



YEARS OF SUSTAINABLE DEVELOPMENT AS A PUBLIC COMPANY

2019 ANNUAL REPORT



We are committed to
**the UN Global
Compact**
Participating since 2019

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The 2019 Annual Report of PJSC Tatneft n.a. V.D Shashin was approved by the Annual General Meeting of Shareholders on June 17, 2020, Protocol No.32.

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About Company

TATNEFT is one of the leading Russian oil and gas producers with more than 75 years of industry experience, including 25 years as a public company listed on the international stock market.

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 at other leading international stock exchanges are the most sought-after and profitable investment instruments as well as capital accumulation forms.

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's enterprises with an optimal distribution of the balance in oil and gas production, oil refining and petrochemicals to achieve maximum operation profitability.

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 in its activities. The fundamental principles for the Company are corporate responsibility and security.

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

OVER

75 YEARS

OF EXPERIENCE IN THE INDUSTRY

25 YEARS

OF OPERATION AS
A PUBLIC COMPANY LISTED
AT THE INTERNATIONAL
STOCK MARKET

In 2019, TATNEFT was recognized as the leader in corporate transparency, which was a milestone event for the Company in the year of the 5th anniversary of entering the international stock market as a public company and joining the UN Global Compact.

20824

PUBLICATIONS WITH A REFERENCE
TO TATNEFT WERE RELEASED
IN FEDERAL MASS MEDIA IN 2019

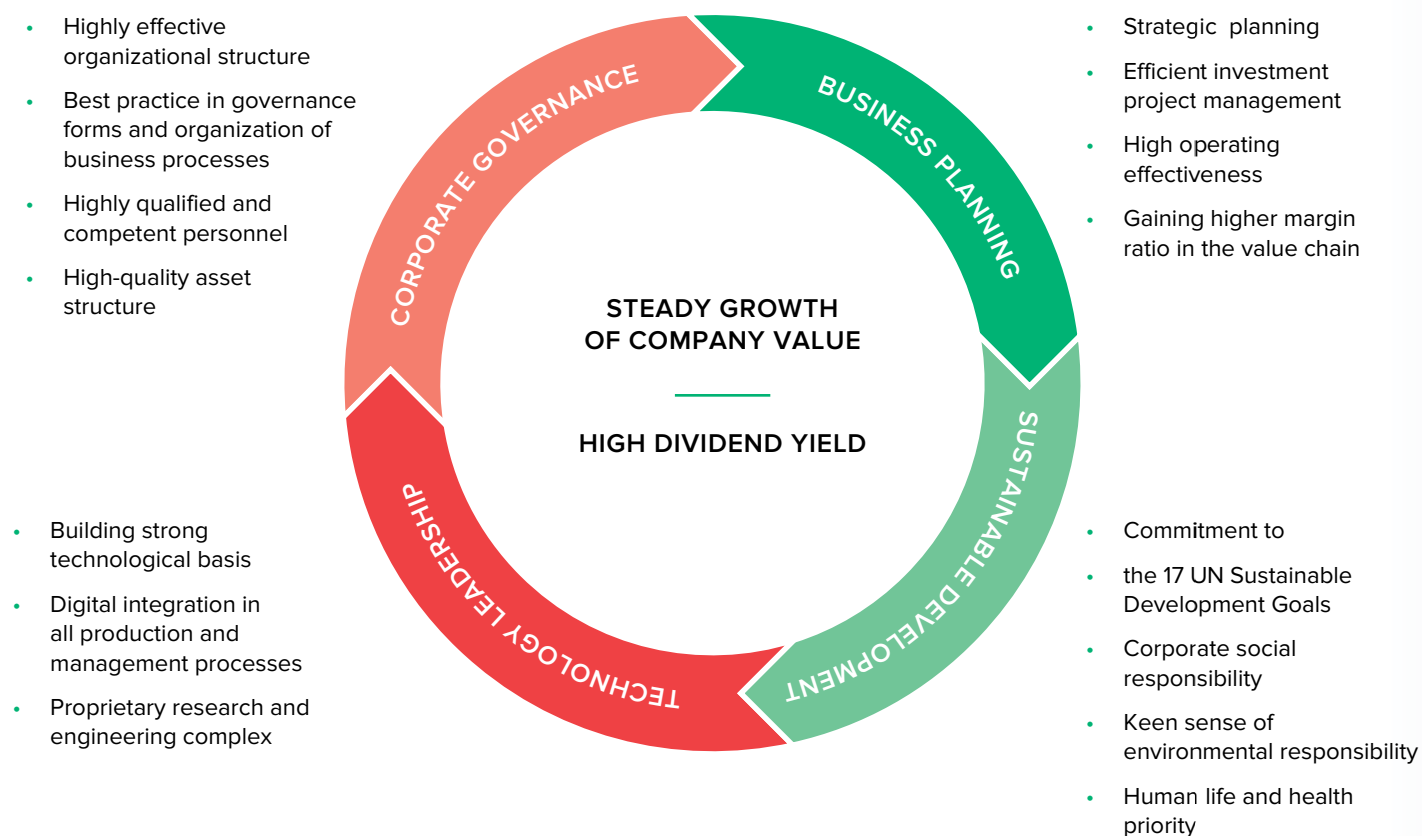
By SCAN Interfax data



Company mission and values

2030 Strategy

The implementation of the Company's 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 activity



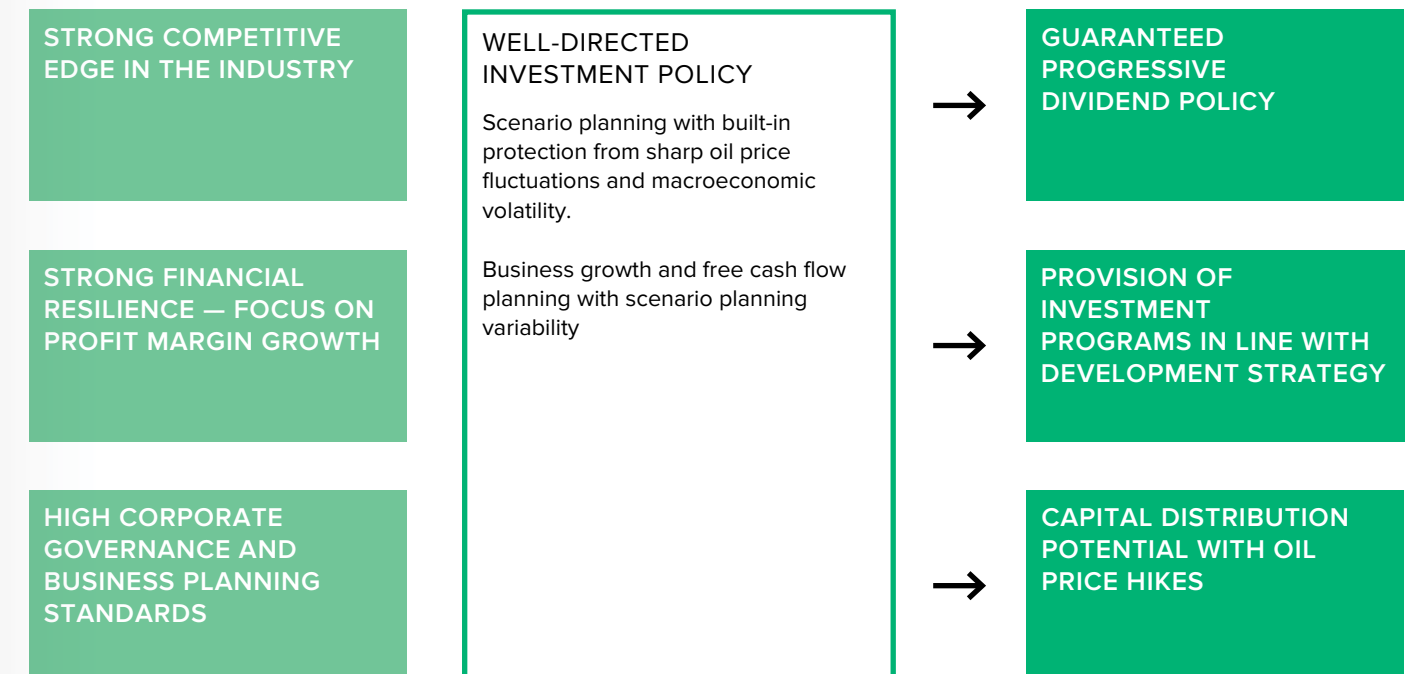
The Company is fully aware of its responsibility to its shareholders, investors, partners, employees and the public as a whole, and recognizes its equal liability for operating performance, health, safety and environmental compliance and takes all measures to ensure long-term sustainable development.

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

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

Our priority is propelling growth of shareholder value of the Company through increased free cash flows and distributions to shareholders



Consistent program actions of the Company make it possible to ensure profitable oil and gas production, sustain a high level of hydrocarbon resource life, effectively develop our own oil

refining and petrochemicals, as well as build-up our innovative potential and deploy advanced digital solutions to create a reliable technological basis for the Company.

Production assets and operating areas

The Company provides management processes from obtaining resources development licenses to oil sale, oil and gas refining products and petrochemicals in the domestic market and for their export, as well as the manufacturing of equipment for oil production, oil and gas treatment and processing, and for providing engineering, supply and construction services for oil, gas and petrochemical projects. The structure of Tatneft Group also includes the banking segment - Banking Group Zenit.

TATNEFT Group encompasses the staff of nearly 60 thousand employees working at 105 enterprises in the Russian Federation and abroad. The key assets of the Company are located on the territory of the Russian Federation with the main focus in Tatarstan. The main subsidiaries operate in the Russian Federation, with the exception of Tatneft-Europe AG, operating in Switzerland.

Business projects are implemented both in the domestic and foreign markets. The business infrastructure is formed by the geographical proximity of production facilities and efficiently built logistics.

The headquarters of the Company is located in the city of Almeteyevsk. The company has representation offices in Moscow, Kazan, the Republic of Ukraine, the Republic of Iraq, the Republic of Uzbekistan, as well as branches in Libya and Turkmenistan.

The resource base of the Company includes one of the world largest Romashkinskoye oil field. Major fields of the Company also include Novo-Elkhovskoye, Bavlinskoye, Bondyuzhskoye, Pervomaiskoye, Sabanchinskoye, Arkhangelskoye, and Ashalchinskoye oilfields. Outside Tatarstan, the exploration and production operations are conducted in the following areas: Nenets Autonomous District, Ulyanovsk Region, Samara Region, Orenburg Region, and 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 more than 800 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.

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



ENTERPRISES

INCORPORATED IN
TATNEFT GROUP AS OF 31.12.2019



COUNTRIES

GLOBAL REACH OF
COMPANY OPERATIONS

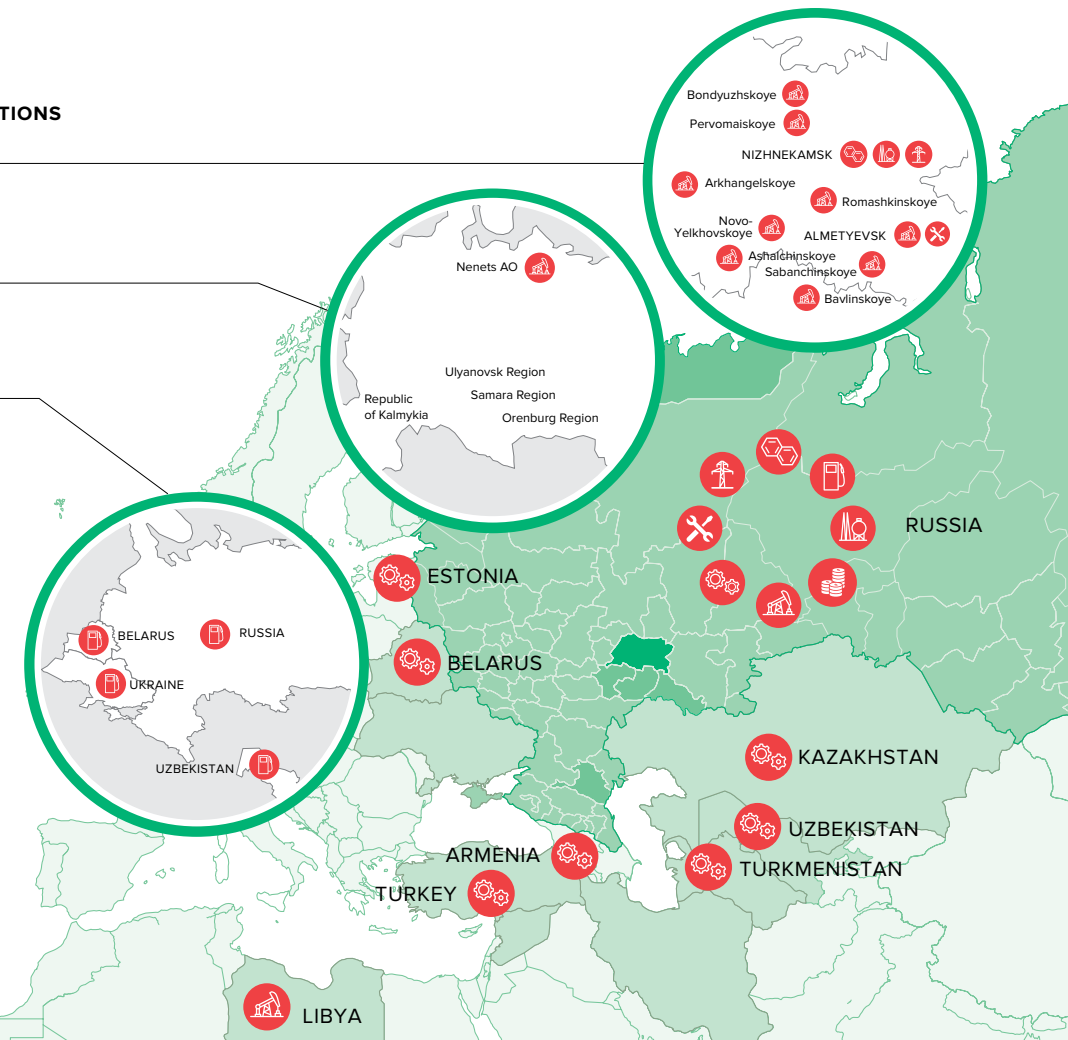
Our global reach

LARGEST OIL FIELDS AND THE CORE OPERATIONS WITHIN THE REPUBLIC OF TATARSTAN

EXPLORATION AND OIL PRODUCTION OUTSIDE THE RT

TATNEFT FILLING STATIONS REGIONAL PRESENCE

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



COMPANY EXPORTED

By 2019 year-end data

60%
CRUDE OIL SOLD

43%
PETROLEUM
PRODUCT SOLD

40%
TIRE PRODUCTS

50 COUNTRIES
GLOBAL SUPPLY
COVERAGE

Business-Model

Capital (resources)

