rehabilitation (reclamation) of surface and underground water

0,001%

For environmental protection from noise, vibration, and other physical impacts

0,01%

For biodiversity preservation and natural areas conservation

0,02%

For ensuring radiation safety of the environment

0,2%

For other business lines in the field of environmental protection

0,6%

For research and development activities aimed at reducing adverse human impacts on the environment

Atmospheric air

Special attention is paid to reducing emissions of harmful substances into the atmosphere, which is achieved through the implementation of the following measures:

- To reduce hydrogen sulfide emissions, pilot tests of the DECONTA air purification unit (Czech Republic) were conducted at the treatment facilities of JSC TANECO. A set of measures has been implemented to reduce the total fuel gas consumption by reducing its supply to the flare collector purge at the refinery;
- Modernization of production facilities (replacement of equipment), dismantling of old equipment;
- Introduction of technology of light hydrocarbon vapor recovery (LHVR) allowed for more than a 4-fold reduction of carbon emissions as compared with emissions in 1991. Number of active LHVR units is 42. The amount of carbon recovered by the LHVR units in 2020 amounted to 28.9 thousand tonnes.

The Company has created a system for automatic monitoring of atmospheric air quality in its area of operation. In 2020, automatic air quality control stations as well as a monitor for displaying information on the state of environment continue operating in Almet'yevsk.

In 2021, TATNEFT Group plans to continue implementing measures aimed at minimizing the adverse impact on the environment. Next year, special attention of the TATNEFT Group will be paid to reducing emissions of pollutants and increasing the volume of compensatory reforestation.

42

Number of active LHVR units

28,9 thous. tonnes

Quantity of carbon recovered by LHVR units

Efficient use of associated petroleum gas

The Company reduces emissions of pollutants and greenhouse gases from APG flaring and dispersion. In 2020, the reduction in APG flaring as compared to 2019 is mainly due to a reduction in oil production.

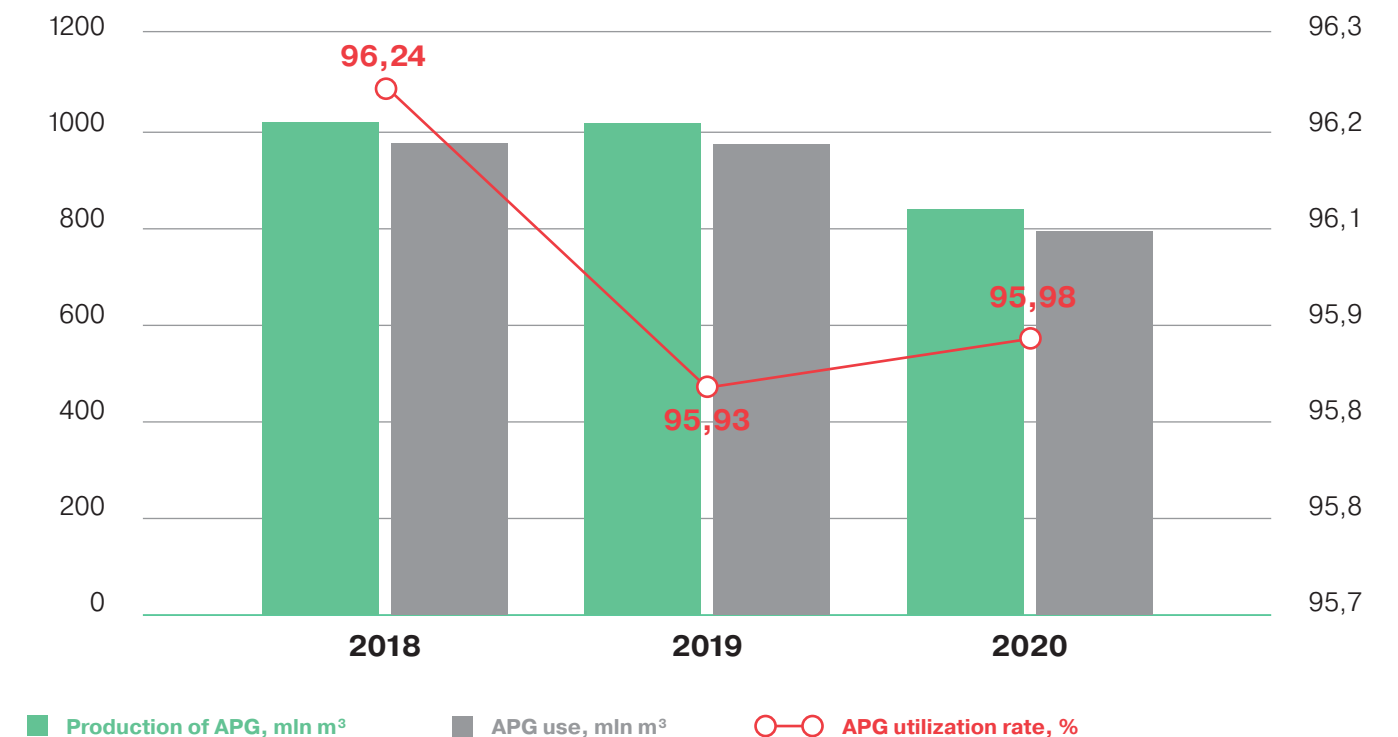
A significant share of emissions of pollutants into the air is accounted for by the "Exploration and production" business line (68.1%), with the efficient use of associated petroleum gas (APG) being one of the main air protection measures and reducing its flared volume.

The Company's activities in 2020, aimed at increasing and maintaining the level of gas value-added use, have allowed for the increase in the level of APG disposal as compared to 2019. This allowed the Company to reduce emissions of pollutants and greenhouse gases from APG flaring and dispersion.

APG flared volumes of TATNEFT Group, mln m³



Dynamics of the level of APG utilization in TATNEFT Group



The implementation of technological solutions contributes to the achievement of this indicator. The main ones are overhaul and expansion of the gas collection system from the facilities of PJSC TATNEFT, construction of facilities intended for APG utilization as well as works on their updating, refurbishment, and modernization.

In 2020, over 6.9 km of PJSC TATNEFT gas pipelines were overhauled. The project to expand the gas collection system of Yamashinsky and Tyugeyevsky fields is still being implemented. Construction and installation works are planned for 2021.

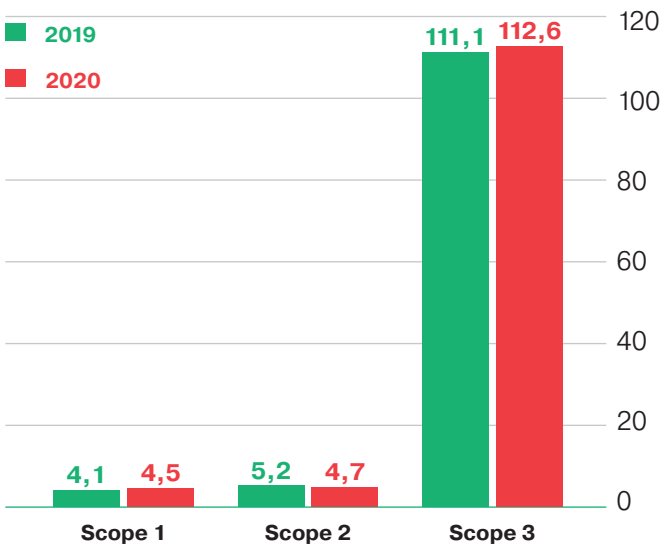
Greenhouse gas

The Company implements comprehensive measures to reduce the impact on the climate, taking into account the content of the UN Framework Convention on Climate Change (Paris Agreement), which regulates measures to reduce the content of carbon dioxide in the atmosphere from 2020.

Since 2015, the Company has been accounting for greenhouse gas emissions and continues to expand the accounting scope*. The company calculates greenhouse gas emissions under Scope 1, 2, 3, in accordance with the requirements of the guidelines of the Ministry of Natural Resources and Environment of the Russian Federation and the GHG Protocol.

** In 2020, calculations were made for the following enterprises: PJSC TATNEFT, JSC TANECO, JSC Nizhnekamsktekhuglerod, LLC Nizhnekamsk CHP, JSC Almeteyvsk Heating Networks, LLC Tolyattikauchuk, LLC TATNEFT Presskompozit, LLC P-D Alabuga Steklovolokno, LLC Tatneft-AZS-Tsentr, LLC Tatneft-AZS-Zapad, LLC Tatneft-AZS-Severo-Zapad, LLC Tatneft Samara, LLC PPTF for RPM, PJSC Nizhnekamskshina, JSC Nizhnekamsk Mechanical Plant, JSC Yarpolimer mash-TATNEFT, LLC Nizhnekamsk Truck Tire Factory.*

Dynamics of greenhouse gas (GHG) emissions under Scope 1, 2, 3, (mln tonnes of CO₂-equivalent)



The company calculates greenhouse gas emissions under Scope 1, 2, 3, in accordance with the requirements of the guidelines of the Ministry of Natural Resources and Environment of the Russian Federation and the GHG Protocol.

Dynamics of greenhouse gas (GHG) emissions under Scope 1, 2, 3, (mln tonnes of CO₂-equivalent)

	2019	2020	Change
Scope 1	4,1	4,5	0,4
Scope 2	5,2	4,7	(0,5)
Scope 3	111,1	112,6	1,5

In 2016 (baseline year), greenhouse gas emissions under Scope 1 amounted to 4.3 mln tonnes of CO₂-equivalent.



Dynamics of greenhouse gas (GHG) emissions under Scope 1, 2, 3 by business lines (mln tonnes of CO₂-equivalent)

	Scope 1	Scope 2	Scope 3*
Exploration and production	1,5	2,0	66,4
Oil and gas refining	0,7	0,9	29,22
Tire business	0,001	0,5	11,77
Power generation	1,9	0,2	-
Retail business	0,003	0,036	5,17
Machine building	0,012	0,020	-
Composite materials	0,014	0,022	-
Petrochemicals	0,3	0,9	-
Other	0,000	0,1	-
Total	4,5	4,7	112,9

Scope 3 is calculated for category 11 Product Use (The GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting)*

In 2020, the aggregate direct greenhouse gas emissions of TATNEFT Group amounted to 4.5 mln tonnes of CO₂-equivalent, which is 8% higher than in 2019 (4.1 mln tonnes of CO₂-equivalent). Of the total amount of TATNEFT Group's greenhouse gas emissions, over 90% is carbon dioxide.

The growth of direct greenhouse gas emissions in the reporting year in the Exploration and Production business line was expected due to an increase in the share of production of super viscous oil (as an economically justified business line) which is produced using thermal methods by injecting steam generated by burning gas, which leads to carbon dioxide emissions. Also, a factor in the growth of emissions in 2020 in the Exploration and Production segment was the scheduled overhaul work at associated petroleum gas processing facilities, which led to a reduction in its value-added use during such work.

At the same time, the Company plans to switch to an increase in the meantime between repairs, which will eliminate the adverse impact of this factor on the emissions in the coming years. The increase in the Power Generation segment is associated with the growth of production for the generation of electric and thermal energy and an increase in the consumption of natural gas (steam generation) for the production of SVO. More than 90% of direct greenhouse gas emissions are attributable to stationary fuel combustion sources. Due to the high share of APG disposal in the TATNEFT Group, greenhouse gas emissions from flaring account for less than 7% of Scope 1 emissions.

The reduction of specific indicators of greenhouse gas emissions in the "Oil and Gas Refining" and "Power Generation" business lines was achieved with a simultaneous increase in production indicators.

TATNEFT Group's indirect greenhouse gas emissions under Scope 2 in 2020 amounted to 4.7 million tonnes of CO₂-equivalent, which is less than in 2019 by 0.5 million tonnes of CO₂-equivalent. The main reason for the reduction in Scope 2 indirect emissions is the lower electricity consumption associated with the OPEC+ restrictions on oil production and the measures taken by the Company to improve energy efficiency within the targeted corporate program. The increase in greenhouse gas emissions under Scope 3 is associated with an increase in the sales of petroleum products.

As part of the Company's efforts to reduce its carbon footprint to neutralize greenhouse gas emissions, since 2000, TATNEFT Group has been implementing a program to plant and restore forests, taking into account the absorption capacity of green areas. Measures are being implemented to improve the efficiency of green planting management, taking into account biodiversity and the development of circular bioeconomics. In 2020, 1.97 million saplings were planted, which, according to preliminary expert estimates, will compensate for 660 thousand tonnes of CO₂-equivalent greenhouse gas emissions (after trees reach the age of maturity). A total of 12 million trees have been planted since the Program commencement. The Company plans to automate the monitoring of the Reforestation Program with an assessment of the forests' absorption capacity and biodiversity. In the future, the Company plans to pass the Reforestation Program validation procedure and verify the results achieved to compensate for greenhouse gas emissions from forest plantations on a regular basis.

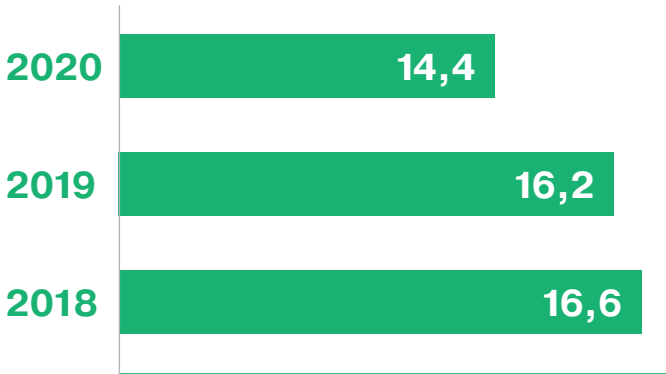
Protection of water resources and rational water use

Water use in TATNEFT Group is in compliance with the Water Code of the Russian Federation and the Federal Law on Subsoil, on the grounds of contracts for the use of water bodies, decisions on providing water bodies for use, licenses for the right to use subsoil for groundwater extraction.

To ensure the standard level of wastewater treatment and complete exclusion of discharge of polluted effluents into the environment, JSC TANECO commissioned Water Unit No. 3 in 2020, which allows reducing water consumption through the use of recycled water supply; block 1 of the water treatment plant system and desalination unit were commissioned; automated control system programs on the biological treatment units; the physical and chemical treatment unit, the dewatering unit, the desalination unit of treatment facilities were adjusted; technological standards for the content of pollutants in wastewater were observed; territory of the sites and the place of wastewater discharge are maintained in proper sanitary and environmental condition.

During 2020, a significant scope of work was performed to improve the reliability of pipelines for various purposes. Anti-corrosion pipes are used to ensure reliable operation of oil field pipelines..

Water discharge into surface water bodies, mln m³



To protect land, surface, and underground waters, PJSC TATNEFT manufactured 723 km of pipes in anti-corrosion design, used more than 3,716 thousand tonnes of highly effective corrosion inhibitors, 10,109 wells were equipped with cathodic protection of casing strings, 20,107 km of pipelines were equipped with tread protection, 40 tanks (vertical storage tanks) and horizontal settling tanks were equipped with electrochemical protection against corrosion of the inner and outer surfaces.

Emergency failures at facilities

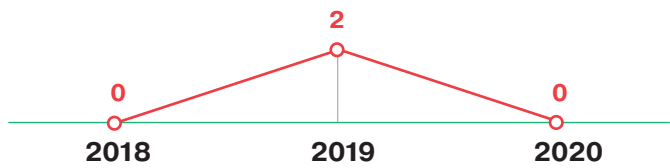
There were 2 emergency failures during 2018–2020. For each emergency failure at a hazardous production facility, a technical investigation of its causes was conducted.

The results of the technical investigation of the emergency failure causes are included in the report which specifies the causes and circumstances of the emergency failure, the scope of damage, violations of industrial safety requirements, the persons who committed these violations as well as measures taken to localize and eliminate the consequences of the emergency failure. The report also contains proposals for the prevention of similar emergency failures.

The results and causes of each emergency failure were communicated to the employees within the extraordinary briefing. The description of the circumstances and causes of the accident are additionally published in the In-Process Control of Industrial Safety and Labor Protection corporate information system.

To prevent the pollution of surface watercourses (rivers) and water bodies (reservoirs) with oil, stationary oil recovery structures (ORU), booms, and lagoons are maintained in working condition.

TATNEFT Group’s emergency failure statistics



Emergency prevention and elimination

The system of prevention and recovery of emergencies caused by oil and petroleum spills, protection of the population and the environment from their harmful effects is implemented in two main business lines: a set of engineering and organizational measures aimed at improving the reliability of production equipment, timely detection of oil spills, and minimizing losses as well as a set of measures aimed at prompt response to this type of emergencies.

The Company's subdivisions have developed and approved with the EMERCOM of Russia the Plans for Prevention and Elimination of Oil Spills. Emergency rescue teams have been created and provided with trained personnel, equipment, and special tools sufficient for the localization and elimination of oil spills (skimmer installations for oil collection, booms, special equipment on the chassis of high-mobility vehicles, pumping units, tankers, vacuum installations, cranes, cargo vehicles, excavators, bulldozers, as well as equipment and materials, according to the requirements of regulatory documents).

Irreducible reserves of natural resources have been secured, including for the elimination of oil and petroleum product spills into water bodies; there are booms and skimmers.

Land reclamation

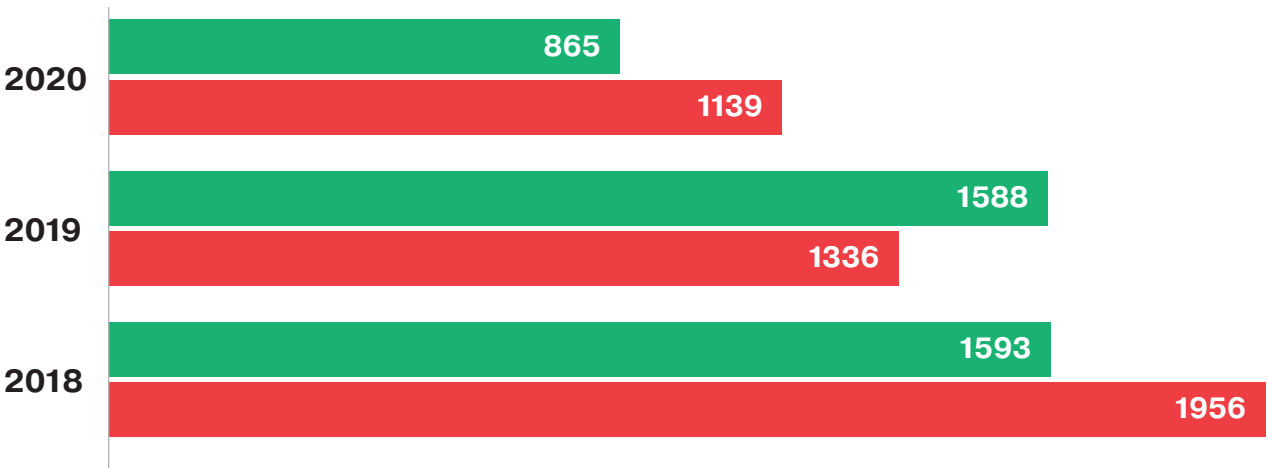
In TATNEFT Group, a comprehensive approach is applied to the reclamation of lands affected during the construction and operation of facilities, taking into account the categories of land use, soil types, types of violations, and pollution.

To support the reclamation process, PJSC TATNEFT developed and implemented standards for the permissible residual content of oil and petroleum products (PRCOPP) for 9 soil types of industrial significance in 2020. The Company's standards for

the reclamation of lands affected during the construction and operation of oil field facilities, loss of piping integrity, the use of biotechnologies, and the preparation of reclamation projects have been updated.

The reduction in the area of affected land is associated with a reduction in the production program in terms of capital construction and repairs as well as the ongoing maintenance work.

Land reclamation for 2018–2020, ha



■ Area of land affected during the year

■ Reclaimed during the year

Biodiversity conservation

The largest specially protected natural area of federal importance located in the region of TATNEFT Group operations is FSBI National Park Nizhnyaya Kama.

TATNEFT Group does not cause an irreversible impact on biodiversity. The main impacts on biodiversity are associated with the exploration, production, preparation, transportation, and retailing of petroleum products.

The Biodiversity Conservation Program is being implemented by JSC TATNEFT. It sets goals for the conservation of biodiversity in the territories of operation at a level that ensures their sustainable existence and inexhaustible use.

An additional Action Plan is being developed to achieve specific characteristics of biodiversity in a certain time period and area. It depends on the results achieved, the socioeconomic changes within the country.

In 2020, the following measures aimed at preserving biodiversity were implemented: comprehensive monitoring in the area of operation of PJSC TATNEFT on the territory of the protected areas of the FSBI SPNR National Park Nizhnyaya Kama; replacement of uninsulated wires on power lines with steel insulated wires; maintenance of power lines in a treeless state; compensation for damage to aquatic bioresources.



Personnel

TATNEFT Group provides circa 62 thousand jobs at 110 enterprises in the Russian Federation and abroad.

Currently, to ensure effective implementation of the personnel policy, the HR strategy of TATNEFT Group until 2030 is being formed. With the development of operational activities and the assessment of the need in HR specialists and operating personnel, the tasks of forming personnel reserve, training and development, the system of financial and non-financial incentives, corporate culture, and youth policy, etc. have been focused on. The HR Management Policy is aimed at engaging and retaining responsible and professional employees. Career development, incentives, and employee

Remuneration plan

The Company considers remuneration as a part of an integrated system of financial and nonfinancial encouragement of personnel, which allows the Company to maintain high competitiveness by attracting and retaining qualified and incentivized employees.

The Company's remuneration and incentive policy is based on the following approaches: competitiveness, efficiency, fairness, targeting, and unification.

Any decision to increase the wages of a Company's employees is based on the following indicators: the consumer price

performance assessment are among the key areas of the corporate personnel development system.

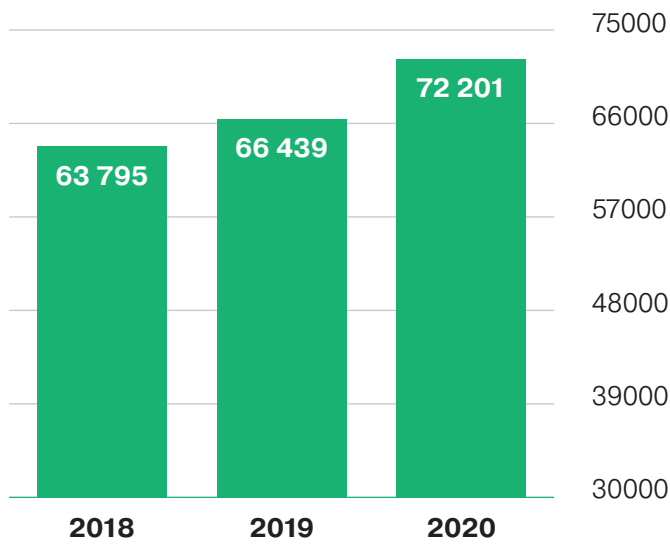
A large-scale HR project in 2020 was the opening of new professions (positions) in the Company and the development of an in-house own talent pool to address new tasks of the Company with more than 300 employees professionally retrained in the expert group of the IT block at the Company's Corporate University. A Project Office was opened in the Geological Exploration block to retrain and develop its own personnel.

Plans for 2021 include: implementation of a project for the development of experts in the field of construction projects, standardization (unification) of the process of mandatory personnel training in business blocks and business lines in the Alfa information system, participation in the development of instructions for the "Personnel Reserve" and "IDR" modules in the Mirapolis software.

index (the level of inflation), the minimum consumer budget in the region, the level of wages in other companies in the industry, and the increase in labor productivity across the Company.

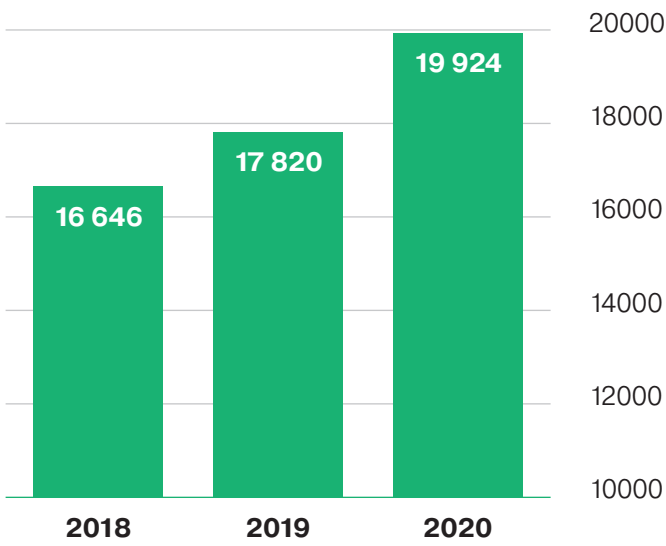
The personnel basic income is formed from wages and employment benefits. Wages include a tariff-based (fixed) part, according to the Unified Rate Schedule, and bonus-based (variable) part. The employment benefits provide employees with a relevant scope of medical and other social guarantees.

Average monthly wage, RUB



Based on the results of 2020, the ratio of wage to the minimum consumer budget in the Republic of Tatarstan was 4.18. The ratio of the tariff rate (wage) of the first category with

Payroll fund, mln RUB



standard working conditions and the minimum wage for the Republic of Tatarstan (Minimum Wage Rate of the Republic of Tatarstan) was 1.29.

Level of competence

Career development and employee performance assessment are one of the key areas of the corporate personnel development system. The Company has built a system for assessing the professional knowledge and skills of its employees as well as a comprehensive system for evaluating the competencies of managers and specialists.

The assessment of the performance and career development of managers and specialists is integrated into a unified system which comprises a comprehensive assessment of personnel and a 360-degree assessment, the implementation of individual development plans, and the formation of the Company Personnel Reserve.

Taking into account the requirements, candidates for senior positions are assessed in several stages:

1. Assessment of employees' qualifications;
2. Candidates' performance (KPI) and activity (participation in projects) assessment;
3. Professional knowledge and skill assessment;
4. Reliability assessment;
5. Professional and psychological assessment.

In 2020, 645 individual development plans were approved, and efforts were made to structure the "life cycle" of the Company's individual employee development plan.

Personnel certification

In accordance with the Company's Personnel Certification Standard, the executive personnel certification process under the Executive Office of the General Director of PJSC TATNEFT has been organized to determine whether the employees' competence meets the job and qualification requirements as well as to assess the opportunities for their further career growth.

In 2020, 46 employees representing 3 departments and services of the Executive Office of PJSC TATNEFT were certified.

The Certification Commission issued 86 recommendations aimed at improving skills, developing professional and corporate competencies, applying financial incentives, developing career, organizing rotation as well as updating organizational and administrative documents.

Personnel Reserve formation

In 2020, work on the formation of the Company's personnel reserve was finished within the framework of an open competition for the Personnel Reserve of TATNEFT Group.

The Company has a clear hierarchy of management positions and the following levels are allocated — TOP 100, TOP 300, and TOP 1000.

In 2020, an additional competition was organized for positions at the TOP-100, TOP-300, and TOP-1,000 levels for the most demanded line managers in individual structural and subsidiary enterprises.

To create and maintain the human resource potential of

business assets in the context of structural transformations, 730 applications were processed in 2020, namely: for the TOP 1,000 positions — 204 applications, for the TOP 300 positions — 459 applications, and for the TOP 100 positions — 62 applications.

Personnel training and development

In 2020, professional development of the Company's specialists was carried out in accordance with the approved plan, within the framework of the recommendations of the World Health Organization as well as to comply with the National Plan for Preventing the Ingress and Spread of the Novel Coronavirus Infection in the Russian Federation, approved by the Chairman of the Government of the Russian Federation. Corporate training programs were organized.

Headcount of trained employees, broken down by categories and gender, people

Employee category	Total	including men	including women
Managers	2 669	2 200	469
Specialists	7 274	2 909	4 365
Officers	76	6	70
Workers	13 306	9 479	3 827
Total	23 325	14 594	8 731

Total number of hours of external training, broken down by employee category and by gender, hours

Employee category	Total	including men	including women
Managers	1495 382	175 392	19 990
Specialists	302 158	187 796	114 362
Officers	504	6	504
Workers	590 470	530 481	59 989
Total	1 088 514	893 669	194 845

rub **115,3 bln**
In 2020, were allocated for training.

Corporate University

In 2020, 1,992 persons were trained (offline and online) in 28 courses at the Corporate University. In addition, training was organized for 694 persons by external providers.

1 992
Trained
32 580

Remote training

The Company has developed and is implementing the following targeted programs for professional retraining to develop managers' business administration competencies, business analysis skills, and the use of lean technologies: "Personnel Reserve. Leaders-1000," "Business Intelligence School. 0+ Level," and "Business Intelligence School. Advanced Level," "Lean Manufacturing Coach," "Lean Manufacturing Specialist."

The Company is actively developing a distance learning system: 32,580 employees were remotely trained in 42 courses in 2020.

In 2020, the specialists of the Corporate University developed and implemented 10 corporate professional standards. 2 state professional standards assigned to PJSC TATNEFT were updated and approved. 2 more state professional standards assigned to PJSC TATNEFT are currently being developed.

It is planned to develop 10 corporate professional standards in 2021.

In 2020, 717 employees were assessed using the 360-Degree method. Following the comprehensive personnel assessment, 635 employees of the TATNEFT Group were provided with feedback/advice on the IDP formation.

Large-scale work is underway to introduce culture of self-learning organization. More than 54,000 users were registered, 39 courses were launched, and 243 webinars were held in the virtual environment of Mirapolis, the Unified Platform for Employee Training and Development of TATNEFT Group. The My book electronic corporate library currently has over 3,600 registered users.

Youth policy

In 2020, the Youth Organization of PJSC TATNEFT has more than 22.1 thousand young employees, of which 6,983 are employees of structural subdivisions of PJSC TATNEFT, 7,174 are employees of TATNEFT Group subsidiaries, 7,937 are employees of oil industry service companies and organizations, etc. The share of young employees is 31% — in structural subdivisions, 30% — in subsidiaries, and 31% — in oil industry service companies and organizations.

The Company organized TATNEFT Volunteers resource centers in 11 cities and towns of the Southeast of the Republic

of Tatarstan, where young employees of the Company were among the first to take care of elderly and persons at risk during the pandemic.

Thanks to the young employees, the delivery of 22.5 thousand Kits of Goodness intended for vulnerable social groups of the population was organized, which were purchased from funds donated by the Company's top management to charity in the amount of quarterly remuneration; employees of the TATNEFT Group also joined the campaign.

In 2020, the Company took part in an environmental campaign to clean up the areas of water bodies in Almetyevsk, Leninogorsk, and Nizhnekamsk. The Company's Youth Council continued its patronage work with orphaned children. Efforts were made to promote blood donation among young people.

During the year, online brainstorming sessions were held at ZOOM sites, where young employees could demonstrate their ideas, competencies, knowledge, and accumulated experience to solve the Company's business challenges. 50 enterprises of the TATNEFT Group and organizations of the oil service sector took part in the traditional competition of professional skills among young employees of the TATNEFT Group.

In 2020, the Company organized a Sustainable Development online forum in honor of the anniversary of the TATNEFT Group's accession to the UN Global Compact. The Forum has become an online educational platform for young employees to improve their knowledge, share experience, ideas, and competencies in the implementation of the Sustainable Development Goals.

The Company pays great attention to addressing social and everyday issues of young people.

Work with veterans

One of the most important activities of a trade union organization is to work with non-working pensioners — members of the Trade Union. Today, the number of non-working pensioners is 47,172 persons.