Financial

1,24 TRLN RUB
CONSOLIDATED ASSET VALUE

129,6 BLN RUB **99,9** BLN RUB
INVESTMENTS CAPEX

Social and Reputational

10 COUNTRIES
COMPANY'S GLOBAL REACH

JOINING THE UN GLOBAL COMPACT AND SOCIAL DEVELOPMENT GOALS

Human

60 THOUSAND EMPLOYEES
HIGHLY QUALIFIED STAFF

Intellectual

2,5 BLN RUB
INVESTMENTS IN R&D AND PILOT TESTS

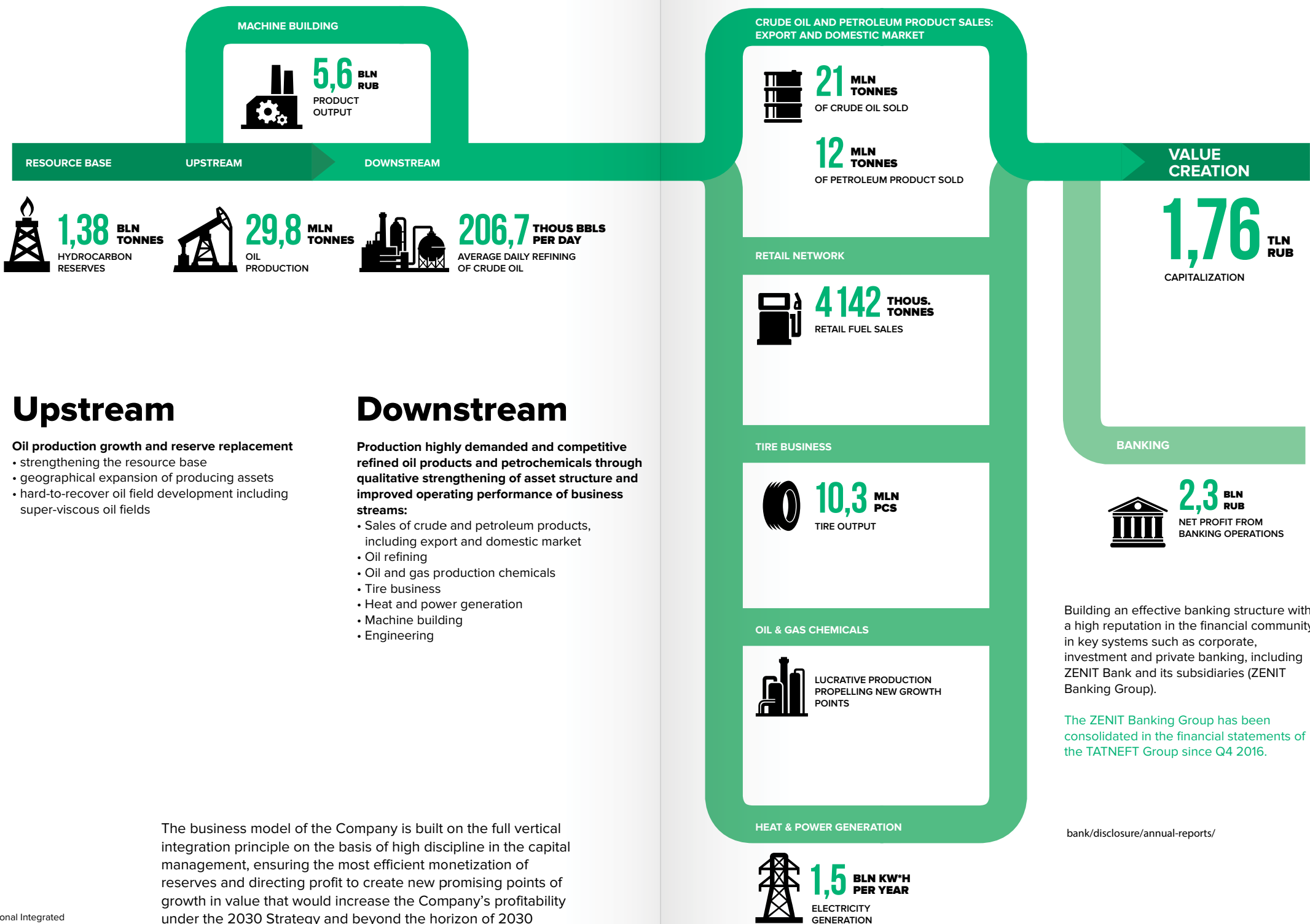
Environmental

12,3 MLN RUB
INVESTMENTS IN ENVIRONMENTAL ACTIVITIES

Operational

105 ENTERPRISES
DIVERSIFIED STRUCTURE OF FULL CYCLE ASSETS

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



Upstream

Oil production growth and reserve replacement

- strengthening the resource base
- geographical expansion of producing assets
- hard-to-recover oil field development including super-viscous oil fields

Downstream

Production highly demanded and competitive refined oil products and petrochemicals through qualitative strengthening of asset structure and improved operating performance of business streams:

- Sales of crude and petroleum products, including export and domestic market
- Oil refining
- Oil and gas production chemicals
- Tire business
- Heat and power generation
- Machine building
- Engineering

The business model of the Company is built on the full vertical integration principle on the basis of high discipline in the capital management, ensuring the most efficient monetization of reserves and directing profit to create new promising points of growth in value that would increase the Company's profitability under the 2030 Strategy and beyond the horizon of 2030 taking into account all sustainable development aspects.

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

Capital (results)

Financial

328,4 BLN RUB **192** BLN RUB
ADJUSTED EBITDA PROFIT ATTRIBUTABLE TO SHAREHOLDERS

24,8% **152,8** BLN RUB
ROACE FREE CASH FLOW

Social and Reputational

509,6 BLN RUB **24** BLN RUB
ACCRUED TAXES, CHARGES AND FEES SOCIAL INVESTMENTS

132,5 BLN RUB
TATNEFT BRAND VALUE

Human

23 THOUS **30**
EMPLOYEES TRAINED CORPORATE TRAINING PROGRAMS

Intellectual

5 444
INTELLECTUAL PROPERTIES

Environmental

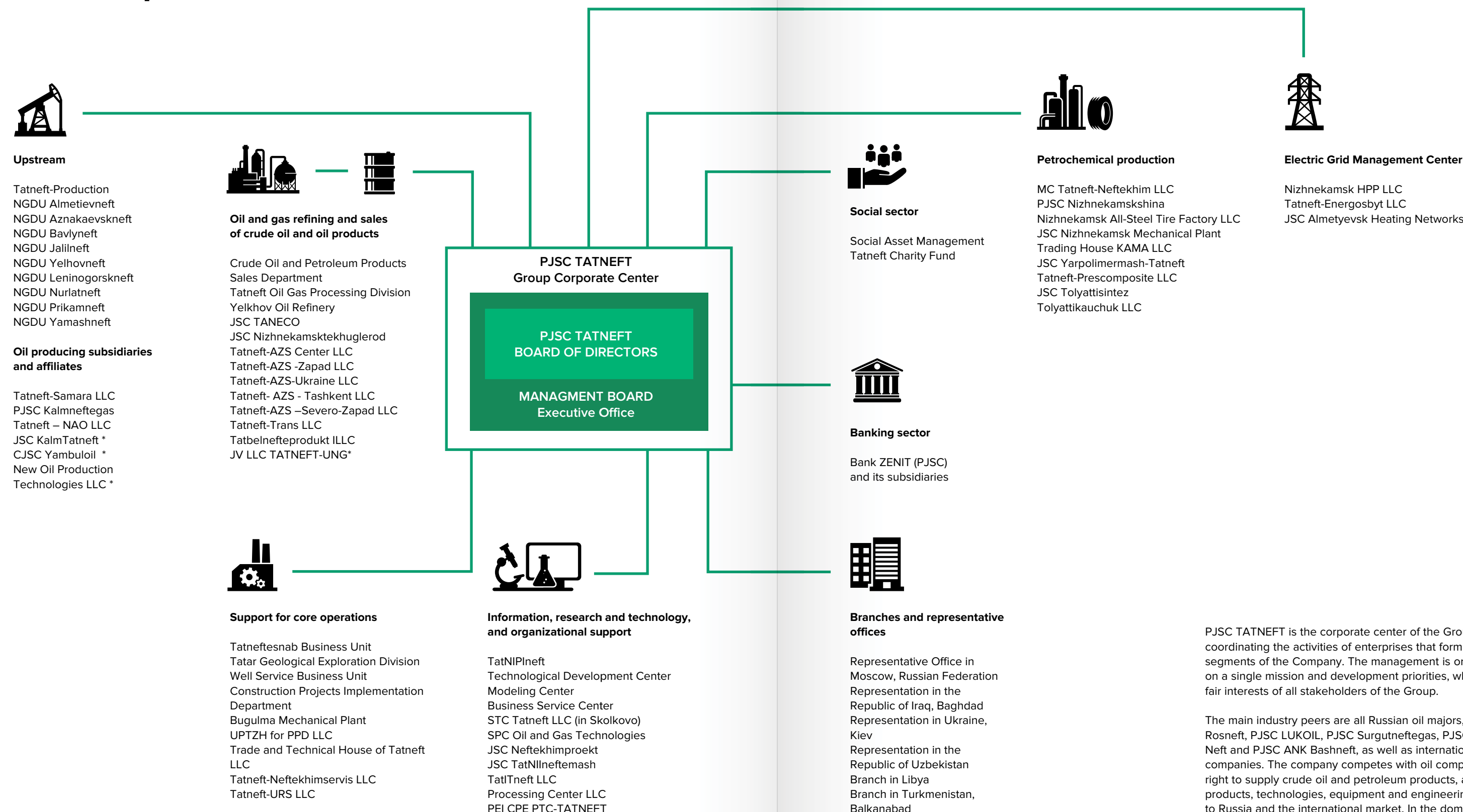
REDUCING ENVIRONMENTAL IMPACTS TO ENSURE SELF-RESTORING CAPACITY OF ECOSYSTEMS

Operational

+0,9% **15,5%**
PRODUCTION GROWTH CRUDE OIL REFINING GROWTH

bank/disclosure/annual-reports/

TATNEFT Group Main Business Divisions and Enterprises



PJSC TATNEFT is the corporate center of the Group, coordinating the activities of enterprises that form the business segments of the Company. The management is organized based on a single mission and development priorities, while respecting 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 Russia and the international market. In the domestic market, the Company is a supplier of heat and power energy, composite materials, etc.

* Enterprises based on partnership with other companies

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

1,76 **+78,7** BLN RUB
VS 2018

TRILLION RUBLES

COMPANY'S CAPITALIZATION
YEAR-END 2019

6 850

OPERATING AND BUSINESS PERFORMANCE
PUBLICATIONS IN FEDERAL MASS MEDIA IN 2019

1 224

COMPANY RATINGS' PUBLICATIONS
IN FEDERAL MEDIA IN 2019

5 287

PUBLICATIONS ABOUT COMPANY'S POSITION
IN THE INDUSTRY IN THE FEDERAL MEDIA IN 2019

DATA FROM "SKAN Interfax" SYSTEM



Joint Address to the Shareholders, Investors and Partners

**of the President of the Republic
of Tatarstan Rustam N. Minnikhanov**

**and Chief Executive Officer, Chairperson
of the Management Board Nail U. Maganov**

DEAR SHAREHOLDERS, INVESTORS AND PARTNERS!

The reporting year 2019 was the year of the 25th anniversary of the Company's status as a public joint stock company. Geography

of our shareholders covers more than 30 countries. Securities of PJSC TATNEFT, presented at the highest quotation level of the Moscow Exchange and at leading international stock exchanges, are among the most popular and profitable investment instruments that increase the invested capital. This is evidence of effective corporate governance of the assets entrusted to us. Throughout its history, the Company has repeatedly overcome difficulties, always maintaining confident stability.

Summing up the results of 2019, Tatneft shows good performance, despite the economic difficulties in the form of a decrease in global oil consumption and restrictions on production under the OPEC + Agreement, unstable oil and gas prices during the year, and a slowdown in global growth, and the national economy, and decrease in international trade.

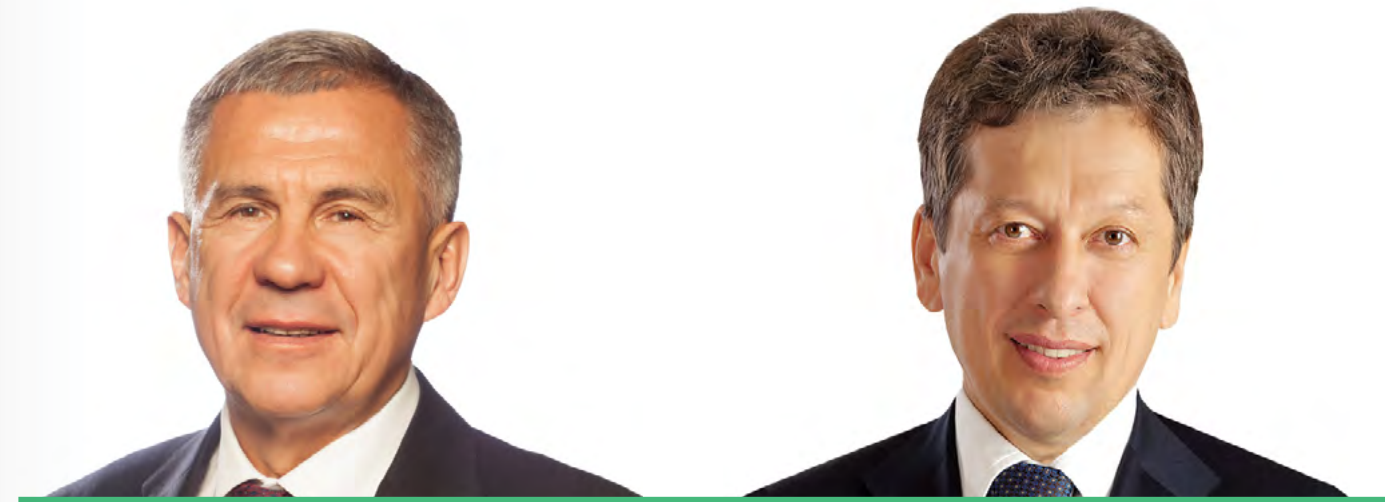
Tatneft was ranked the Top 10 of the rating "100 most expensive by capitalization of public Russian companies" and the Top 10 of the world leaders in the oil and gas industry by added value in shareholder value (BCG Rating).

In 2019, we ensured a free cash flow of 152.8 billion rubles. This made it possible to pay interim dividends for the results of 6 and 9 months of 2019 in the amount of 149 billion 970 million rubles. In total, according to the results of 2019, taking into account previously accrued interim dividends, it is proposed to allocate 150 billion 118 million rubles to pay dividends.

The value of consolidated assets of the Company by the results of 2019 increased by 3.1% and amounted to 1,238.6 billion rubles. The drivers for strengthening the structure and growth in the value of assets are the "Exploration and Production" and "Refining and Sale of Oil and Petroleum Products" segments. In the reporting year, assets were acquired in the retail business of -75 Neste filling stations located in the North-West of Russia and a terminal in St. Petersburg. Also, as part of strengthening the tire segment and implementing the Company's petrochemical strategy, assets for the production of various types of synthetic rubber in Togliatti were acquired.