Each enterprise has a Council of Veterans, and each primary trade union organization has a commission for work with non-working pensioners. Council of Veterans members strive to provide moral support to each pensioner.

A well-arranged system of cooperation between trade unions, together with the administration, the Council of Veterans, the youth organization enables targeted work with non-working pensioners — members of the Trade Union in many areas and their social protection. In accordance with the work plans of the Trade Union and its commissions, approved at a meeting of the Trade Union and agreed with the administration, veterans, retirees, an extensive work on the organization of social protection and carrying out mass cultural, sports, and recreational activities is performed, and special attention is paid to employment, moral, and patriotic education of youth in employees. TATNEFT Group does a lot in terms of social protection and improving the standard of living for pensioners.

The work is performed jointly with the Trade Union Committee and the Council of Veterans. In 2020, a survey of the living conditions of veterans, identification of veterans whose

apartments and houses needed repair was organized. Following the results of the conducted surveys, social and living conditions were improved, and financial assistance was provided to 41 veterans of PJSC TATNEFT for a total amount of RUB 2.1 million. Besides, RUB 25.35 million were allocated for the organization of sanatorium rehabilitation of pensioners in the sanatoriums of PJSC TATNEFT, the Republic of Tatarstan and the Russian Federation in 2020. On the eve of the Victory Day, the Company's management, activists of the Trade Union and youth committees congratulated each veteran. The veteran organization of the TATNEFT Group numbers: 119 war veterans, 741 GPW veterans' widows, 1,402 homefront workers. They were presented gifts and material payments totaling RUB 113.3 million (each GPW veteran received RUB 75 thousand, each GPW veteran's widow received RUB 75 thousand, and each homefront worker was presented RUB 50 thousand).

Creative and meaningful leisure time is of great importance for the elderly. Any form of leisure time extends the creative activity of pensioners, preserves internal energy, and optimism, changes the attitude to life, is an environment for new acquaintances, provides an opportunity to communicate with people of interest.

According to the Collective Bargaining Agreement and the Regulations on financing cultural and sports events, funds from enterprises and trade unions have been allocated and used efficiently for these events.

Green Fitness classes and other types of physically active leisure time occupies a significant place in health-improving work with veterans. At the initiative of General Director of PJSC TATNEFT, Nail U. Maganov, "Active Longevity Centers" equipped with hi-tech exercise equipment have been opened.

TATNEFT and its Trade Union organization, together with the Council of Veterans, makes every effort to make our veterans feel confident in the future.

All events held with pensioners are covered in the media.

During the pandemic, TATNEFT Volunteers — young employees — were among the first in the country to help elderly, take care of pensioners and citizens at risk during the pandemic, and deliver them food, medicines, and essential commodities.

In total, during the pandemic period from 19.03.2020 to 07.06.2020, the volunteer centers received 8,094 phone calls, made 15,617 calls, processed 8,248 requests of which 2,638 were for food delivery and 1,497 for medicine delivery.

Collective bargaining agreement

The Company cares about the welfare and social security of its employees and their families. It provides its employees with social benefits and guarantees. The obligations to ensure the same are stipulated in the Collective Bargaining Agreement concluded annually between PJSC TATNEFT and the personnel and covering all employees and non-working pensioners of the Company.

The collective bargaining agreement provides for:

- Benefits and guarantees for employees;
- Social protection of young workers;
- Support for veterans and pensioners.

Структуру социальных льгот и гарантий определяет Стандарт Коллективного договора Группы «Татнефть», который носит рекомендательный характер для всех предприятий Группы. На предприятиях, входящих в Группу «Татнефть» заключены свои Коллективные договоры, которые в содержании и размерах льгот и гарантий стремятся соответствовать Коллективному договору ПАО «Татнефть».

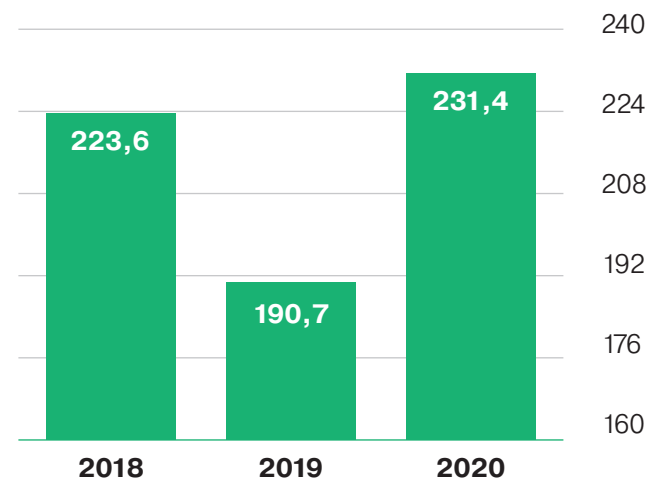
The structure of social benefits and guarantees is determined by the TATNEFT Group's Collective Bargaining Agreement Standard, recommended for all Group enterprises. The enterprises belonging to TATNEFT Group have concluded their own collective bargaining agreements which are intended to comply with the Collective Bargaining Agreement of PJSC TATNEFT in terms of the content and scope of benefits and guarantees.

The Collective Bargaining Agreement sets out mutual obligations of the employer and the Trade Union Committee in 12 sections. They reflect the tasks of effective production management, organization of safe labor, decent remuneration, social benefits for employees, and support for non-working pensioners; a section on guarantees of the trade union organization is also included. A separate section is dedicated to social benefits for young employees.

To monitor the implementation of collective bargaining agreements, the Chairman of the Trade Union Committee of TATNEFT, deputies, and chief specialists of the Trade Union Committee, chairmen of the trade union committees of enterprises visited workplaces regularly, got acquainted with living and working conditions, and met with the employees of workshops and teams. Following the personal meetings, shop meetings of employees and conferences at the enterprises of TATNEFT, a set of proposals from employees on improving the Collective Bargaining Agreement, improving the organization of labor, and problematic areas in the course of structural changes in the Company was formed. This list was sent for consideration and search for solutions to the relevant services and the Conciliation Commission of PJSC TATNEFT on the development of the Collective Bargaining Agreement. The Trade Union Committee of TATNEFT took a proactive part in this work.

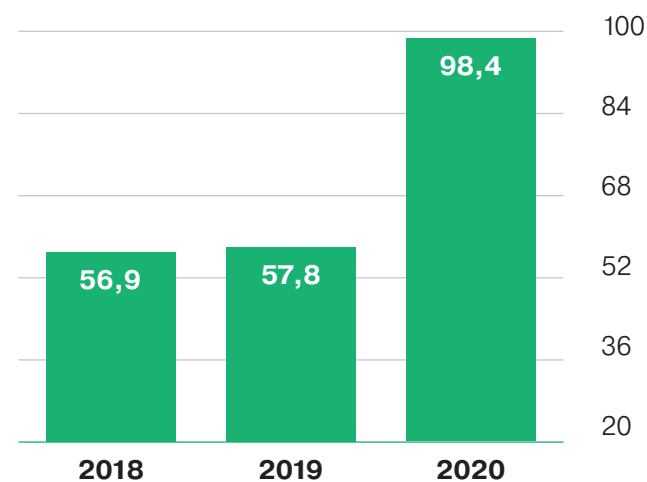
The amounts of financial assistance payments for the birth/adoption of a child, for the burial of close relatives of an employee/non-working pensioner, for funeral expenses to the family of an employee/non-working pensioner, to employees with dependent children with disabilities, the estimated rates of one-time financial assistance to employees who leave due to retirement, to employees and pensioners who have reached the jubilee age were changed upwards in 2020.

The total amount of social payments to employees under the collective bargaining agreement of PJSC TATNEFT (excluding lump-sum leave payments and interest-free loans to young employees), mln rub



The increase in the amount of payments in 2020 was due to the amount of financial assistance provided to the management of PJSC TATNEFT under the following articles of the Collective Bargaining Agreement: "Financial assistance to employees due to their retirement" and "Financial assistance in connection with any jubilee date," "Lump-Sum Annual Paid Leave Payment."

The total amount of social payments to non-working pensioners under the collective bargaining agreement of PJSC TATNEFT, mln rub



The increase in the amount of social payments to non-working pensioners is due to increased payments to veterans, widows, and homefront workers to celebrate the 75th anniversary of Victory in the Great Patriotic War.

Nonstate pension scheme

One of the most important aspects of the Company's social policy is a nonstate pension scheme for employees.

The pension program of PJSC TATNEFT is based on the principle of social partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a parity basis.

The number of employees of PJSC TATNEFT participating in the corporate nonstate pension scheme is 8,008 persons. The actual expenses of PJSC TATNEFT under the nonstate pension scheme in 2020 amounted to RUB 89,949 thousand.

The number of pensioners of PJSC TATNEFT receiving nonstate pensions is 9,479 persons. 17,816 persons in TATNEFT Group.

Payments of nonstate pension to pensioners of PJSC TATNEFT through JSC National NPF for 2020 amounted to RUB 364,800 thousand.

In accordance with the Collective Bargaining Agreement of PJSC TATNEFT, non-working pensioners who retired before the establishment of JSC NNPF receive quarterly financial assistance. The total amount of financial assistance provided to non-working pensioners of PJSC TATNEFT who retired before the establishment of NNPF in 2020 amounted to RUB 17,728 thousand. The number of non-working pensioners of PJSC TATNEFT receiving this financial assistance is 2.8 thousand persons.



Voluntary health insurance

In accordance with Voluntary Health Insurance Agreements, the total number of insured employees was 23,153 persons. The total amount under VHI agreements is RUB 328.7 million. The Company provides organization and payment of medical and other services under 4 programs: "Outpatient Services," "Inpatient Services," "Rehabilitation Treatment," and "Comprehensive Medical Care."

rub 328,7 mln

Total amount under voluntary health insurance agreements

23,153

Total number of insured employees

To reduce infectious diseases, annual seasonal preventive immunization was conducted at the expense of the VHI funds. In 2020, 871 employees were vaccinated against seasonal influenza and 3,438 employees were vaccinated against tick-borne encephalitis. A medical examination of 18,230 employees of PJSC TATNEFT under the "Women's Health" and "Men's Health" programs for a total of RUB 33.4 million was also conducted to detect cancer at an early stage. Within the framework of the VHI agreement, PCR tests were taken for the novel COVID-19 coronavirus infection. The total of 8,769 PCR tests were taken.

The Company has 11 sanatorium healthcare centers on its balance sheet. In 2020, 1,061 employees of structural subdivisions of PJSC TATNEFT engaged in work with harmful and/or hazardous production factors rested and improved their health in sanatorium healthcare centers. 519 employees enjoyed sanatorium rehabilitation in the "Yuzhny Obyekt."

A preferential category of citizens of the Russian Federation, children and citizens who, if medically required, need rehabilitation are treated in the Company's sanatoriums.

In 2020, two sanatorium healthcare centers received a license for medical rehabilitation: "Ivolga" (Bavly) — for the rehabilitation of patients with diseases of the central nervous system (strokes, conditions after brain injuries); "Kosmos" (Elabuga) — for the rehabilitation of patients with somatic diseases (diseases of the cardiovascular system, including heart attacks; diseases of the endocrine system (diabetes, thyroid diseases (goiter); lung diseases (pneumonia, bronchial asthma).

High-tech medical care

Thanks to the significant organizational contribution of TATNEFT, the Program of Construction and Commissioning of the Regional Medical Diagnostic Center of TATNEFT Medical Unit (Almetyevsk) in the Southeast of Tatarstan, providing high-tech medical care in cardiovascular surgery, traumatology, orthopedics, ophthalmology, and urology, has been implemented in a short period of time. Today, this is a large and modern multi-purpose medical and preventive treatment facility, which has a pool of highly qualified personnel and is equipped with the latest medical equipment.

The clinic uses a complex of high-tech methods of diagnostics and treatment: hybrid cardiac surgery; radiofrequency ablation of heart rhythm disorders using CARTO 3 nonfluoroscopic navigation system; neurosurgical operations using neuronavigation equipment.

Every year, state quotas are allocated for the Medical Unit to perform high-tech operations for residents of 10 districts of the Southeast of the Republic of Tatarstan in the fields of cardiovascular surgery, traumatology, orthopedics, and neurosurgery, which are successfully implemented.

Within the implementation of the state order on provision of high-tech medical care for residents of the Southeast of the Republic of Tatarstan, funds in the amount of RUB 291.7 million were allocated. The Medical Unit specialists have fulfilled the state order.

For 2018, funds for the implementation of the state task to provide medical treatment to residents of the Southeast of the Republic of Tatarstan were allocated in the amount of RUB 314 million. For 2019, funds for the implementation of the state task to provide medical treatment to residents of the Southeast of the Republic of Tatarstan were allocated in the amount of RUB 328.9 million. In 2020 funds to provide medical treatment to residents of the Southeast of the Republic of Tatarstan were allocated in the amount of RUB 327.30 million. For 2020, a request to provide medical treatment to residents of the Southeast of the Republic of Tatarstan for the amount of RUB 500.27 million was submitted. As of 01.02.2021, funding in the amount of RUB 260.46 million was approved (CHI HTMC — RUB 237.66 million and HTMC paid from the budget of the Republic of Tatarstan — RUB 22.8 million).

Since the opening of the Regional Medical Diagnostic Center in 2008, 2,466 open heart surgeries, 23,264 coronary angiographies, 8,312 stenting of coronary arteries, 1,136 implantation of electric cardio stimulators, 919 radiofrequency ablation surgeries, more than 729 endoprosthesis replacements of large joints as well as more than 9,415 microinvasive surgeries on the anterior and posterior eye segments have already been performed. New effective and minimally invasive surgical treatment using hybrid technologies is being developed and implemented, such as transcatheter aortic valve replacement, installation of stent grafts to eliminate aortic aneurysms, and other vascular and heart surgeries. To date, 102 such operations have been performed. In 2020, 15 cryoablation surgeries in tachysystolic forms of cardiac arrhythmias were performed for the first time. These surgeries have a number of advantages over radiofrequency ablation, associated with the development of post-surgical complications. These surgeries were carried out jointly with leading Russian specialists from Moscow and Ufa. The specialists of the medical unit have performed hybrid surgeries on the aorta and aortic valve, which is also a major achievement.

Organization of summer and winter holidays for employees’ children in recreation camps

The Company has 10 children’s recreation camps for 2,663 beds located on the territory of the Company’s activities, which meet the latest requirements for comfortable living and recreation.

In 2020, in accordance with the children’s health program, recreation was organized for 11 thousand children at the Company’s children’s recreation camps in four shifts.

Much attention is paid to children’s recreation programs aimed at the comprehensive child development. During the holidays, qualified teachers, trainers who conduct various informative and educational activities take care of children.

The company allocated 360 vacation packages for children of public-sector employees of the oil region municipal districts and partially financed them in the amount of more than RUB 2 million.

The TATNEFT Group League of Children’s Camps program allows for the organization of children’s summer recreation at a qualitatively high level, and ensures the comprehensive development of the younger generation. In the context of the restrictions imposed to prevent the spread of COVID-19, a unified Internet platform for children’s online projects was launched to organize recreation and leisure activities for children during the holidays. It comprised the following: KVN School together with the TATNEFT Team, School of Intelligence and Memory Development, Summer After-School Club (knowledge that will be useful in the new academic year) as well as School of Great Parents for the senior generation. ECO Week special environmental project, Oil Kitchen career guidance project and much more. The total coverage of the project participants was 150,000 people, with 1,500 children and parents actively participating in online projects. In July, the record of views of published materials was 400,000.

150 000 people
Total coverage of project participants

1 500 children and parents
Active participants

Housing policy

RJSC TATNEFT is an active participant in and major payer under the social mortgage housing construction program in the Republic of Tatarstan.

From 2005 to 2020, inclusive, 124 multiapartment residential buildings (13,392 apartments) and 40 individual residential buildings were commissioned for TATNEFT Group employees under this program. The total area of the commissioned housing is 895.44 thousand m2.

In 2016, under the Rental Housing program, 2 residential buildings were constructed (228 apartments with a total area of 11.5 thousand m2) for temporary residence of the Company’s employees under lease agreements.

In 2020, 870 apartments with a total area of 53.3 thousand m2 were constructed and commissioned for the Company employees.

870 employees
were provided with apartments in 2020

In 2021, it is planned to commission 9 multiapartment residential buildings (1,226 apartments) with a total area of 86.75 thousand m2, as well as 40 individual residential buildings with a total area of 4.37 thousand m2 in two rural settlements of the Republic of Tatarstan.



Education Development Support

The Company pays great attention to the educational development by investing material, organizational, and intellectual resources at all levels of educational processes. The Company has financed the refurbishment, repair, and improvement of material and technical facilities of educational institutions in the Southeast of Tatarstan — from kindergartens to universities. It supports the development of the high-quality educational environment by facilitating open professional interaction of educators.

Since 2018, the Company has been involved in the implementation of the Development Strategy of the Almet'yevsk State Oil Institute (ASOI) as a higher oil school. The Strategy covers the period to 2030 and is aimed at creating a modern smart educational environment in line with the advanced world trends at the level of leading research and educational centers of the oil and gas profile with the priority goals of better education, advanced science, modern infrastructure and management system.

The Institute is located in the region of the Company’s core business and is the basic educational institution for training of professional personnel for the enterprises of the TATNEFT Group. It has a high potential for being a scientific branch school providing advanced training and supplementary education.

TATNEFT is an industrial partner of the ASOI and provides comprehensive support for the development of the Institute’s material and technical facilities, organizational structure, and the improvement of professional competence of teaching staff. The managers and specialists of the Company share their professional knowledge and experience with students and postgraduate students, act as experts in their scientific works as part of the educational process.

The scientific and educational activities of the ASOI, along with traditional specialties, are connected with digital technologies for reservoir management and innovative mineral resource management.

Within the strategy implementation, the ASOI together with the Company has developed the projects aimed at accelerating the modernization and improvement of educational programs, attracting and recruiting talented applicants, raising the level and scope of research and development activities, attracting and developing the key staff, developing the infrastructure and laboratory facilities.

Within the framework of the “Innovative Oil and Gas Subsurface Use” and “Hydraulic Fracturing Treatment” master’s programs offered at ASOI, the Company employees are now trained in additional professional training programs with the involvement of leading Russian scientists in the field of geology, petrophysics, geophysics, development, hydrodynamics, and subsurface use.

A modular training program for lean-trainers has been organized for the purpose of training specialists who are able to give advice and conduct internal training for employees of the Company in process and project management, apply lean manufacturing methods and tools, and have the ability to coordinate the work of improvement project teams.

The Company pays great attention to the development of comprehensive command of foreign language in specialists and managers, which would be used in their work and participation in foreign projects.

Development of the Company’s core operations region

The Company sets a high priority on the innovative growth of the territories of its operation based on smart and environmentally friendly technologies.

The main region of the Company’s operations is the Southeast of the Republic of Tatarstan with the executive corporate center located in Almet'yevsk. Also, a significant number of the Company’s production facilities is located in the proximity to Almet'yevsk, including the production assets. Almet'yevsk was assigned a role of the state-of-the-art technological zone with advanced information technologies integrated into all spheres of life, including social infrastructure, medicine, and education.

TATNEFT Charitable Foundation

The TATNEFT Charitable Foundation is an important tool for implementing TATNEFT’s social policy.

Powered by the Foundation, a unified center of responsibility for the implementation of charity programs of the TATNEFT Group is being formed.

The scope of social investments of the TATNEFT Group via corporate charitable foundations (until 2018, Miloserdie, Ruhiyat, Tazalyk, and Gifted Children) for 1998–2020 exceeds RUB 8.3 billion. This includes targeted assistance to citizens, including the improvement of the financial situation of the poor, social rehabilitation of the unemployed, people with disabilities, and other persons, support for education, science, culture, art and publishing, physical culture and mass sports, public health prevention and protection, and environmental efforts.

In 2020, the social investments totaled more than RUB 2.8 billion. Additional contributions from third-party legal entities and private patrons exceeded RUB 276 million.

Despite all the challenges for the Company's economic and social activities, the Republic of Tatarstan, and the country as a whole, the Foundation has not only implemented the main activities of the program but also adapted to the current challenges of the time. In a short time, the foundation was reoriented to the implementation of current tasks:

1. Assistance to medical institutions, municipalities, and state authorities. In total, the Company donated over RUB 210 million worth of personal protective equipment, consumables, and other assistance through the foundation.
2. Implementation of the Kits of Goodness charity campaign, during which 22.5 thousand food packages were formed and distributed among low-income segments of the population of the Republic of Tatarstan.
3. To create conditions for distance learning of schoolchildren from large and low-income families, over 300 units of equipment were collected and distributed. These included computers, tablets, smartphones, etc.
4. Together with the Quantorium technopark, the production of personal protective equipment on 3D printers was launched. In total, more than 5,000 protective screens and more than 1,000 respirators were manufactured. In addition, the foundation supported initiative volunteers from Kazan (3D makers), who printed out more than 2,500 protective screens on their 3D printers and handed them over to medical institutions in the capital of the Republic of Tatarstan.

Work continued on the main programs and significant social projects.

Under the Miloserdie program, targeted assistance is provided to veterans and people with disabilities, low-income families, foster children, orphan students, and citizens who encountered difficult situation. The Company supports nonprofit organizations. In total, more than 42,600 individuals and 380 legal entities received targeted charitable assistance exceeding RUB 2.5 billion in 2020.

Every year, the perimeter of the Foundation's responsibility is expanded, and the system of planning and accounting for the use of funds allocated to charity is improved. The Company has developed regulations for the consideration of incoming requests from individuals and legal entities. A special committee vested with the required powers has been established to make decisions.

Together with Rusfond, TATNEFT is implementing a project to form the Volga Region Register of Potential Bone Marrow Donors (a program of targeted assistance to children of Tatarstan). A similar joint project is being implemented

with Chulpan Khamatova's Podari Zhizn foundation which provides targeted assistance to children from Tatarstan in the treatment of cancer. In addition, support has been provided to the Science for Children Foundation's project "Search for Molecular Genetic Markers for Early Diagnosis of Predisposition to Tumor Diseases."

TATNEFT Public Council

In the Company, the practice of Public Councils to improve the efficient interaction with the stakeholders, including the awareness level of stakeholders on socially important aspects of the TATNEFT Group's activities and the feedback efficiency.

A Public Council is a collegiate body with the participation of the Company top management and representatives of the public concerned — leaders of civil associations and trade unions, industry experts, media representatives, and the local population. Nail U. Maganov, General Director of PJSC TATNEFT, is one of the members of the Public Council.

The Public Council brings together the stakeholders to discuss topical issues and further develop the solutions required. The Company lays special emphasis on building inclusiveness of local people in the Company's social policy.

Development projects of the TATNEFT Medical Treatment Unit and a new campus of the higher education institution of Almet'yevsk State Petroleum Institute were submitted for discussion.

In the course of discussion, the constructive proposals were developed with due consideration of the proposals received from public discussion participants.

Public Councils enable the Company to obtain more precise information on the demand and expectations of the social environment, distribute corporate resources more efficiently in implementation of the social policy, and increase the stakeholders' awareness of the TATNEFT Group activities.

The Public Council activities in 2019–2020 have been devoted to the Company's socially important infrastructure projects in healthcare and education.



Appendices to the Annual Report 2020



Annex 1. IFRS Consolidated Financial Statements and Independent Auditor's Report

31 December 2019

Auditor's Report



Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Tatneft:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Tatneft and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

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

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Our audit approach

Overview



Overall Group materiality: Russian Roubles ("RUB") 6,800 million, which represents 5% of profit before tax.

- We conducted audit work at 4 significant reporting entities.
- The Group engagement team visited Group's operations in Almetievsk, Nizhnekamsk and Moscow.
- Our audit scope addressed 95% of the Group's revenues and 93% of the Group's absolute value of underlying profit before tax.
- Impairment of assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 6,800 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this industry sector and previous year approach.



Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
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Impairment of assets

Refer to Note 12 to the consolidated financial statements

Due to continued volatility in crude oil and oil products prices and uncertainty regarding further economic growth, caused by the pandemic of the coronavirus infection COVID-19 the Group performed impairment tests for property, plant and equipment. Due to changes in the mineral extraction tax legislation and in the Federal Law "On the customs tariff" in terms of the cancellation of a number of benefits, including superviscous oil production incentive benefits, the Group performed additional impairment tests for assets related to exploration and production of superviscous oil.

As a result of the impairment assessment performed, the Group recognised impairment losses in the amount of RUB 6,871 million presented in the line "Impairment losses on property, plant and equipment and other non-financial assets net of reversal" of the consolidated statement of profit or loss and other comprehensive income.

We focused on this matter due to the materiality of carrying value of assets tested for impairment and the significance of estimates and judgements involved in the calculations.

We performed the following audit procedures to assess the appropriateness of the valuation methods and calculations used to identify recoverable values of cash generating units determined as value in use:

- examination of the models and calculations used for the assessment of impairment losses;
- analysis of key assumptions used by the Group's management when estimating the recoverable values;
- comparison of the crude oil volumes used for the impairment test with the volumes estimated by the independent engineering firm;
- analysis of the macroeconomic assumptions used by the Group's management, including forecasts for crude oil and oil products prices and comparing them with consensus estimates from investment banks and analytical agencies;
- verification of the mathematical accuracy of discounted cash flow models (if applicable);
- assessment of compliance with IFRS of the disclosures in the consolidated financial statements.

We used PwC valuation specialists to assess the appropriateness of the valuation models prepared by the Group management.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component teams operating under our instruction. Where the work was performed by the component team of ZENIT Banking Group, we determined the level of involvement we needed to have in the audit work at this reporting unit to be



able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's consolidated financial statements as a whole.

We identified the following significant reporting units where we performed full-scope audit procedures: PJSC Tatneft (parent holding company, located in Almetievsk), JSC TANECO (oil refinery subsidiary, located in Nizhnekamsk), PJSC Nizhnekamskshina (tires producing subsidiary, located in Nizhnekamsk) and ZENIT Banking Group (banking subsidiaries, holding company is located in Moscow). In addition, we performed specified audit procedures over selected financial statements line items at a number of less significant reporting units in order to increase the level of audit comfort.

Other information

Management is responsible for the other information. The other information comprises "Management's discussion and analysis of financial condition and results of operations for the three months ended 31 December and 30 September 2020 and years ended 31 December 2020 and 2019" (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and PJSC Tatneft Annual Report 2020 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2021, which is expected to be made available to us after that date.

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

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

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

When we read PJSC Tatneft Annual Report 2020 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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



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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is Maxim E. Timchenko.

AO PricewaterhouseCoopers Audit

31 March 2021

Moscow, Russian Federation



M.E. Timchenko, certified auditor (licence No. 01-000267), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Tatneft

Record made in the Unified State Register of Legal Entities on 18 July 2002 under State Registration Number 1021601623702

Taxpayer Identification Number 1644003838

423450, Russian Federation, Republic of Tatarstan, Almetievsk, Lenina str., 75

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

Report on Review of Consolidated Financial Statements

Report on Review of Consolidated Financial Statements

(in millions of Russian rubles)

	Note	31 December 2020	31 December 2019 (restated)*
Assets			
Cash and cash equivalents	6	40 105	25 157
Banking: Mandatory reserve deposits with the Bank of Russia		1 528	1 572
Short-term accounts receivable, net	7	83 734	84 706
Banking: Loans to customers	8	22 492	33 880
Other short-term financial assets	9	44 314	27 713
Inventories	10	44 988	53 379
Prepaid expenses and other current assets	11	20 075	20 770
Prepaid income tax		995	4 838
Banking: Non-current assets held for sale		764	1 112
Total current assets		258 995	253 127
Long-term accounts receivable, net	7	1 484	7 861
Banking: Loans to customers	8	79 163	102 572
Other long-term financial assets	9	70 605	80 578
Investments in associates and joint ventures		2 122	774
Property, plant and equipment, net	12	826 569	768 897
Right-of-use assets	13	12 185	13 658
Deferred income tax assets	14	2 218	2 712
Other long-term assets		10 100	10 164
Total non-current assets		1 004 446	987 216
Total assets		1 263 441	1 240 343

Liabilities and shareholders' equity

Short-term debt and current portion of long-term debt	15	10 961	19 592
Accounts payable and accrued liabilities	16	83 893	60 289
Dividends payable	20	823	55 865
Banking: Other financial liabilities at fair value through profit and loss		1 764	4 451
Banking: Due to banks and the Bank of Russia	17	13 659	20 293
Banking: Customer accounts	18	146 753	158 671
Taxes payable	14	30 401	37 465
Income tax payable		2 905	598
Other short-term liabilities		352	869
Total current liabilities		291 511	358 093
Long-term debt, net of current portion	15	23 652	21 657
Banking: Due to banks and the Bank of Russia	17	1 551	2 522
Banking: Customer accounts	18	1 872	1 381
Decommissioning provision, net of current portion	12	55 372	50 347
Lease liabilities, net of current portion	13	10 679	11 578
Deferred income tax liability	14	33 343	35 123
Other long-term liabilities	19	13 871	7 512
Total non-current liabilities		140 340	130 120
Total liabilities		431 851	488 213
Shareholders' equity			
Preferred shares (authorised and issued at 31 December 2020 and at 31 December 2019 – 147,508,500 shares; nominal value at 31 December 2020 and at 31 December 2019 – RR 1.00)	20	746	746
Ordinary shares (authorised and issued at 31 December 2020 and at 31 December 2019 – 2,178,690,700 shares; nominal value at 31 December 2020 and at 31 December 2019 – RR 1.00)	20	11 021	11 021
Additional paid-in capital		84 437	84 437
Accumulated other comprehensive income		2 186	1 073
Retained earnings		739 641	658 614
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 31 December 2020 and 2019)		(10 359)	(10 359)
Total Group shareholders' equity		827 672	745 532
Non-controlling interest		3 918	6 598
Total shareholders' equity		831 590	752 130
Total liabilities and equity		1 263 441	1 240 343

* Certain amounts have been restated to reflect the finalized fair value measurement of the assets and liabilities of the acquired entities (Note 28).

Consolidated statement of profit or loss and other comprehensive income

(in millions of Russian rubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Sales and other operating revenues on non-banking activities, net	24	720 677	932 296
Costs and other deductions on non-banking activities			
Operating expenses		(146 088)	(140 040)
Purchased crude oil and refined products		(89 340)	(58 112)
Exploration		(2 515)	(1 006)
Transportation		(35 453)	(37 356)
Selling, general and administrative		(60 066)	(52 637)
Depreciation, depletion and amortization	12, 13, 24	(40 865)	(35 165)
Impairment losses on financial assets net of reversal	7, 9	(756)	(6 737)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	12	(6 677)	(30 875)
Taxes other than income taxes	14	(185 539)	(307 654)
Maintenance of social infrastructure and transfer of social assets	12	(10 890)	(9 340)
Total costs and other deductions on non-banking activities		(578 189)	(678 922)
Loss on disposals of interests in subsidiaries and associates, net		(54)	(41)
Fair value losses from financial assets at fair value through profit or loss	9	(5 180)	(210)
Other operating income, net		836	1 203
Operating profit on non-banking activities		138 090	254 326
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities			
Interest, fee and commission income	23, 24	18 086	22 584
Interest, fee and commission expense	23	(9 611)	(12 118)
Net expense on creating provision for credit losses associated with debt financial assets	8	(3 629)	(462)
Operating expenses		(8 438)	(9 871)
Gain arising from dealing in foreign currencies, net		96	70
Other operating income, net		68	2 099
Total net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities		(3 428)	2 302
Other income/(expenses)			
Foreign exchange gain/(loss), net	29	5 597	(207)
Interest income on non-banking activities	22	4 428	1 201

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Interest expense on non-banking activities, net of amounts capitalised	22	(7 384)	(5 407)
Share of results of associates and joint ventures, net		(258)	127
Total other income/(expense), net		2 383	(4 286)
Profit before income tax		137 045	252 342
Income tax			
Current income tax expense		(35 820)	(57 626)
Deferred income tax benefit/(expense)		1 348	(1 898)
Total income tax expense	14	(34 472)	(59 524)
Profit for the period		102 573	192 818
Other comprehensive income/(loss) net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		2 099	(509)
(Loss)/gain on debt financial assets at fair value through other comprehensive income, net		(224)	170
Items that will not be reclassified to profit or loss:			
(Loss)/gain on equity financial assets at fair value through other comprehensive income, net		(247)	1 225
Actuarial loss on employee benefit plans		(597)	(377)
Other comprehensive income		1 031	509
Total comprehensive income for the period		103 604	193 327
Profit/(loss) attributable to:			
- Group shareholders		103 490	192 260
- Non-controlling interest		(917)	558
		102 573	192 818
Total comprehensive income/(loss) attributable to:			
- Group shareholders		104 603	192 343
- Non-controlling interest		(999)	984
		103 604	193 327
Basic and diluted earnings per share (RR)			
Ordinary	20	45,92	85,43
Preferred		46,92	85,43
Weighted average shares outstanding (millions of shares)			
Ordinary	20	2 103	2 103
Preferred		148	148

Consolidated statement of changes in equity

(in millions of Russian rubles)

						Attributable to Group shareholders					Non-con-trolling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares		Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other comprehensive income, net	Retained earnings	Total shareholders' equity		
Balance at 1 January 2019	2 250 716	11 767	84 437	(10 251)		(1 537)	1 601	1 740	683 508	771 265	5 516	776 781
Profit for the year	-	-	-	-		-	-	-	192 260	192 260	558	192 818
Other comprehensive (loss)/income for the year	-	-	-	-		(377)	(509)	969	-	83	426	509
Total comprehensive (loss)/income for the year	-	-	-	-		(377)	(509)	969	192 260	192 343	984	193 327
Treasury shares	(154)	-	-	(108)		-	-	-	-	(108)	-	(108)
- Additions	(156)			(109)						(109)		(109)
- Disposals	2	-	-	1		-	-		-	1	-	1
Disposal of non-controlling interest in subsidiaries	-	-	-	-		-	-	-	-	-	113	113
Acquisition of non-controlling interest in subsidiaries	-	-	-	-		-	-	-	-	-	(14)	(14)
Dividends declared (Note 20)	-	-	-	-		-	-	-	(217 968)	(217 968)	(1)	(217 969)
Disposal of equity financial assets at fair value through other comprehensive income	-	-	-	-		-	-	(814)	814	-	-	-
Balance at 31 December 2019	2 250 562	11 767	84 437	(10 359)		(1 914)	1 092	1 895	658 614	745 532	6 598	752 130
Balance at 1 January 2020	2 250 562	11 767	84 437	(10 359)		(1 914)	1 092	1 895	658 614	745 532	6 598	752 130
Profit/(loss) for the year	-	-	-	-		-	-	-	103 490	103 490	(917)	102 573
Other comprehensive (loss)/income for the year	-	-	-	-		(597)	2 099	(389)	-	1 113	(82)	1 031
Total comprehensive income/(loss) for the year	-	-	-	-		(597)	2 099	(389)	103 490	104 603	(999)	103 604
Disposal of non-controlling interests in subsidiaries	-	-	-	-		-	-	-	-	-	(56)	(56)
Dividends declared (Note 20)	-	-	-	-		-	-	-	(22 518)	(22 518)	(1)	(22 519)
Subsidiary's shares requested for the redemption (Note 16)	-	-	-	-		-	-	-	55	55	(1 624)	(1 569)
Balance at 31 December 2020	2 250 562	11 767	84 437	(10 359)		(2 511)	3 191	1 506	739 641	827 672	3 918	831 590

Consolidated cash flow statement

(in millions of Russian rubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Operating activities			
Profit for the year		102 573	192 818
Adjustments:			
Net interest, fee and commission and other operating expenses/(income) and losses/ (gains) on banking activities		3 428	(2 302)
Depreciation, depletion and amortization	12, 13, 24	40 865	35 165
Income tax expense	14	34 472	59 524
Impairment losses on financial assets net of reversal	7, 9	756	6 737
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	12	6 677	30 875
Loss on disposals of interests in subsidiaries and associates, net		54	41
Expenses from changes in the fair value of financial assets measured at fair value through profit or loss	9	5 180	210
Effects of foreign exchange		989	23
Share of results of associates and joint ventures, net		258	(127)
Interest income on non-banking activities	22	(4 428)	(1 201)
Interest expense on non-banking activities, net of amounts capitalised	22	7 384	5 407
Other		3 139	(1 168)
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(26)	(7 252)
Inventories		8 302	(1 462)
Prepaid expenses and other current assets		695	1 901
Securities at fair value through profit or loss		2	-
Accounts payable and accrued liabilities		22 462	10 648
Taxes payable		(7 064)	(1 603)
Net cash provided by non-banking operating activities before income tax and interest		225 718	328 234

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Net interest, fee and commission and other operating (expenses)/income and (losses)/ gains on banking activities		(3 428)	2 302
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets	8	3 629	462
Provision/(reversal of provision) for losses on credit related commitments		100	(84)
Change in fair value of debt financial assets through profit or loss		201	(1 148)
Other		4 664	(1 737)
Changes in operational working capital on banking activities, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		44	303
Due from banks		5 180	(6 393)
Banking loans to customers		21 713	5 542
Due to banks and the Bank of Russia		(9 866)	5 094
Banking customers accounts		(17 038)	(17 408)
Debt securities issued		(333)	(186)
Securities at fair value through profit or loss		1 178	(3 948)
Other financial liabilities at fair value through profit and loss		(2 687)	3 261
Net cash provided/(used) by banking operating activities before income tax		3 357	(13 940)

Continuation of the table on page 252

Начало таблицы на стр. 251

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Income taxes paid		(29 670)	(64 268)
Interest paid on non-banking activities		(3 348)	(2 222)
Interest received on non-banking activities		4 309	1 002
Net cash provided by operating activities		200 366	248 806
Investing activities			
Additions to property, plant and equipment		(104 668)	(95 994)
Proceeds from disposal of property, plant and equipment		767	1 678
Acquisition and increase of interest in associate		(1 940)	-
Net cash flow from acquisitions of subsidiaries	28	-	(20 438)
Disposals of subsidiaries and associates, less cash disposed of in them		-	(10)
Purchase of securities at fair value through other comprehensive income		(39 938)	(48 186)
Purchase of securities at amortised cost		(14 752)	(1 263)
Proceeds from disposal of securities at fair value through other comprehensive income		39 072	48 724
Proceeds from redemption of securities at amortised cost		5 819	9 087
Proceeds from sale of non-current assets held for sale		242	1 118
Proceeds from investments in associates and joint ventures		1	-
Proceeds from redemption of bank deposits		674	27 198
Placement of bank deposits		(10 016)	(27 936)
Proceeds from redemption of loans and notes receivable	9	21 211	3 981
Issuance of loans and notes receivable	9	(1 270)	(642)
Purchase from sale of other non-current assets		(489)	(1 209)
Net cash used in investing activities		(105 287)	(103 892)
Financing activities			
Proceeds from issuance of debt from non-banking activities	29	218 758	115 346
Repayment of debt from non-banking activities	29	(225 083)	(107 212)
Repayment of principal portion of lease liabilities		(1 419)	(1 352)
Issuance of bonds	29	3 198	21 790
Redemption of bonds	29	(3 029)	(1 053)
Repayment of subordinated debt		(1 545)	(2 140)
Dividends paid to shareholders	20	(77 560)	(212 814)
Dividends paid to non-controlling shareholders	20	(1)	(1)
Proceeds from government grants	19	5 090	3 231
Net cash used in financing activities		(81 591)	(184 205)
Net change in cash and cash equivalents		13 488	(39 291)
Effect of foreign exchange on cash and cash equivalents		1 460	(1 041)
Cash and cash equivalents at the beginning of the year	6	25 157	65 489
Cash and cash equivalents at the end of the period	6	40 105	25 157

Notes to the consolidated financial statements

(in millions of Russian rubles)

Note 1: Organisation

PJSC TATNEFT (the “Company”) and its controlled subsidiaries (jointly referred to as the “Group”) are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan (“Tatarstan”), a republic within the Russian Federation. The Group also engages in refining of crude oil and associated petroleum gas processing, marketing of crude oil and refined products as well as production and marketing of petrochemicals and banking activities (Note 27).

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) effective 1 January 1994 (the “privatization date”) pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan. All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree of the President of the Russian Federation No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Company does not have an ultimate controlling party.

As at 31 December 2020 and 2019 the government of Tatarstan controls about 36% of the Company's voting stock. Tatarstan also holds a “Golden Share”, a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and “major” and “interested party” transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group's suppliers and contractors.

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

Note 2: Basis of preparation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These consolidated financial statements have been prepared on a historical cost basis, except for initial recognition of financial instruments based on fair value, revaluation of financial instruments categorised at fair value through profit or loss (“FVTPL”) and at fair value through other comprehensive income (“FVOCI”).

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation (“RAR”), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS. The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) accounting for oil and gas properties and fixed assets related to oil refining; (7) recognition and disclosure of guarantees, contingencies and commitments; (8) accounting for decommissioning provision; (9) pensions and other post-retirement benefits; (10) business combinations and goodwill and (11) lease liabilities and right-of-use assets recognition.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Note 3: Summary of significant accounting policiesn

The key accounting policies used in preparing these consolidated financial statements are presented below. These principles have been applied consistently to all periods presented in the statements.

Functional and presentation currency.

The presentation currency of the Group is the Russian Ruble.

Management has determined the functional currency for the Company and each consolidated subsidiary of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

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

The official rates of exchange, as published by the Central Bank of the Russian Federation (“the Bank of Russia”), of the Russian Ruble (“RR”) to the US Dollar (“US \$”) at 31 December 2020 and 31 December 2019 were RR 73.88 and RR 61.91 to US \$, respectively. Average rates of exchange for the years ended 31 December 2020 and 31 December 2019 were RR 72.15 and RR 64.74 per US \$, respectively.

Consolidation.

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets

acquired is recorded within other non-current assets as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in the profit or loss for the year.

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

Associates and joint ventures.

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

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

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

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

Financial instruments – key measurement terms.

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

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 29.

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

Amortised cost (“AC”) is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses (“ECL”). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

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

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

risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition.

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

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

Financial assets – classification and subsequent measurement – measurement categories.

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

Financial assets – classification and subsequent measurement – business model.

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

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

Financial assets – classification and subsequent measurement – cash flow characteristics.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell,

the Group assesses whether the cash flows represent solely payments of principal and interest (“SPPI”). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

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

Financial assets – classification and subsequent measurement – business model.

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

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

Financial assets – classification and subsequent measurement – cash flow characteristics.

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

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

Financial assets – reclassification.

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

Financial assets impairment – credit loss allowance for ECL.

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

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

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter (“12 Months ECL”). If the Group identifies a significant increase in credit risk (“SICR”) since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any (“Lifetime ECL”). Refer to Note 29 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group’s definition of credit impaired assets and definition of default is explained in Note 29. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

The Group applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calculates expected credit losses on trade receivables based on

historical data assuming reasonable approximation of current losses rates adjusted on forward-looking information.

Financial assets – write-off.

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

Financial assets – derecognition.

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

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

Financial assets – modification.

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

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

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows

by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories.

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

Financial liabilities – derecognition.

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

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

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

Financial liabilities designated at FVTPL.

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

Offsetting financial instruments.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when

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

Cash and cash equivalents.

Cash represents cash on hand and in bank accounts and the Bank of Russia, other than mandatory reserves deposits with the Bank of Russia, which can be effectively withdrawn at any time without prior notice. Cash equivalents include highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Mandatory reserve deposits with the Bank of Russia.

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

Due from banks.

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

Investments in debt securities.

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

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

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

Investments in equity securities.

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

Loans and advances to customers.

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

Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Loan commitments.

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

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

Financial guarantees.

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

Sale and repurchase agreements and lending of securities.

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

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

Notes receivable.

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

Trade and other receivables.

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

Trade and other payables.

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

Due to other banks and the Bank of Russia.

Amounts due to other banks and the Bank of Russia are recorded when money or other assets are advanced to the Group by counterparty banks. The non-derivative liability is carried at AC. If the Group purchases its own debt, the liability is removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from retirement of debt.

Customer accounts.

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

Subordinated debt.

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

Debt securities and bonds issued.

Debt securities issued include promissory notes and certificates of deposit issued by the Group to its customers in the course of its banking activities. Bonds issued represent securities issued by the Bank that are traded and quoted in the open market. Promissory notes carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the customer can sell at a discount in the over-the-counter market. Debt securities and bonds issued are carried at AC. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount and the amount paid is recognised as a gain or loss on redemption of debt.

Non-current assets classified as held for sale.

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

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

Precious metals.

The Group has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price or dealer’s margin. Precious metals are carried at purchase price from the Bank of Russia and are subsequently measured at fair value based on London precious metals exchange.

Inventories.

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

Prepaid expenses.

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

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments for services such as insurance, transportation and others are written off to profit or loss when the goods or services relating to the prepayments are received.

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

Mineral extraction tax.

The base rate of mineral extraction tax (MET) relating to oil production, established for 2020 at RR 919 per tonne (2019: RR 919 per tonne), adjusted depending on the average world market prices of the Urals blend and the RR/US \$ average exchange rate.

From 1 January 2017 an additional coefficient was introduced into the calculating the MET, which increases the amount of tax in 2020 equal to RR 428 per tonne (2019: RR 428 per tonne).

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

In 2019-2020 for some fields and reserves, the Group applies coefficients that reduce the generally established MET tax rate on the basis of the Tax Code of the Russian Federation:

- for fields whose depletion rate exceeds more than 80%;
- for fields with initial recoverable reserves less than 5 million tons;

- for superviscous oil with viscosity in the range from 200 to 10,000 Megapascal second (in reservoir conditions);
- for superviscous crude oil (with viscosity of 10,000 Megapascal second in reservoir conditions);
- for oil produced from domanic productive sediments.

In October 2020, amendments were made to the Tax Code of the Russian Federation and the Law "On the Customs Tariff", as a result of which, starting from 1 January 2021, the tax incentives for MET for the extraction of superviscous oil are canceled and the possibility of establishing special formulas for calculating the rates of export duties in relation to superviscous oil is excluded. At the same time, for the production of superviscous oil in subsoil areas located fully or partially within the borders of the Republic of Tatarstan, subject to certain conditions, a tax deduction for MET is established, which is applied from 1 January 2021 until the tax period in which the deduction amount for the first time will be more than RR 36 billion. In addition, incentive coefficients in the mineral extraction tax calculation formula have been canceled for oil production from depleted subsoil areas, while the right to switch to the calculation of tax on additional income has been granted.

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

Reverse excise on crude oil refined and negative excise on gasoline and diesel fuel sold on domestic market.

In the consolidated statement of profit or loss and other comprehensive income reverse (“negative”) excise on crude oil refined and negative excise on gasoline and diesel fuel is recognised as a reduction (additional expense, if reverse excise payable) in excise tax expense deducted from sales and other operating revenues on non-banking activities and is presented in prepaid expenses and other current assets line in the statement of consolidated financial position.

Value added tax.

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

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

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

Oil and gas exploration and development cost.

Oil and gas exploration and development activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property

as well as costs of drilling and equipping productive wells and related production facilities are capitalised.

Other exploration expenses, including geological and geophysical expenses and the costs of carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalised as exploration and evaluation assets on a “field by field” basis pending determination of whether proved reserves have been found.

Exploration and evaluation assets are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured.

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

Property, plant and equipment.

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

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

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

Non-current assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with IAS 36 Impairment of assets, which requires non-current assets with recorded values that are not expected to be recovered through future cash flows to be written down to their recoverable amount which is the higher of fair value less costs of disposal and value-in-use.

Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets - generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at a site level for petrol stations. Impairment losses are recognised in the profit or loss for the year.

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

Non-current assets committed by management for disposal within one year, and meet the other criteria for held for sale

assets, are accounted for at the lower of amortised cost or fair value, less cost of disposal. Costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

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

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

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

	Years
Buildings and constructions	30-50
Machinery and equipment	10-35

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

Leases.

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

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

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

The Group leases service equipment used in oil extraction, land plots, railway tanks and other assets. Some of service agreements include lease component for a heavy and special vehicles used in oil production, drilling rigs, pipeline. The lease payments on heavy and special vehicles, drilling rigs, pipelines, land plots and railway tanks comprise of variable payments that are not based on an index or rate and therefore are recognised in profit or loss in the period in which those payments occur. Service equipment lease contracts are typically made for fixed periods from 1 to 3 years, but have extension options as described below.

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

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

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

The term used to measure a liability and an asset in the form of a right of use is defined as the period during which the Group has sufficient confidence that it will lease the asset. Any option for renewal or termination is taken into account when estimating the term. Extension options are included in a number of equipment leases across the Group. The majority of extension options held are exercisable only by the Group and not by the respective lessor. The Group considers monetary and non-monetary aspects to determine the lease term of the contract, such as business plans, past practices and economic incentives to extend or terminate the contract (the presence of inseparable improvements, integration to the production process, potentially high consequential termination costs, etc.) and other factors that may affect management's judgment on the lease term. Extension options and termination options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

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

Debt.

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

Interest income on non-banking activities.

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

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

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

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

Employee benefits, post-employment and other long-term benefits.

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

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

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

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

Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices. When no market price is available the fair value of plan

assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

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

Share-based payments.

The Group operates a cash-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options or shares) of the Company.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. Market conditions, such as increase of share prices upon which vesting (or exercisability) is conditioned, as well as non-vesting conditions, are taken into account when estimating the fair value of the cash-settled share-based payment granted and when remeasuring the fair value at the end of each reporting period and at the date of settlement. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date, however are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amount recognised for the services received during the vesting period is based on the best available estimate of the number of awards that are expected to vest. The Group revises that estimate, if necessary, if subsequent information indicates that the number of awards that are expected to vest differs from previous estimates.

On the vesting date, the Group revises the estimate to equal the number of awards that ultimately vested. The cumulative amount ultimately recognised for services received as consideration for the cash-settled share-based payment is equal to the cash that is paid. The terms of share-based compensation plan, initial data, assumptions and models used in measurement of cash-settled share-based compensation plan are presented in Note 19.

Decommissioning provisions.

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

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

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

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

Income Taxes.

Effective 1 January 2012, the Company has established the Consolidated Taxpayer Group which currently includes 5 companies of the Group. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that the temporary difference will reverse in the

future and there is sufficient future taxable profit available against which the deductions can be utilised.

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

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

Share capital.

Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity.

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

Treasury shares.

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

Earnings per share.

Preference shares are not redeemable and are considered to be participating shares.

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

Revenue from Contracts with Customers.

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

parties. Revenue is recognised net of discounts, value added taxes, export duties and excise tax.

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

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

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

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

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

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

Recognition of interest, fee and commission income and expense on banking activities.

Interest income and expense are recognised on an accrual basis calculated using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating

the terms of the instrument and for processing transaction documents.

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

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

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

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

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

Transportation expenses.

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

Government grants.

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant

will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Note 4: Critical accounting estimates and judgements in applying accounting policies

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

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

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC "National Non-State Pension Fund";
- Presentation of Revenue net of excise tax, including reverse excise;
- Sale and purchase of oil under contracts for counter oil deliveries;
- Financial assets impairment;
- Financial assets classification;
- Financial instruments fair value estimation.

Estimation of oil and gas reserves.

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

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular

revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. The Group estimates its oil and gas reserves in accordance with rules promulgated by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) for proved reserves.

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

Useful life of property, plant and equipment.

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

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

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

Decommissioning provisions.

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

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

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

Sensitivity analysis for changes in discount rate:

Impact on decommissioning provision			
	Change in	At 31 December 2020	At 31 December 2019
Discount rate	100 bp increase	(11 931)	(11 243)
	100 bp decrease	15 745	14 954

Information about decommissioning provision is presented in Note 12.

Impairment of property, plant and equipment.

At 31 March 2020 management assessed whether there is any indication of impairment of non-current assets. Based on the result of analysis, a decision was made to test the assets for impairment. As at 31 December 2020, due to changes in the legislation on mineral extraction tax, as well as the law "On customs tariff" in terms of the cancellation of a number of benefits, including incentives aimed at stimulating the production of superviscous oil, additional testing was carried out for impairment of assets related to exploration and production of superviscous oil. (Note 12).

Accounting of investments in JSC “National Non-State Pension Fund”

As at 31 December 2020 and 2019 the Group has 74.46% of shares of JSC “National Non-Governmental Pension Fund”. The Group does not exercise either control or significant influence over JSC “National Non-Governmental Pension Fund” based on corporate governance and pension legislation. These investments are presented within financial assets carried at FVOCI as at 31 December 2020 and 2019 (refer to Note 9).

Presentation of Revenue net of excise tax, including reverse (negative) excise

For the years ended 31 December 2020 and 2019 the Group’s revenue is presented net of excise taxes, including reverse (negative) excise on crude oil refined, gasoline and diesel fuel. For the years ended 31 December 2020 and 2019 excise on refinery products amounted to RR 42,878 million and RR 38,900 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 7,285 million payable in 2020 and RR 23,307 million recoverable in 2019 respectively.

Operations for the sale and purchase of oil under contracts for counter oil deliveries.

During the year ended 31 December 2020 sales of crude oil under counter-delivery contracts in the amount of RR 90,296 million are presented net in the consolidated statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for exchange of products of similar quality. In 2019 no similar operations were carried out.

Financial assets impairment.

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement, and implies methodology,

models and data inputs. The following components of ECL calculation have the major impact on credit loss allowance for ECLs: default definition, significant increase in credit risk (SICR), probability of default (PD), exposure at default (EAD), loss given default (LGD), macromodels and scenario analysis for credit impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Refer to Note 29.

Significant increase in credit risk (SICR). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 29.

Financial assets classification.

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

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

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

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

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

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

The Group’s loans, primarily to real estate developers, have cash flows that highly depend on performance of the underlying assets. The loans are carried at FVTPL where management determined that such loans are in substance non-recourse.

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

Financial instruments fair value estimation.

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

price unless the instrument is evidenced by comparison with data from observable markets.

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

Information on fair value of financial instruments where estimate is based on assumptions that do not utilize observable market prices is presented in Note 29.

Note 5: Adoption of new or revised standards and interpretations.

The following amended standards became effective for the Group from 1 January 2020, but did not have any material impact on the Group:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020).
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- Definition of materiality – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- Interest rate benchmark reform - Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

The following other new standards and interpretations are not expected to have any material impact on the Group’s consolidated financial statements when adopted:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Note 6: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 December 2020	At 31 December 2019
Cash on hand and in banks	30 735	24 730
Term deposits with original maturity of less than three months	7 242	350
Due from banks	2 128	77
Total cash and cash equivalents	40 105	25 157

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The fair value and credit quality analysis of cash and cash equivalents is presented in Note 29.

Note 7: Accounts receivable

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

	At 31 December 2020	At 31 December 2019
Short-term accounts receivable:		
Trade receivables	84 254	81 950
Other financial receivables	9 241	9 516
Other non-financial receivables	163	161
Less credit loss allowance	(9 924)	(6 921)
Total short-term accounts receivable	83 734	84 706
Long-term accounts receivable:		
Trade receivables	1 080	333
Other financial receivables	861	10 301
Less credit loss allowance	(457)	(2 773)

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

	At 31 December 2020			At 31 December 2019		
	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables						
current	0,046%	78 800	(36)	0,065%	75 614	(49)
less than 90 days overdue	1,33%	905	(12)	0,92%	2 946	(27)
91 to 180 days overdue	4,44%	135	(6)	3,51%	969	(34)
over 180 days overdue	98,43%	5 494	(5 408)	88,93%	2 754	(2 449)
Total trade receivables (gross carrying amount)		85 334			82 283	
Credit loss allowance		(5 462)			(2 559)	
Total trade receivables (carrying amount)		79 872			79 724	
Other receivables						
current	0,158%	5 060	(8)	0,254%	12 617	(32)
less than 90 days overdue	100%	17	(17)	100%	12	(12)
91 to 180 days overdue	100%	4	(4)	100%	1	(1)
over 180 days overdue	97,39%	5 021	(4 890)	98,65%	7 187	(7 090)
Total other receivables (gross carrying amount)		10 102			19 817	
Credit loss allowance		(4 919)			(7 135)	
Total other receivables (carrying amount)		5 183			12 682	

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period, ended 31 December 2020 and 2019:

	2020		2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Expected credit loss allowance at 1 January	(2 559)	(7 135)	(2 240)	(6 082)
(New originated or purchased)/reversed	(2 899)	1 449	(319)	(1 095)
Other movements	(4)	149	-	53
Total credit loss allowance charge in profit or loss for the period	(2 903)	1 598	(319)	(1 042)
Write-offs	-	618	-	(11)
Expected credit loss allowance at 31 December	(5 462)	(4 919)	(2 559)	(7 135)

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

	At 31 December 2020		At 31 December 2019	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Not past due				
International traders of crude oil, oil products and petrochemicals	17 676	-	23 349	-
Russian crude oil and oil products traders	13 591	-	1 501	-
Russian oil and petrochemicals refineries	20 855	-	22 603	-
Central and Eastern Europe refineries	12 308	-	15 249	-
Russian tire dealers and automotive manufacturers	5 048	-	3 430	-
Natural monopoly entity	-	-	1 634	-
Russian construction companies	8	-	327	-
unrated	9 314	5 060	7 521	12 617
including related parties	1 373	192	1 003	435
Not past due	78 800	5 060	75 614	12 617
Past due but not individually assessed for credit loss allowance				
less than 90 days overdue	905	17	2 946	-
91 to 180 days overdue	135	4	969	-
over 180 days overdue	-	82	305	65
Total past due but not individually assessed for credit loss allowance	1 040	103	4 220	65
Individually assessed for credit loss allowance (gross)				
less than 90 days overdue	-	-	-	12
91 to 180 days overdue	-	-	-	1
over 180 days overdue	5 494	4 939	2 449	7 122
Total individually assessed for credit loss allowance	5 494	4 939	2 449	7 135
Less credit loss allowance	(5 462)	(4 919)	(2 559)	(7 135)
Total	79 872	5 183	79 724	12 682

Note 8: Banking: Loans to customers

	At 31 December 2020	At 31 December 2019
Loans to legal entities	27 488	38 201
Loans to individuals	1 755	1 617
Short term loans to customers measured at amortised cost before credit loss allowance	29 243	39 818
Credit loss allowance	(8 580)	(6 145)
Total short term loans to customers measured at amortised cost	20 663	33 673
Short term loans to legal entities measured at fair value through profit or loss	1 829	207
Total short term loans to customers	22 492	33 880
Loans to legal entities	37 986	53 946
Loans to individuals	45 607	40 219
Long term loans to customers measured at amortised cost before credit loss allowance	83 593	94 165
Credit loss allowance	(4 645)	(4 333)
Total long term loans to customers measured at amortised cost	78 948	89 832
Long term loans to legal entities measured at fair value through profit or loss	215	12 740
Total long term loans to customers	79 163	102 572

As at 31 December 2020 and 2019 the Bank ZENIT granted loans to 13 and 19 customers totalling RR 37,808 million and RR 57,435 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

The Group holds a portfolio of loans to customers that does not meet the SPPI requirement for measured at amortised cost classification under IFRS 9. Dominant features that failed SPPI test were the following: the amount of net operating cash flows according to business-plan is not sufficient to fully repay of loans within the period specified in loan contract; the time value of money is not compensated to the Group, interest payments will be performed in the end of loan contract; amount of collateral is not sufficient for repayment of loan.

As a result, these loans were measured at fair value through profit or loss from the date of initial recognition.

Loans to customers measured at fair value through profit or loss are measured taking into account the credit risk. The carrying amount presented in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk arising from loans to customers.

The fair value of loans to customers, including a break-down by fair value hierarchy level, is disclosed in Note 29. Information on related party balances is disclosed in Note 25.

Movements in the credit loss allowance during the year ended at 31 December 2020 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2020	(7 791)	(2 687)	(10 478)
Net provision for credit loss allowance during the period	(2 507)	(1 122)	(3 629)
Reclassification to the credit loss allowance for other long-term loans	645	-	645
Other changes	226	11	237
Credit loss allowance as at 31 December 2020	(9 427)	(3 798)	(13 225)

Movements in the credit loss allowance during the year ended at 31 December 2019 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2019	(11 533)	(1 536)	(13 069)
Net reversal of provision/(provision) for credit loss allowance during the period	698	(1 160)	(462)
Reclassification to the credit loss allowance for other long-term loans	2 780	-	2 780
Other changes	264	9	273
Credit loss allowance as at 31 December 2019	(7 791)	(2 687)	(10 478)

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

	At 31 December 2020		At 31 December 2019	
	Gross book value	Share in customer loan portfolio, %	Gross book value	Share in customer loan portfolio, %
Trade	9 092	7,91%	19 485	13,26%
Manufacturing	24 287	21,14%	29 191	19,87%
Construction	4 984	4,34%	15 908	10,83%
Services	11 361	9,89%	17 895	12,18%
Food	508	0,44%	633	0,43%
Finance	3 638	3,17%	10 173	6,92%
Agriculture	1 008	0,88%	1 041	0,71%
Oil and gas	5 415	4,71%	5 013	3,41%
Individuals, including:	47 362	41,23%	41 836	28,47%
mortgage loans	23 939	20,84%	22 843	15,55%
consumer loans	13 207	11,50%	14 202	9,67%
car loans	9 667	8,41%	4 178	2,84%
plastic cards overdrafts	504	0,44%	572	0,39%
other	45	0,04%	41	0,02%
Other	7 225	6,29%	5 755	3,92%
Total loans to customers before credit loss allowance	114 880	100%	146 930	100%

Note 9: Other financial assets

Other short-term financial assets comprise the following:

	At 31 December 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 240 million as at 31 December 2019 respectively)	-	112
Other loans (net of credit loss allowance of RR 3,667 million and of RR 3,615 million as at 31 December 2020 and 31 December 2019 respectively)	5 946	227
Bank deposits (net of credit loss allowance of RR 5,547 million as at 31 December 2020 and 31 December 2019 respectively)	10 000	659
Due from banks	2 391	1 222
REPO with banks	1 551	4 081
Securities held by the Group (net of credit loss allowance of RR 27 million and of RR 9 million as at 31 December and 31 December 2019 respectively):	9 577	1 562
Russian government and municipal debt securities	12	30
Corporate debt securities	9 565	1 532

	At 31 December 2020	At 31 December 2019
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 9 million and of RR 22 million as at 31 December 2020 and 31 December 2019 respectively):	4 517	9 044
Russian government and municipal debt securities	-	2 609
Corporate debt securities	4 517	6 435
Financial assets measured at fair value through profit or loss		
Due from banks	-	1 238
Securities held by the Group:	5 744	7 658
Russian government and municipal debt securities	1 518	460
Corporate debt securities	3 995	6 865
Corporate shares	-	165
Derivatives	231	168
Securities pledged under sale and repurchase agreements:	17	-
Russian government and municipal debt securities	17	-
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	1 441	1 910
Russian government and municipal debt securities	227	695
Corporate debt securities	1 012	1 000
Corporate shares	202	215
Securities pledged under sale and repurchase agreements:	3 130	-
Russian government and municipal debt securities	959	-
Corporate debt securities	2 171	-
Total short-term financial assets	44 314	27 713

Other long-term financial assets comprise the following:

	At 31 December 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 318 million as at 31 December 2020 and 31 December 2019 respectively)	-	-
Loans to employees (net of credit loss allowance of RR 1,717 million and of RR 1,804 million as at 31 December 2020 and 31 December 2019 respectively)	981	928
Other loans (net of credit loss allowance of RR 20,896 million and of RR 22,392 million as at 31 December 2020 and 31 December 2019 respectively)	2 618	21 281
Due from banks	-	2 027
Securities held by the Group (net of credit loss allowance of RR 92 million and of RR 31 million as at 31 December 2020 and 31 December 2019):	19 814	13 132
Russian government and municipal debt securities	1 272	1 272
Corporate debt securities	18 542	11 860

Financial assets measured at fair value through profit or loss		
Other loans	5 079	-
Securities held by the Group:	342	293
Corporate debt securities	245	293
Corporate share	97	-
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	41 771	42 917
Russian government and municipal debt securities	11 627	15 236
Corporate shares	12 400	12 440
Corporate debt securities	4 764	2 176
Investment fund units	12 980	13 065
Total long-term financial assets	70 605	80 578

The fair value of financial assets and valuation techniques used are disclosed in Note 29.