The Tatneft Group year-end consolidated revenue amounted to 932.3 billion rubles, 2.4% growth to 2018. Net profit of the Group's shareholders amounted to 192.3 billion rubles. The Company has consistently demonstrated a high level of profitability and a low level of debt burden. Adjusted EBITDA grew by 4.3% amounting to 328.4 billion rubles. Return on capital employed (ROACE) 24.8%.

The Company successfully implements the Strategy-2030 approved by the Board of Directors. In 2019, the Company consistently implemented planned production goals and reached a new level of performance, while maintaining leadership positions among Russian vertically integrated oil companies on a number of indicators. The total oil production across the Group in the reporting year amounted to 29.8 million tonnes with the average daily production of 581.5 thousand barrels a day. The company maintains one of the highest recovery factors in the industry at 44%. Due to the development of our own capacities, we increased the average daily processing to 206.7 thousand barrels with a total increase in oil refining by 15.5% compared to the previous year. 10.3 million tonnes of oil products and 1.2 million tonnes of gas products have been produced for the year.



At the TANECO Complex, one of the best indicators in the industry was achieved in terms of refining depth - 98.98% and light oil products - 80.87%. In 2019, TANECO began comprehensive testing of the second distillation unit and vacuum distillation of crude oil CDU VDU-6 which allowed to increase the rated capacity of the oil refining complex to 15.3 million tonnes a year. Prior to the completion and launch of the additional deep processing unit, it is planned to use the expanded oil refining capacities at a level that ensures the maximum economic efficiency of the Complex.

We are improving the structure and quality characteristics of the petroleum product basket. All products of the TANECO fuel line including gasoline grades AI-92, AI-95, AI-98, AI-100 and diesel fuel meets EURO-6 environmental standard and is one of our hallmarks. The petrol formulations according to this standard, selected and controlled by TANECO online, allow the production of gasolines with optimal operational and environmental characteristics. High-quality products of the TANECO fuel line have become the hallmark of the Tatneft petrol station network.

The Company's tire business operating under the brand name «KAMA TYRES» holds one of the leading positions in Russia. In 2019, 10.3 million tires were produced on 400 product lines. We are expanding international distribution channels, Tires are shipped to 50 countries. At the same time, 64% of production goes to the domestic market.

Our generating capacities generate electricity of more than 1.5 billion kWh per year for industrial facilities and the community. We invest resources to modernize equipment to increase its reliability and diversify sources of raw materials.

As new growth points, we are developing a petrochemical industry with large long-term potential.

The Company maintains a high level of hydrocarbon resource availability, which allows it to confidently increase production. In early 2020, the hydrocarbon reserves of the Tatneft Group, according to an independent estimate by Miller & Lents, were 1,381.4 million tonnes of oil equivalent, including 998.3 million tonnes of oil equivalent - proved reserves.

In the context of growing competition with developing shale oil production, the Company maximizes the existing potential of oil deposits by widely applying its accumulated technological experience and competencies to strengthen its positions both in the Russian and global energy markets.

By selling the oil produced, the Company ensures an optimal balance of oil shipment distribution in order to increase operating profitability under the market conditions. In 2019, Tatneft Group exported to the near and far abroad about 60% of all crude oil sold. With that, the Company fully provides raw materials for loading its own refining capacity.

In order to improve profitability, the Company develops premium distribution routes and provides optimization for oil products logistics. Oil products, gas products and petrochemicals produced by the Company are sold in bulk both abroad and in the domestic market, and also delivered to the Company's sales subsidiaries to be further sold in Russia.

In the reporting year, sales of petroleum products through the Company's retail network increased by 19.9%, consisting of 802 filling stations, and 111 filling stations outside the Russian Federation.

We pay close attention to strengthening the technological base of the Company and digital solutions, moving to innovative patterns of management and organization of business processes. The value chain is constantly being improved and the margin of the business is increased due to the efficient building of business processes, a high share of added value, quality and safety standards. We carry out strict control of financial discipline, the level of costs and returns on existing assets.

The Company implements a well-balanced investment policy that takes into account the interests of shareholders and the goals of future development of Tatneft Group. In 2019, the volume of investments amounted to 129.6 billion rubles, of which 99.9 billion rubles were capital investments.

The activity of the Company, as one of the largest taxpayers in the main region of its presence, plays an important role in ensuring the revenues to the federal and regional budgets, which contributes to the stable socio-economic development of the territories where our enterprises are located. At the same time, as part of target corporate programs, the Company annually allocates over 20 billion rubles to the development of healthcare, science and education, the cultural environment, preservation of the spiritual heritage, and support of sports. The Tatneft Charity Fund plays a major role in this process.

Significant for the Company is the consistency of corporate interests with the UN Global Compact Agenda, which Tatneft became a party to in 2019. We see a high potential in combining our common efforts - integrating experience, scientific and technical developments and concrete actions into achieving the Sustainable Development Goals.

When making business decisions, we take into account the objectives of socio-economic growth, expanding innovative opportunities and improving the quality of life in our territories based on an open dialogue with stakeholders, including local communities. This increases the targeting of the Company's initiatives and the transparency of decisions.

Tatneft Group provides about 60 thousand jobs at 105 enterprises in the Russian Federation and abroad. Currently in order to ensure effective implementation of the personnel policy, the HR strategy of Tatneft Group is being formed. In the context of the development of operational activities, we focus on the tasks of training and enhancing staff competencies, improving the motivation system, and creating a talent pool. We pay great attention to corporate culture and youth policy.

An important aspect of our work is our commitment to fundamental principles of human rights, including the right to a safe environment.

Ensuring safety, protecting human life and health, and maintaining a favorable environment are among the key priorities of the Company. In 2019, the Board of Directors approved a new version of the Company's Policy in industrial safety, labor protection and the environment with considerations to climate change, based on international best practice and a risk-based approach. Guidelines of the Company in this area are recognition of the priority of life and health of people to production activities; high level of industrial safety, ensuring the level for ecosystem restoration potential, reducing carbon footprint. Now we are successfully completing the implementation of the Environmental Program designed for the period of 2016–2020, and are setting ambitious goals for the future.

In 2019, 12.3 billion rubles were allocated for environmental safety and environmental protection. At the same time, we are constantly increasing investments in the environment. Over the past years, the annual growth of investments in environment protection reached over one billion rubles. Behind these numbers are concrete actions and results.

The Company clearly sees its contribution to a sustainable energy future in the context of the transition of global economy to a low-carbon path of development associated with the climate change and ensuring global economic growth. We are implementing a number of projects focused on the task of reducing the carbon footprint and integrating this task into the business processes of the Company. To this end, advanced international platforms and standards on climate initiatives are applied. High environmental characteristics of our products, energy efficiency indicators of production processes and a model of rational consumption of resources contribute to the continued reduction of specific greenhouse gas emissions into the air.

In 2019, a detailed inventory of emission sources was started and a lot of work was done to analyze and select advanced techniques for reducing emissions, capturing and processing carbon dioxide. Renewable energy is indisputable for cleaner low-carbon energy generation, and we pay special attention to this development as part of our strategy.

Compensation measures are equally important in combating the climate change. In order to create a favorable environment in the area of its activity and increase the absorption of greenhouse gases, Tatneft Group, since 2000, has been implementing a greening program. During this period, over 10 million seedlings of trees and shrubs have been planted.

The area of continuous attention of the Company's management is occupational safety and health. First, these are the programs for the prevention of industrial injuries, staff training, and a set of long-term and preventive measures. Over one billion rubles are allocated annually to labor protection measures.

The beginning of 2020 was a turbulent challenge for all of us caused by spread of Covid-19 pandemic. This problem has affected people all over the world and has become an extreme test for sustainability and, most importantly, for our readiness for sustainable development of our society as a whole and business in particular. Tatneft did everything possible to stop the spread and consequences of the pandemic wherever we work. We aim to protect our employees, clients and the local population; we provide serious support to healthcare institutions and social assistance to vulnerable groups. At this stage, our goal, as a diversified energy company, was to ensure the sustainability and continuity of our production processes, including supply of fuel and energy resources to our consumers - industrial enterprises, social institutions and the population.

We assess all current macroeconomic and industry risks and adjust our actions to move forward. We greatly appreciate your confidence and assure that we will continue to implement our strategic plans for further growth of shareholder value and sustainable development of the Company!

We thank the shareholders, investors, partners, employees of Tatneft Group enterprises for their joint activities and we feel optimistic about the future!

R.N. MINNIHANOV

The President of the Republic of Tatarstan. Chairperson of the Board of Directors, PJSC Tatneft

N.U. MAGANOV

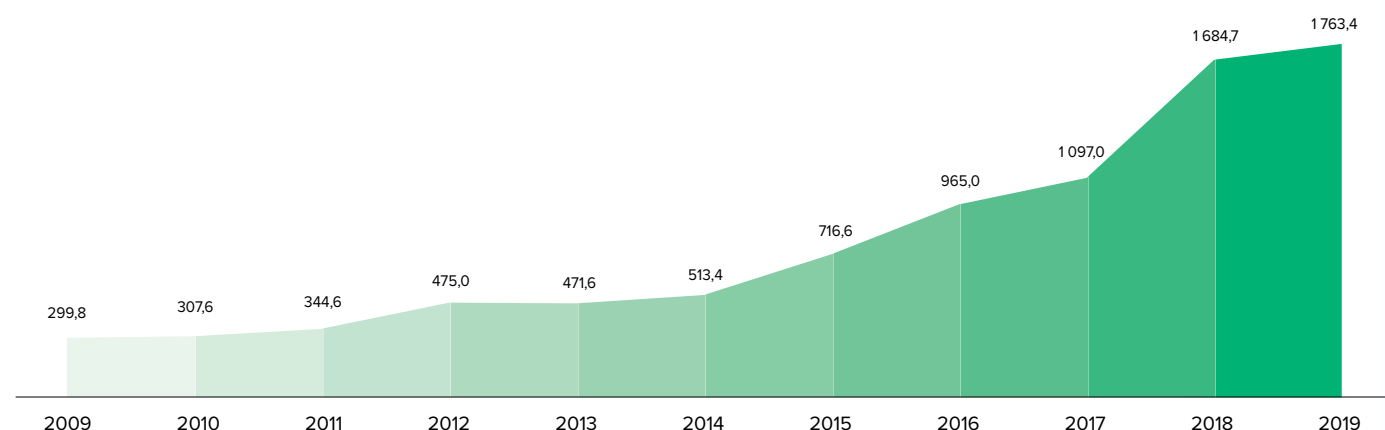
Chief Executive Officer, Chairperson of the Management Board, PJCS Tatneft



Company Capitalization

At the end of 2019, the total market capitalization (market value of ordinary and preferred shares) of PJSC TATNEFT named after V.D. Shashin increased by 78.7 billion rubles (4.7%), versus the end of 2018, and amounted to 1.76 trillion rubles (\$ 28.4 billion USD). In dollar terms, total market capitalization grew by 17.4% to \$ 28.4 billion USD.

CAPITALIZATION TREND, BLN RUB.



Capitalization is calculated according to the methodology used by the Moscow Exchange at the close of trading in the reporting year

TATNEFT ranks among Top-10 of “100 most expensive public Russian companies by capitalization” (RIA Rating)

TATNEFT ranks among top 10 of the global oil and gas industry leaders by shareholding value growth (BCG rating)

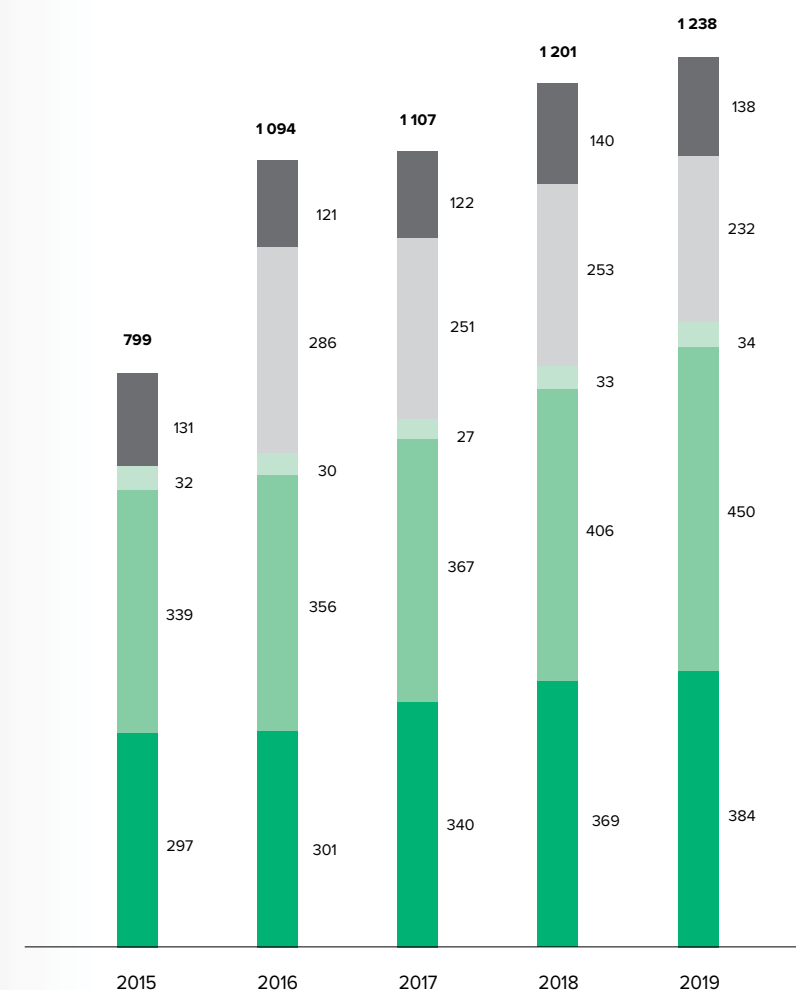
132,5 ^{+36,2% vs 2018} **BLN RUB**
COST OF TATNEFT BRAND IN 2019

TATNEFT ranks among top 10 rating of “50 most expensive brands of Russia”. (Evaluation by Brand Finance)

Consolidated Assets of the Group

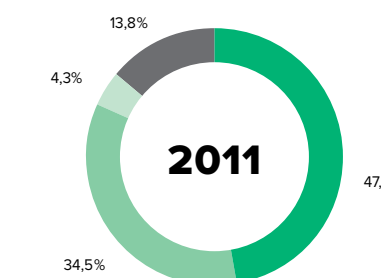
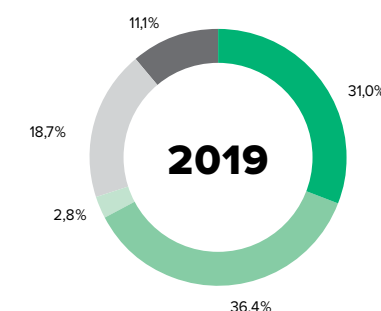
1,24 ^{+37,3 bln rub vs 2018} **TRILLION RUB**
COST OF CONSOLIDATED ASSETS