The Group holds a portfolio of other loans that does not meet the SPPI requirement for measured at amortised cost classification under IFRS 9. Dominant features that failed SPPI test were the following: the amount of net operating cash flows according to business-plan is not sufficient to fully repay of loans within the period specified in loan contract; the time value of money is not compensated to the Group, interest payments will be performed in the end of loan contract; amount of collateral is not sufficient for repayment of loan. As a result, these other loans were measured at fair value through profit or loss from the date of initial recognition.

Other loans measured at fair value through profit or loss are measured taking into account the credit risk. The carrying amount presented in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk arising from other loans.

For the years ended 31 December 2020 and 2019 the Group recognised fair value losses from loans at fair value through profit or loss in the amount of RR 5,180 million and RR 210 million respectively.

Corporate bonds consist of Russian Ruble and US Dollar denominated bonds and Eurobonds issued by Russian banks and companies.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as "OFZ", Russian Federation Eurobonds and Bank of Russia bonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares measured at fair value through profit or loss include quoted and unquoted shares of Russian companies and banks. As at 31 December 2020 and 31 December 2019 unquoted securities measured at fair value through other comprehensive income include investment in AK BARS Bank ordinary shares (17.24%) in the amount of RR 7,300 million.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount a shares). The main assets of this fund are the land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial asset measured at fair value through other comprehensive income.

In 2020 the Group recognised an impairment losses on financial assets net of reversal in the amount of RR 756 million (in 2019 amount of RR 6,737 million). These losses consist of expected credit loss allowance for accounts receivable in the amount of RR 1,305 million (in 2019 amount of RR 1,361 million), other financial assets in the amount of RR 310 million (in 2019 amount of RR 156 million) income from reversal of impairment on loans issued in the amount of RR 859 million (in 2019 impairment loss in the amount of RR 5,220 million).

The following tables disclose the changes in the credit loss allowance and gross carrying amount for other loans measured at amortised cost.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im- paired)	Total
Other loans								
At 31 December 2019	-	(241)	(25 766)	(26 007)	73	1 531	45 911	47 515
Movements with impact on credit loss allowance charge for 2020:								
Transfers:								
to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	149	(149)	-	-	(208)	208	-
Net remeasurement of credit loss allowance within the same stage	-	-	(106)	(106)	-	-	-	-
Loans repaid or derecognised (excluding write-offs)	-	-	1 046	1 046	-	(46)	(20 713)	(20 759)
New originated or purchased	-	-	(81)	(81)	-	38	873	911
Total movements with impact on credit loss allowance charge for 2020	-	149	710	859	-	(216)	(19 632)	(19 848)
Movements without impact on credit loss allowance charge for 2020:								
Write-off	-	-	1 171	1 171	-	-	(1 224)	(1 224)
Reclassification from other financial assets	-	-	(645)	(645)	-	-	6 655	6 655
Other changes	-	-	59	59	-	-	29	29
At 31 December 2020	-	(92)	(24 471)	(24 563)	73	1 315	31 739	33 127
At 31 December 2018	-	(543)	(17 464)	(18 007)	83	26 217	20 377	46 677
Movements with impact on credit loss allowance charge for 2019:								
Transfers:								
to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	302	(302)	-	-	(23 021)	23 021	-
Net remeasurement of credit loss allowance within the same stage	-	-	(6 608)	(6 608)	-	-	-	-
Loans repaid or derecognised (excluding write-offs)	-	-	1 388	1 388	(10)	(1 849)	(1 756)	(3 615)
New originated or purchased	-	-	-	-	-	184	439	623

Total movements with impact on credit loss allowance charge for 2019	-	302	(5 522)	(5 220)	(10)	(24 686)	21 704	(2 992)
Movements without impact on credit loss allowance charge for 2019:								
Reclassification from other financial assets	-	-	(2 780)	(2 780)	-	-	3 830	3 830
At 31 December 2019	-	(241)	(25 766)	(26 007)	73	1 531	45 911	47 515

In December 2018 the Group entered into a transaction to acquire from a number of Russian government-controlled banks their rights of claim under the credit facilities with NEFIS Group, a leading Russian household chemicals, oil and fats manufacturer. Total rights in the amount of RR 5,355 million and RR 19,861 million were accounted as other loans in other short-term financial assets carried at amortised cost at 31 December 2020 and other long-term financial assets carried at amortised cost at 31 December 2019 respectively.

Note 10: Inventories

	At 31 December 2020	At 31 December 2019
Materials and supplies	15 361	14 743
Crude oil	5 597	9 905
Refined oil products	14 370	13 197
Petrochemical supplies and finished products	7 226	10 798
Other finished products and goods	2 434	4 736
Total inventories	44 988	53 379

Note 11: Prepaid expenses and other current assets.

	At 31 December 2020	At 31 December 2019
Prepaid export duties	1 807	2 233
VAT recoverable	4 117	6 006
Advances	5 977	6 176
Prepaid transportation expenses	2 367	1 465
Excise	697	1 942
Other	5 110	2 948
Prepaid expenses and other current assets	20 075	20 770

Note 12: Property, plant and equipment.

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Con-struction in progress	Total
Cost					
As at 31 December 2018	397 390	220 862	157 529	219 916	995 697
Additions	415	-	-	99 735	100 150
Disposals	(6 266)	(1 506)	(3 369)	(1 353)	(12 494)
Changes in Group structure (Note 28)	-	9 298	9 235	1 206	19 739
Transfers	46 157	39 944	43 137	(129 238)	-
Changes in decommissioning provision	13 072	-	-	-	13 072
As at 31 December 2019	450 768	268 598	206 532	190 266	1 116 164
Depreciation, depletion and amortisation, impairment					
As at 31 December 2018	179 359	43 576	70 840	-	293 775
Depreciation charge	17 296	6 441	9 394	-	33 131
Impairment	759	4 090	-	24 391	29 240
Disposals	(5 764)	(683)	(2 386)	-	(8 833)
Changes in Group structure	-	2	(48)	-	(46)
Transfers	(2 090)	280	1 810	-	-
As at 31 December 2019	189 560	53 706	79 610	24 391	347 267
Net book value					
As at 31 December 2018	218 031	177 286	86 689	219 916	701 922
As at 31 December 2019	261 208	214 892	126 922	165 875	768 897
Cost					
As at 31 December 2019	450 768	268 598	206 532	190 266	1 116 164
Additions	-	-	-	105 087	105 087
Disposals	(453)	(649)	(1 664)	(1 678)	(4 444)
Changes in Group structure	-	213	-	-	213
Transfers	22 824	26 194	15 241	(64 259)	-
Changes in decommissioning provision	973	-	-	-	973
As at 31 December 2020	474 112	294 356	220 109	229 416	1 217 993
Depreciation, depletion and amortisation, impairment					
As at 31 December 2019	189 560	53 706	79 610	24 391	347 267
Depreciation charge	19 647	7 919	11 645	-	39 211
Impairment	1 364	1 572	1 325	2 610	6 871
Disposals	(361)	(428)	(1 136)	-	(1 925)
Transfers	38	1 193	(1 231)	-	-
As at 31 December 2020	210 248	63 962	90 213	27 001	391 424
Net book value					
As at 31 December 2019	261 208	214 892	126 922	165 875	768 897
As at 31 December 2020	263 864	230 394	129 896	202 415	826 569

Additions for years 2020 and 2019 years include construction of TANECO refinery complex and superviscous oil fields facilities.

Within construction in progress there are advances for construction of RR 25,531 million and RR 14,862 million at 31 December 2020 and 2019, respectively.

As stated in Note 3, the Group calculates depreciation, depletion and amortization for oil and gas properties using the units-of-production method over proved developed oil and gas reserves. The proved developed reserves used in the units-of-production method assume the extension of the Group's production license beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

The Group's oil and gas fields are located principally on the territory of Tatarstan. The Group obtains licenses from the governmental authorities to explore and produce oil and gas from these fields. The Group's existing production licenses for its major fields expire, after their recent extension, between 2038 and 2090, with other production licenses expiring between 2024 and 2105. The economic lives of several of the Group's licensed fields extend beyond the dates of licenses expiration. Under Russian law, the Group is entitled to renew the licenses to the end of the economic lives of the fields, provided certain conditions are met.

Management is reasonably certain that the Group will be allowed to produce oil from the Group's reserves after the expiration of existing production licenses and until the end of the economic lives of the fields. "Reasonable certainty" is the applicable standard for defining proved reserves under the SEC's Regulation S-X, Rule 4-10.

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

At 1 January 2019	16 718
Additions	3 194
Re-classification to different categories	-
Charged to expense	(17 818)
На 31 декабря 2019	2 094
At 31 December 2019	2 671
Re-classification to different categories	-
Charged to expense	(978)
At 31 December 2020	3 787

Due to indications of possible impairment as at 31 March 2020 the Group conducted impairment testing for the main groups of assets. As at 31 December 2020 impairment testing for superviscous oil production assets were updated due to changes in the legislation on mineral extraction tax, as well as the law "On customs tariff". According to the accounting policy, individual assets are grouped for impairment purposes to the cash generating units (CGU) at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets:

- field-by-field basis for exploration and production assets;
- entire complex level for refining assets;
- individual petrol station level;
- entire factory level for tire production assets;

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

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

For the year ended 31 December 2020 the Group recognised impairment of the following assets:

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 3,976 million;
- exploration assets related to the superviscous oil fields, in the amounts of RR 1,364 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 978 million, due to adverse conditions in the oil market affecting the current assessment of respective projects;
- other assets, including social assets, in the total amount of RR 553 million, which are not providing future economic benefits.

For the year ended 31 December 2019 the Group recognised impairment of the following assets:

- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 17,818 million, due to adverse conditions in the oil market affecting the current assessment of respective projects;
- other assets, including social assets, in the total amount of RR 11,422 million, which are not providing future economic benefits.

An impairment loss is included in the corresponding line of the consolidated statement of profit or loss and other comprehensive income.

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

- oil prices, refined product spreads and US dollar / Russian ruble exchange rates are based on available forecasts from globally recognized research institutions;
- estimated production and refining volumes were based on detailed information for the production and refining plans approved by management as part of the long-term strategy, considering the decrease in business activity as a result of the COVID- 19 pandemic and the OPEC + agreement terms.

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

- from 15.91 to 16.2% for oil fields;
- from 13.42 to 14.45% for refining complexes;
- from 13.6 to 14.0% for petrol stations;
- from 15.5 to 15.6% for tire production factories.

The recoverable amounts of oil field in the amount of RR 76,282 million which were tested and impaired on RR 1,364 million were determined as value in use equal to the present value of the expected cash flows.

The following Brent price assumptions have been used: \$46.8 per barrel in 2021, \$55.9 per barrel in 2022, \$57.6 per barrel in 2023, \$59.4 per barrel in 2024 and \$62.7 per barrel in 2025 with further growth in subsequent years according to forecasts.

In addition, for the purposes of calculating the recoverable amount of assets related to the production of superviscous oil, the assumption on the receiving of the full amount of tax deduction was made. Tax deduction will be provided for the production of superviscous oil in subsoil areas located fully or partially within the borders of the Republic of Tatarstan subject to certain conditions stipulated by the Tax Code. In the absence of these tax deductions, the impairment loss for the superviscous oil fields would be RR 23,171 million, taking into discounted cash flows.

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

Social assets.

During the years ended 31 December 2020 and 2019 the Group transferred social assets with a net book value of RR 34 million and RR 345 million, respectively, to local authorities. At 31 December 2020 and 2019 the Group held social assets with a net book value net of impairment provision of RR 5,148 million and RR 6,378 million, respectively.

The social assets comprise mainly dormitories, hotels, gyms and other facilities. The Group may transfer some of these social assets to local authorities in the future, but does not expect these to be significant. For the year ended 31 December 2020 and 2019 the Group incurred social infrastructure expenses of RR 10,856 (including an impairment loss on costs of construction and acquisition of social assets not providing future economic benefits, in the amount of RR 2,298 million) and RR 8,995 million respectively. For the year ended 31 December 2019 the Group recognised an

impairment loss on costs of construction and acquisition of social assets not providing future economic benefits, in the amount of RR 7,208 million.

In 2020 the Group recognised an impairment losses and losses on disposal on property, plant and equipment and other non-financial assets net of reversal in the amount of RR 6,677 million (in 2019 in the amount of RR 30,875 million). These losses consist of impairment losses on property, plant and equipment in the amount of RR 6,871 million (in 2019 in the amount of RR 29,240 million) income from reversal of impairment on other long-term assets in the amount of RR 1,058 (in 2019 in the amount of RR 365 million), losses on creation of provision for impairment of inventories in the amount of RR 88 million (in 2019 in the amount of RR 320 million) and losses on disposal of property, plant and equipment in the amount of RR 776 million (in 2019 in the amount of RR 950 million).

Decommissioning provisions

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

	2020	2019
Balance at the beginning of period	50 474	34 457
Unwinding of discount	3 377	3 015
New obligations	2 077	1 349
Expenses on current obligations	(30)	(70)
Changes in estimates	(525)	11 723
Balance at the end of period	55 373	50 474
Less: current portion of decommissioning provisions (Note 16)	(1)	(127)
Long-term balance at the end of period	55 372	50 347

In 2020 and 2019 the Group recorded the change in estimate for oil and gas properties decommissioning due to the changes in discount rate and estimated future costs of decommissioning.

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

	At 31 December 2020	At 31 December 2019
Discount rate	6,46%	6,69%
Discount rate for superviscous oil	5,92%	6,69%
Inflation rate	4,00%	4,00%

Note 13: Right-of-use assets and lease liabilities

Starting from January 1, 2019, a lease is recognised as a right-of-use assets and a lease liabilities on the date the asset becomes available for use by the Group.

Right-of-use assets comprise the following:

	Service equipment	Other assets	Total
As at 1 January 2019	13 654	2 414	16 068
Additions	78	1 648	1 726
Disposals	(293)	(632)	(925)
Depreciation	(1 784)	(316)	(2 100)
Revaluation and modification	(896)	(215)	(1 111)
As at 31 December 2019	10 759	2 899	13 658
Additions	526	613	1 139
Disposals	(2)	(365)	(367)
Depreciation	(1 516)	(619)	(2 135)
Revaluation and modification	(53)	(57)	(110)
As at 31 December 2020	9 714	2 471	12 185

The reconciliation between undiscounted lease liabilities and their present value presented in the table below:

	At 31 December 2020	At 31 December 2019
Lease liabilities		
Less than one year	2 891	3 024
Between one and five years	8 482	9 443
More than five years	9 738	11 078
Total undiscounted lease liabilities	21 111	23 545
Lease liabilities	13 219	14 191
Of which are:		
Current lease liabilities, presented in Accounts payable and accrued liabilities (Note 16)	2 540	2 613
Non-current lease liabilities	10 679	11 578

Note 14: Taxes

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

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before income tax	137 045	252 342
Theoretical income tax expense at statutory rate	(27 409)	(50 468)
(Increase)/decrease due to:		
Non-deductible expenses, net	(6 160)	(8 408)
Income tax withheld at source on dividends for treasury shares	(907)	(733)
Other	4	85
Income tax expense	(34 472)	(59 524)

At 31 December 2020 no deferred tax liabilities have been recognised for taxable temporary differences of RR 45,781 million (2019: RR 68,729 million) on undistributed earnings of certain subsidiaries. These earnings have been and will continue to be reinvested. These earnings, except for undistributed earnings of subsidiaries operating in a tax free jurisdictions, could become subject to additional tax of approximately RR 1,404 million (2019: RR 1,203 million) if they were remitted as dividends.

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

	At 31 December 2020	At 31 December 2019
Tax loss carry forward	3 202	3 057
Decommissioning provision	7 808	7 318
Prepaid expenses and other current assets	195	189
Accounts receivable	-	425
Long-term loans and certificates of deposits	1 343	1 773
Long-term investments	457	366
Other	234	94
Deferred income tax assets	13 239	13 222
Property, plant and equipment	(43 131)	(43 612)
Inventories	(1 070)	(2 021)
Accounts receivable	(163)	-
Deferred income tax liabilities	(44 364)	(45 633)
Net deferred tax liability	(31 125)	(32 411)

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

	At 31 December 2020	At 31 December 2019
Deferred income tax asset	2 218	2 712
Deferred income tax liability	(33 343)	(35 123)
Net deferred tax liability	(31 125)	(32 411)

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised.

Tax losses carry forward.

At 31 December 2020, the Group had recognised deferred income tax assets of RR 3,202 million (RR 3,057 million at 31 December 2019) in respect of unused tax loss carry forwards of RR 16,010 million (RR 15,285 million at 31 December 2019). Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The ten year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2021. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments including expectations regarding the Group's ability to generate sufficient future taxable income and the projected time period over which deferred tax benefits will be realised.

The Group does not have any unrecognised potential deferred tax assets in respect of deductible temporary differences. The Group is subject to a number of taxes other than income taxes, which are detailed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Mineral extraction tax	175 636	298 592
Property tax	7 742	7 320
Other	2 161	1 742
Total taxes other than income taxes	185 539	307 654

For the year ended 31 December 2020 actual expenses on MET per tonne of oil produced amounted to RR 6,585 per tonne (in 2019: RR 10,003 per tonne), which is RR 2,135 per tonne (in 2019: RR 3,035 per tonne) below the average rate established by law. This deviation is due to the application of the coefficients stipulated by the tax legislation to the generally established MET rate for oil.

Taxes other than income taxes exclude the export duties paid on the sale of crude oil and refined products as the Group sales and other operating revenues are presented net of such export duties.

Taxes payable were as follows:

	At 31 December 2020	At 31 December 2019
Mineral extraction tax	17 500	21 172
Value Added Tax	4 983	8 369
Excise	3 198	2 863
Export duties	245	425
Property tax	1 826	1 975
Other	2 649	2 661
Total taxes payable	30 401	37 465

Note 15: Debt

	At 31 December 2020	At 31 December 2019
Short-term debt		
Bonds issued	3 881	1 850
Subordinated debt	21	21
Debt securities issued	500	884
US \$75 million 2011 credit facility	-	816
US \$144.5 million 2011 credit facility	-	2 090
EUR 55 million 2013 credit facility	-	1 652
Russian Rubles credit facility	1 300	10 142
Other debt	2 286	938
Total short-term debt	7 988	18 393
Current portion of long-term debt	2 973	1 199
Total short-term debt, including current portion of long-term debt	10 961	19 592
Long-term debt		
Bonds issued	18 198	20 007
Subordinated debt	-	1 266
Debt securities issued	112	39
US \$75 million 2011 credit facility	495	-
US \$144.5 million 2011 credit facility	1 871	-
EUR 55 million 2013 credit facility	1 441	-
EUR 39.2 million 2020 credit tranche	2 848	-
Other debt	1 660	1 544
Total long-term debt	26 625	22 856
Less: current portion	(2 973)	(1 199)
Total long-term debt, net of current portion	23 652	21 657

Fair value of debt is presented in Note 29. Maturity and currency analysis of debt is presented in Note 29. Debt issued to related parties is presented in Note 25.

Credit facilities.

In November 2011, TANECO entered into a US \$75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US \$144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In May 2013, TANECO entered into a Euro 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. In accordance with credit facility terms repayment of the debt is performed in USD. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

In March 2020, the Group obtained the waiver from requirement of early repayment according to which the credit facilities of TANECO were recorded as long-term debt as at 31 December 2020.

In November 2020, OOO "NZGSh" entered into a two-tranche syndicated loan: RR 5,400 million and EUR 49 million (RR 4,320 million and EUR 39.2 million excluding intercompany amount) with quarterly repayments during ten years with the first repayment date on 28 March 2022. The loan was arranged by Bank ZENIT, Bank VBRR and Credit Bank of Moscow. Contract interest rate is preferential and for the tranche in rubles is key interest rate minus 4.5% per annum, for the tranche in Euro is EURIBOR per annum. The government subsidises the rate of 4.5% per annum if the borrower meets the conditions for the subsidy granting. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

During 2020 the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 210,150 million at rates ranging from 4.39% to 6.74%, most of which were repaid earlier. The debt at 31 December 2020 amounted to RR 1,300 million and was repaid in January 2021.

During 2019, the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 113,200 million at rates ranging from 6.33% to 8.54%, most of which were repaid earlier. The debt at 31 December 2019 amounted to RR 10,142 million and was repaid in January 2020.

Bonds issued.

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

At 31 December 2020 and at 31 December 2019 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT amounted RR 7,079 million and RR 6,857 million respectively, that mature between 2022 and 2025. At 31 December 2020 and at 31 December 2019 the annual coupon rates on these securities range from 6.65% to 7.65% and 7% to 8.85% respectively (excluding bonds issued on emission BO-13 at amount RR 1 million and coupon rate 0.1%). The majority of bonds, issued by Bank ZENIT, allow early repurchase at the request of the bond holder as set in the respective offering documents.

Subordinated debt.

At 31 December 2019 subordinated debt is presented by one subordinated loan raised by Bank ZENIT (excluding subordinated debt under the direct repurchase agreement with Deposit Insurance Agency (DIA) at the rate 8.9% and matures in 2024. The loan was repaid earlier in fourth quarter 2020.

Information on subordinated loans received Bank ZENIT from the DIA within the Russian Federation Government programme for additional capitalisation of Russian banks presented in Note 29.

Debt securities issued.

At 31 December 2020 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles (at 31 December 2019: in Russian Rubles and US Dollars). Maturity dates of these promissory notes vary from 2021 to 2028 (at 31 December 2019: from 2020 to 2028).

At 31 December 2020 and at 31 December 2019 non-interest-bearing promissory notes of the aggregate nominal value of RR 101 million and of RR 641 million respectively were issued by Bank ZENIT for settlement purposes and mature primarily on demand.

Note 16: Accounts payable and accrued liabilities

	At 31 December 2020	At 31 December 2019
Trade payables	55 028	36 150
Current portion of lease liabilities (Note 13)	2 540	2 613
Other payables	2 623	1 809
Total financial liabilities within trade and other payables	60 191	40 572
Salaries and wages payable	8 414	8 267
Advances received from customers	11 175	7 828
Current portion of decommissioning provisions (Note 12)	1	127
Other accounts payable and accrued liabilities	4 112	3 495
Total non-financial liabilities	23 702	19 717
Accounts payable and accrued liabilities	83 893	60 289

For the current reporting period revenue of RR 7,828 million was recognised in respect of contract obligations as of 1 January 2020 related to advances received.

For the previous reporting period revenue of RR 6,197 million was recognised in respect of contract obligations as of 1 January 2019 related to advances received.

The increase in contract obligations as at 31 December 2020 is due to the sales under contracts with customers with agreed prepayment terms.

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 29.

As at 31 December 2020 other financial payables include an obligation to repurchase of 2,179,347,288 shares of Bank ZENIT at a price of RR 0.75 per share, requested for the redemption by minority shareholders and not paid by the Bank. The discounted amount of the liability is RR 1,618 million (as at 31 December 2019: not applicable). Disposal of the carrying value of the non-controlling interest (in the amount of RR 1,624 million) and the difference between the accrued liability and the disposed non-controlling interest (in the amount of RR 55 million) recognised as a result of the transaction are reflected in the line “Subsidiary’s shares requested for the redemption” of the consolidated statement of changes in equity.

Note 17: Banking: Due to banks and the Bank of Russia

	At 31 December 2020	At 31 December 2019
Term deposits from other banks	3 110	5 364
Term deposits from the Bank of Russia	2 121	2 630
REPO	9 704	13 259
Correspondent accounts and other banks’ overnight deposits	275	1 562
Total due to banks and the Bank of Russia	15 210	22 815
Less: long term due to banks and the Bank of Russia	(1 551)	(2 522)
Total short term of due to banks and the Bank of Russia	13 659	20 293

Within due to banks and the Bank of Russia at 31 December 2020 and 2019 there are RR 13,526 million and RR 18,778 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from three Russian banks, which individually exceeded 5% of the Bank ZENIT equity.

As at 31 December 2020 and 31 December 2019 financial liabilities which are subject to offsetting include RR 9,704 million and RR 13,260 million of due to banks collateralised by securities, fair value of which is RR 10,657 million and RR 14,446 million respectively.

Note 18: Banking: Customer accounts

	At 31 December 2020	At 31 December 2019
State and public organizations		
Current / settlement accounts	1 276	1 014
Term deposits	95	90
Other legal entities		
Current / settlement accounts	24 674	16 986
Term deposits	19 240	22 653
Individuals		
Current / settlement accounts	22 891	14 265
Term deposits	80 449	105 044
Total customer accounts	148 625	160 052
Less: long-term customer accounts	(1 872)	(1 381)
Total short-term customer accounts	146 753	158 671

Within customer accounts at 31 December 2020 and 2019 there are RR 58,607 million and RR 38,557 million of current/settlement accounts and term deposits from 23 and 12 customers respectively, which individually exceeded 5% of the Bank ZENIT equity.

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

	At 31 December 2020		At 31 December 2019	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Individuals	103 340	69,53%	119 309	74,54%
Finance	11 812	7,95%	9 292	5,81%
Oil and gas	3 261	2,19%	2 195	1,37%
Trade	6 142	4,13%	4 798	3,00%
Services	14 922	10,04%	12 331	7,70%
Manufacturing	2 067	1,39%	4 306	2,69%
Construction	3 422	2,30%	3 620	2,26%
Other	3 659	2,47%	4 201	2,63%
Total customer accounts	148 625	100%	160 052	100%

Note 19: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2020	At 31 December 2019
Pension liability	4 335	4 062
Government grants	8 327	3 231
Share based compensation	976	-
Other long-term liabilities	233	219
Total other long-term liabilities	13 871	7 512

Pension liabilities.

The Group has various pension plans covering substantially all eligible employees and members of management. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the “Statement of Organization of Non-Governmental Pension Benefits for JSC TATNEFTEmployees” and the contracts concluded between the Company or its subsidiaries, management, and the JSC “National Non-Governmental Pension Fund”. In accordance with these contracts the Group is committed to make certain contributions on behalf of all employees and guarantees a minimum benefit upon retirement. Contributions or benefits are generally based upon grade and years of service upon reaching official retirement age (according to the Law 350-FZ on amending the appointment and payment of pensions), and for management are based upon employment contract terms. In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obliged to pay other certain post-employment benefits, the amounts of which are generally based on salary grade and years of service at the time of retirement.

Government grants.

During 2020 and 2019, the Group received grants from the Republic of Tatarstan for the creation, modernization and reconstruction of energy facilities and infrastructure.

Share based compensation.

The Company has approved the TATNEFTGroup long-term employee incentives program. The program provides for employees benefits based on the change in the share price during a five-year cycle. In accordance with the terms of the program, 11.7 million shares were “conditionally” assigned to the management and directors of the Company, based on which, at the end of the cycle, remuneration is paid on the amount of the positive difference in the average annual price of an ordinary share of PJSC TATNEFT for the fifth year of the five-year cycle and the year adopted as a base. Payments are made in cash.

The fair value of the Program was calculated at the reporting date by applying the option pricing model, taking into account the conditions for the increase in the value of shares and the volume of services provided by employees before the end of the reporting period. The fair value of the Program estimated as RR 120 per share was determined in accordance with the Black-Scholes option pricing model at the reporting date and is subject to further review until it is redeemed. The fair value was calculated using the spot price of the Company's shares at the reporting date in the amount of RR 514.4, the exercise price of the option in the amount of RR 400.27, an expected dividend yield of 7.77% per annum, the risk-free interest rate equal to 4.36 % per annum, the term until the maturity of the program, and the volatility of the return on the underlying asset equal to 34.7%. The expected volatility was determined based on the historical volatility of the Company's shares. Receiving payments depends on the completion of the required period of service provision, certain performance indicators and an increase in the value of shares. The Group plans to recognize the costs of the Program on a straight-line basis over the period of its validity.

Note 20: Shareholders’ equity

Authorised share capital.

At 31 December 2020 and 2019 the authorised, issued and paid share capital of PJSC TATNEFT consists of 2,178,690,700 voting common shares and 147,508,500 non-voting preferred shares; both classes of shares have a nominal value of RR 1.00 per share. The nominal value of authorised share capital differs from its carrying value due to effect of the hyperinflation on capital contributions made before 2003.

Golden share.

Tatarstan holds a “Golden Share” – a special governmental right – in the PJSC TATNEFT company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and Revision Commission of the Company and to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization and “major” and “interested party” transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Company's suppliers, contractors and customers (see also Note 1).

Rights attributable to preferred shares.

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

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

Изменения по любому из перечисленных вопросов могут быть приняты только в том случае, если за них проголосовало 75% держателей привилегированных акций.

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

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

Amounts available for distribution to shareholders.

The source of payment of dividends is the Company's net profit for the reporting period, determined are based on the Company's non-consolidated statutory accounts prepared

in accordance with RAS, which differ significantly from IFRS (see Note 2). According to the Company's financial statements prepared in accordance with RAS, for the years ended 31 December 2020 and 2019, the Company had a statutory current year profit of RR 81,665 million and RR 156,474 million, respectively.

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

In September 2020, the shareholders of the Company approved interim dividends for the six months ended 30 June 2020 in the amount of RR 9.94 per preference and ordinary share. Dividends were paid in the fourth quarter of 2020.

In June 2020, the shareholders of the Company approved dividends for the year ended 31 December 2019 in the amount of RR 1 per each preferred share, excluding the previously approved interim dividends for the six and nine months of 2019 in the amount of RR 64.47 per one preferred share. Dividends were paid in the third quarter of 2020.

In December 2019, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2019, in the amount of RR 64.47 per preference and ordinary share (the "9 months 2019 Dividends"), including previously paid interim dividends for the six months ended 30 June 2019, in the amount of RR 40.11 per preference and ordinary share. The 9 months 2019 Dividends are reported as dividends payable as at 31 December 2019 and were paid in the beginning of 2020.

In September 2019, the shareholders of the Company approved interim dividends for the six months ended 30 June 2019 in the amount of RR 40.11 per each preference and ordinary share. The dividends were paid in the fourth quarter of 2019.

In June 2019, the shareholders of the Company approved dividends for the year ended 31 December 2018 in the amount of RR 84.91 per each preference and ordinary share with the consideration of earlier paid interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preference and ordinary share. The dividends were paid in the third quarter of 2019.

In December 2018, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preference and ordinary share including previously paid interim dividends for the six months ended 30 June 2018 in the amount of RR 30.27 per each preference and ordinary

share. Dividends were paid in the beginning of 2019.

Earnings per share.

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

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

	Year ended 31 December 2020	Year ended 31 December 2019
Profit attributable to Group shareholders	103 490	192 260
Ordinary share dividends	(20 904)	(203 682)
Preferred share dividends	(1 614)	(14 286)
Income available to ordinary and preferred shareholders, net of dividends	80 972	(25 708)
Basic and diluted:		
Weighted average number of shares outstanding (millions of shares):		
Ordinary	2 103	2 103
Preferred	148	148
Combined weighted average number of ordinary and preferred shares outstanding	2 251	2 251
Basic and diluted earnings per share (RR)		
Ordinary	45,92	85,43
Preferred	46,92	85,43

Non-controlling interest.

Non-controlling interest is adjusted by dividends declared and paid by the Group's subsidiaries amounting to RR 1

million at 31 December 2020 and 2019.

Note 21: Employee benefit expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	45 239	41 045
Statutory insurance contributions	12 657	11 474
Share based compensations (Note 19)	976	-
Pension costs – defined benefit plans	263	736
Other employee benefits	1 545	1 801
Total employee benefit expense	60 680	55 056

Employee benefit expenses are included in operating expenses, selling, general and administrative expenses and maintenance of social infrastructure and transfer of social assets, other expenses and operating expenses on banking

activities in the consolidated statement of profit or loss and other comprehensive income.

Note 22: Interest income and interest expense on non-banking activities

Interest income on non-banking activities comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income from financial assets measured at amortised cost	4 368	1 128
Unwinding of the present value discount of long-term financial assets	60	73
Total interest income on non-banking activities	4 428	1 201

Interest expense on non-banking activities comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Bank loans	(1 033)	(736)
Bonds issued	(970)	(19)
Unwinding of the present value discount of decommissioning provision	(3 377)	(3 015)
Interest expense on lease liabilities	(1 374)	(1 571)
Unwinding of the present value discount of long-term financial liabilities	(17)	(66)
Discount of long-term financial liabilities	(613)	-
Total interest expenses on non-banking activities	(7 384)	(5 407)

Note 23: Interest and commission income and expense on banking activities

	Year ended 31 December: 2020	Year ended 31 December: 2019
Interest income	14 262	18 157
Loans to customers	11 136	14 216
Other	3 126	3 941
Fee and commission income	3 824	4 427
Settlement transactions	2 429	2 664
Other	1 395	1 763
Total interest and commission income on banking activity	18 086	22 584
Interest expense	(7 964)	(10 491)
Term deposits	(5 988)	(8 159)
Other	(1 976)	(2 332)
Fee and commission expense	(1 647)	(1 627)
Settlement transactions	(1 558)	(1 352)
Other	(89)	(275)
Total interest and commission expense on banking activity	(9 611)	(12 118)

Note 24: Segment information

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

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

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

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments;
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations;
- Petrochemical products include production and sales of tires, technical carbon;
- Banking segment includes operations of Banking Group ZENIT.

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

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income tax not including interest income, expense on non-banking activities, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Effective the current reporting period, the Group uses an export netback calculated based on average Urals quotes less export duty, freight and transportation costs to calculate the cost of its own oil for refining. The calculation based on the export netback, used by the Group to make operational decisions, meets the criteria of relevant and reliable information, changes made are disclosed retrospectively in the consolidated financial statements. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December 2020, revenues of RR 96,663 million or 13% of the Group's total sales and operating revenues are derived from one external customer.

For the year ended 31 December 2019, revenues of RR 104,506 million or 11% of the Group's total sales and operating revenues are derived from one external customer.

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

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

Segment sales and other operating revenues.

Reportable operating segment sales and other operating revenues are stated in the following table:

	Year ended 31 December 2020	Year ended 31 December 2019
Exploration and production		
Domestic own crude oil	119 095	175 402
CIS own crude oil	16 264	26 818
Non-CIS own crude oil	153 574	255 602
Other	4 224	3 151
Intersegment sales	150 367	219 021
Total exploration and production	443 524	679 994
Refining and marketing		
Domestic sales		
Refined products	206 618	225 137
Total Domestic sales	206 618	225 137
CIS sales		
Refined products	14 604	14 866
Total CIS sales(1)	14 604	14 866
Non-CIS sales		
Crude oil purchased for resale	6 049	8 900
Refined products	101 454	138 496
Total non-CIS sales(2)	107 503	147 396
Other	9 114	11 426
Intersegment sales	2 489	1 461
Total refining and marketing	340 328	400 286
Petrochemicals		
Tires – domestic sales	34 953	29 336
Tires – CIS sales	11 087	11 466
Tires – non-CIS sales	4 364	4 124
Other	3 660	3 647
Intersegment sales	491	1 028
Total petrochemicals	54 555	49 601
Banking		
Interest income	14 262	18 157
Fee and commission income	3 824	4 427
Total banking	18 086	22 584
Total segment sales	856 493	1 152 465
Corporate and other sales	35 617	23 925
Elimination of intersegment sales	(153 347)	(221 510)
Total sales and other operating revenues	738 763	954 880

(1) - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).

(2) - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Poland based refineries.

Segment earnings

	Year ended 31 December 2020	Year ended 31 December 2019
Segment earnings		
Exploration and production	161 879	252 026
Refining and marketing	16 796	49 272
Petrochemicals	1 830	1 345
Banking	(3 964)	1 279
Total segment earnings	176 541	303 922
Corporate and other	(41 879)	(47 294)
Other (expenses)/income	2 383	(4 286)
Profit before income tax	137 045	252 342

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

Segment assets

	At 31 December 2020	At 31 December 2019
Assets		
Exploration and production	364 843	384 022
Refining and marketing	507 860	451 167
Petrochemicals	35 230	34 324
Banking	209 273	232 101
Corporate and other	146 235	138 729
Total assets	1 263 441	1 240 343

As at 31 December 2020 corporate and other includes RR 63,495 million of property, plant and equipment, RR 24,389 million of securities measured at fair value through other comprehensive income, RR 3,091 million of securities measured at amortised cost, RR 12,453 million loans receivable, RR 16,027 million of bank deposits measured at amortised cost, RR 181 million of cash.

As at 31 December 2019 corporate and other includes RR 50,102 million of property, plant and equipment, RR 24,413 million of securities measured at fair value through other comprehensive income, RR 20,626 million loans receivable, RR 331 million of bank deposits measured at amortised cost, RR 3,277 million of cash.

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

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

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation, depletion and amortization		
Exploration and production	24 483	22 037
Refining and marketing	11 727	9 885
Petrochemicals	1 152	1 538
Banking	359	349
Corporate and other	3 144	1 356
Total depreciation, depletion and amortization	40 865	35 165
Additions to property, plant and equipment		
Exploration and production	26 670	44 636
Refining and marketing	63 366	48 609
Petrochemicals	7 567	2 264
Banking	175	665
Corporate and other	7 522	23 715
Total additions to property, plant and equipment	105 300	119 889

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions. For the year ended 31 December 2019 additions to property, plant and equipment of refining and marketing segment and corporate and other assets took into account changes in Group structure (Note 28).

Note 25: Related party transactions

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

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

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

	Year ended 31 December 2020	Year ended 31 December 2019
Revenues and income		
Sales of refined products	28	21
Other sales	84	122
Interest income	26	57
Costs and expenses		
Other services	852	844
Other purchases	400	501

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

	At 31 De- cember 2020	At 31 De- cember 2019
Assets		
Accounts receivable, net	132	231
Banking: Loans to customers	73	293
Other financial assets		
Securities measured at fair value through profit or loss	29	42
Other loans receivable	357	51
Prepaid expenses and other current assets	204	268
Due from related parties short-term	795	885
Long-term accounts receivable	71	198
Banking: Loans to customers	-	50
Other financial assets		
Securities measured at fair value through other comprehensive income	3 890	4 070
Other loans receivable	1 002	978
Due from related parties long-term	4 963	5 296
Liabilities		
Accounts payable and accrued liabilities	(69)	(37)
Banking: Customer accounts	(779)	(910)
Due to related parties short-term	(848)	(947)

Government related companies

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

	Year ended 31 De- cember 2020	Year ended 31 De- cember 2019
Sales of refined products	18 060	30 662
Other sales	4 764	5 302
Interest income	2 804	2 852
Interest expense	656	764
Purchases of refined products	24 661	20 715
Purchases of electricity	16 014	18 479
Purchases of transportation and compounding services	21 934	26 987
Other services	4 994	5 830
Other purchases	686	2 366

The outstanding balances with Government related companies were as follows

	At 31 December 2020	At 31 December 2019
Assets		
Cash and cash equivalents	14 007	10 044
Banking: Mandatory reserve deposits with the Bank of Russia	1 528	1 572
Accounts receivable	2 102	4 416
Banking: Loans to customers	-	6 563
Other financial assets		
Notes receivable	-	4
Bank deposits	-	310
Securities measured at fair value through other comprehensive income	3 023	505
Securities measured at amortised cost	7 480	3 325
Securities measured at fair value through profit or loss	4 095	3 915
Other loans measured at amortised cost	41	41
Prepaid expenses and other current assets	4 441	3 185
Due from related parties short-term	36 717	33 880
Banking: Loans to customers	5 228	4 994
Other financial assets		
Securities measured at fair value through other comprehensive income	22 294	24 193
Securities measured at amortised cost	8 803	7 898
Other loans measured at amortised cost	104	148
Advances for construction	16	14
Due from related parties long-term	36 445	37 247
Liabilities		
Accounts payable and accrued liabilities	(1 744)	(1 519)
Banking: Due to banks and the Bank of Russia	(570)	(2 445)
Banking: Customer accounts	(161)	(2 959)
Debt		
RR credit facilities	-	(10 142)
Debt securities issued	(46)	(404)
Other debt	(1 835)	(477)
Due to related parties short-term	(4 356)	(17 946)
Banking: Due to banks and the Bank of Russia	(1 551)	(2 763)
Other debt	(102)	-
Government grants (Note 19)	(8 327)	(3 231)
Due to related parties long-term	(9 980)	(5 994)

Key management personnel

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

For the years ended 31 December 2020 and 2019 total remuneration, including pension cost, for key management personnel was RR 1,084 million and RR 988 million, respectively.

At 31 December 2020 and 2019 key management personnel customer accounts in Bank ZENIT amounted to RR 29,328 million and RR 31,738 million, respectively.

As at 31 December 2020 the liability for the services provided was recognized in respect of the key management personnel of the Group in accordance with the long-term incentive program for executive employees in the amount of RR 387 million. Information about the program is presented in Note 19.

Note 26: Contingencies and commitments

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices and subject to significant negative impact of continuous decrease in crude oil prices.

In March 2020 the World Health Organization announced a pandemic due to the rapid spread of COVID-19. The measures taken around the world to combat the spread of COVID-19 resulted in limitation of business activity, which caused significant decrease in world demand for energy resources. The expiration of prior arrangement of OPEC+ on April 1, 2020 raised the risks of substantial oversupply of crude oil and refined products in the market. These events led to significant drop in stock markets, fall in crude oil prices, the Russian Ruble weakened against the US dollar and the Euro. In April 2020, the OPEC + countries reached a new agreement, under which the Russian Federation assumed obligations to reduce oil production in the period from May 1, 2020 to April 30, 2022. In accordance with the agreements reached, the Group began to fulfill its obligations to reduce oil production. Despite the new production restrictions agreed by OPEC+, the recovery in oil prices may take a long time and may be accompanied by a significant reduction in oil production. These events can have a significant impact on the operations, financial position and financial results of the Group in the future, the consequences of which are difficult to predict. Management created provisions for impairment considering the economic situation and prospects at the end of the reporting period (Note 12).

Tax, currency and customs legislation are sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The future economic development of the Russian Federation depends on external factors and internal measures taken by the government and changes in the tax, legal and regulatory framework.

Continued uncertainty regarding further economic growth, volatility in the financial markets, lower global oil prices, reduced oil production, as well as other risks, could have a significant negative impact on the financial and corporate sectors of the Russian economy in the future. 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. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Capital commitments.

As at 31 December 2020 and at 31 December 2019 the Group has approximate outstanding capital commitments of RR 71,829 million and RR 46,804 million, respectively, mainly for the construction of the TANECO refinery complex, drilling and construction of wells, superviscous oil fields facilities construction and tire business development project. These commitments are expected to be paid between 2021 and 2025.

Management believes the Group's current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities (Note 15).

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

Credit related commitments.

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

Outstanding credit related commitments are as follows:

	At 31 De- cember 2020	At 31 De- cember 2019
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	34 249	28 973
Guarantees issued	12 928	12 739
Import letters of credit	185	129
Less: allowance for credit related commitment	(406)	(324)
Less: commitments collateralised by cash deposits under guarantees issued	(6)	(19)
Less: commitments collateralised by cash deposits under import letters of credit	(182)	(130)
Total credit related commitments	46 768	41 368

Taxation.

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

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

In 2019 the tax authorities completed audits of the Company and its subsidiaries for the years ended 31 December 2015, 2016 and 2017. The available results of audits, in particular, of the income tax of the consolidated group of taxpayers of PJSC TATNEFT, did not have a significant impact on the financial results and cash flows of the Group.

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

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

Environmental contingencies.

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

Legal contingencies.

The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such con-tingencies, lawsuits or other proceedings cannot be deter-mined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would

have a material adverse impact on the Group's consolidated financial statements.

Social commitments.

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

Transportation of crude oil.

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

Note 27: Principal subsidiaries

Set out below are the Group's principal subsidiaries at 31 December 2020. The joint-stock companies as listed below (except for PJSC "Nizhnekamskshina") have share capital consisting solely of ordinary shares. The proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business. For all principal subsidiaries the country of incorporation is the Russian Federation, except for Tatneft Europe AG, which is incorporated in Switzerland.

Name of entity	Principal activity	At 31 December 2020		At 31 December 2019	
		% of ownership interest held by the Group	% of ownership interest held by the NCI	% of ownership interest held by the Group	% of ownership interest held by the NCI
PJSC Bank ZENIT	Banking operations	72	28	72	28
Tatneft Europe AG	Export oil sales	100	-	100	-
TANECO	Oil refinery	100	-	100	-
Nizhnekamskshina	Tires production	82	18	82	18
Nizhnekamskiy zavod gruzovykh shin	Tires production	100	-	100	-
Trade House Kama	Tires sales	100	-	100	-
Tatneft-AZS Centr	Oil products sales	100	-	100	-
Tatneft-AZS-Zapad	Oil products sales	100	-	100	-
Tatneft-AZS-Severo-Zapad	Oil products sales	100	-	100	-

The summarised financial information relating to the subsidiaries with material non-controlling interest was as follows:

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit
Year ended 31 December 2020						
PJSC Bank ZENIT	82 263	130 898	179 593	12 293	18 605	(3 992)
Nizhnekamskshina PJSC	682	389	4 419	-	7 076	(2 993)
Total	82 945	131 287	184 012	12 293	25 681	(6 985)
Year ended 31 December 2019						
PJSC Bank ZENIT	84 220	149 286	195 643	13 184	22 873	1 480
Nizhnekamskshina PJSC	1 033	3 575	5 223	-	14 918	623
Total	85 253	152 861	200 866	13 184	37 791	2 103

Note 28: Business combinations

LLC Neste Saint-Petersburg

In 4th quarter of 2019 the Group acquired 100% of the charter capital of LLC Neste Saint-Petersburg (subsequently renamed to LLC Tatneft-AZS-Severo-Zapad) from third party Neste Oyj (Neste Corporation) and obtained control becoming its sole participants. LLC Neste Saint-Petersburg owns a chain of 75 premium retail petroleum stations, an oil products tank farm and an office building in Saint-Petersburg, Russia. The acquired subsidiary will increase the Group’s presence in the fuel and retail market of the North-West Federal District of the Russian Federation.

The purchase price was RR 9,169 million (net of cash on the acquired entity’s balance sheet) and the cash consideration was fully paid in 2019-2020. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entity as a whole.

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

	Fair value
Cash and cash equivalents	1 693
Property, plant and equipment	8 144
Inventories	915
Other assets	620
Accounts payable	(900)
Deferred income tax liabilities	(1 073)
Other liabilities	(79)
Fair value of identifiable net assets of subsidiary	9 320
Goodwill	1 542
Total purchase consideration	10 862
Cash and cash equivalents of subsidiary acquired	(1 693)
Purchase price, net	9 169

The carrying amount of goodwill is RR 1,542 million as at 31 December 2020 and 2019. No impairment was identified based on the results of the audit performed by the Group.

Petrochemical complex in Togliatti

In the 4th quarter of 2019 the Group acquired 100% of the charter capital of LLC SIBUR Togliatti (subsequently renamed to LLC Togliattikauchuk) and 100% of the share capital of JSC Togliattisintez from the third party PJSC SIBUR Holding and obtained control of these entities becoming the sole participant of LLC SIBUR Togliatti and through its ability to cast a majority of votes in the general meeting of shareholders of JSC Togliattisintez. The acquired companies form a petrochemical complex for the production of various types of synthetic rubbers, as well as the high-octane component MTBE for motor fuel, butadiene, isoprene, and other intermediate products. The acquired subsidiaries contribute to the further development of the Group’s petrochemical and tires business.

The purchase price was RR 11,299 million (net of cash on the targets’ balance sheets), and cash consideration was fully paid in 2019. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entities as a whole.

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

	Fair value
Cash and cash equivalents	1 502
Property, plant and equipment	11 595
Inventories	1 226
Other assets	565
Accounts payable	(790)
Deferred income tax liabilities	(1 232)
Other liabilities	(65)
Fair value of identifiable net assets of subsidiaries	12 801
Total purchase consideration	12 801
Cash and cash equivalents of subsidiaries acquired	(1 502)
Purchase price, net	11 299

Note 29: Financial risk management

Financial risk management objectives and policies.

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

Market risk

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

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

a) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The table below summarises the Group’s exposure to foreign currency exchange rate risk as at 31 December 2020.

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	21 553	6 401	2 781	30 735
Term deposits with original maturity of less than three months	7 242	-	-	7 242
Due from banks	29	-	2 099	2 128
Banking: Mandatory reserves with the Bank of Russia Banking: Mandatory reserves with the Bank of Russia	1 528	-	-	1 528
Accounts receivable				
Trade receivables	47 736	32 017	119	79 872
Other financial receivables	4 798	385	-	5 183
Banking: Loans to customers	73 712	20 401	7 542	101 655
Other financial assets				
Bank deposits	10 000	-	-	10 000
Due from banks	1	2 390	-	2 391
REPO with banks	608	943	-	1 551
Loans to employees	981	-	-	981
Other loans at AC	8 346	218	-	8 564
Other loans at FVTPL	5 079	-	-	5 079
Securities at FVTPL	4 915	425	763	6 103
Securities at FVOCI	40 659	1 460	4 223	46 342
Securities at AC	19 023	14 885	-	33 908
Total financial assets	246 210	79 525	17 527	343 262
Financial liabilities				
Trade and other financial payables				
Trade payables	52 828	1 486	714	55 028
Dividends payable	823	-	-	823
Current portion of lease liabilities	2 540	-	-	2 540
Lease obligations, net of current portion	10 679	-	-	10 679
Other payables	2 583	40	-	2 623
Banking: Other financial liabilities at FVTPL	1 690	-	74	1 764
Debt				
Bonds issued	22 079	-	-	22 079
Subordinated debt	-	21	-	21
Debt securities issued	612	-	-	612
Credit facilities	1 300	3 807	2 848	7 955
Other debt	3 006	427	513	3 946
Banking: Due to banks and the Bank of Russia	6 494	6 862	1 854	15 210
Banking: Customer accounts	110 330	29 291	9 004	148 625
Total financial liabilities	214 964	41 934	15 007	271 905
Net balance sheet position	31 246	37 591	2 520	71 357

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2019.

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	16 472	5 853	2 405	24 730
Term deposits with original maturity of less than three months	350	-	-	350
Due from banks	-	-	77	77
Banking: Mandatory reserves with the Bank of Russia	1 572	-	-	1 572
Accounts receivable				
Trade receivables	42 019	36 895	810	79 724
Other financial receivables	12 633	29	20	12 682
Banking: Loans to customers	109 895	19 897	6 660	136 452
Other financial assets				
Bank deposits	350	309	-	659
Due from banks	29	1 450	3 008	4 487
REPO with banks	4 081	-	-	4 081
Notes receivable	112	-	-	112
Loans to employees	928	-	-	928
Other loans at AC	21 198	310	-	21 508
Securities at FVTPL	7 079	716	156	7 951
Securities at FVOCI	43 798	850	179	44 827
Securities at AC	12 586	11 152	-	23 738
Total financial assets	273 102	77 461	13 315	363 878
Financial liabilities				
Trade and other financial payables				
Trade payables	35 109	496	545	36 150
Dividends payable	55 865	-	-	55 865
Current portion of lease liabilities	2 613	-	-	2 613
Lease obligations, net of current portion	11 578	-	-	11 578
Other payables	1 764	45	-	1 809
Banking: Other financial liabilities at FVTPL	4 337	114	-	4 451
Debt				
Bonds issued	21 857	-	-	21 857
Subordinated debt	-	1 287	-	1 287
Debt securities issued	809	114	-	923
Credit facilities	10 142	4 558	-	14 700
Other debt	1 734	272	476	2 482
Banking: Due to banks and the Bank of Russia	12 951	9 557	307	22 815
Banking: Customer accounts	128 750	25 982	5 320	160 052
Total financial liabilities	287 509	42 425	6 648	336 582
Net balance sheet position	(14 407)	35 036	6 667	27 296

For the year ended 31 December 2020 the Group recognised RR 15,234 million and RR 9,637 million foreign exchange gains and losses respectively in the consolidated statement of profit or loss and other comprehensive income (for the year ended 31 December 2019: RR 12,892 million and RR 13,099 million, respectively).

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
US Dollar strengthening by 20%	7 518	6 015	7 007	5 606
US Dollar weakening by 20%	(7 518)	(6 015)	(7 007)	(5 606)

b) Interest rate risk.

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

Non-banking operations interest rate risk management

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

Banking operations interest rate risk management

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

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

Additionally, as disclosed in the maturity analysis below, the maturity dates applicable to the majority of the Bank

ZENIT's assets and liabilities are relatively short-term and that provides the Bank ZENIT with a certain level of flexibility to react to changing market conditions.

The Group's overall interest rate risk is monitored by Assets and liabilities committee ("ALCO") which reviews the structure of assets and liabilities, current and projected interest rates. Treasury departments of Bank ZENIT are responsible for day-to-day management of the interest rate mismatch, preliminary approval of interest rates on projected transactions, preparation and submission for approval suggestions on acceptable interest rate levels by instrument and duration. Risk management departments of Bank ZENIT review current interest rate gaps and assess resulting effects of interest rate risk on the Group's interest margin and economic capital.

The interest rate risk measurement system provides the ability to evaluate a risk profile from two different, but complementary points of view. From the economic value point of view the effect of changes in interest rates and the associated volatility of the present value of all future cash flows is considered and is calculated as the change in the sensitivity of fair value using a shock effect on the interest rate curve. From the profit point of view the effect generated by measuring interest rates on net profit in the form of interest and, therefore, on the associated effect on net interest income on a 1-year horizon is analysed. Interest rate risk reporting is compiled and reported to the Bank ZENIT's Management Board on a quarterly basis.

Interest rate risk analysis on banking and non-banking operations of the Group

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

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-sensi-tive	Total
31 December 2020							
Total financial assets	40 496	25 504	25 320	70 309	62 057	119 576	343 262
Total financial liabilities	45 961	48 852	35 811	77 621	5 017	58 643	271 905
Net interest sensitivity gap	(5 465)	(23 348)	(10 491)	(7 312)	57 040	60 933	71 357
31 December 2019							
Total financial assets	22 101	19 095	16 043	96 644	76 635	133 360	363 878
Total financial liabilities	58 220	65 700	46 762	39 911	9 668	116 321	336 582
Net interest sensitivity gap	(36 119)	(46 605)	(30 719)	56 733	66 967	17 039	27 296

The table below summarises the effective average year end interest rates, by major currencies (US Dollars, Russian Rubles), for financial instruments. The analysis has been prepared on the basis of weighted average effective interest rates for the various financial instruments using year-end contractual terms and conditions.

	At 31 December 2020		At 31 December 2019	
	Russian Ruble	US Dollar	Russian Ruble	US Dollar
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	-	-	-	1,00%
Term deposits	4,36%	-	7,21%	-
Due from banks	-	-	4,41%	-
Banking: Loans to customers	9,98%	2,84%	10,13%	4,60%
Other financial assets				
Bank deposits	5,08%	-	13,00%	1,60%
Due from banks	4,40%	0,02%	4,41%	-
REPO with banks	4,25%	0,19%	6,05%	-
Notes receivable	0,10%	-	0,10%	-
Loans to employees	3,19%	-	3,19%	-
Other loans	7,05%	-	9,22%	-
Securities at FVTPL	6,53%	4,74%	7,11%	3,66%
Securities at FVOCI	6,04%	5,25%	8,67%	6,57%
Securities at AC	6,93%	4,95%	8,35%	6,57%
Financial liabilities				
Debt				
Bonds issued	6,90%	-	6,89%	-
Subordinated debt	8,50%	-	0,00%	8,92%
Debt securities issued	5,48%	-	5,00%	1,20%
Credit facilities	5,00%	0,76%	6,47%	4,19%
Other debt	4,10%	0,01%	4,57%	0,01%
Banking: Other financial liabilities at fair value through profit and loss	5,25%	7,70%	7,46%	-
Banking: Due to banks and the Bank of Russia	4,15%	0,36%	6,41%	1,60%
Banking: Customer accounts	3,62%	0,52%	6,00%	2,30%

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

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Increase by 100 basis points	(717)	(574)	(273)	(218)
Decrease by 100 basis points	717	574	273	218

c) Financial instruments price risk

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

Financial instruments price risk for financial instruments held within the Group’s financial assets at fair value through profit or loss is managed: (a) through maintaining a diversified structure of portfolios; and (b) by setting position limits (i.e. limits restricting the total amount of an investment or maxi- mum mismatch between respective assets and liabilities) as well as stop-loss and call-level limits, in addition to these, the Group sets limits on a maximum duration of debt financial

instruments. When necessary the Group establishes margin and collateral requirements.

Financial instruments price risk is managed primarily through daily mark-to-market procedures, sensitivity analysis and control of limits established for various types of financial instruments.

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

VaR estimates in respect of financial assets at fair value through profit or loss and available-for-sale financial assets are as follows:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Fixed income securities price risk	499	399	301	240
Equity securities price risk	1	1	6	5
Total price risk	500	400	307	245

Credit risk

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

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

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

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a

portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Expected credit loss (ECL) measurement.

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

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and in- terest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor (“CCF”). CCF is a coefficient that shows

the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period.

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

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

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

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward-looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

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

Credit risk management.

Credit risk is the single largest risk for the Group’s business; management therefore carefully manages its exposure to credit risk.

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

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

Financial assets move from Stage 1 to Stage 2 if there is one

or a combination of the following factors:

- financial assets are over 30 days overdue;
- credit rating deteriorates;
- there are early warning indicators of an increase in credit risk; a need to change previously agreed on terms of the agreement to create more favourable environment for a customer due to his inability to meet current liabilities because of the customer’s financial position; full or partial refinancing of the current debt which would not be required if the client did not experience financial difficulties;
- a customer has no rating at the reporting date;
- information on future changes in assets that may result in credit losses not considered in the rating systems is identified (e.g. military conflicts in the region that may have a significant impact on future credit quality).

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

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

Non-banking activities credit risk management

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

Credit risks related to accounts receivable are systematically monitored taking into account the customer’s financial position, past experience and other factors. Management systematically reviews ageing analysis of receivables and uses this information for calculation of expected credit losses. A significant portion of the Group’s accounts receivable is due from domestic and export trading companies. The Group does not always require collateral to limit the exposure to loss; however, in most cases letters of credit and prepayments are used, especially with respect to accounts receivables from non-CIS sales of crude oil. The Group operates with various customers and a substantial part of its sales relate to major customers. Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded. Credit risk analysis for accounts receivable is presented in Note 7.

The Group performs an ongoing assessment and monitoring of the risk of default. In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash. The Group deposits available cash mostly with financial institutions in the Russian Federation. To manage this credit risk, the Group allocates its available cash to a variety of Russian banks. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

Banking activities credit risk management

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

Credit committees and their level of responsibility in respect of approval of maximum exposures on a borrower or group of related borrowers are as follows:

Name of committee	Maximum exposure allowed to be approved, RR million
Assets and liabilities management committee	Not limited*
Credit committee	Not limited*
Credit committee on small and medium-sized business borrowers	400
Credit committee on retail lending	50
Personal banking projects committee	90

* Within the limits of standards N6 and N25

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

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

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

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

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

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

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

- based on the average values obtained on the internal statistics;
- using external ratings of international rating agencies (S&P, Fitch, Moody’s), mapped to the internal scale of the Bank ZENIT.

The system of internal ratings has been applied by Bank ZENIT since 1999 and is continuously updated and developed. The information accumulated over this period provides a sound ground for assessment of ratings migration and allows the Group to calibrate corresponding parameters of default probability.

The Group updates and validates internal models and approaches on a periodic basis, but at least once a year. For the purpose of information disclosure, assets are grouped in one of the 5 credit quality rating categories in order of credit quality deterioration (credit risk increase) in accordance with the approaches outlined below:

Rating group	PD interval	Corresponding ratings of S&P	Description
I	<0,36%	«AAA»...«BB+»	Minimal credit risk
II	[0,36%; 1,51%)	«BB»...«BB-»	Low credit risk
III	[1,51%; 7,51%)	«B+»...«B-»	Medium credit risk
IV	[7,51%; 100%)	«CCC+»...«C»	High credit risk
V	100,00%	«D»	Default assets

The Group does not enter into transactions with an initial rating of III, IV and V.

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

- structured and continuous monitoring of the implementation of financial and non-financial covenants using the control register;
- carrying out, with an established frequency, regular inspections of the volume, type and conditions of maintenance of the pledged items, its validity and insurance;
- conducting a quarterly analysis of the financial and economic activities of the borrower and monitoring its financial position;
- monitoring of proper loan maintenance and repayment (tranches);
- analysis of actual exposures versus established limits;
- control over compliance with internal policies, procedures, instructions and orders issued by respective management bodies;

- monitoring of macroeconomic parameters in order to check the adequacy of risk assessment and forecast.

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

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

For more detailed analyses please refer to https://www.zenit.ru/en/#investor_en

Credit risk analysis on banking and non-banking operations of the Group

The Group uses the following rating categories for the analysis of credit quality of assets other than loans to customers and accounts receivable:

- investment grade ratings classification referred to as Aaa to Baa3 for Moody's Investment Services, as AAA to BBB- for Fitch Rating and as AAA to BBB- for Standard and Poor's Rating, respectively;
- non-investment (speculative) grade ratings classification referred to as Ba1 to C for Moody's Investment Services, as BB+ to B- for Fitch Rating and as BB+ to D for Standard and Poor's Rating, respectively.

The following table contains an analysis of the credit risk exposure of cash and cash equivalents including mandatory reserve deposits with the Bank of Russia. The carrying amount also represents the Group's maximum exposure to credit risk on these financial assets.