ASSETS OF TATNEFT GROUP BY SEGMENTS, RUB BLN

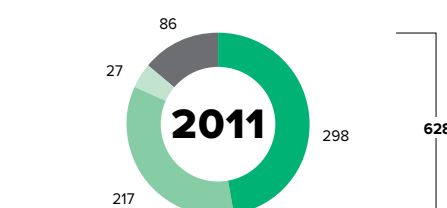
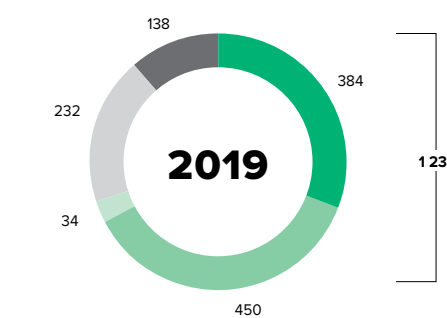


Exploration & production
Refining/sale of oil and oil products
Petrochemistry
Banking
Corporate and other

DEVELOPMENT OF TATNEFT GROUP CONSOLIDATED ASSETS STRUCTURE, %



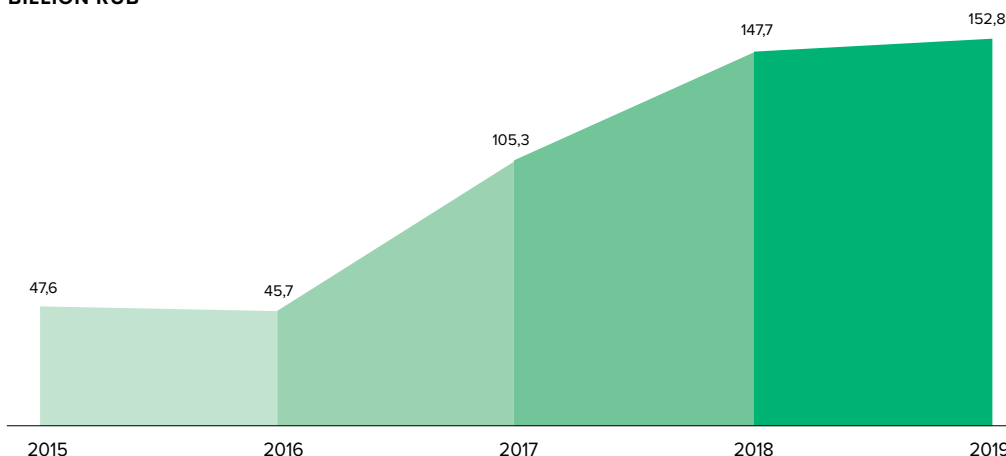
TATNEFT GROUP CONSOLIDATED ASSETS VALUE, BLN. RUB.



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

Financial Performance

FREE CASH FLOW,
BILLION RUB



5,1 BLN
RUB

INCREASE OF FREE
CASH FLOW

24,8%

RETURN ON AVERAGE
CAPITAL EMPLOYED (ROACE)

152,8 BLN
RUB

FREE CASH FLOW IN 2019

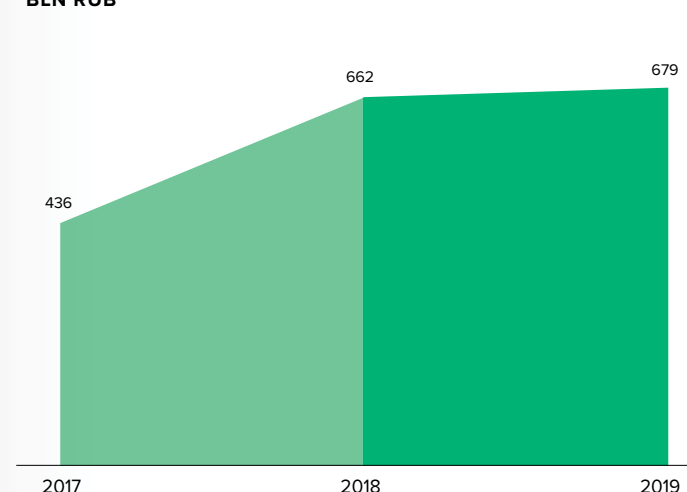
192,3 BLN
RUB

PROFIT ATTRIBUTABLE
TO TATNEFT GROUP SHAREHOLDERS
IN 2019

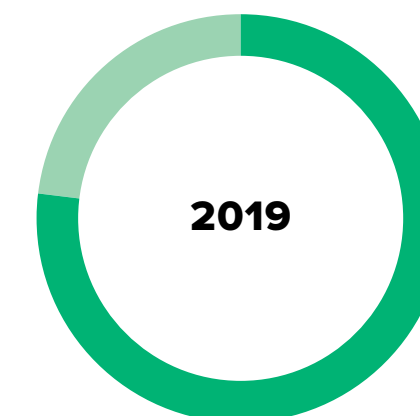
For more information on financial results and comments please refer to the consolidated financial report — further in the Annual Report — page 210

Added Value

ADDED VALUE INCREASE,
BLN RUB



SHARE OF ADDED VALUE
IN TOTAL OUTPUT, %



77% share of value added of the total output

The Company has provided a steady increase in the value added amounted to RUB 243 bln in 3 years with the increased production up to RUB 883 bln.

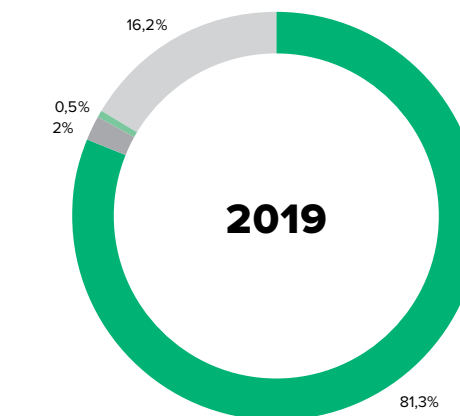
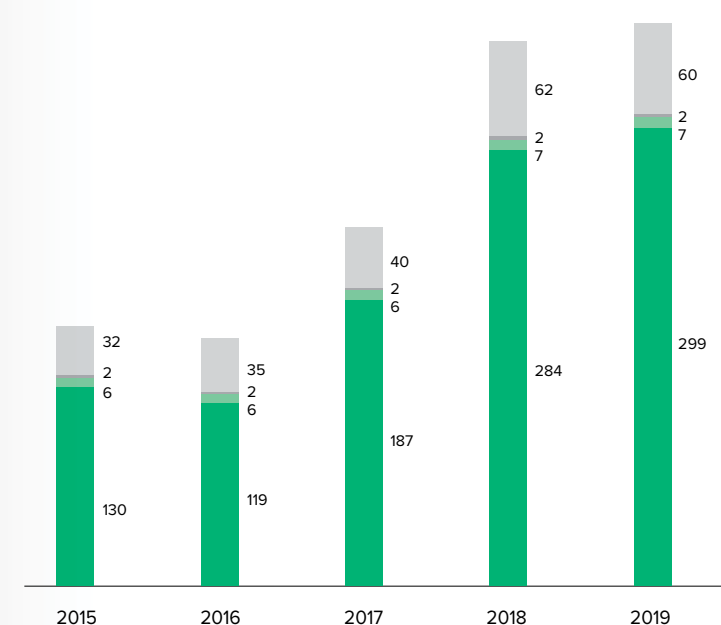
679 BLN
RUB

ADDED VALUE OF TATNEFT
GROUP IN 2019

77%

SHARE OF ADDED VALUE

Taxes on TATNEFT Group, Rub bln



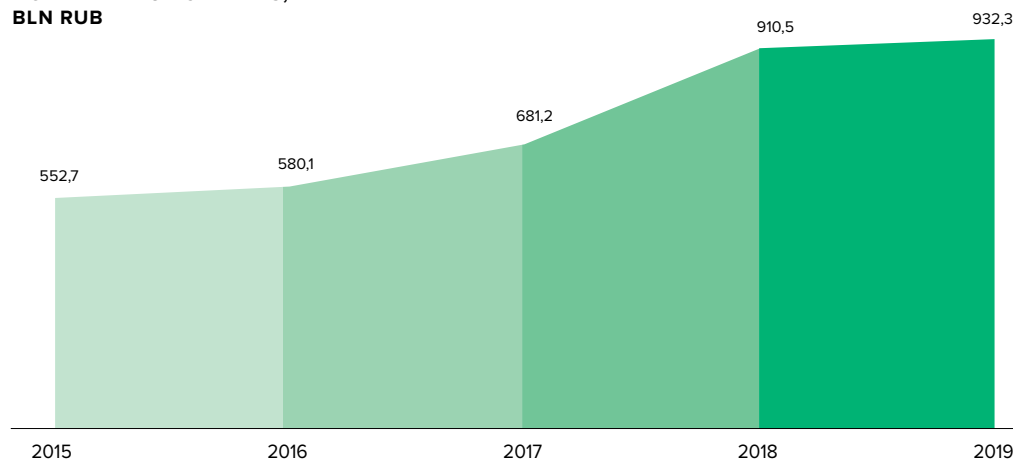
Mineral extraction tax (MET) Others
Corporate property tax Profit tax expense

Excluding export duties, excise duties and insurance premiums

Taxes included in non-bank transaction costs

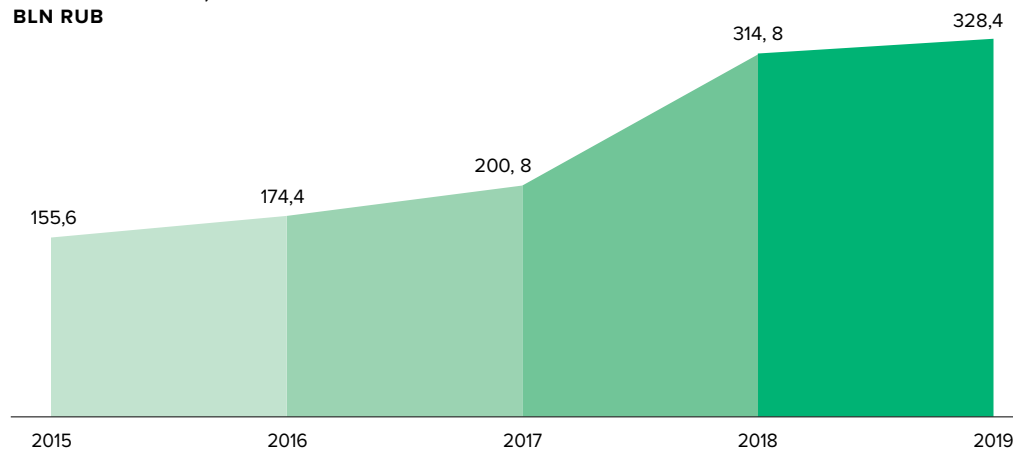
Consolidated Proceeds & EBITDA

NET CONSOLIDATED PROCEEDS FROM
NON-BANKING ACTIVITIES,
BLN RUB



2,4%
REVENUE GROWTH
AS COMPARED TO 2018

ADJUSTED EBITDA,
BLN RUB



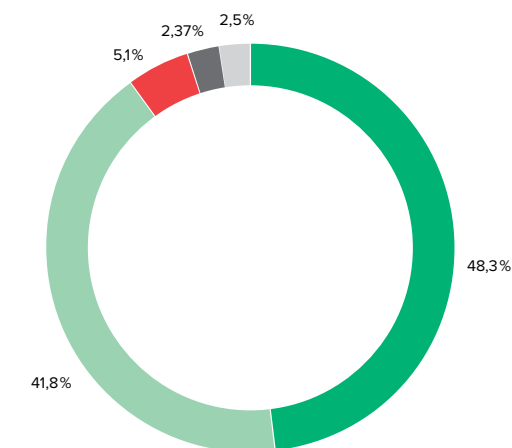
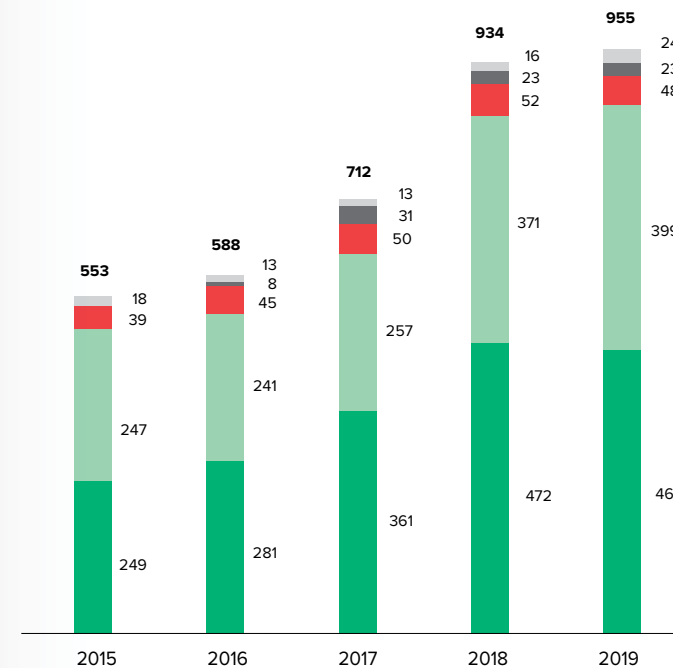
4,3%
INCREASE IN ADJUSTED
EBITDA AS COMPARED TO 2018

932,3 BLN RUB

**CONSOLIDATED
PROCEEDS IN 2019**

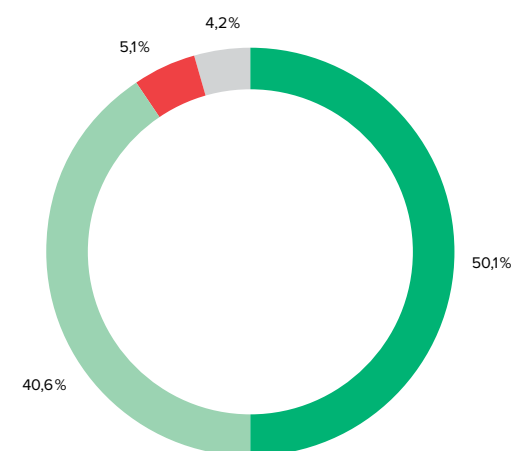
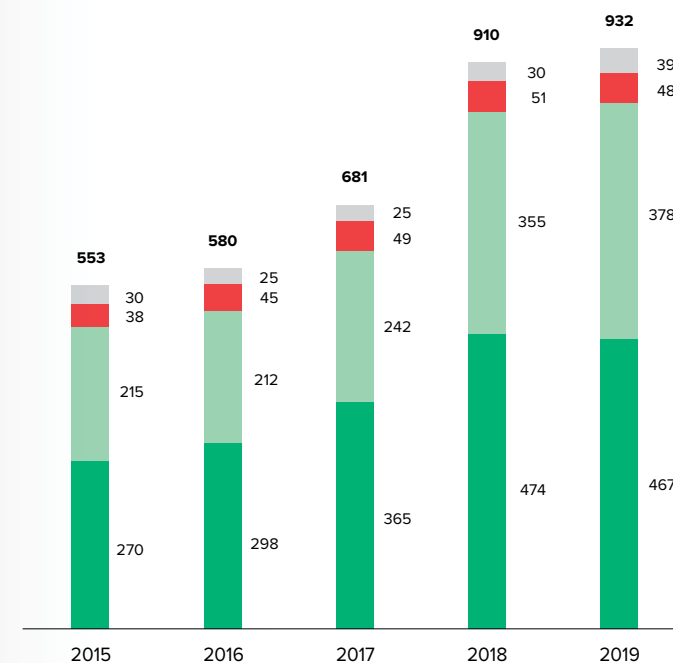
Revenue distribution by segment

PROCEEDS BY SEGMENT
(LESS INTER-SEGMENT PROCEEDS),
BLN RUB



Exploration & production
Refining and Sales of crude oil & petroleum products
Petrochemicals
Corporate and others
Banking Activities

PROCEEDS BY PRODUCT,
BLN RUB



Crude Oil
Petroleum Products
Petrochemicals
Others

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 recognizing dividends as one of the key indicators of investment attractiveness 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 depending upon which one is the highest.

In 2019, we generated 152, 8 bln RUB of free cash flow. This made us possible to pay out the 2019 six and nine months' interim dividends in the amount of 149 bln 970 mln rubles. Altogether, the 2019 dividends including the interim dividends previously earned are proposed to be distributed in the amount of 150 bln 118 mln rubles.

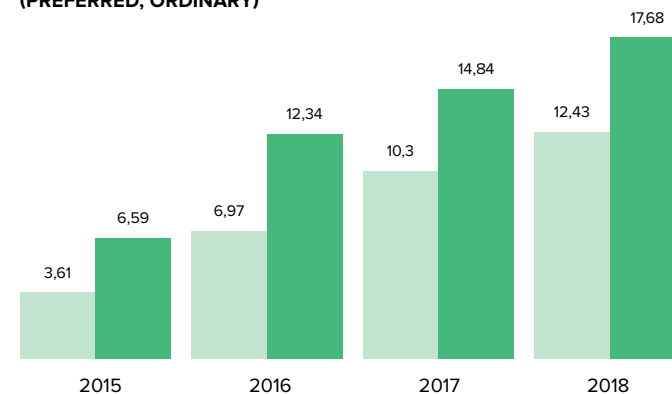
Detailed dividend policy can be found on pages 180–181

96,2%
NET PROFIT PER RAS FOR 2019 WILL BE 2019 DIVIDEND AMOUNT

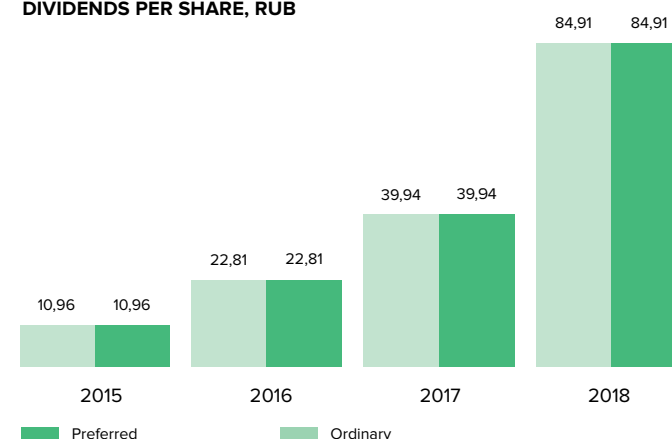
752,1 BLN RUB

SHAREHOLDERS' CAPITAL IN 2019

DIVIDEND YIELDS ON SHARES, % (PREFERRED, ORDINARY)



DIVIDENDS PER SHARE, RUB



Context of Activities – Sustainable Development

We are highly committed to maximize the shareholding value while keeping balance of interests of all stakeholders and create shared value.

Strict compliance with the laws and the industry standards related to the Company operations. Adherence to the code of ethics, including dedication to support diversity and inclusive culture in the corporate environment.

STAKEHOLDERS

- Shareholders and investors
- Business partners and clients
- Employees
- Contractors
- Local communities
- State
- Regulators

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

509,6 BLN RUB
TOTAL ACCRUED TAXES, CHARGES AND FEES

24 BLN RUB
SOCIAL INVESTMENTS

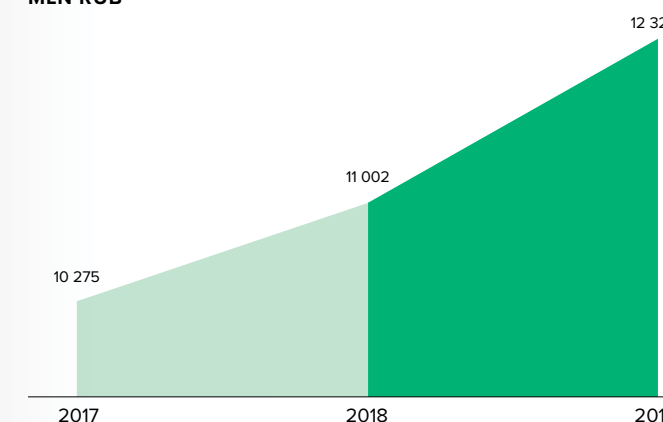
60 THOUS
JOBS

The activities of the Company as one of the major taxpayer in the region the Company operates in, play an important role in providing revenues to federal and regional budgets that promote the stable social and economic 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.

1,3 BLN RUB
SPENT FOR OCCUPATIONAL HEALTH AND SAFETY

0,26
LOST TIME INJURY FREQUENCY RATE (LTIFR)

TATNEFT GROUP ENVIRONMENTAL SPENDING FROM 2017 TO 2019, MLN RUB

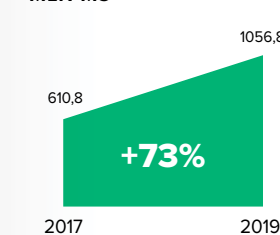


12,3 BLN RUB
SPENT TO PROTECT THE ENVIRONMENT

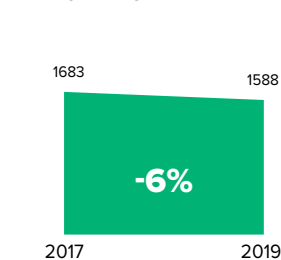
12%
GROWTH IN ENVIRONMENTAL SPENDING VS. 2018

Basic principles of the Company: recognizing that human life and health takes priority over production activities; high level of industrial safety; ensuring self-restoring capacity of ecosystems, mitigating negative impacts on the environment and carbon footprint for sustainable energy future. The Company reduces a man-induced burden on the environment across all its business streams.

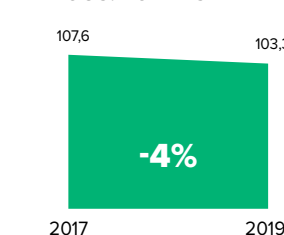
TOTAL RECYCLED AND REUSED WATER SUPPLY, MLN M3



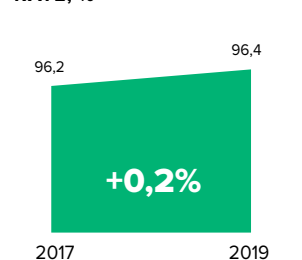
DISTURBED LANDS, YOY HECTARES



GROSS AIR POLLUTANT EMISSIONS THOUS. TONNES



EFFECTIVE APG UTILIZATION RATE, %



Resource capacity

Current reserves replacement ratios (%)

151,82% **152,19%** **154,96%**

OIL 1P

OIL 2P

OIL 3P

1 381,4 MLN TOE

HYDROCARBON RESERVES FOR TATNEFT GROUP

INCLDING

998,3 MLN TOE

PROVED RESERVES

The Company sustains high level of hydrocarbon resource life. Propelling improved reserve replacement performance is a key driver for the 2030 Strategy. The Company intends to replace its reserves at the rate of more than 100%.

As of 31.12.2019 per Miller&Lents, Ltd. reserves estimates

TATNEFT GROUP RESOURCE CAPACITY

- proved reserves 940,329 mln tonnes, including unconventional oil reserves 33,254 mln tonnes;
- probable reserves 328,180 mln tonnes, including unconventional oil reserves 43,379 mln tonnes;
- possible reserves 36,428 mln tonnes, including unconventional oil reserves 32,595 mln tonnes;

Total 1,305 bln tonnes, including unconventional oil reserves of 109,228 mln tonnes.

TATNEFT GROUP TOTAL NET CONTINGENT RESOURCES

- 1C resources: 74 980 thous. tonnes (oil and condensate) and 7 396 mln m3 (gas);
- 2C resources: 113 926 тыс. т (oil and condensate) and 12 531 mln m3 (gas);
- 3C resources: 245 701 тыс. т (oil and condensate) and 60 760 mln m3 (gas);

Hydrocarbon reserve additions are provided based on rational use of natural resources and strict compliance with environmental and industrial safety with application of cutting edge technologies and techniques to prospect and explore hydrocarbon fields.

TATNEFT GROUP HYDROCARBON RESERVES

- proved reserves - 998,294 mln toe, including unconventional oil reserves - 33,522 mln toe;
- probable reserves - 346,446 mln toe, including unconventional oil reserves - 43,608 mln toe;
- possible reserves - 36,672 mln toe, including unconventional oil reserves - 32,596 mln toe;

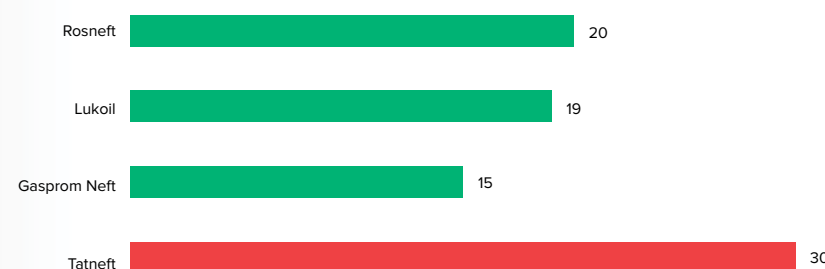
Total 1,381 bln toe, including unconventional oil reserves of 109,726 mln toe.

RESERVES REPLACEMENT RATIO (RRR)

- TATNEFT Group 1P Oil RRR - 151,82%.
- TATNEFT Group 2P Oil RRR - 152,19%.
- TATNEFT Group 3P Oil RRR - 154,96%.

Exploration management processes are aimed to efficiently accomplish mineral resources base replacement program of the Company, accelerate and improve oil field development operations for further commercial production while integrating intellectual and high-tech capabilities.

PROVED RESERVES LIFE (YEARS)



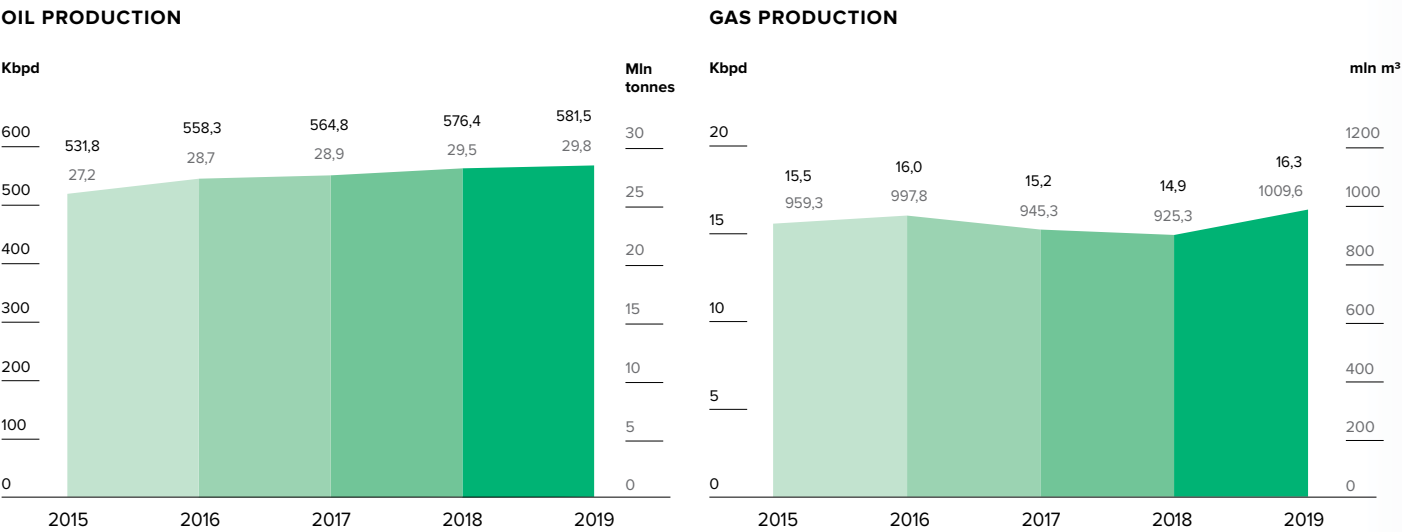
Source: Data from companies

45,15 MLN TONNES

2019 TOTAL INCREMENTAL OIL RESERVES FOR TATNEFT GROUP

2019 Key operating performance

Oil and gas production

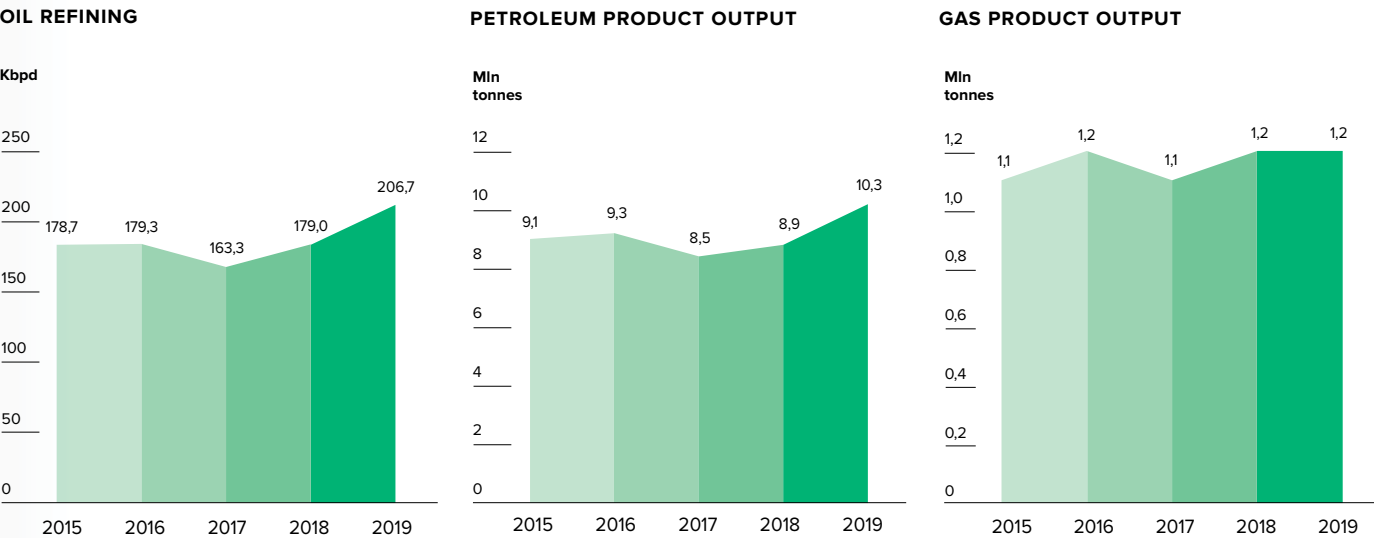


581,5 KBPD
AVERAGE DAILY OIL PRODUCTION

16,3 KBOE
AVERAGE DAILY GAS PRODUCTION

29,8 MLN TONNES
OIL PRODUCTION OUTPUT

Refining and product output



206,7 KBPM
AVERAGE DAILY OIL REFINING

15%
PETROLEUM PRODUCT OUTPUT GROWTH

0%
FUEL OIL PRODUCTION

1,2 MLN TONNES
GAS PRODUCT OUTPUT

10,3 MLN TONNES
PETROLEUM PRODUCT OUTPUT

Trading and logistics

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

In 2019, TATNEFT Group exported 59,6% of all its crude oil sold to both the CIS and non-CIS countries (as compared to 62% in 2018), which was down 2.4% from 2018, with the oil sales revenue overall lowered by nearly 1,6%.