	At 31 December 2020				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Cash on hand and cash in banks					
Investment grade rating	29 237	-	-	-	29 237
Non-investment grade rating	226	-	-	-	226
Unrated	1 272	-	-	-	1 272
Gross carrying amount	30 735	-	-	-	30 735
Credit loss allowance	-	-	-	-	-
Carrying amount	30 735	-	-	-	30 735
Term deposits with original maturity of less than three months					
Investment grade rating	911	-	-	-	911
Non-investment grade rating	6 073	-	-	-	6 073
Unrated	258	-	-	-	258
Gross carrying amount	7 242	-	-	-	7 242
Credit loss allowance	-	-	-	-	-
Carrying amount	7 242	-	-	-	7 242
Due from banks					
Investment grade rating	2 128	-	-	-	2 128
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	2 128	-	-	-	2 128
Credit loss allowance	-	-	-	-	-
Carrying amount	2 128	-	-	-	2 128

	At 31 December 2019				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Banking: Mandatory reserve deposits with the Bank of Russia					
Investment grade rating	1 528	-	-	-	1 528
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	1 528	-	-	-	1 528
Credit loss allowance	-	-	-	-	-
Carrying amount	1 528	-	-	-	1 528
Cash on hand and cash in banks					
Investment grade rating	22 999	-	-	-	22 999
Non-investment grade rating	10	-	-	-	10
Unrated	1 721	-	-	-	1 721
Gross carrying amount	24 730	-	-	-	24 730
Credit loss allowance	-	-	-	-	-
Carrying amount	24 730	-	-	-	24 730
Term deposits with original maturity of less than three months					
Investment grade rating	128	-	-	-	128
Non-investment grade rating	222	-	-	-	222
Unrated	-	-	-	-	-
Gross carrying amount	350	-	-	-	350
Credit loss allowance	-	-	-	-	-
Carrying amount	350	-	-	-	350
Due from banks					
Investment grade rating	77	-	-	-	77
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	77	-	-	-	77
Credit loss allowance	-	-	-	-	-
Carrying amount	77	-	-	-	77
Banking: Mandatory reserve deposits with the Bank of Russia					
Investment grade rating	1 572	-	-	-	1 572
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	1 572	-	-	-	1 572
Credit loss allowance	-	-	-	-	-
Carrying amount	1 572	-	-	-	1 572

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

The carrying amount also represents the Group's maximum exposure to credit risk on these financial assets.

	At 31 December 2020				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Notes receivable					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	318	-	318
Gross carrying amount	-	-	318	-	318
Credit loss allowance	-	-	(318)	-	(318)
Carrying amount	-	-	-	-	-
Other loans					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	73	1 315	31 739	-	33 127
Gross carrying amount	73	1 315	31 739	-	33 127
Credit loss allowance	-	(92)	(24 471)	-	(24 563)
Carrying amount	73	1 223	7 268	-	8 564
Loans to employees					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	2 698	-	2 698
Gross carrying amount	-	-	2 698	-	2 698
Credit loss allowance	-	-	(1 717)	-	(1 717)
Carrying amount	-	-	981	-	981
Bank deposits					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	10 000	-	-	-	10 000
Unrated	-	-	5 547	-	5 547
Gross carrying amount	10 000	-	5 547	-	15 547
Credit loss allowance	-	-	(5 547)	-	(5 547)
Carrying amount	10 000	-	-	-	10 000
Due from banks					
Investment grade rating	208	-	-	-	208
Non-investment grade rating	2 201	-	-	-	2 201
Unrated	-	-	39	-	39
Gross carrying amount	2 409	-	39	-	2 448
Credit loss allowance	(18)	-	(39)	-	(57)
Carrying amount	2 391	-	-	-	2 391

	At 31 December 2020				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
REPO with banks					
Investment grade rating	1 551	-	-	-	1 551
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	1 551	-	-	-	1 551
Credit loss allowance	-	-	-	-	-
Carrying amount	1 551	-	-	-	1 551
Debt securities measured at amortised cost					
Investment grade rating	26 929	-	-	-	26 929
Non-investment grade rating	6 863	-	-	-	6 863
Unrated	244	-	-	-	244
Gross carrying amount	34 036	-	-	-	34 036
Credit loss allowance	(128)	-	-	-	(128)
Carrying amount	33 908	-	-	-	33 908
Debt securities measured at fair value through other comprehensive income					
Investment grade rating	18 595	-	-	-	18 595
Non-investment grade rating	1 723	-	-	-	1 723
Unrated	474	-	-	-	474
Gross carrying amount	20 792	-	-	-	20 792
Credit loss allowance	(32)	-	-	-	(32)
Carrying amount	20 760	-	-	-	20 760

	At 31 December 2019				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Notes receivable					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	-	112	240	-	352
Gross carrying amount	-	112	240	-	352
Credit loss allowance	-	-	(240)	-	(240)
Carrying amount	-	112	-	-	112
Other loans					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	73	1 531	45 911	-	47 515
Gross carrying amount	73	1 531	45 911	-	47 515
Credit loss allowance	-	(241)	(25 766)	-	(26 007)
Carrying amount	73	1 290	20 145	-	21 508
Loans to employees					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	2 732	-	2 732
Gross carrying amount	-	-	2 732	-	2 732
Credit loss allowance	-	-	(1 804)	-	(1 804)
Carrying amount	-	-	928	-	928
Bank deposits					
Investment grade rating	309	-	-	-	309
Non-investment grade rating	12	-	-	-	12
Unrated	338	-	5 547	-	5 885
Gross carrying amount	659	-	5 547	-	6 206
Credit loss allowance	-	-	(5 547)	-	(5 547)
Carrying amount	659	-	-	-	659
Due from banks					
Investment grade rating	1 475	-	-	-	1 475
Non-investment grade rating	3 121	-	-	-	3 121
Unrated	-	-	32	-	32
Gross carrying amount	4 596	-	32	-	4 628
Credit loss allowance	(109)	-	(32)	-	(141)
Carrying amount	4 487	-	-	-	4 487

	At 31 December 2019				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
REPO with banks					
Investment grade rating	4 081	-	-	-	4 081
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	4 081	-	-	-	4 081
Credit loss allowance	-	-	-	-	-
Carrying amount	4 081	-	-	-	4 081
Debt securities measured at amortised cost					
Investment grade rating	16 354	-	-	-	16 354
Non-investment grade rating	5 087	-	-	-	5 087
Unrated	2 359	-	-	-	2 359
Gross carrying amount	23 800	-	-	-	23 800
Credit loss allowance	(62)	-	-	-	(62)
Carrying amount	23 738	-	-	-	23 738
Debt securities measured at fair value through other comprehensive income					
Investment grade rating	16 476	-	-	-	16 476
Non-investment grade rating	797	-	-	-	797
Unrated	1 848	20	-	-	1 868
Gross carrying amount	19 121	20	-	-	19 141
Credit loss allowance	(34)	-	-	-	(34)
Carrying amount	19 087	20	-	-	19 107

Within short term bank deposits there are RR 5,540 million of deposits placed with Tatfondbank. In March 2017, by the order of the Bank of Russia the license to conduct banking operations was withdrawn from Tatfondbank. At 31 December 2020 and 2019 the Group created a provision for impairment of deposits placed with Tatfondbank in the amount of RR 5,540 million.

Liquidity risk

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

Non-banking operations liquidity risk management

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

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

Banking operations liquidity risk management

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

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

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

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

- current structure of assets and liabilities including any known renewal arrangements as at the date of the respective test;

- amounts, maturity and liquidity profiles of transactions projected by business units;

- current and projected characteristics of liquid assets which include, apart from cash and cash equivalents, amounts due from other banks and certain financial assets held-for-trading; and

- relevant external factors.

The resulting models allow for the assessment of future expected cash flows due to projected future business and different crisis scenarios. While managing liquidity risk treasury departments of the Group distinguish liquidity required within a current business day and term liquidity. For managing current liquidity (with a 1-day horizon) the following methods are used:

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

In order to optimize liquidity management procedures, Bank ZENIT allocates instant (intraday) and emergency liquidity management. The monitoring of the current and forecasted state of urgent liquidity is carried out by the Bank's Treasury daily on the basis of calculating the sufficiency of highly liquid assets to cover planned and unplanned outflows and meeting resource requirements for a period of up to 30 days. In the normal course of business, liquidity reports reflecting the current and projected structure of assets and liabilities, taking into account the model of daily minimum balance on current accounts by currency based on an analysis of historical dynamics, as well as expected future cash flows are regularly reported to ALCO. Liquidity management decisions made by the ALCO are implemented by treasuries as part of their duties.

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

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

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

Liquidity analysis for banking and non-banking operations of the Group

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

	At 31 December 2020			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Financial liabilities				
Trade and other financial payables				
Trade payables	55 028	-	-	55 028
Dividend payable	823	-	-	823
Current portion of lease liability	2 891	-	-	2 891
Lease obligations, net of current portion	-	8 482	9 738	18 220
Other payables	2 183	433	7	2 623
Banking: Other financial liabilities at fair value through profit and loss	1 764	-	-	1 764
Debt				
Bonds issued	1 470	23 490	-	24 960
Subordinated debt	21	-	-	21
Debt securities issued	502	120	2	624
Credit facilities	3 008	2 708	2 239	7 955
Other debt	3 551	386	9	3 946
Banking: Due to banks and the Bank of Russia	14 400	1 777	275	16 452
Banking: Customer accounts	146 149	20 810	2 334	169 293
Credit related commitments (Note 26)	41 393	5 969	-	47 362
Total	273 183	64 175	14 604	351 962

	At 31 December 2019			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
Financial liabilities				
Trade and other financial payables				
Trade payables	36 150	-	-	36 150
Dividend payable	55 865	-	-	55 865
Current portion of lease liability	3 024	-	-	3 024
Lease obligations, net of current portion	-	9 443	11 078	20 521
Other payables	1 660	149	-	1 809
Banking: Other financial liabilities at fair value through profit and loss	4 451	-	-	4 451
Debt				
Bonds issued	3 232	22 323	7	25 562
Subordinated debt	292	3 137	509	3 938
Debt securities issued	880	40	3	923
Credit facilities	14 700	-	-	14 700
Other debt	475	2 007		2 482
Banking: Due to banks and the Bank of Russia	20 727	2 827	3	23 557
Banking: Customer accounts	134 315	29 486	8	163 809
Credit related commitments (Note 26)	36 114	5 725	-	41 839
Total	311 885	75 137	11 608	398 630

Fair values

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

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

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

	At 31 December 2020			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit or loss	-	-	2 044	2 044
Securities measured at fair value through profit or loss	4 064	1 793	246	6 103
Other loans measured at fair value through profit or loss	-	-	5 079	5 079
Securities measured through other comprehensive income	20 304	9 865	16 173	46 342
Investment property	-	-	1 229	1 229
Banking: Other financial liabilities measured at fair value through profit and loss	(1 691)	(73)	-	(1 764)
Total	22 677	11 585	24 771	59 033

	At 31 December 2019			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit or loss	-	-	12 947	12 947
Securities measured at fair value through profit or loss	7 015	643	293	7 951
Banking: Due from banks	-	1 238	-	1 238
Securities measured at fair value through other comprehensive income	18 325	10 407	16 095	44 827
Investment property	-	-	1 323	1 323
Banking: Other financial liabilities measured at fair value through profit and loss	(4 425)	(26)	-	(4 451)
Total	20 915	12 262	30 658	63 835

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 December 2020 и 2019:

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

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the years ended 31 December 2020 and 2019. There have been no transfers between Level 1, Level 2 and Level 3 during 2020 and 2019 year.

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

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

	At 31 December 2020				At 31 December 2019			
	Fair value			Carrying value	Fair value			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets								
Cash and cash equivalents								
Cash on hand and in banks	5 141	25 594	-	30 735	6 365	18 365	-	24 730
Term deposits	-	7 242	-	7 242	-	350	-	350
Due from banks	-	2 128	-	2 128	-	77	-	77
Banking: Mandatory reserve deposits with the Bank of Russia	1 528	-	-	1 528	1 572	-	-	1 572

	At 31 December 2020				At 31 December 2019			
	Fair value			Carrying value	Fair value			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Accounts receivable								
Trade receivables	-	-	79 872	79 872	-	-	79 724	79 724
Other financial receivables	-	681	4 502	5 183	-	1 176	11 506	12 682
Banking: Loans to customers measured at amortised cost	-	-	100 230	99 611	-	-	122 842	123 505
Other financial assets								
Bank deposits	-	10 000	-	10 000	-	659	-	659
Due from banks	-	2 460	-	2 391	-	3 283	-	3 249
REPO with banks	-	1 551	-	1 551	-	4 081	-	4 081
Notes receivable	-	-	-	-	-	-	112	112
Loans to employees	-	-	981	981	-	-	928	928
Other loans measured at amortised cost	-	-	8 564	8 564	-	-	21 508	21 508
Securities measured at amortised cost	25 675	9 455	-	33 908	24 777	-	-	23 738
Total financial assets	32 344	59 111	194 149	283 694	32 714	27 991	236 620	296 915
Liabilities								
Trade and other financial payables								
Trade payables	-	-	55 028	55 028	-	350	35 800	36 150
Dividend payable	-	-	823	823	-	-	55 865	55 865
Current portion of lease liabilities	-	-	2 540	2 540	-	-	2 613	2 613
Other payables	-	-	2 623	2 623	-	332	1 477	1 809
Non-current lease liabilities	-	-	10 679	10 679	-	-	11 578	11 578
Debt								
Bonds issued	15 000	7 189	-	22 079	20 032	1 825	-	21 857
Subordinated debt	-	21	-	21	-	1 287	-	1 287
Debt securities issued	-	610	-	612	-	923	-	923
Credit facilities	-	-	7 955	7 955	-	-	14 700	14 700
Other debt	-	-	3 946	3 946	-	-	2 482	2 482
Banking: Due to banks and the Bank of Russia	273	14 802	-	15 210	1 527	21 288	-	22 815
Banking: Customer accounts	-	148 307	-	148 625	-	156 578	-	160 052
Total financial liabilities	15 273	170 929	83 594	270 141	21 559	182 583	124 515	332 131

The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to credit risk and maturity.

Reconciliation of liabilities arising from financing activities

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

	Liabilities arising as a result of financing activities				
	Short-term and long-term debt	Bonds issued	Subordinated debt	Lease liabilities	Total
At 31 December 2018	9 270	1 056	3 580	-	13 906
Cash flow movement, including:					
Proceeds from issuance of debt	115 346	-	-	-	115 346
Repayment of debt	(107 212)	-	-	-	(107 212)
Issuance of bonds	-	21 790	-	-	21 790
Redemption of bonds, subordinated debts	-	(1 053)	(2 140)	-	(3 193)
Repayment of principal portion of lease liabilities	-	-	-	(1 352)	(1 352)
Interest paid	(2 222)	(119)	(286)	(1 571)	(4 198)
Foreign exchange adjustments	713	-	(160)	-	553
Interest accrual	755	182	310	1 571	2 818
Other non-cash flows	532	1	(17)	15 543	16 059
At 31 December 2019	17 182	21 857	1 287	14 191	54 517
Cash flow movement, including:					
Proceeds from issuance of debt	218 758	-	-	-	218 758
Repayment of debt	(225 083)	-	-	-	(225 083)
Issuance of bonds	-	3 198	-	-	3 198
Redemption of bonds, subordinated debts	-	(3 029)	(1 545)	-	(4 574)
Repayment of principal portion of lease liabilities	-	-	-	(1 419)	(1 419)
Interest paid	(1 009)	(1 518)	(240)	(1 374)	(4 141)
Foreign exchange adjustments	1 017	-	276	-	1 293
Interest accrual	1 033	1 594	243	1 374	4 244
Other non-cash flows	3	(23)	-	447	427
At 31 December 2020	11 901	22 079	21	13 219	47 220

Management of Capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group defines capital under management as the total Group shareholders' equity as shown in the consolidated statement of financial position. The amount of capital that the Group managed as at 31 December 2020 was RR 827,672 million (2019: RR 745,532 million). The Group manages capital for banking and non-banking operations separately.

Non-banking operations capital management

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

The Group monitors capital on the basis of its gearing ratio.

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated total borrowings excluding borrowings of Bank ZENIT:	26 901	32 182
Bonds issued	15 000	15 000
Credit facilities	7 955	14 700
Other debt	3 946	2 482
Consolidated shareholders' equity	827 672	745 532
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders' equity)	3,3%	4,3%

Banking operations capital management

The Bank ZENIT's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored by the Management of Bank ZENIT on a daily basis. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Bank ZENIT is also subject to minimum capital requirements established by loan covenants, including capital adequacy level of 8% calculated in accordance with Basel I and IFRS, and Tier 1 capital adequacy ratio of 6%. Bank ZENIT has complied with all externally imposed capital requirements throughout 2020 and 2019.

In September 2015 Bank ZENIT received five subordinated loans totalling RR 9,933 million from DIA within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements DIA paid these loans by securities (OFZ of five series), that should be returned upon maturity of the subordinated loans. These subordinated loans mature from January 2025 to November 2034 and bear interest equal to OFZ coupon rate plus 1%. In accordance with IFRS 9 and IAS 39 if securities are loaned under an agreement to return them to the transferor, they are not derecognised because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised. Therefore, OFZ and the subordinated loan received from DIA are not recognised within assets and liabilities in the consolidated statement of financial position. These subordinated loans are accounted for in capital adequacy ratio calculation in accordance with Bank of Russia's Regulation No. 646-P.

Annex 2. Report on compliance of PJSC TATNEFT n.a. V.D. Shashin with the corporate governance code guidelines of the Bank of Russia

based on the results of the reporting calendar year
2020 and the end of the corporate year (June 2020/
June 2021)

The present report has been prepared pursuant to the Bank of Russia's Regulation on Disclosure by Securities Issuers No 454-P of 30/12/2014, Chapter 70 and describes how the Company is compliant with the guidelines of the Corporate Governance Code of the Bank of Russia (hereinafter the Code) for joint-stock companies with listed securities. Full text of the Corporate Governance Code is available at the website of the Bank of Russia at http://www.cbr.ru/finmarkets/files/common/letters/2014/inf_apr_1014.pdf.

The Corporate Governance Code compliance is assessed by PJSC TATNEFT according to the guidance of the Bank of Russia provided in its Letter No IN-06-52/8 of 17 February 2016 "On Disclosure of the report on compliance with the Corporate Governance Code guidelines in the annual report of a public joint stock company".

This Corporate Governance Compliance Report was considered by the Board of Directors of PJSC TATNEFT n.a. V.D. Shashin at the meeting in May 25, 2021. (Minutes No. 13 dated May 25, 2021) as part of the 2020 Annual report.

The Board of Directors acknowledges that the information and data disclosed herein contain complete and accurate information with regard to

the PJSC TATNEFT compliance with the guidance of the Corporate Governance Code in 2020.

The Company's corporate governance model and practice is set out in the Corporate Governance Section of this Report.

Item No.	Corporate Governance Principle	Criteria for assessing compliance with the corporate governance principles	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
1.1	The Company shall ensure equal and fair treatment of all its shareholders in the course of exercise by them of their rights to participate in the management of the company.			
1.1.1.	The Company creates most favorable conditions for its shareholders enabling them to participate in the General meeting and develop informed positions on issues on its agenda, as well as provide them with the opportunity to coordinate their actions and express their opinions on issues being discussed.	- The Company's internal document approved by the General meeting of shareholders and regulating the procedures for holding the General meeting is publicly available. - The Company provides an accessible means of communication with the Company, such as a hotline, e-mail or Internet forum to allow shareholders to express their opinions and send their questions regarding the agenda during preparation for the General meeting. These actions were taken by the Company ahead of each General meeting held during the reporting period.	Full compliance Partial compliance Noncompliance	
1.1.2.	Procedures for notification of the General meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.	- The notification of the General meeting of shareholders is posted (published) on the website on the Internet at least 30 days before the date of the General meeting. - The notification indicates the venue of the meeting and the documents to be presented permitting access to the premises. - Shareholders have been provided with an access to the information about who proposed agenda items and who nominated candidates to the Board of Directors and the Audit Committee of the Company.	Full compliance Partial compliance Noncompliance	
1.1.3.	During the preparation for and holding of the General meeting, the shareholders could freely and timely receive information about the meeting and its materials, pose questions to members of the Company's executive bodies and the Board of Directors, and communicate with each other.	- During the reporting period, the shareholders were given the opportunity to ask questions to the members of the Company's executive bodies and the Board of Directors before and during the annual General meeting. - The standpoint of the Board of Directors (including dissenting opinions recorded in the minutes) on each item on the agenda of General meetings held during the reporting period was included in the proceedings for the General meeting of shareholders. - The Company provided the eligible shareholders with an access to the list of persons entitled to participate in the General meeting, starting from the date when it was received by the Company, in all cases when General meetings were held in the reporting period.	Full compliance Partial compliance Noncompliance	

1.1.4.	There were no unjustified difficulties preventing shareholders from exercising their right to demand that a General meeting be convened, nominate candidates to the Company's governing bodies, and to place proposals on its agenda.	1. During the reporting period, shareholders could submit their proposals to be included in the agenda of the annual General meeting within at least 60 days after the end of the relevant calendar year. 2. In the reporting period, the Company did not reject any proposals for the agenda or nominees to the Company's governance bodies if there were typos and other slight insufficiencies in the shareholder's proposal.	Full compliance Partial compliance Noncompliance	
1.1.5.	Each shareholder could freely exercise their right to vote in a straightforward and most convenient way.	1. The internal document (internal policy) of the Company contains provisions according to which each participant of the General meeting may request a copy of the completed ballot, certified by the ballot-counting committee, before the end of the relevant meeting.	Full compliance Partial compliance Noncompliance	
1.1.6.	Procedures for holding a General meeting set by the Company provide equal opportunity to all persons present at the General meeting to express their opinions and ask questions that might be of interest to them.	1. When holding General meetings of shareholders in the form of a meeting (joint attendance of shareholders) in the reporting period, sufficient time was provided to speakers for their presentations and discussions with regard to the agenda items. 2. Candidates for the governance and control bodies of the Company were available to answer questions asked by the shareholders at the meeting, at which their nominations were put to the vote. 3. When making decisions regarding preparation and holding of the general meetings of shareholders, the Board of Directors considered the option of using telecommunications so that the shareholders could remotely participate in the general meetings in the reporting period.	Full compliance Partial compliance Noncompliance	In pursuance of the requirements of the current legislation of the Russian Federation related to the COVID-19 spread prevention, General meetings of shareholders in the reporting period were held in the form of absentee voting.
1.2	Shareholders have equal and fair opportunities to participate in the profits of the company by means of receiving dividends.			
1.2.1.	The Company has developed and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.	1. The Company has developed its dividend policy that has been approved by the Board of Directors and disclosed. 2. If the dividend policy of the Company uses the Company's performance indicators from its accounting reports to determine the size of dividends, then relevant provisions of the dividend policy take into account consolidated figures of the financial statements.	Full compliance Partial compliance Noncompliance	
1.2.2.	The company does not make a decision to pay dividends if such decision, while formally compliant with laws, is unjustified from the economic point of view and may lead to misrepresentation of the company's performance.	1. The Company's dividend policy contains clear indications of financial and economic circumstances when the Company should not pay dividends.	Full compliance Partial compliance Noncompliance	The Company's Dividend Policy contains the provisions under which dividends are payable, and the Company assumes that failure to comply with these provisions is the basis for non-payment of dividends. The Company plans to make appropriate changes to the Dividend Policy in 2021-2022, specifying the financial/economic circumstances under which the Company should not pay dividends.

1.2.3.	The Company does not allow deterioration of dividend rights of its existing shareholders.	1. In the reporting period, the Company did not take any actions that would lead to deterioration of dividend rights of its existing shareholders. 2. The history record of dividend payments reflects the Company's consistency in terms of ensuring high level of dividend yield while maintaining a balance between short-term (earnings in the form of dividend payouts) and long-term (investment into the development of the Company) interests of shareholders.	Full compliance Partial compliance Noncompliance	
1.2.4.	The Company strives to rule out any ways through which its shareholders can obtain any profit or gain at the Company's expense other than dividends and distributions of its liquidation value.	1. In order to rule out any ways for its shareholders to obtain any profit or gain at the company's expense other than dividends and distributions of its liquidation value, the internal documents of the Company set out controls that ensure timely identification and approval procedure for transactions with persons affiliated (associated) with substantial shareholders (persons who have the right to exercise their voting shares rights), when the law formally does not recognize such transactions as non-arm's length transactions.	Full compliance Partial compliance Noncompliance	
1.3.	The system and practices of corporate governance ensure equal terms and conditions for all shareholders owning shares of the same class (category) in the company, including minority and foreign shareholders as well as their equal treatment by the Company.			
1.3.1.	The Company has created conditions, which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.	1. In the reporting period, the procedures for managing potential conflict of interest of substantial shareholders have been effective, and the conflicts among shareholders, if they took place, were given sufficient attention by the Board of Directors.	Full compliance Partial compliance Noncompliance	
1.3.2.	The Company does not take any actions, which will or might result in artificial reallocation of corporate control therein.	1. There were no quasi-treasury shares, nor did they participate in voting in the reporting period.	Full compliance Partial compliance Noncompliance	The Company prevents all actions, which will or might result in artificial reallocation of corporate control therein. The structure of the shareholder capital is such that 61% of voting shares are in free circulation of minority shareholders. Total quasi-treasury stock of the Company makes up minimal 3.47% of voting shares, and voting with this stake cannot significantly affect the overall voting result. Voting for candidates for the governance and control bodies is carried out in equal proportions between each candidate, which does not give an advantage to any candidate. The voluntary nature of such approach is equivalent of voluntary renunciation of voting under quasi-treasury stock in principle. Based on the above, the Company believes that in essence, it fully complies with the requirement not to undertake any actions that result or may result in artificial reallocation of control.

1.4. The shareholders are provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.

1.4.1.	The shareholders are provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.	1. The quality and reliability of the activities carried out by the Registrar of the Company to maintain the register of holders of securities meet the needs of the Company and its shareholders	Full compliance	Partial compliance	Noncompliance
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2.1. The Board of Directors is in charge of strategic management of the Company, determine major principles of and approaches to creation of a risk management and internal control system within the Company, monitor the activity of the Company's executive bodies, and carry out other key functions.

2.1.1.	The Board of Directors is responsible for making decisions with regard to appointments and dismissals of members of executive bodies, including those related to their failure to properly perform their duties. The Board of Directors also procures that the Company's executive bodies act in accordance with an approved development strategy and main business goals of the Company.	1. The Board of Directors is vested with the powers embodied in the Articles of Association to appoint, dismiss and determine the terms of contracts with respect to members of Executive bodies. 2. The Board of Directors has considered the progress report of the sole executive body and members of the collegial executive body on implementation of the Company's strategy.	Full compliance	Partial compliance	Noncompliance
2.1.2.	The Board of Directors sets the Company's main guidelines and targets for its business activities in the long term, evaluates and approves the Company's key performance indicators and main business goals, as well as evaluates and approves the Company's strategy and business plans for its core business activities.	1. In the reporting period, the Board of Directors addressed the matters related to implementation and updating of the strategy, approval of the Company's financial and economic plan (budget), as well as reviewed criteria and performance indicators (including interim ones) for the implementation of the Company's strategy and business plans.	Full compliance	Partial compliance	Noncompliance
2.1.3.	The Board of Directors defines the principles and approaches to setting up of the risk management and internal control system in the Company.	1. The Board of Directors defined the principles and approaches to setting up of the risk management and internal control system in the Company. 2. The Board of Directors assessed the Company's risk management and internal control system during the reporting period.	Full compliance	Partial compliance	Noncompliance
2.1.4.	The Board of Directors defines the Company's policy on remuneration due to and/or reimbursement of costs (compensation) incurred by its Board members, members of its Executive bodies and other key managers.	1. The Company has developed and put in place the policy (policies) on remuneration due to and/or reimbursement of costs (compensation) incurred by its Board members, members of the Executive bodies of the Company and other key managers, which has been approved by the Board of Directors. 2. During the reporting period, matters related to this policy (s) were considered at meetings of the Board of Directors.	Full compliance	Partial compliance	Noncompliance

2.1.5.	The Board of Directors plays a key role in preventing, detecting and resolving internal conflicts between the Company's governance bodies, shareholders and employees.	1. The Board of Directors plays a key role in the prevention, detection and resolution of internal conflicts. 2. The Company has established a system for identifying transactions related to conflicts of interest and a set of measures aimed at resolving such conflicts.	Full compliance	Partial compliance	Noncompliance
2.1.6.	The Board of Directors plays a key role in procuring that the Company is transparent, discloses information in full and in due time, and provides its shareholders with unhindered access to its documents.	1. The Board of Directors has approved the Information Policy Regulation. 2. There are designated persons in the Company, who are responsible for implementation of the information policy.	Full compliance	Partial compliance	Noncompliance
2.1.7.	The Board of Directors oversees corporate governance practices in the Company and plays a key role in significant corporate events of the Company.	1. In the reporting period, the Board of Directors considered the matter of corporate governance practices in the Company.	Full compliance	Partial compliance	Noncompliance
2.2. The Board of Directors is accountable to the shareholders of the Company.					
2.2.1.	Information with regard to the work of the Board of Directors is disclosed and provided to the shareholders.	1. The Annual report of the Company for the reporting period includes information on attendance at meetings of the Board of Directors and committees by individual directors. 2. The Annual report contains information on the main results of the Board of Directors' performance assessment conducted in the reporting period.	Full compliance	Partial compliance	Noncompliance
2.2.2.	The Chairman of the Board of Directors is available to communicate with the Company's shareholders.	1. There is a transparent procedure in place in the Company that allows the shareholders direct all their queries to the Chairman of the Board of Directors as well as their own points of view thereupon.	Full compliance	Partial compliance	Noncompliance
2.3. The Board of Directors is an efficient and professional governing body of the Company, which is able to make objective and independent judgements and pass resolutions in the best interests of the Company and its shareholders.					
2.3.1.	Only persons who have an impeccable business and personal reputation and have knowledge, skills, and experience necessary to make decisions that fall within the jurisdiction of the Board of Directors and to perform its functions efficiently are elected to the Board of Directors.	1. The Company's procedure for assessment of the performance of the Board of Directors includes, inter alia, evaluating the professional qualifications of the members of the Board of Directors. 2. Over the reporting period, the Board of Directors (or its Nomination Committee) evaluated candidates for the Board of Directors in terms of their necessary experience, knowledge, business reputation, lack of conflicts of interest, etc.	Full compliance	Partial compliance	Noncompliance

2.3.2.	Members of the Company's Board of Directors are elected using a transparent procedure enabling the shareholders to obtain the sufficient information with regard to respective candidates so that they could form their opinion of the candidates' personal and professional qualities.	1. In all General meetings of shareholders held in the reporting period, where the meeting agenda items called for the election of the Board of Directors, the Company furnished its shareholders with biographical details of all candidates for the Board of Directors, results of evaluation of the candidates performed by the Board of Directors (or its Nomination Committee), as well as the information on whether candidates meet independence criteria as per recommendations 102 - 107 of the Code, and the written consent of the candidates to be elected for the Board of Directors.	Full compliance Partial compliance Noncompliance	The Company provides shareholders with information related to the background of candidates for membership in the Board of Directors, the results of the evaluation of such candidates, the candidate's compliance with the independence criteria by posting it on the Company's website. The Company confirms the existence of written consents of candidates for election to the Board of Directors. and published this information as part of the materials for the general meetings of shareholders. The written consents of candidates for election to the Board of Directors were posted on the Company's website as part of the materials and information for the annual general meeting of shareholders for 2020.
2.3.3.	The composition of the Board of Directors is well balanced, including in terms of the qualifications of its members, their experience, knowledge and business acumen, which enjoy the confidence of shareholders.	1. In the course of assessment of the Board of Directors' performance carried out in the reporting period, the Board analyzed its own needs in terms of professional qualifications, experience and business skills.	Full compliance Partial compliance Noncompliance	
2.3.4.	The membership of the Board of Directors of the Company makes it possible to organize the operation of the Board of Directors in the most efficient way, in particular, to create committees of the Board of Directors, as well as to enable substantial minority shareholders of the Company to elect a candidate to the Board of Directors for whom they would vote.	1. As part of the Board of Directors' assessment procedure conducted in the reporting period, the Board of Directors addressed the matter of whether the number of members of the Board of Directors meets the Company's needs and interests of shareholders.	Full compliance Partial compliance Noncompliance	
2.4. The Board of Directors includes a sufficient number of independent directors.				
2.4.1.	A person is qualified as an independent director, if he/she has required professional skills, experience and independence to form his/her own position, is able to make objective and bona fide judgments, free from the influence of the executive bodies of the Company, certain groups of shareholders or other stakeholders. However, it should be noted that, under normal circumstances, a candidate (an elected member of the Board of Directors) may not be deemed to be independent, if he/she is associated with the Company, any of its substantial shareholders, material counterparties or competitors to the Company, or connected with the government.	1. During the reporting period, all independent members of the Board of Directors met all the independence criteria specified in Recommendations 102-107 of the Code, or were deemed independent by the decision of the Board of Directors.	Full compliance Partial compliance Noncompliance	

2.4.2.	It is evaluated whether candidates nominated to the Board of Directors meet the independence criteria as well as it is reviewed, on a regular basis, whether independent members of the Board meet the independence criteria. When carrying out such evaluation, the content should prevail over form.	1. In the reporting period, the Board of Directors (or the Committee on nominations of the Board of Directors) made an opinion on the independence of each candidate to the Board of Directors and presented the relevant opinion to the shareholders. 2. During the reporting period, the Board of Directors (or the committee on nominations of the Board of Directors) at least once examined the independence of the current members of the Board of Directors, indicated by the Company as independent directors in the annual report. 3. The Company has developed procedures that determine the necessary actions of a member of the Board of Directors in the event that he ceases to be independent, including the obligation to promptly inform the Board of Directors thereof.	Full compliance Partial compliance Noncompliance	
2.4.3.	Independent directors account for at least one third of all the directors elected to the Board of Directors.	1. Independent directors account for at least one-third of all the directors elected to the Board of Directors.	Full compliance Partial compliance Noncompliance	The membership of the Board of Directors has been composed to balance and align the interests of minority and majority shareholders, as well as the Company itself needed for highly professional managers to participate in the Board. The Board of Directors has three independent directors and in the future, the Company intends to increase the number of independent directors to one third of the Board membership.
2.4.4.	Independent directors play a key role in prevention of internal conflicts in the Company and performance by the latter of material corporate actions.	1. Independent directors (who have no conflict of interest) preliminarily assess the material corporate actions associated with a possible conflict of interests, and the results of such an assessment are submitted to the Board of Directors.	Full compliance Partial compliance Noncompliance	
2.5. The Chairman of the Board of Directors contributes to the most efficient implementation of the functions assigned to the Board of Directors.				
2.5.1.	The Board of Directors is chaired by an independent director, or one of the independent directors is appointed as a senior independent director who coordinates the work of the independent directors and liaises with the Chairman of the Board of Directors.	1. The Board of Directors is chaired by an independent director, or one of the independent directors is appointed as a senior independent director. 2. The role, rights and duties of the Chairman of the Board of Directors (and the senior independent director, if applicable) are duly determined in the internal documents of the Company.	Full compliance Partial compliance Noncompliance	Explanation for Item 1: The Chairman of the Board of Directors is a non-executive director elected unanimously by all members of the Board of Directors as the most competent Board member, who is a knowledgeable professional with an impeccable business and personal reputation, significant experience in leadership positions, ensuring increased efficiency of the Company's efficiency in the interests of shareholders. Currently, based on the position of the independent directors themselves, a senior independent director is not identified among them. All the independent directors have equal rights to interact with the Chairman of the Board of Directors. Next corporate year, after election of the new membership of the Board of Directors by the Annual General Meeting of Shareholders following the results of 2020, the independent directors will be offered to elect a senior independent director. The Company proceeds from the principle of voluntariness of the approach. Item 2: Full compliance.

2.5.2.	The Chairman of the Board ensures that Board meetings are held in a constructive atmosphere and that any issues on the meeting agenda are discussed freely. The Chairman also monitors fulfilment of decisions made by the Board of Directors.	1. The performance of the Chairman of the Board of Directors has been evaluated as part of the performance evaluation of the Board of Directors carried out in the reporting period.	Full compliance	
			Partial compliance	
			Noncompliance	
2.5.3.	The Chairman of the Board of Directors takes any and all measures as may be required to provide the Board members in a timely manner with the information required to make decisions on the agenda issues.	1. The internal documents of the Company provide that it is the duty of the Chairman of Board of Directors to take measures to provide the Board members with materials on Board meetings agendas.	Full compliance	
			Partial compliance	
			Noncompliance	
2.6.	The Board members act reasonably and in good faith in the best interests of the Company and its shareholders, being sufficiently informed, with due care and diligence.			
2.6.1.	The Board members make decisions considering all available information, in the absence of a conflict of interest, treating shareholders of the Company equally, and assuming normal business risks.	1. The internal documents of the Company provide that a member of the Board of Directors shall notify the Board of Directors if he/she has a conflict of interest in respect of any item on the meeting agenda of the Board or a Board's committee before the beginning of the discussion of the concerned item. 2. The internal documents of the Company provide that a Board member shall abstain from voting on any items in respect of which he/she has a conflict of interest. 3. The Company has a procedure in place that allows the Board of Directors to obtain professional consultations on matters within the scope at the expense of the Company.	Full compliance	
			Partial compliance	
			Noncompliance	
2.6.2.	Rights and duties of the Board members are clearly stated and documented in the Company's internal documents.	1. The Company has approved and published an internal document that clearly states the rights and duties of the members of the Board of Directors.	Full compliance	
			Partial compliance	
			Noncompliance	
2.6.3.	The Board members have sufficient time to perform their duties.	1. Individual attendance at the meetings of the Board of Directors and its committees, as well as time allotted to preparation for the meetings, were covered in the performance evaluation of the Board of Directors carried out in the reporting period. 2. The internal documents of the Company provide that members of the Board of Directors shall notify the Board about their intention to become a member of governance bodies in other entities (besides the Company's controlled and subsidiary companies), as well as of such appointments.	Full compliance	
			Partial compliance	
			Noncompliance	

2.6.4.	All the Board members have equal opportunities to access the Company's documents and information. Newly elected Board members are provided with sufficient information about the Company and work of the Board of Directors as soon as practicable.	1. The internal documents of the Company provide that members of the Board of Directors have the right to have access to documents and make requests concerning the Company and its controlled companies, and the executive bodies of the Company shall provide requested information and documents. 2. The Company has a formal onboarding program for newly elected members of the Board of Directors.	Full compliance	
			Partial compliance	
			Noncompliance	
2.7.	Meetings of the Board of Directors, preparation for them, and participation of Board members therein ensure efficient work of the Board.			
2.7.1.	The meetings of the Board of Directors are held as required with due account of the Company's scope of activities and objectives in a certain period.	1. The Board of Directors held at least six meetings during the reporting year.	Full compliance	
			Partial compliance	
			Noncompliance	
2.7.2.	The procedure for preparing for and holding meetings of the Board of Directors is set out in the Company's internal documents, which enable the members of the Board of Directors to properly prepare for the meetings.	1. The Company has approved an internal document that sets out the procedure for preparing for and holding Board of Directors meetings, which also stipulates that the meeting notification should be made, as a rule, at least 5 days before the meeting date.	Full compliance	
			Partial compliance	
			Noncompliance	
2.7.3.	The form of a meeting of the Board of Directors is determined with due account of importance of issues on the agenda of the meeting. The most important issues are decided at the meetings held in person.	1. The Articles of Association or internal documents of the Company stipulate that the most important issues (according to the list given in Recommendation 168 of the Code) should be decided at the Board meetings held in person.	Full compliance Partial compliance Noncompliance	The Company's Articles of Association provides for a list of the most important issues considered at in-person meetings of the Board of Directors, per Article 168 of the Code, except for preliminary consideration of the Company's annual report. Based on the position of full compliance with corporate governance standards, the Company intends to make appropriate changes to the Articles of Association in 2021-2022.
2.7.4.	Decisions on the most important issues of the Company are taken at the meeting of the Board of Directors by a qualified majority or a majority of all elected members of the Board of Directors.	1. The Articles of Association of the Company provide that decisions on the most important issues set out in Recommendation 170 of the Code shall be taken at a meeting of the Board of Directors by a qualified majority vote of at least three quarters of the votes or by a majority vote of all elected Board members.	Full compliance Partial compliance Noncompliance	The Company's Articles of Association provides for a list of the most important issues considered at meetings of the Board of Directors, which are adopted at a meeting of the Board of Directors by a qualified majority, i.e., at least three-quarters of the votes of all members of the Board of Directors. Due to the established corporate practice, this list does not fully cover the recommendations of Article 170 of the Code. The Company intends to make appropriate changes to the Articles of Association in 2021-2022.

2.8. The Board of Directors forms Committees for preliminary consideration of the most important issues of the Company's business.

2.8.1	For the purpose of preliminary consideration of any matters of control over the Company's financial and business activities, the Audit Committee is established and comprised of independent directors.	1. The Board of Directors has set up an Audit Committee consisting solely of independent directors. 2. The internal documents of the Company specify the objectives of the Audit Committee, including the objectives indicated in Recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has sufficient experience and expertise in preparation, analysis, evaluation and audit of accounting (financial) statements. 4. The Audit Committee held meetings at least once a quarter during the reporting period.	Full compliance Partial compliance Noncompliance	Explanation for Item 1: The Audit Committee consists of three independent directors, one of whom has an experience and expertise in preparation, analysis, evaluation and audit of accounting (financial) statements (Yu.L. Levin, Committee Chairman). The Board of Directors decided to increase the membership of the Committee by adding a nonexecutive director who is also experienced and knowledgeable in preparation, analysis, evaluation and audit of accounting (financial) statements (R.R. Gaizatullin). The Company reviews membership of the Committee on an annual basis. Compliance with recommendations of the Bank of Russia Code on the committee membership exclusively of independent directors will be possible after the increased share of independent directors in the Board of Directors planned by the Company. (Clarifications in Item 2.4.3 of this report).
2.8.2	For the purpose of preliminary consideration of any matters of development of efficient and transparent remuneration practices, the Remuneration Committee is established, comprised of independent directors and chaired by an independent director who is not concurrently the Chairman of the Board of Directors.	1. The Board of Directors has established a Remuneration Committee, which consists solely of independent directors. 2. The Remuneration Committee is chaired by an independent director who is not the Chairman of the Board of Directors. 3. The internal documents of the Company specify the objectives of the Remuneration Committee, including the objectives indicated in Recommendation 186 of the Code.	Full compliance Partial compliance Noncompliance	Clarification for Item 1: The Human Resources & Remuneration Committee of the Board of Directors is comprised of three independent directors and chaired by the independent director (R. Steiner). The Board of Directors decided to increase the Committee membership by adding a non-executive director (R.K. Sabirov). The expansion of the membership is related to the fact that the Committee also functions as the Nominations Committee (for appointments, human resources). The Company reviews the membership of the Committee on an annual basis. Compliance with recommendations of the Bank of Russia Code on the committee membership exclusively of independent directors will be possible after the increased share of independent directors in the Board of Directors planned by the Company. (Clarification in Item 2.4.3 herein).
2.8.3	For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding successor directors), professional composition and efficiency of the Board of Directors, the Nominations Committee (appointments, human resources) is established with a majority of its members being independent directors.	1. The Board of Directors has set up the Nominations Committee (or its functions indicated in Recommendation 186 of the Code are delegated to another Committee), and most of its members are independent directors. 2. The internal documents of the Company specify the objectives of the Nominations Committee (or another Committee which performs its functions), including the objectives indicated in Recommendation 186 of the Code.	Full compliance Partial compliance Noncompliance	The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.

2.8.4	Taking account of the scope of activities and levels of related risks, the Board of Directors of the Company has ascertained that its Committees' membership is fully in line with the corporate objectives of the Company. Either additional committees were formed, or they were deemed not necessary (Strategy Committee, Corporate Governance Committee, Ethics Committee, Risk Management Committee, Budget Committee, Committee on Health, Security & Environment, etc.)	1. In the reporting period, the Board of Directors of the Company has considered alignment of the membership of the Board's committees and corporate objectives of the Company. Additional committees were either formed, or deemed not necessary.	Full compliance Partial compliance Noncompliance	The Corporate Governance Committee is formed in the Company.
2.8.5	The composition of the committees is determined in such a way to provide a comprehensive discussion of issues being considered on a preliminary basis with due account of differing opinions.	1. The Committees of the Board of Directors are headed by independent directors. 2. The internal documents (policies) of the Company include the provisions according to which persons not being members of the Audit Committee, Nominations Committee and the HR & Remuneration Committee may attend the meetings of the Committees upon the invitation of the respective Chairman only.	Full compliance Partial compliance Noncompliance	Clarification for Item 1: The Company adheres to the recommendations of the Bank of Russia Code that Audit, Remuneration and Nominations Committees are mandatory for public companies, the requirements for these committees are clearly stated in the Corporate Governance Code, and the Company follows them. Corporate Governance Committee is not a mandatory body of the Board of Directors, and the Code's restriction on the number of independent directors (at least three) creates a conflict of participation whereby the same directors may be members in different committees, which can undermine the quality of their contribution to the work of committees. Therefore, the Company is of the opinion that the membership of the Corporate Governance Committee and its Chairman (N.U. Maganov) do not contradict the recommendations of the Bank of Russia Code on the composition of the Committee, and taking into account qualifications and evaluating the effectiveness of members of the Committee, the composition of the Committee is in line with its goals and provides opportunities for a comprehensive and balanced discussion of the issues under consideration, taking into account different opinions.
2.8.6	The chairmen of the Committees report on the work of their Committees to the Board of Directors and the Chairman on a regular basis.	1. During the reporting period, Chairmen of the Committees regularly reported on the work of the Committees to the Board of Directors.	Full compliance Partial compliance Noncompliance	

2.9. The Board of Directors provides for performance evaluation of the Board of Directors, its Committees and members of the Board.

2.9.1	Performance evaluation of the Board of Directors is aimed at determining how effectively the Board of Directors, its Committees and Board members work and whether their work meets the Company development requirements, as well as at making their work more intensive and identifying areas of improvement.	1. Self-evaluation or external evaluation of the Board of Directors performance conducted in the reporting period included evaluation of the work of Committees, individual members of the Board of Directors and the Board as a whole. 2. The results of self-evaluation or external evaluation of the Board of Directors conducted in the reporting period were considered at a physical meeting of the Board.	Full compliance Partial compliance Noncompliance	With regard to the evaluation criteria for individual members of the Board of Directors set out in paragraph 1, the Company is considering the possibility to carry out such evaluation until 2025.
2.9.2	Performance evaluation of the Board of Directors, the Committees and Board members, is carried out regularly, at least once a year. To carry out an independent evaluation of the Board of Directors' performance, the third party entity (consultant) is engaged on a regular basis, at least once every three years.	1. For the purposes of independent performance evaluation of the Board of Directors, during the last three reporting periods the Company has at least once engaged the third party entity (consultant).	Full compliance Partial compliance Noncompliance	Performance of the Board of Directors is evaluated on a regular basis once a year, the evaluation is based on formalized self-evaluation system and the results are further considered by the Audit Committee and Corporate Governance Committee with the involvement of independent directors. The self-evaluation system is based on the methods similar to the RAEX (Expert RA) methodology adopted since 01.06.2014. The results are disclosed in the annual report and are available to the shareholders and all stakeholders. The Company has not engaged a third party entity for performance evaluation of the Board of Directors for the last three years on the basis of reasonable grounds associated with qualitative changes in the Company (development, approval and implementation of the corporate Long-term Strategy) and positive financial results and production performance. The Company considers an independent evaluation with the involvement of a third party entity (consultant) during 2022.
3.1	The Company's corporate secretary ensures effective interaction with its shareholders, coordination of the Company's actions to protect the rights and interests of the shareholders, and support of efficient work of its Board of Directors.			
3.1.1	The corporate secretary has the knowledge, experience, and qualifications sufficient to fulfill the duties assigned, as well as an impeccable reputation and enjoys the trust of the shareholders.	1. The Company has adopted and disclosed an internal document - the Regulation on Corporate Secretary. 2. The Company's website and the annual report provide biographical information of the corporate secretary, with the same degree of detail as for the members of the Board of Directors and the executive management of the Company.	Full compliance Partial compliance Noncompliance	
3.1.2	The corporate secretary is sufficiently independent of the Company's executive bodies and is vested with powers and resources required to perform his/her tasks.	1. The Board of Directors approves the appointment, removal from office and additional fee of the Corporate Secretary.	Full compliance Partial compliance Noncompliance	

4.1. The level of remuneration paid by the Company is adequate to enable it to attract, motivate, and retain persons having required skills and qualifications. The remuneration due to the members of the Board of Directors, the executive bodies, and other key managers of the Company is paid in accordance with a remuneration policy approved by the Company.

4.1.1	The level of remuneration paid by the Company to its Board members, executive bodies, and other key managers is adequate to motivate them to work efficiently and enable the Company to attract and retain knowledgeable, skilled, and duly qualified persons. The Company avoids setting the level of remuneration any higher than necessary, as well as an excessively large gap between the level of remuneration of any of the above persons and that of the Company's employees.	1. The Company has approved an internal document (documents) - policy (policies) on remuneration for the members of the Board of Directors, executive bodies and other key managers, which clearly describes (describe) the remuneration framework	Full compliance Partial compliance Noncompliance	
4.1.2	The Company's remuneration policy is developed by its Remuneration Committee and approved by the Board of Directors. With the help of the Remuneration Committee, the Board of Directors monitors implementation of and compliance with the remuneration policy by the Company and, if necessary, reviews and amends it.	1. In the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and its (their) implementation practices, and, where necessary, provided relevant recommendations to the Board of Directors.	Full compliance Partial compliance Noncompliance	
4.1.3	The Company's remuneration policy provides for transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, the executive bodies, and other key managers of the Company, as well as regulates any and all types of payments, benefits, and privileges provided to the above persons.	1. The Company's remuneration policy (policies) provides (provide) for transparent mechanisms to be used to determine the amount of remuneration due to members of the Board of Directors, the executive bodies, and other key managers of the Company, as well as regulates (regulate) any and all types of payments, benefits, and privileges provided to the above persons.	Full compliance Partial compliance Noncompliance	
4.1.4	The Company develops a policy on reimbursement of expenses (compensation) which contains a list of reimbursable expenses and specifies service level provided to members of the Board of Directors, the executive bodies, and other key managers of the Company. Such policy can form part of the Company's policy on remuneration.	1. The remuneration policy (policies) or other internal documents of the Company set out the rules for reimbursement of expenses to the members of the Board of Directors, the executive bodies, and other key managers of the Company.	Full compliance Partial compliance Noncompliance	

4.2. The remuneration system of the Board members ensures harmonization of financial interests of the directors with long-term financial interests of the shareholders.

4.2.1.	The Company pays fixed annual remuneration to the members of the Board of Directors. The Company doesn't pay remuneration for participation in certain Board meetings or the Board's committees' meetings. The Company doesn't engage methods of short-term motivation and additional financial incentives towards members of the Board of Directors.	1. The fixed annual remuneration was the only monetary remuneration for the members of the Board of Directors for their work on the Board of Directors in the reporting period.	Full compliance	Partial compliance	Noncompliance
4.2.2.	Long-term ownership of the Company's shares contributes most to aligning financial interests of the members of the Board of Directors with long-term interests of the shareholders. However, the Company doesn't make the right to dispose of shares dependent on the achievement by the Company of certain performance results; and members of the Board of Directors don't take part in the option plans.	1. If the internal document (documents) - remuneration policy (policies) of the Company stipulate provision of shares of the Company to the members of the Board of Directors, there should be provisions and clear rules for share ownership by members of the Board of Directors aimed at incentivizing long-term ownership of such shares.	Full compliance	Partial compliance	Noncompliance
4.2.3.	The Company doesn't provide for any additional allowance or compensation in the event of early resignation of the Board members due to change of control over the Company or other circumstances.	1. The Company doesn't provide for any additional allowance or compensation in the event of early resignation of the Board members due to change of control over the Company or other circumstances.	Full compliance	Partial compliance	Noncompliance

4.3. The system of remuneration due to members of the executive bodies and other key managers of the Company provides that their remuneration is dependent on the Company's performance results and their personal contributions to the achievement thereof.

4.3.1.	Remuneration due to members of the executive bodies and other key managers of the Company is determined in such a way as to procure a reasonable and justified ratio between its fixed part and its variable part that is dependent on the Company's performance results and employee's personal (individual) contribution to the achievement thereof.	1. In the reporting period, annual performance indicators approved by the Board of Directors were used to determine the variable remuneration due to members of the executive bodies and other key managers of the Company. 2. In the course of the last evaluation of the system of remuneration due to members of the executive bodies and other key managers of the Company, the Board of Directors (the Remuneration Committee) assured that the Company applies effective ratio of fixed and variable parts of remuneration. 3. The Company provides for a procedure that ensures that bonuses received by members of the executive bodies and other key managers illegitimately are returned back to the Company.	Full compliance	Partial compliance	Noncompliance
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4.3.2.	The Companies has put in place a long-term incentive programme for members of the Company's executive bodies and other key managers involving the Company's shares (or options or other derivative financial instruments the underlying assets for which are the Company's shares).	1. The Companies has put in place a long-term incentive programme for members of the Company's executive bodies and other key managers involving the Company's shares (financial instruments the underlying assets for which are the Company's shares). 2. The long-term incentive programme for members of the Company's executive bodies and other key managers provides that the right to sell the shares or other financial instruments provided under the programme arises no earlier than in three years from the date when they were provided. At the same time, the right to sell the same is conditioned by the achievement of certain targets by the Company.	Full compliance	Partial compliance	Noncompliance
4.3.3.	The amount of severance pay (so-called "golden parachute") payable by the Company in the event of early dismissal of a member of the executive body or other key manager at the initiative of the Company, provided that there have been no bad faith actions on the part of such person, doesn't exceed two times the fixed part of their annual remuneration.	1. The amount of severance pay (so-called "golden parachute") payable by the Company in the event of early dismissal of a member of the executive body or other key manager at the initiative of the Company, provided that there have been no bad faith actions on the part of such person, didn't exceed two times the fixed part of their annual remuneration.	Full compliance	Partial compliance	Noncompliance
5.1.	The Company has in place an efficient risk management and internal control system designed to provide reasonable confidence that the Company's goals will be achieved.				
5.1.1.	The Board of Directors has determined the principles and approaches to creation of the risk management and internal controls system in the Company.	1. The functions of different governance bodies and divisions of the Company in the risk management and internal control system are clearly defined in the internal documents/relevant policies of the Company, approved by the Board of Directors.	Full compliance	Partial compliance	Noncompliance
5.1.2.	The Company's executive bodies ensure the establishment and continuing operation of the efficient risk management and internal control system in the Company.	1. The executive bodies of the Company ensured distribution of functions and powers in respect of risk management and internal control among the managers (heads) of divisions and departments accountable to them.	Full compliance	Partial compliance	Noncompliance
5.1.3.	The Company's risk management and internal control system enables one to obtain an objective, fair and clear view of the current condition and prospects of the Company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the Company.	1. The Company has an approved policy on combating corruption. 2. The Company has in place a usable method (hotline) for informing the Board of Directors or the Audit Committee of the Board of Directors of any breaches of legislation, internal procedures and the ethics code of the Company.	Full compliance	Partial compliance	Noncompliance

5.1.4.	The Board of Directors takes required and sufficient measures to procure that the existing risk management and internal control system of the Company is consistent with the principles of and approaches to its creation as set forth by the Board of Directors and that it operates efficiently.	1. In the reporting period, the Board of Directors or the Audit Committee of the Board of Directors conducted the evaluation of the risk management and internal control system of the Company. The evaluation results are included in the annual report of the Company.	Full compliance	
			Partial compliance	
			Noncompliance	
5.2. For the purposes of regular independent evaluation of reliability and efficiency of the risk management and internal control system, as well as corporate governance practices, the Company arranges for internal audit.				
5.2.1.	The Company has a separate structural division (internal audit department) or an independent third-party entity is engaged to carry out internal audit of the Company. The internal audit department has separate lines of functional and administrative reporting. Functionally, the internal audit department is accountable to the Board of Directors.	1. For the purposes of internal audit, the Company created a separate structural division (internal audit department), which is functionally accountable to the Board of Directors or the Audit Committee, or an independent third-party entity is engaged with the same accountability principle.	Full compliance	
			Partial compliance	
			Noncompliance	
5.2.2.	The internal audit department evaluates efficiency of the internal control system and the risk management system, as well as evaluate corporate governance. The Company applies generally accepted standards of internal audit.	1. In the reporting period, the efficiency of the internal control and risk management system was evaluated, as part of the internal audit. 2. The Company applies commonly accepted approaches to the internal control and risk management.	Full compliance	
			Partial compliance	
			Noncompliance	
6.1. The Company and its activities are transparent to shareholders, investors and other stakeholders.				
6.1.1.	The Company developed and implemented an information policy ensuring efficient exchange of information between the Company, shareholders, investors, and other stakeholders.	1. The Board of Directors of the Company has approved an information policy aligned with the recommendations of the Code. 2. The Board of Directors (or one of its Committees) considered issues related to the Company's compliance with its information policy at least once in the reporting period.	Full compliance	
			Partial compliance	
			Noncompliance	
6.1.2.	The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.	1. The Company discloses information on the Company's corporate governance system and the general principles of the corporate governance applied in the Company, including the information disclosed on the Company's Internet website. 2. The Company discloses information about membership of the executive bodies and the Board of Directors, independence of the members of the Board and their membership in the Board's Committees (as defined in the Code). 3. In the event there is a person who controls the Company, the Company publishes a memorandum of the controlling person regarding the plans of such person in respect of the corporate governance in the Company.	Full compliance	
			Partial compliance	
			Noncompliance	

6.2. The Company discloses, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.				
6.2.1.	The Company discloses information in accordance with the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.	1. The Company's information policy identifies the approaches and criteria for identifying information that can have a significant impact on the Company's valuation and the value of its securities and procedures that ensure timely disclosure of such information. 2. In the event that the Company's securities are traded in foreign organized markets, the disclosure of material information in the Russian Federation and in such markets is carried out synchronously and is the same during the reporting year. 3. If foreign shareholders hold a significant number of Company's shares, then information disclosed during the reporting year was not only in Russian, but also in one of the most common foreign languages.	Full compliance	Item 1: The Company's information policy, including, in particular, the Regulation on the information policy, the Regulation on the information provision to the shareholders, the Regulation on the procedure of access to the insider information, in aggregate contains approaches and criteria for identifying information that can have a significant impact on the Company's valuation and the value of its securities and procedures that ensure timely disclosure of such information.
			Partial compliance	
			Noncompliance	
6.2.2.	The Company avoids a formalistic approach to information disclosure and discloses material information on its activities, even if disclosure of such information is not required by law.	1. In the reporting period, the Company disclosed annual and semi-annual financial statements prepared under IFRS standards. The annual report of the Company for the reporting period includes annual financial statements prepared under IFRS and an auditor's report. 2. The Company discloses full information on the structure of the Company's capital in compliance with the Recommendation 290 of the Code in the annual report and in the corporate website.	Full compliance	
			Partial compliance	
			Noncompliance	
6.2.3.	The annual report, as one of the most important tools of information exchange with the shareholders and other stakeholders, contains the information enabling one to evaluate the Company's performance results for the year.	1. The annual report of the Company contains information on key aspects of the Company's operation and its financial results. 2. The annual report of the Company contains information on environmental and social aspects of the Company's activities.	Full compliance	
			Partial compliance	
			Noncompliance	

6.3. The Company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.

6.3.1.	The Company provides information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.	1. The information policy of the Company defines an unhindered procedure for providing the shareholders with access to information, including information on entities controlled by the Company, at the request of the shareholders.	Full compliance Partial compliance Noncompliance	The Company's information policy, including, in particular, the Regulation on the information policy, the Regulation on the information provision to the shareholders, the Regulation on the procedure of access to the insider information defines an unhindered procedure for providing the shareholders with access to information, including information on entities controlled by the Company.
6.3.2.	When providing information to its shareholders, the Company maintains a reasonable balance between the interests of individual shareholders and its own interests related to the fact that the Company is interested in keeping confidential sensitive business information that might have a material impact on its competitiveness.	1. In the reporting period, the Company didn't refuse to satisfy the shareholders' requests for information, or such refusals were justified. 2. In the events specified in the information policy of the Company, shareholders are advised of the confidential nature of the information and assume the obligation to maintain its confidentiality.	Full compliance Partial compliance Noncompliance	Item 2: The Company's information policy, including, in particular, the Regulation on the information policy, the Regulation on the information provision to the shareholders, the Regulation on the procedure of access to the insider information contains procedure and conditions for informing shareholders about the confidential nature of information and their obligations to keep it confidential.
7.1. Any actions, which affect or may materially affect the Company's share capital structure and financial position of the Company and, accordingly, the position of its shareholders ("material corporate actions") are taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.				
7.1.1.	Material corporate actions are deemed to include reorganization of the Company, acquisition of 30 or more percent of its voting shares (takeover), entering by the Company into any material transactions, increasing or decreasing its share capital, listing and delisting of its shares, as well as other actions which can result in material changes in rights of its shareholders or violation of their interests. The Company's Articles of Association provides for a list of (criteria for identifying) transactions or other actions falling within the category of material corporate actions and provide therein that decisions on any such actions fall within the jurisdiction of the Company's Board of Directors.	1. The Company's Articles of Association provides for a list of transactions or other actions falling within the category of material corporate actions and criteria for their identifying. Decisions on material corporate actions fall within the jurisdiction of the Company's Board of Directors. In cases where the implementation of these corporate actions is directly attributed by law to the competence of the General Meeting of the Shareholders, the Board of Directors provides appropriate recommendations to the shareholders. 2. Reorganization of the Company, acquisition of 30 or more percent of voting shares of the Company (takeover), entering by the Company into any major transactions or other material transactions, increasing or decreasing its share capital, as well as listing and delisting of its shares are recognized in the Articles of Association of the Company as material corporate actions.	Full compliance Partial compliance Noncompliance	
7.1.2.	The Board of Directors plays a key role in passing resolutions or making recommendations relating to material corporate actions, the Board of Directors relies on opinions of the Company's independent directors.	1. The Company has provided for a procedure whereby the independent directors declare their opinion on any material corporate actions prior to their approval.	Full compliance Partial compliance Noncompliance	

7.1.3.	When taking any material corporate actions which affect rights and legitimate interests of the Company's shareholders, equal terms and conditions are ensured for all of the shareholders; if statutory mechanisms designed to protect the shareholder rights prove to be insufficient for that purpose, additional measures are taken with a view to protecting the rights and legitimate interests of the Company's shareholders. In such instances, the Company seeks not only to comply with the formal requirements of law but also is guided by the principles of corporate governance set out in the Code.	1. The Articles of Association of the Company, taking into account the specifics of its activities, sets lower, than legislatively stipulated, criteria for recognizing transactions as material corporate actions. 2. In the reporting period, all material corporate actions went through the approval procedure prior to their implementation.	Full compliance Partial compliance Noncompliance	
7.2. The Company has in place such a procedure for taking any material corporate actions that enables its shareholders to receive full information about such actions in due time and influence them, and that also guarantees that the shareholder rights are observed and duly protected in the course of taking such actions.				
7.2.1.	Information on the performance of material corporate actions is disclosed with explanations concerning reasons for, conditions and consequences of such actions.	1. In the reporting period, the Company disclosed information about material corporate action in a timely manner and in detail, including grounds and timescale of such actions.	Full compliance Partial compliance Noncompliance	
7.2.2.	Rules and procedures in relation to material corporate actions taken by the Company are set out in its internal documents.	1. The internal documents of the Company provide for a procedure for engaging an independent appraiser to determine the value of property disposed or acquired pursuant to a major transaction or a non-arm's length transaction. 2. The internal documents of the Company provide for a procedure for engaging an independent appraiser to evaluate the cost of acquisition and buyback of the Company's stock. 3. The internal documents of the Company provide for an extensive list of grounds for recognizing members of the Board of Directors or other persons as stated in respective laws as interested in the Company's transactions.	Full compliance Partial compliance Noncompliance	

Annex 3.