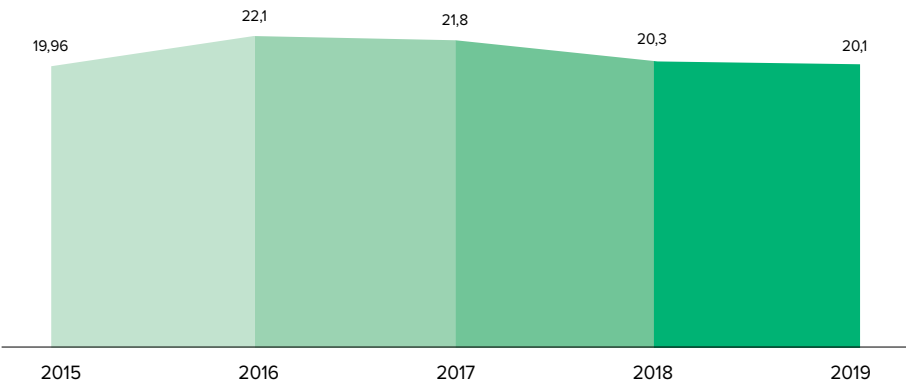
The key driver for the lowered sales revenue was the plunge in global oil prices, thus, the average URALS quotes dropped by 10%.

Meanwhile, the Company supplies its own refineries with the feedstock to load their capacities in full.

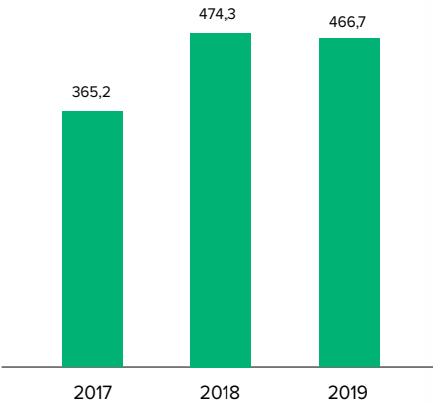
The Company uses the JSC Transneft services, a state monopoly and the operator of the Russian system of main oil pipelines to transport its crude oil for export.

Crude oil sales

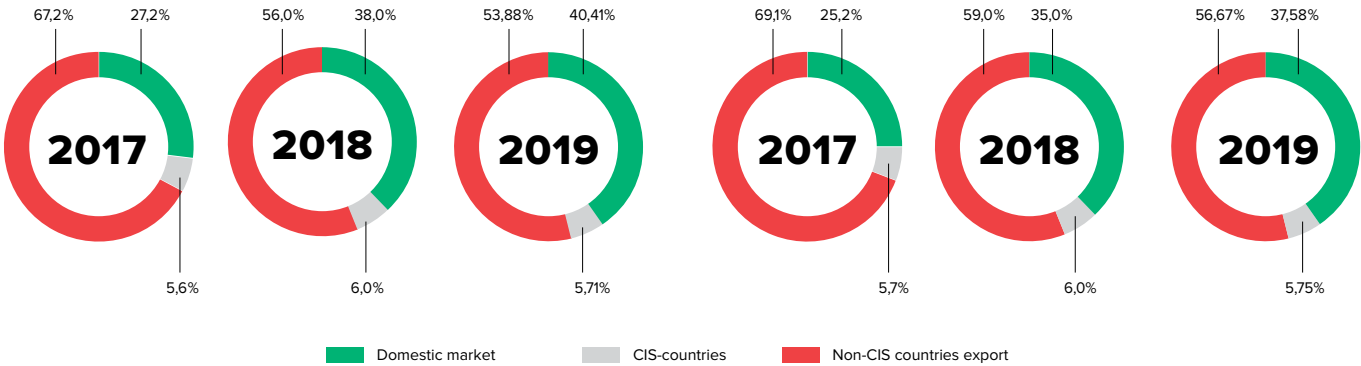
CRUDE OIL SALES, MLN TONNES



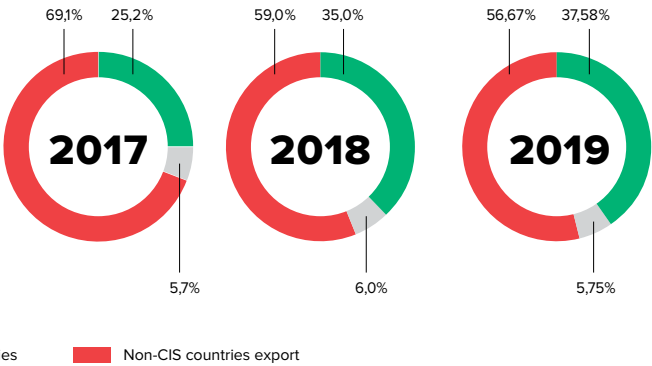
CRUDE OIL SALES REVENUE, BLN RUB



CRUDE OIL SALES SHARES BY SUPPLY DIRECTIONS



CRUDE OIL SALES REVENUE SHARES EXCLUDING EXPORT DUTIES BY SUPPLY DESTINATIONS



In 2019, the total petroleum product sales for the Group overall amounted to 12,03 mln tonnes. In 2019, the revenue from petroleum product sales for the TATNEFT Group amounted to 378.5 billion rubles, which is up 6.6% from 2018. In 2019, nearly 77% of crude oil export was transported via the Druzhba pipeline (to Poland, the Czech Republic, Hungary, Slovakia, and Germany), 5% was shipped through the Russian ports of the Black Sea (Novorossiysk), and 18% was shipped through the Russian ports of the Baltic Sea (Primorsk, Ust-Luga).

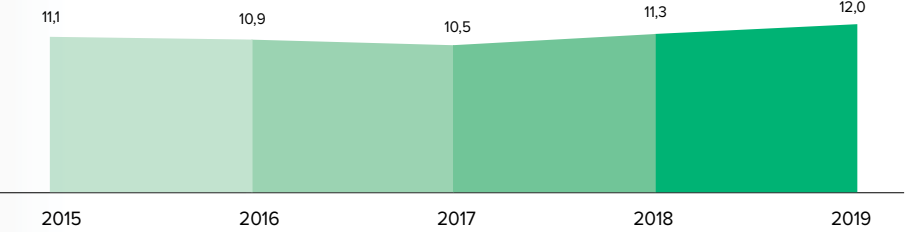
Oil products, gas products and petrochemical products produced by the Company are sold in bulk abroad and in the domestic market, as well as supplied to the marketing subsidiaries of the Company for subsequent sale in Russia.

6,6%

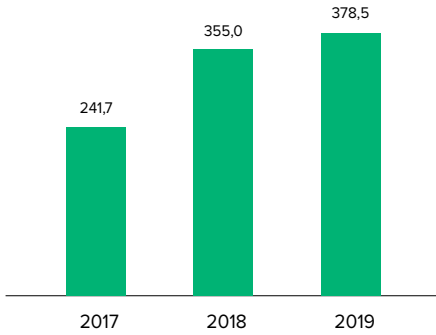
PETROLEUM PRODUCT SALES REVENUE GROWTH

Petroleum product sales

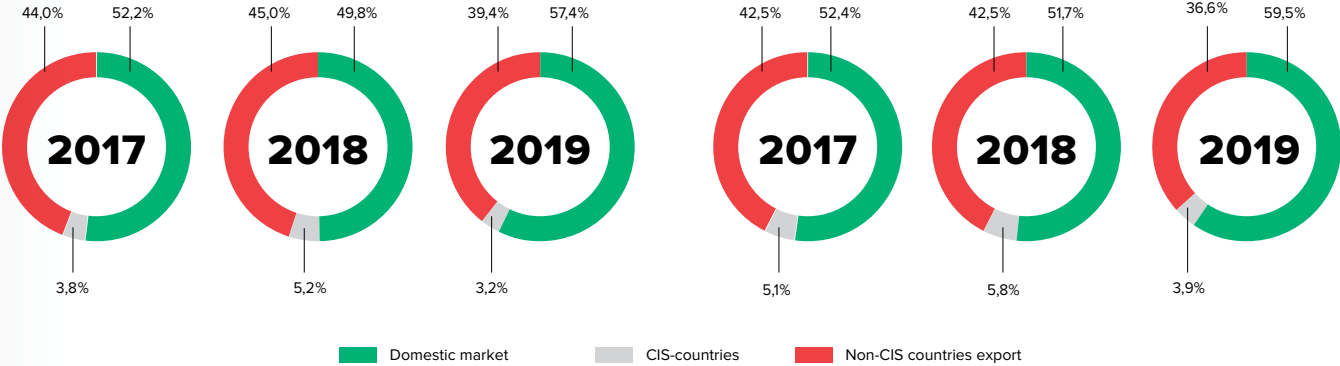
PETROLEUM PRODUCT SOLD, MLN TONNES



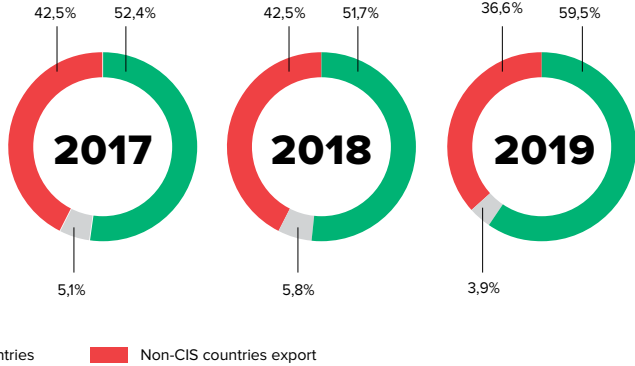
PETROLEUM PRODUCT SALES REVENUE, BLN RUB



PETROLEUM PRODUCT SALES SHARES BY SUPPLY DIRECTIONS



PETROLEUM PRODUCT SALES REVENUE SHARES Y4ETA EXCLUDING EXPORT DUTIES AND EXCISE TAXES BY SUPPLY DIRECTIONS



Tire business

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

Over 45 years in the market. Full business cycle of production.

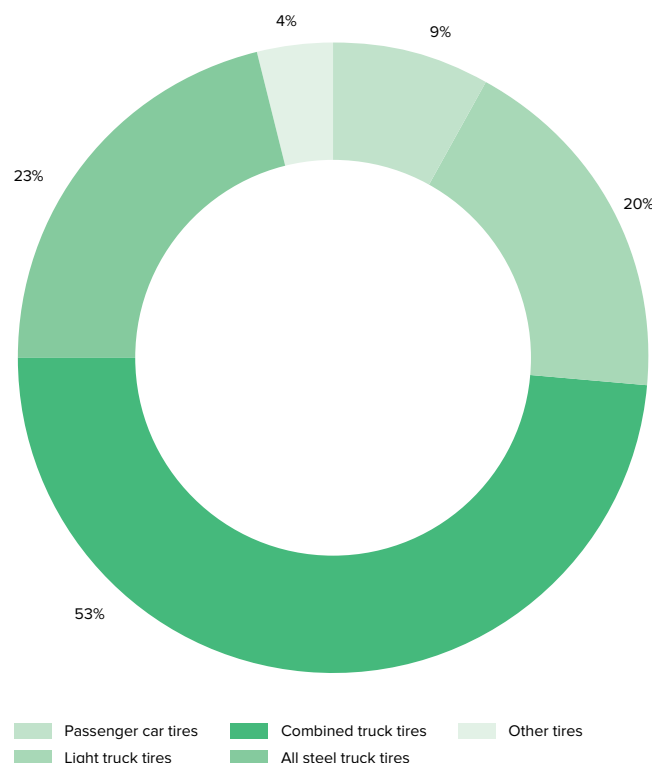
400
COMMODITIES

17
CERTIFIED TRADE AND SERVICES CENTERS IN THE WORLD «T&S»

100
CONTRACTORS IN WORLD

3300
CONTRACTORS IN RUSSIA

TIRE MARKET SHARES IN RUSSIA



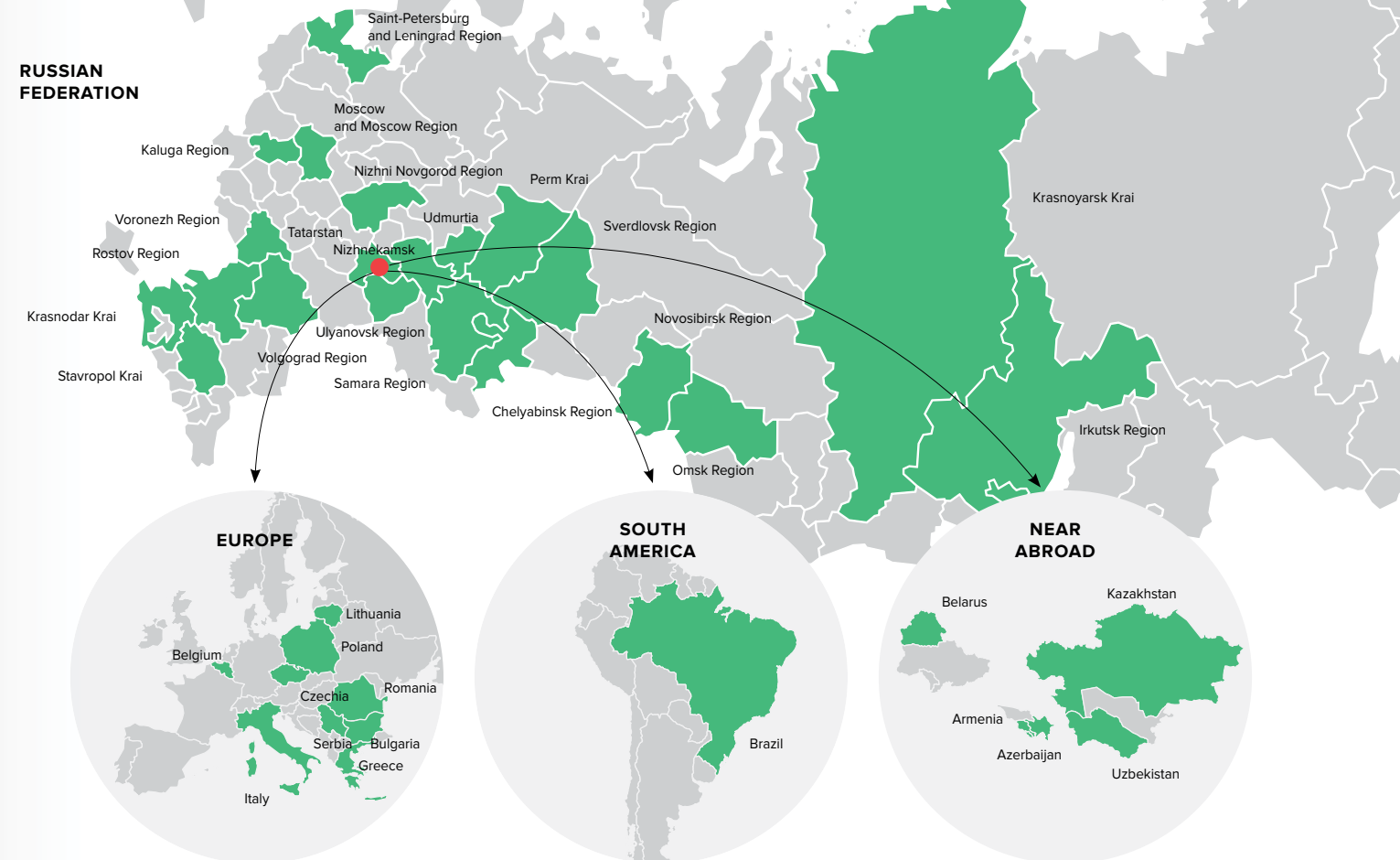
10,3 MLN TIRES
MANUFACTURED IN 2019 г.