Principal risks

Risk name	Risk description	Risk management
1. Macroeconomic	Changes in macroeconomic conditions, caused by the volatility of world energy prices, exchange rates, inflationary processes, changes in fiscal and monetary policy may have an adverse effect on the Company's financial performance.	The Company uses a scenario approach to forecasting macroeconomic indicators. One of the scenarios is defined as a baseline and characterizes the macroeconomic situation development that is the most likely to occur from the point of view of the Company management. Optimistic and stress scenarios are developed as well. Using the stress scenario, the assets and investment projects most sensitive to adverse changes in macroeconomic parameters are identified. The results of this analysis serve as the grounds for informed administrative decisions.
2. Strategic risk	The implementation of the Company's Development Strategy and the achievement of operational and financial results depends on multiple factors which include changes in the energy markets, international and domestic policies, macroeconomics, agreements between OPEC and other oil producers, legal and tax regulations, the development of technologies and information resources, the dynamics of the labor market as well as various other factors.	The Company implements the Development Strategy for up to 2030, formed based on a detailed analysis of the combination of all key factors which may impact the Company development and the achievement of the planned results. Decisions of the Company governance bodies, associated with the strategic and current planning and operational activities are based on all available information relevant to possible development scenarios and tend to consider all reasonably foreseeable variations and assumptions used in such planning. The Company has a high-quality asset structure and a high-tech base, which it is improving continuously in accordance with production goals, including the development of import-substituting technologies and equipment. The Company has a well-balanced management platform to implement the Strategy and adjusts its plans as and when required. The Company implements a policy of vertical integration and diversification, which allows for a significant reduction (elimination) of strategic risks, including critical risks, through redistribution of resources and commodity flows.

3. Country and geopolitical risks

The Company is registered in the Russian Federation, where a significant share of its assets is located. Principal production activities are carried out in the Republic of Tatarstan which is a constituent entity of the Russian Federation. The political situation in the Russian Federation and, in particular, in the Republic of Tatarstan is stable.

At the same time, several international, commercial, nongovernmental organizations publish their country ratings based on the level of risks, including political ones. In such ratings, the Russian Federation may be classified as an increased-risk country, which investors should take into account when bringing their funds into the country's economy and securities of Russian issuers, such as the Company.

USA and EU sanctions

Since 2014, the United States, the European Union, and several other countries have consistently imposed sanctions on the Russian Federation, including sectoral sanctions affecting the activities of individual companies operating in the energy and other sectors of the Russian economy.

Those sanctions and their unpredictability increase the country risk for the Russian Federation.

4. Financial risks

The Company's activities are exposed to various financial risks: market risks (including currency, interest rate, and price risks), credit risks, and liquidity risks.

For detailed information on financial risks, including those related to the TATNEFT Group banking segment, refer to the IFRS Consolidated Financial Statements, Note 29: Financial Risk Management.

5. Changes in legislation and regulatory environment

The Company's performance may be significantly influenced by changes in the applicable legislation of the Russian Federation and other countries, such as:

- Tax legislation (in terms of changes in taxation procedure and tax rates both for legal entities and for companies engaged in production and sale of gas and liquid hydrocarbons);
- Currency legislation (mainly, in terms of regulation of export-import operations);
- Customs regulation (in terms of regulating the export of liquid hydrocarbons and processed products);
- Subsoil licensing.

The Company adheres to the opinion that the situation in the region of principal activities and location of key assets of the Group is generally stable.

Rating agencies assess the creditworthiness of a country with a view to the relevant country risks based on their own methodologies. PJSC TATNEFT is assigned the following credit ratings by the international rating agencies: BBB- assigned by Fitch Ratings and Baa2 assigned by Moody's as well as ruAAA, on the national scale, assigned by Expert RA, a Russian rating agency. These credit ratings are used by investors to assess the risks considering the location of the assets of PJSC TATNEFT in the Russian Federation.

In its activities, the Company takes into account and monitors the existing sanctions to minimize the adverse effects and consequences (considering the potential expansion of sanctions, i.e., various initiatives in the United States and other countries to strengthen the sanction regime against the Russian Federation) which might have a selective impact on the Company's highly prospective projects.

To reduce the risks related to the availability of technologies and equipment subject to sanctions, the Company carries out the consistent implementation of the program of import substitution and development of domestic technologies with the localization of equipment production in the Russian Federation and the engagement of advanced industry research centers.

The Company's financial risk management policy focuses on procedures for risk measurement, assessment, and monitoring as well as on the selection of the appropriate risk management methods.

The Company conducts continuous monitoring of changes in legislation, evaluates and forecasts the extent of their impact on the Group entities' activities. The Company is a regular participant in working groups to develop draft laws in various fields of legislation that meet the Company's interests, evaluates consequences of such changes, and accounts for the same in its plans. With regard to legislative initiatives in other countries, the Company continuously monitors the most important ones and assesses their potential impact on the Company's operations.

6. Litigation risks

The company may be involved as a defendant or plaintiff in multiple legal proceedings that arise in the ordinary course of business.

In carrying out financial and economic activities, the Company adheres to the principle of prudence. As of the date of approval of the Annual Report, the Company was not involved in any litigation which when ruled upon might adversely affect its financial standing.

The Company is a party to legal proceedings arising in the ordinary course of business. Currently, the outcome of these proceedings cannot be determined. Based on the available information, the management believes that there is a low risk that future costs associated with known potential liabilities will have a material adverse effect on the Company's performance or financial standing.

Possible liability of the issuer for debts of third parties, including the Company's subsidiaries

The Civil Code of the Russian Federation and the Federal Law on Joint Stock Companies, in certain circumstances, provide for the possibility of imposing liability on the Company for the obligations of a subsidiary that commenced as a result of a transaction effected in compliance with the instructions or with the consent of the Company as well as in case of insolvency (bankruptcy) of the subsidiary as a result of the Company's actions or omissions. The risks associated with the occurrence of liability for the subsidiaries' debts are not considered by the Company as significant, but in case of such risk realization, it will take measures to minimize the adverse consequences. Given the absence of legal proceedings in which the Company acts as a defendant (debtor) regarding the obligations of subsidiaries, affiliates, and other companies, the risks associated with the occurrence of liability for the debts of third parties were not identified in the reporting period.

7. Risks associated with Company's securities circulation

The Company's securities are traded on the securities market in Russia and abroad. Changes in the requirements for issuers from regulatory authorities and stock exchanges may force the Company to modify its corporate governance procedures and assume additional obligations in the field of information disclosure and interaction with shareholders. If the Company fails to comply with these requirements and fulfill the required obligations in a timely manner, this may lead to the Company's securities being moved to lower listing segments as well as delisting, which may have an adverse effect on the liquidity and value of such securities.

The Company monitors changes in the listing rules and other requirements of regulatory authorities and stock exchanges. The Company's representatives participate in working meetings and other issuers' events held by stock exchanges and other organizations that provide advisory and educational services for issuers. The Company also strives to implement the best international practices in the field of corporate governance.

8. Risks related to climate change

The tightening of regulations due to climate change and its physical consequences may have an adverse impact on the activities of PJSC TATNEFT as a major oil and gas producer with its activities entailing greenhouse gas emissions, in the course of both production activities and products consumption, which may lead to a reduction in revenue, an increase in costs, a drop in business profitability, a decrease in its efficiency and funding restrictions.

The company shares the global concern about climate change and adheres to the initiatives of the Caring for Climate Global Strategic Partnership, the UN Global Compact, and the United Nations Framework Convention on Climate Change (UNFCCC) enshrined in the Paris Climate Agreement. The Company consistently and comprehensively adheres to initiatives related to climate aspects and the reduction of greenhouse gas emissions and is an active participant in the discussion and implementation of measures to regulate greenhouse gas emissions at both the national and international levels. Within the efforts to reduce greenhouse gas emissions and the carbon footprint, the Company ensures the adoption of administrative decisions on the development of the corporate system of accounting and management of greenhouse gas emissions, sets and develops target values for reducing the overall greenhouse gas emissions and implements the relevant measures to ensure that these target values are achieved. In the long-term strategic planning, the Company takes into account, inter alia, the scenario of the global energy system transition to decarbonization, the expansion of the use of low-carbon fuels and, in general, to a low-carbon global infrastructure.

9. Industry risks

Oil price risk, oil and petroleum products demand risk

Business efficiency and profitability largely depend on oil and petroleum product prices as well as on the demand for oil and petroleum products. Oil and petroleum product prices have shown significant volatility recently — due to multiple factors.

The Company performs continuous monitoring and analysis on the dynamics of prices and demand for oil and petroleum products.

The Company’s model of strategic and current planning provides for the relevant adjustments. Planning is based on a scenario approach, including variability based on market forecasts.

The Company has the internal potential to redistribute commodity flows in case of a significant difference in price between domestic and international markets, demand for crude oil and petroleum products, and the ability to reduce or rebalance capital and operating costs to fulfill its obligations in case of a slump in prices of oil, gas, and petroleum products. The Company analyzes the risks of prices and demand for oil and petroleum products based on modeling various scenarios.

In terms of demand for oil and petroleum products, the Company believes that the alternative energy will be able to replace significantly oil and petroleum products in the medium-term perspective. Regardless of the development of alternative sources of energy and a potential increase in the number of electric vehicles, the demand for oil and petroleum products will remain (largely due to the emerging markets). Therefore, the Company does not expect any significant adverse changes in the industry in terms of the demand in the medium term.

Technical and technological risks

Exploration, development, and equipping of new fields, keeping the existing wells up and running, drilling new wells as well as crude oil treatment, transportation, oil and gas refining are extremely complex and expensive processes. Enhanced oil recovery requires extra costs which is very critical for the Company. As fields go depleted, the role of the ad hoc approach for enhanced oil recovery will be growing. The Company has launched the development of a new business area — petrochemistry. Concurrently, the Company is developing the banking segment. As a whole, the economic efficiency of all business lines of the Company will largely depend on the Company’s ability to use the most efficient and affordable technologies, including information technologies.

Being one of the innovative leaders in Russia, the Company pays special attention to the development and application of cutting-edge technologies in all business areas and develops its own research and production base, interacts with advanced industry research centers.

Target focus is the technologies required to implement the strategy, effective investment in R&D, and pilot developments.

The Company is actively developing IT infrastructure powered by the new-generation single information platform of production management, which integrates information flows of all services at all stages of the value chain. The Company implements IT projects aiming to increase the efficiency of business processes.

Transportation

As the majority of oil production regions in Russia are located far from the main oil and petroleum product markets, so oil companies are dependent on the sophistication of transport infrastructure, its continuous functioning, and accessibility. Russian sea terminals have certain limitations due to geographic location, weather conditions, and throughput capacity. Within Russia, oil products are transported mainly by railroad. The railway infrastructure in the Russian Federation is owned and overseen by JSC Russian Railways. Both Transneft and Russian Railways are joint stock companies partially owned by the state, and the above companies belong to the natural monopolies sector, having their tariff policy defined by the state authorities to ensure a balance of interests of the state and all parties involved in the transportation process. The Federal Antimonopoly Service of the Russian Federation (FAS of Russia) sets the tariffs for natural monopolies. The tariff rate depends on the route of transportation, shipment volume, distance to destination, and several other factors. FAS of Russia reviews tariffs at least once a year.

The region of the Company's principal activities is not remote in terms of transportation and other infrastructures. The Company transports a significant part of the crude oil and part of petroleum products — to be sold in foreign and domestic markets — via the trunk pipeline system under contracts with PJSC Transneft and its subsidiary structures. A significant part of the oil transported via the pipeline is headed to seaports for subsequent transportation by sea. The Company carries out close monitoring of the development and maintenance of the transport infrastructure required to deliver oil and petroleum products to buyers, monitors the tariff policy, and is an active participant in the relevant industrial discussions and initiatives. The Company has a large tank farm for storing commercial stocks of oil and petroleum products, which can be also used during extraordinary disruptions in the operation of the transport infrastructure.

Industry risks of industrial and environmental safety

The Company and TATNEFT Group enterprises operate complex process systems and facilities for production, treatment, transportation, and refining of oil and gas, some of which are classified as especially hazardous production facilities. The oil and gas sector of the economy is extremely exposed to industrial and environmental risks, which entail the threat of injury, potentially pose danger to life and health, and potentially may cause pecuniary sanctions, etc.

The Company has developed a comprehensive program aimed at mitigating negative situations associated with industrial production and environmental risks. The Company continuously implements new technical and organizational activities to minimize the impact of such risks. The Company also provides liability insurance for several facilities. The Company is committed to becoming a leader in industrial, occupational, and environmental safety of production, minimizing the impact on the environment, including the impact on the climate. Comprehensive actions in this area have yielded the reduction of environmental footprint to the level where there is a potential for ecosystems to self-recover. To improve the efficiency of industrial and environmental safety management, TATNEFT Group is currently introducing the management system in compliance with the latest-generation international standards ISO 14001-2015 and ISO 45001:2018. Key risk management activities include, inter alia: - Production control over the operation of hazardous production facilities;

- Diagnostics (nondestructive testing) and monitoring of equipment parameters;
- Repair and timely replacement of equipment;
- Ensuring the observance of requirements in the field of industrial and occupational safety and environmental protection by contractors at all stages of interaction;
- Promotion of leadership and safety culture;
- Ensuring the qualification of personnel at all levels;
- Special assessment of working conditions, improvement of working conditions for employees;
- Development of action plans for the localization and elimination of the consequences of accidents at hazardous production facilities, plans for the elimination of oil and petroleum product spills, formation of a reserve of resources and facilities for the elimination of failures and emergencies, training personnel working at hazardous production facilities and emergency rescue units in emergency prevention and elimination;
- Conducting briefings on compliance with safety measures when performing work;
- Verification of the risk assessment in the course of works;
- Control over the equipment of vehicles of the Group enterprises and contractors with on-board vehicle monitoring systems and two-way video recorders.

Epidemic and COVID-19 risks

In late 2019, the spread of a novel coronavirus infection which may cause serious consequences leading to death — called COVID-19 — has started. As of the end of 2019, the World Health Organization reported a limited number of cases of COVID-19 infection but on 31.01.2020 declared a public health emergency, and on 13.03.2020 announced a pandemic due to the rapid spread of COVID-19 in Europe and other regions. Measures taken globally to combat the spread of COVID-19 lead to the urgency of limiting business activities which affects the demand for energy resources and other products of the TATNEFT Group as well as to the need for preventive measures aimed at suppressing the spread of infection. Amid the spread of COVID-19, there has been a severe plunge in stock markets, a decline in commodity prices, in particular, a significant drop in oil prices, and the Russian ruble weakening against the US dollar and euro. Despite a significant recovery in the oil market, including due to the actions of OPEC+ and the prospects for global economic growth, the situation is still developing and the corresponding risks remain. Besides, the COVID-19 pandemic has prompted heightening attention to the epidemiological risks associated with the emergence and spread of diseases that pose a threat to human life and health around the world.

To minimize the risk of the spread of COVID-19 coronavirus infection, the Company has taken the following measures:

- Updated procedures and regulations to ensure the continuity of production activities during pandemics;
- Sanitary and epidemiological rules are observed, antiseptic agents and protective medical masks are used — at all Group enterprises. Sanitary treatment of transport is organized. Special protection measures extend to both employees and customers of TATNEFT filling stations;
- Vaccination against the COVID-19 coronavirus infection is on the way both among employees and the population of the principal regions where the Company operates;
- The base of production of protective masks, suits, and antiseptics has been formed.

10. Risk of damage to business reputation (reputational risk) related to the quality of products and services

The Company product consumers’ perception regarding the quality of its products and services impacts the sales and profitability of the relevant business segment.

Improving the quality of interaction and establishing long-term relations with consumers is one of the priorities in creating the Company’s competitive advantage based on the quality control system and high-level services as well as raising consumers’ awareness. While interacting with consumers of Company products and services, the Company adheres to the UN guidelines for the protection of consumer interests and the International Covenant on Economic, Social, and Cultural Rights.

Quality of products and services

The Company strictly controls compliance with all regulatory requirements regulating the quality of products and services.

Safety of products and services

At all life-cycle stages of the offered products and services, the Company assesses their impact on health and safety to identify opportunities for improvement and takes a set of measures to minimize any adverse impact of the offered products and services on the environment. Protection of consumer health and safety includes the provision of products and rendering services that are safe and do not pose an unacceptable risk of harm when used or consumed. The Company adheres to a high level of quality and safety standards.

Information sharing

The Company consistently updates its customers and counterparties on its activities by publications and press releases on the Internet, in the mass media as well as via social media and mobile applications.

Feedback

The Company has a hotline. Procedures have been adopted and are implemented for responding promptly to complaints and claims received via the hotline — to address their causes.

Fair and responsible marketing practices

The Company uses only fair marketing practices and protects consumers from unfair or misleading advertising or labeling. The Company’s activities in promoting its products and services, advertising, and marketing are compliant with the legislation of the Russian Federation.

11. Geographical and nature-related aspects

Geographical and natural features of the region of the Company’s principal activities are not characterized by factors that may have a significant adverse impact on the ordinary course of business and plans implementation. At the same time, there is a potential risk of the impact of these aspects on the Company’s production and economic activities.

When planning its activities, the Company takes into account the geographical (including climatic) features of the operation region. To address adverse consequences for the Company’s activities that may be caused by natural disasters, such as floods, earthquakes, mudflows, hurricane winds, etc., the Company has approved procedures and policies aimed at the prompt elimination of such consequences and, in case of emergency, at reducing the impact of such on the life, health, and safety of employees and residents of operation regions as well as on the Company’s production activities.

There are monitoring procedures, wherein the latest technical means are used with the aim of preventing the possibility of adverse consequences of natural phenomena and informing the population of the region where the Company operates on the possibility of such consequences.

12. Risk of a shortage of qualified personnel

Insufficient qualifications and expertise of employees may have an adverse impact on the Company’s financial performance.

To reduce the adverse impact of this risk, the Company lays emphasis on the comprehensive development of human resources. The HR strategy is based on the Company’s development strategy and the needs of the business segments in providing personnel, for which plans and budgets are formed to ensure timely hiring of employees as well as their professional training and development.

Annex 4.

On the annual report and the underlying regulatory documents constituting the framework for this annual report

The Annual Report of Public Joint-Stock Company TATNEFT named after V.D. Shashin (TATNEFT PJSC, Company) is prepared for the period from January 1 to December 31, 2020, and includes the operating results of the Company and its subsidiaries, collectively referred to as TATNEFT Group (Group). The designations of "PJSC TATNEFT n.a. V.D. Shashin", "PJSC TATNEFT", "TATNEFT Group", "Group", "TATNEFT", "Company", "we" and "our" used in the text of this Annual Report, are considered equivalent and refer to the Group TATNEFT as a whole, PJSC TATNEFT and/or its subsidiaries, as the context requires.

PJSC TATNEFT is the parent company of the Group and for this Report provides the consolidated information on operating and financial activities in key business segments and activities.

This Annual Report is based on the Consolidated Financial Statements of the Company for 2020, formed in accordance with the International Financial Reporting Standards and the audit report of the independent auditor, which together are an integral part of this Annual Report, as well as on the Company's Management of the financial status and performance results of 2020.

The Annual Report is prepared with the elements of integrated reporting, which allows to reflect the priority areas of activities, production, financial, economic, environmental and social results in direct correlation. The Company adheres to the principle that the effective and sustainable business development is possible only based on maintaining the balance between these aspects.

The preparation practice of the Annual Report includes the establishment of an ad hoc Working Group (it includes senior managers and specialists of the Company), the formation of internal regulatory documents for the preparation and analysis of information for the report, interaction with stakeholders. In order to ensure the accuracy of the information, the Annual Report is submitted for approval to the responsible departments.

The Annual Report of TATNEFT Company is compiled in accordance with the basic documents:

1. Federal Laws
 - Federal Law No. 39-FZ of April 22, 1996 "On the Securities Market";
 - Federal Law No. 208-FZ of December 26, 1995 "On Joint Stock Companies".
2. Bank of Russia Regulations N660-P of November 16, 2018 «On General Meetings of Shareholders»;
3. Regulations "On Disclosure of Information by Issuers of the Issued Securities", approved by the Order of the Bank of Russia No. 454-P dated December 30, 2014;
4. The Corporate Governance Code recommended for the use by the Letter of the Bank of Russia No.06-52/2463 dated April 10, 2014;
5. The Letter of the Bank of Russia "On Reporting on Compliance with the principles and recommendations of the Corporate Governance Code by Public Joint-Stock Companies in annual reporting" No. IN-06-52/8 dated February 17, 2016;

6. The Information Letter of the Bank of Russia "On Recommendations on the Disclosure in Annual Reports of a Public Joint-Stock Company of Information on Remuneration to Members of the Board of Directors (Supervisory Board), Members of Executive Bodies and other Key Executives by Public Joint-Stock Companies" No. IN-06–28/57dated December 11, 2017

In order to reflect the Company's actions to ensure the principles of the UN Global Compact, the G20/OECD Guidelines for Corporate Governance, the implementation of the UN Sustainable Development Goals, the corporate responsibility policy in the ESG aspects, the content of the Annual Report takes into account the following documents and Guidelines:

- UN Global Compact Principles;
- OECD Guidelines for Multinational Enterprises;
- SDG Compass;
- UN Guiding Principles on Business and Human Rights;
- ILO Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy
- ISO 26000 Guidance on Social Responsibility;
- GRI Sustainability Reporting Guide;
- AA1000 Series of Standards developed by the International Institute for Social and Ethical Reporting (AccountAbility);
- Provisions of the Social Charter of Russian Business;
- Basic performance indicators. Recommendations on the use in the management practice and in corporate non-financial reporting of the Russian Union of Industrialists and Entrepreneurs (RSPP).

In order to reflect the Company's position in the corporate policy and actions related to climate issues, the Annual Report takes into account the following international initiatives and platforms:

- Paris Climate Agreement;
- Climate Initiative Platform of International Petroleum Industry Environmental Conservation Association (IPIECA);
- Climate Oil and Gas industry Initiative (OGCI);
- Recommendations for companies to disclose the financial risks associated with global climate change. (The FSB Task Force on Climate-related Financial Disclosures — TCFD).

While preparing the Annual Report, the elements of the Integrated Reporting Standard of the International Integrated Reporting Council (IIRC) have been used; published studies and recommendations in the corporate reporting.

The Company also plans to publish, in addition to the Annual Report, a full version of the integrated report in an interactive format, which will significantly expand the scope of providing information on aspects of sustainable development (ESG).

The report takes into account the recommendations of the Corporate Governance Code approved by the Government of the Russian Federation and recommended by the Bank of Russia by Letter No. 06-52/2463 of April 10, 2014.

In order to ensure the information reliability the Annual Report was agreed with the responsible departments and checked for compliance with the data of the consolidated financial statements by the independent auditor PricewaterhouseCoopers Audit JSC.

The Annual Report of TATNEFT Public Joint Stock Company for 2020 was preliminarily approved by the PJSC TATNEFT Board of Directors, Minutes No. 13 dated May 25, 2021.

The reliability of the data presented in the Annual Report is confirmed by the Revision Commission of PJSC TATNEFT.

The report contains links to web-site tatneft.ru, individual documents and resources for the convenience of readers.

This report is available at tatneft.ru in the electronic form, as well as in hard copies at the offices of the Company in Almet'yevsk, Moscow and Kazan.

The key communication objective of the Annual Report is to create the most complete understanding among the stakeholders of the Company’s activities and strategic plans, as well as the potential for their realization, results achieved, and the measures taken to improve the effectiveness of the business model, taking into account aspects of sustainable development.

Significant statements

The information presented in this Annual Report contains several forward-looking statements in relation to the future. Such statements include, but are not limited to, the plans, objectives, and forecasts for production, including those related to the volume of products and services, economic and financial indicators, information about projected or expected income, profit (loss), net profit (loss) in respect of stocks, dividends, capital structure, other indicators and ratios, as well as statements regarding the premises on which our statements are based. All statements, other than statements of historical facts, are or may be considered as forecast statements. Forward-looking statements are statements of future expectations that are based on the management’s current expectations and assumptions and include known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements. Forward-looking statements include, among other things, statements regarding the Company’s potential exposure to market risks and statements expressing the expectations, beliefs, estimates, forecasts, projections and assumptions. These statements are accompanied by the words “expected”, “intends”, “planned”, “will”, “seeks”, “predicted”, “predicted”, “ambition” and other similar expressions.

Forward-looking statements in relation to the future are subject to uncertainties, assumptions and inherent risks, both of a general nature and specific to the business. There is a risk that future actual results may differ materially from plans, goals, expectations, estimates and intentions expressed in such statements or may not be realized due to a number of different factors of economic, financial, political, social, legal aspects that are outside of the Company’s control, including factors that may affect future operations of the Company. (See “Risk Factors” further in the Annual Report.)

Forward- looking statements cannot be the basis for making investment decisions. Each forward-looking statement corresponds only to the date of this report. Neither the Company nor any of its subsidiaries undertakes any obligation to publicly update or revise any forward-looking statements as a result of new information, future events or other information. With the exception of financial statements, errors may occur in the text of the report when calculating shares, percent, and amounts when rounding calculated indicators. The data presented in this report may slightly differ from previously published data due to the difference in rounded figures.

List of acronyms

BIA	Business Idea Auction
AGFS	Automobile Gas Fueling Station
ASPI	Almet'yevsk State Petroleum Institute
AB	Anode Bed
FFS	Fuel Filling Station
JSC	Joint Stock Company
BWMB	Basin Water Management Board
BMZ	Bugulma Mechanical Plant (PJSC TATNEFT structural subdivision)
VOIR	All-Russian Society of Inventors and Innovators
GMPS	Group Metering Pump Station
GMS	Group Metering Station
GIBDD	State Traffic Safety Inspectorate
SCNS	State Complex Nature Sanctuary
HS	Horizontal Settler
GOST	National State Standard
Frac	Hydraulic Fracturing
F&L	Fuel and Lubricants
GTM	Well Interventions
HEI	Hydraulic Engineering Structures
CC	Cultural Center
BPS	Booster Pumping Station
CHC	Children Resting Camp
CYSS	Children & Youth Sports School
EU	European Union
UNECE	United Nations Economic Commission for Europe
RCT	Reinforced Concrete Tank
CJSC	Closed Joint Stock Company
DPI	Discounted Profitability Index
ORF	Oil Recovery Factor
IS	Information System
ORF	Oil Recovery Factor
CIS	Corporate Information System
PPS	Pad Pumping Station
KFU	Kazan (Volga Region) Federal University
CSR	Corporate Social Responsibility
HRS	Horse-racing School
KPI	Key Performance Indicators
MGPP	Minnibayev Gas Processing Plant

MICEX	Moscow Interbank Currency Exchange
MPP	Metal-Plastic Pipes
MTBR	Mean Time Between Repair
EOR	Enhanced Oil Recovery
MPP	Multiphase Pump
EMERCOM	Emergency Control Ministry
NGDU	Oil & Gas Field Operating Division (PJSC TATNEFT structural subdivision)
MRRT	Mineral Resource Recovery Tax
VAT	Value Added Tax
NSSCTF	Nizhnekamsk Solid Steel Cord Tire Factory
R&D	Research and Development
Tubing	Oil Well Tubing
ITA	Intangible assets
OR & PP	Oil Refining and Petrochemical Plants
Refinery	Oil Refinery
OPU	Oil Processing Unit
NNPF	Non-State Pension Fund
STC	Science & Technology Center
PCC	Petrochemical Complex
UN	United Nations organization
LLC	Limited Liability Company
DCA	Designated Conservation Area
PO	Pilot Operations
DCP	Dual Completion Production
DCP&I	Dual Completion Production & Injection
DIO	Dual Injection Operation
DC	Dual Completion
OECD	Organization for Economic Cooperation and Development
SEZ	Special Economic Zone
MPC	Maximum Permissible Concentration
APG	Associated Petroleum Gas
RPM	Reservoir Pressure Maintenance
PCP	Polymer Coated Pipes
PS	Power Substation
CD	Chain Drive
VST	Vertical Steel Tank
RYSO	Regional Youth Social Organization
RT	Republic of Tatarstan
RF	Russian Federation
SVO	Super Viscous Oil

CPS	Cathodic Protection Station
CGS	Corporate Governance Standard
OHSMS	Occupational Health & Safety Management System
EDMS	Electronic Document Management System
TH	Trading House
TTH	Technical Trading House
TS	Technical Specification
FEC	Fuel & Energy Complex
TPP	Thermal Power Plant
DCU	Delayed Coker Unit
MC	Management Company
LHVR	Light Hydrocarbon Vapor Recovery
HSOTF	High Sulfur Oil Treatment Facility
OTF	Oil Treatment Facility
FWNO	Free Water Knock Out
PFTF for RPM	Process Fluid Treatment Facility for Reservoir Pressure Maintenance (PJSC TATNEFT subsidiary)
SRU	Sulfur Recovery Unit
UTNGP	Tatneftegazpererabotka Division (PJSC TATNEFT structural subdivision)
AST	All-Steel Tires
CDH	Central District Hospital
PTC	Personnel Training Center
SRP	Sucker Rod Pump
NGL	Natural Gas Liquids
EIC	Electrical Insulating Connection
ECU	Electronic Corporate University
ESP	Electric Submersible Pump
NPV	Net Present Value



Contact details

Public Joint Stock Company TATNEFT named after V.D. Shashin (hereinafter referred to as the Company, Joint Stock Company, Company, PJSC TATNEFT) was established pursuant to the Decree of the President of the Republic of Tatarstan "On Measures for transformation of the state-owned enterprises, entities, and amalgamations into joint stock companies" dated 26.09.1992 No.UP-466 and the Law of the Republic of Tatarstan "On transformation of the national and communal properties in the Republic of Tatarstan

(denationalization and privatization)" dated 05.02.1992 #1403-XII.

The Company was established in January 1994 for an indefinite period and registered with the Republic of Tatarstan Ministry of Finance (Registration No. 632 dated January 21, 1994).

The Company's major activity is focused on a profit-making goal.

Public Joint Stock Company TATNEFT named after V.D. Shashin

Abbreviated name:

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