Key supply regions

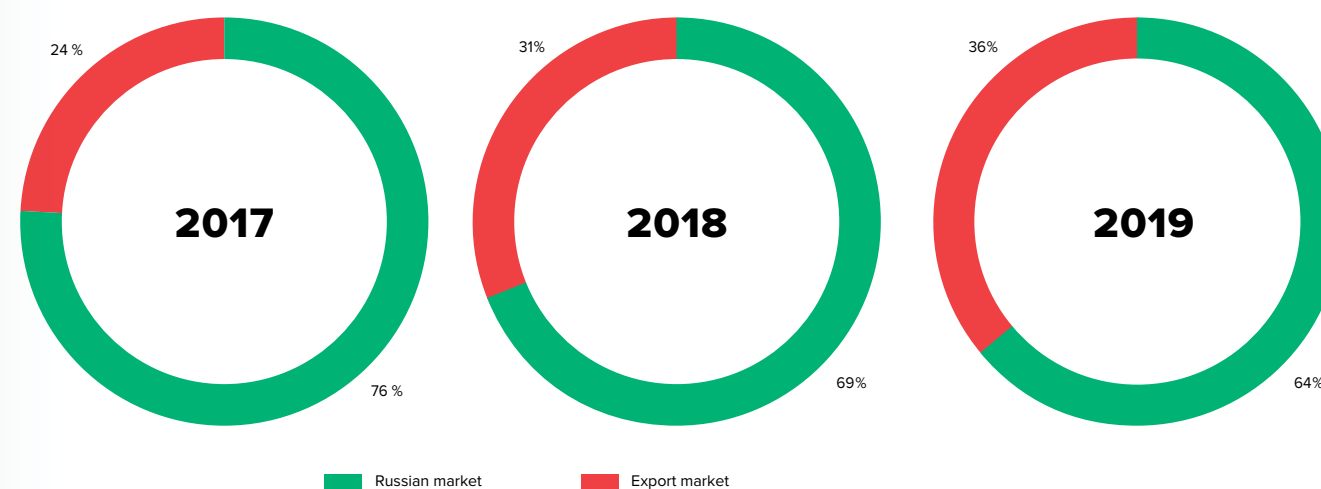
50 COUNTRIES

SUPPLY DESTINATIONS

RUSSIAN FEDERATION



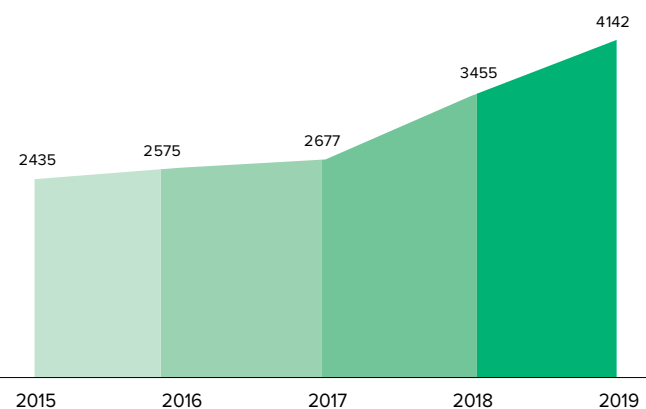
Sales market



Fuel Filling Station Network

Petroleum product sales

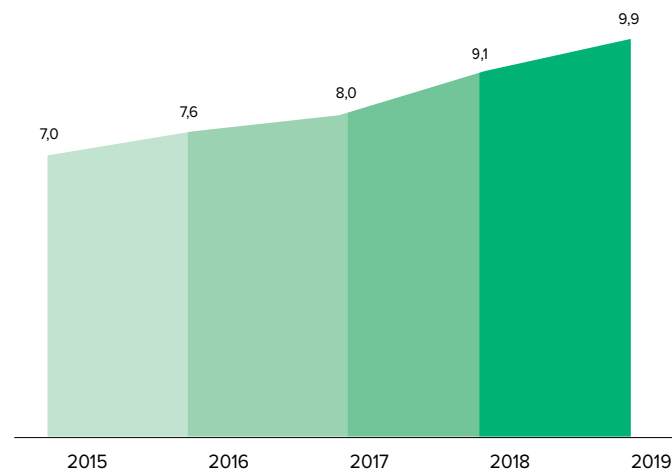
RETAIL PETROLEUM PRODUCT SALES, KTONNES



19,9%

RETAIL PETROLEUM PRODUCT SALES GROWTH

AVERAGE DAILY SALES PER FILLING STATION¹, TPD



¹ без учета ТАУ, ТАТ

8,8%

GROWTH IN AVERAGE DAILY SALES PER STATION



RETAIL BUSINESS NETWORK

INCLUDING

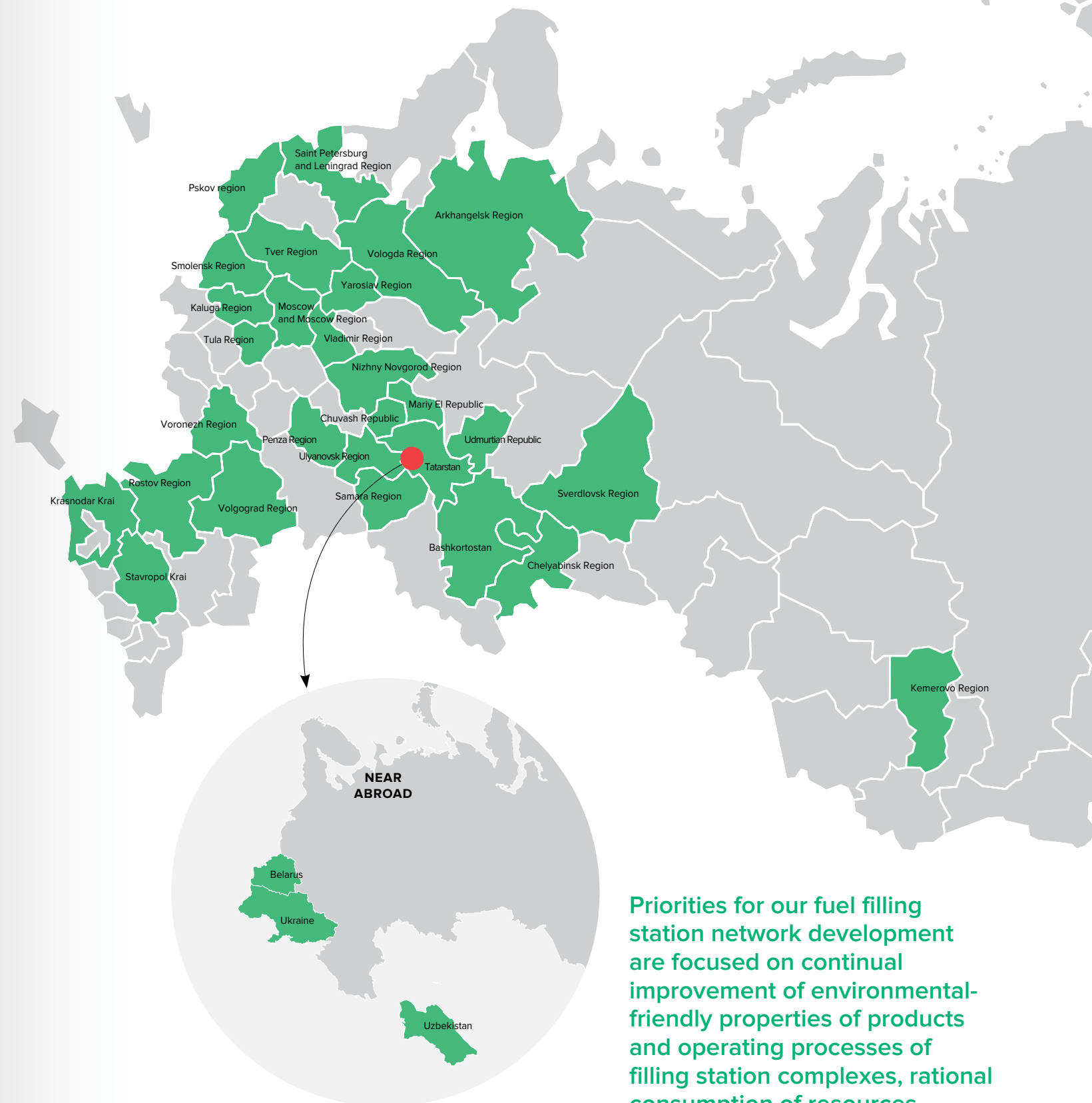


OUTSIDE RUSSIA

STATOINS

STATOINS

TATNEFT Fuel Filling Station Network Locations



Priorities for our fuel filling station network development are focused on continual improvement of environmental-friendly properties of products and operating processes of filling station complexes, rational consumption of resources and reduction of greenhouse emissions.

Heat and power energy

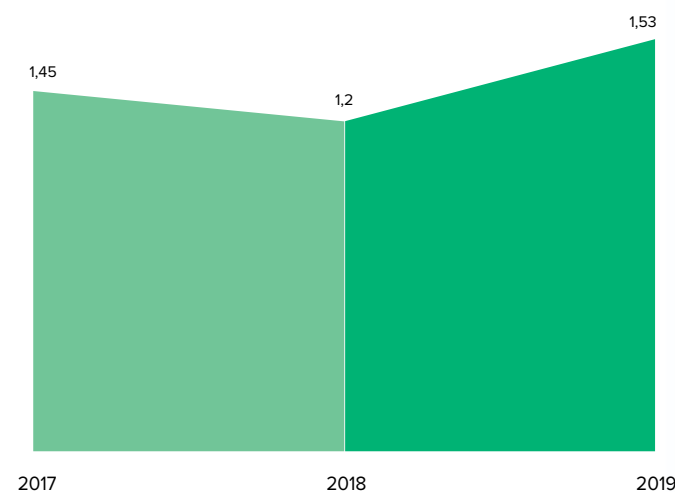
Heat and power generation

The installed electric capacity of generating power is integrated into the business model of the Company and provides 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 households.

1,53 BLN KW·H
PER YEAR

ELECTRIC POWER SOLD IN 2019

ELECTRIC POWER GENERATION,
BLN KW·H PER YEAR



1407

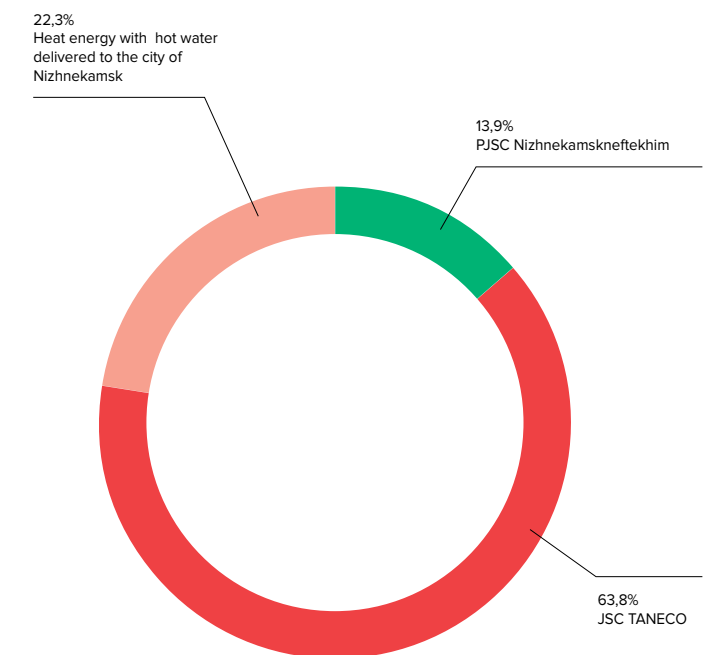
4,2 MLN
GCAL

2019 HEAT ENERGY SALE

The energy capacities existing in the Group's asset portfolio make it possible to increase the level of vertical integration through reducing the dependence of own 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.

3 418 876 GCAL

ОБЪЕМЫ ОТПУСКА ТЕПЛОЭНЕРГИИ
ООО «НИЖНЕКАМСКАЯ ТЭЦ»



573

ELECTRIC POWER GENERATED
BY NIZHNEKAMSKAYA HPP LLC

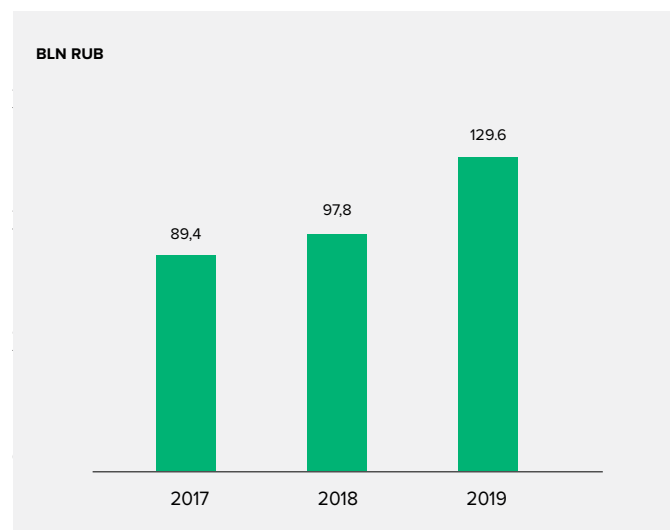
**THOUS
KW·H**

Investment policy

The contribution to sustainable growth of the Company's value is attained through investments in economically viable and highly competitive projects yielding 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 its own oil and gas processing and petrochemicals segment, tire business, fuel filling station network, and getting new projects launched on time and on budget. The key priority of investment activities is to increase investment and operational efficiency, providing technological solutions aimed at minimizing the negative impact on the environment and assessing the social impacts of the Company's investment projects.

COMPANY'S INVESTMENT AMOUNTS

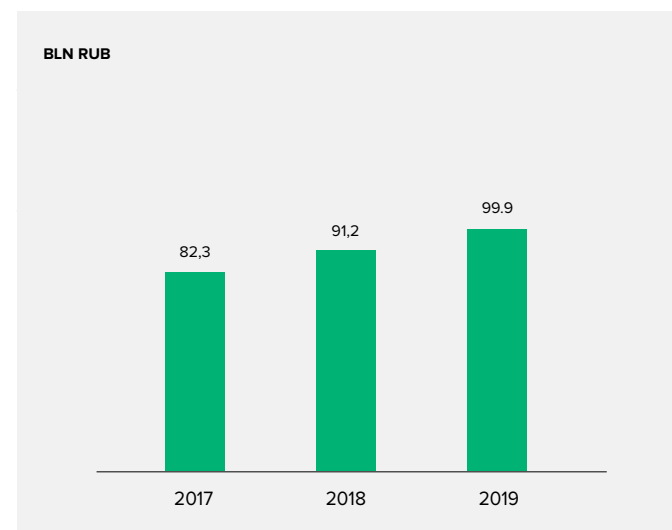


2019 Investment Program Implementation

In 2019, the Company invested 129,6 billion rubles, including 99,9 billion rubles of capital expenditure in nature. The year on year growth of the investment program in 2019 amounted to 31,8 billion rubles (+32.5%). The key driver in the investment growth is the investments in the construction of the TANECO Complex of Oil Refineries and Petrochemical Plants in Nizhnekamsk, as well as acquisition of new assets in retail sales of petroleum products and in production of synthetic rubber for the tire business.

Most of the Company's investments is concentrated in Russia and is aimed at growing of the production within the traditional areas of the Company's operations. The international projects account for about 3% of the investments made in the lucrative projects in the segments of Exploration and Production and Retail Sales Network of Fuel Filling Stations».

CAPEX FINANCING



Investment Portfolio

In the structure of the 2019 investment program, the main investments are allocated to the Exploration and Production segment at the rate of 40% of total investments including the operations within the Russian Federation (34 billion rubles) and at the super-viscous oil fields (14,6 billion rubles), and to the Oil and Gas Refining and Petrochemicals at 43% of the total investments (55,6 billion rubles), accordingly.

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

40%

INVESTMENTS IN OIL EXPLORATION AND PRODUCTION PROJECTS

43%

INVESTMENTS IN PROJECTS TO DEVELOP ITS OWN OIL AND GAS PROCESSING AND PETROCHEMICALS WITH HIGH RESULTS TO BE ACHIEVED

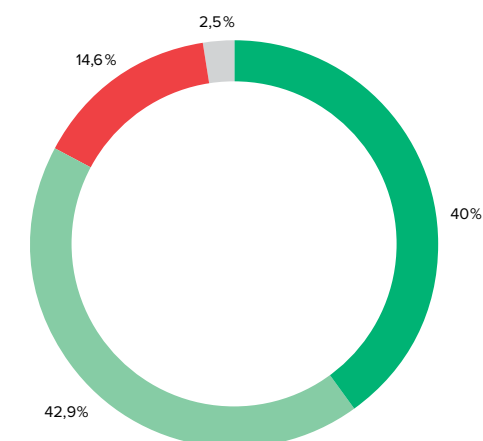
31%

GAINS IN INVESTMENT PROJECT EFFICIENCY FOR CONVENTIONAL OIL PRODUCTION PROJECTS

73%

INVESTMENTS TO EXPAND THE RESOURCE BASE AND OIL PRODUCTION OUTSIDE OF THE REPUBLIC OF TATARSTAN ARE DIRECTED TO DRILLING OF PRODUCTION AND EXPLORATION WELLS

2019 INVESTMENT PORTFOLIO STRUCTURE



- Exploration and production of oil and gas in the oil fields of the Republic of Tatarstan (including super-viscous oil fields), outside the Republic of Tatarstan and Russia
- Oil and gas refining and petrochemicals
- Development of power generation, tire, retail businesses, mechanical engineering and service subsidiaries
- Social projects, corporate projects



100 BLN RUB
2019 CAPEX

BLN RUB

TOTAL INVESTMENTS
TATNEFT GROUP OVERALL IN 2019

Investment projects in 2019

Exploration and production

PROGRAM FOR CONVENTIONAL OIL EXPLORATION AND PRODUCTION WITHIN THE REPUBLIC OF TATARSTAN

The Company has been a success in delivering the investment projects on well interventions and workover programs in the PJSC TATNEFT's licensed areas. According to the results of 2019, the planned oil production target was outperformed by 9%, the efficiency of investment projects rose by 31%, with the planned target of 1 468 tonnes per million rubles of investment, the actual performance was achieved as high as 1 929 tonnes per million rubles.

The project to improve the Middle and Lower Carboniferous reservoir management efficiency is moving ahead through infill drilling. Since the start of the project in 2016, 1 297 wells were drilled and 1 965 thousand tonnes of oil were produced. The performance of wells drilled in 2019 showed better results than targeted, in particular: oil production – 192 thousand tonnes (126% of the production target), net present value (forecast for effect duration period) – RUB 14,6 bln (114% of the target) and profitability index of the discounted costs – of 1,56 (111% of the target).

DEVELOPMENT OF SUPER-VISCOUS OIL FIELDS

In 2019, 14,6 billion rubles were invested in the development of super-viscous oil fields, of which 4,9 billion rubles were invested in drilling and 9 billion rubles in the surface facilities. Additionally, three (3) domes were brought into the development. Altogether, twenty (20) domes were in production. The surface facilities were about to be completed on four domes with the oil production expected to commence in 2020. Over 12 months, the super-viscous oil was actually produced in the amount of 2,735 million tonnes.

The best opportunities and priorities for the project development are infill drilling and bringing new domes into production. The investment program worth of 13,3 billion rubles was shaped with consideration to prospective dome drilling.

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 2019, 3,5 billion rubles were invested in the project. Of these, 73% accounted for drilling production and exploration wells, about 3% for seismic exploration and thematic exploration work, 9% for well interventions. In 2019, nine (9) production wells and six (6) exploration wells were drilled, and 329 thousand tonnes of oil were produced.

Oil and gas refining

OIL REFINERIES AND PETROCHEMICAL PLANTS COMPLEX

In 2019, as part of the JSC TANECO's project to build the Oil Refineries and Petrochemical Plants Complex, the investments were spent in the total amount of 42,3 billion rubles. During 2019, the «gasoline scheme» facilities were put into commercial operation, such as: naphtha hydrotreatment unit, catalytic reforming, xylene fractionation, and off-site facilities; the project was implemented to increase the capacity of the hydrocracking unit up to 110%; the base oil plant capacity was ramped up to 120 %.

The commissioning of the CDU-VDU-6 unit made it possible to bring the design oil refining capacity of the TANECO Complex up to 15,3 million tonnes per year. Moreover, with commissioning of the vacuum distillation unit of the visbreaker the refining oil capacity can reach 11,4 million tonnes per year with zero fuel oil produced.

In the first half of 2019, the turnaround planned maintenance of the process equipment of the delayed coking unit was successfully completed. In October 2019, the kerosene hydrotreating and diesel fuel hydrotreating plants were put into commercial operation. The integrated testing of the automated gasoline blending system was initialized. The start-up and commissioning works began at the heavy coker gasoil hydrotreating plant in November 2019. In December 2019, the vacuum distillation unit of the visbreaker was brought onstream.

TATNEFTGASPROCESSING BUSINESS UNIT AND ELKHOVSKY OIL REFINERY

In 2019, investment spending for the business unit amounted to 0,714 billion rubles, including as follows: 0,67 billion rubles for the gas-processing plant's projects; 0,045 billion rubles for the Elkhovsky Oil Refinery projects.

The construction and installation operations were carried out as follows: reconstruction of the raw gas compressor unit; construction of the plant-wide flare system; retrofitting and upgrading of safety systems; tie-in of a pilot lab solvent deasphaltization unit (SDA); retrofitting and upgrading, re-equipping at the Elkhovsky Oil Refinery and others.

Retail sales network of fuel filling stations

The investment program for the retail business of petroleum products sales is focused on the construction, purchase of new facilities, reconstruction, retrofitting and upgrading of existing retail sales network facilities in order 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, 12,9 billion rubles were spent for those endeavours, including for the development of the retail network outside the Russian Federation (i.e. Uzbekistan) - 0,3 billion rubles. In 2019, the Company acquired a Neste retail network of 75 fuel filling stations located in the North-Western District of the Russian Federation and in Saint Petersburg.

Power and heat generation

In 2019, the power generation segment spending amounted to 3,7 billion rubles. The investment program seeks to develop, revamp and sustain the existing capacities of LLC Nizhnekamsk HPP and the Almet'yevsk Heating Networks (JSC APTC). The most significant existing investment projects:

- Reconstruction of the installed TGME-464 power boilers of the Nizhnekamskaya HPP for the petroleum coke combustion in the form of dust from the DCU of JSC TANECO.
- Process pipeline rack for heat supply to households in the form of steam and hot water. In 2020, the investments are expected to be spent in the amount of 3,3 billion rubles.

Composite materials

In 2019, the composite materials business spending totaled 0,797 billion rubles. The investments are focused on implementing the projects to increase outputs and expand production operations. The Alabuga Fiberglass projects: modernization of glass furnace with 30% increased production capacity; expanded product portfolio; upscaling of fiberglass production to the full production cycle with 33% reduction in the production cost of fiberglass meshes). The implementation of the KAMATEK LLC project titled «Setting-up manufacturing of the exterior parts of the KAMAZ cabin» in December 2019 resulted in the output of the initial batch of finished products. The project is intended to increase the production of automotive components for automotive equipment by 70%. In 2019, the investment projects were implemented at the Tatneft-Presscomposite production facilities to enhance productivity and expand the range of product output, as well as automate management reporting.

Tire business

The most significant existing investment projects:

- Increasing the all steel cord tire output by 300 thousand pieces per year. The 1st stage (assembling, blanking and curing) equipment were commissioned, serial production of outputs was commenced; as far as the 2-nd phase of the project (pre-production reconstruction) is concerned, civil engineering construction works are underway, and the equipment is expected to be delivered. The project is worth 4,6 billion rubles.
- Increase in the Viatti tire output by 1,2 million tires per year (up to 6,2 million pieces per year by 2021). The goal of the project is to meet the market demand for modern high-quality passenger and light-duty tires. To date, the engineering design work is being completed, the production sites are getting prepared for the equipment installation, and the delivery of the process equipment is also expected. The investments are estimated in the amount of 1,6 billion rubles.
- Acquisition of an assembly complex to upgrade the facilities for manufacturing of passenger car tires and light-truck tires.
- Increase in the all steel cord tire output by 1,2 million pieces per year to bring the total all steel cord tire output to 2,8 million pieces per year. The estimated forward looking cost of the project is expected to amount 19,3 billion rubles.
- Setting up of production of large-size tires and combined tires (from 25 to 35 inches). The project is estimated to cost 3,5 billion rubles.

The assets (100%) of SIBUR Tolyatti LLC (later renamed Toliatikauchuk LLC), Tolyatti, were acquired which include production of various types of synthetic rubber used for the production of high-quality tires. As part of the projects to increase the output of all steel cord tires and set up the large-sized tire production, a loan was raised from ZENIT Bank, using the mechanism of subsidizing the interest rates in accordance with the Decree of the Government of the Russian Federation dated 23.02.2019 No.191 «On the state support for industrial enterprises implementing corporate programs to increase competitiveness».

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 established criteria in all business activities. 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, business planning, budgeting, reporting and 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.

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 of the state support instruments;
- Improving the level of performance discipline in the preparation and implementation of projects,
- 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 break-even point.
- Analysis of the results, which are used as the input data for the continuous improvement process.

COMPANY'S INVESTMENT PORTFOLIO RANKING AND RATING CRITERIA

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

INVESTMENT RISK MANAGEMENT

In order 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.

Multi-factor 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

In order to ensure the effective planning of the investment program and oversee putting it into practice as well as monitor risks the Company operates the Investment Committee. 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 streams such as «Exploration and Production», «Refining and Marketing», «Other structural divisions and subsidiaries». The Company's standards for investment activities define the goals, 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 approved business investment programs that meet the strategic development goals of the TATNEFT Group until 2030. During 2019, the First-Tier Investment Committee reviewed 27 projects, including three (3) projects for the acquisition of new assets, while the Second-Tier Investment Committees made decisions on more than 580 issues and projects.

UNIFIED CORPORATE BANK FOR INVESTMENT PROJECTS

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

In 2020, the Company would invest 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 fulfilled.

Fund raising. Debt portfolio

The Company takes a conservative approach to lending structuring with the focus on minimizing risks and benefiting from favourable financial leverage. The main criteria for selecting long-term credit facilities are as follows: the expected credit amount, its length, and target orientation.

Raising long-term loans to finance the investment program assures that the loan terms meet 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.

The credit limits are open and maintained in nine (9) major Russian banks. The Company regularly monitors the main drivers affecting the lending market and, as appropriate, strives to take measures to manage market risks, including those related to interest rate changes.

To date, the TATNEFT Group has the experience in structuring long-term debt financing:

- Under the project financing concept (in particular, under the TANECO Project Construction Loan);
- Raising debt funds against guarantees of Export Credit Agencies (in particular, Satche, EKF and Hermes);
- Raising debt funds from syndicates of international banks;
- Placement of classic and exchange-traded bonds, both in ruble and Eurobonds as well.

In 2019, the Group's debt portfolio (excluding ZENIT Banking Group) consisted mainly of loans secured by Export credit agencies (ECAS) that were raised by JSC TANECO during the construction of the Oil Refining Complex. The remaining debt as of 31.12.2019 was \$US75,45 million.

As matter of fact, the Group has not been borrowing a large amount of capital (apart from the ongoing efforts with the short-term debt) since 2011 operating all these years amid paying off the earlier raised funds. In December 2019, TATNEFT returned to the public debt market by placing exchange-traded bonds in the amount of RUB 15 billion for a period of 3 years. This transaction was the first placement for the Company since 2010 and the fifth in the Company's history on the local market. The Company successfully placed the issue at the level of initial offerings of other first-tier issuers in the oil and gas sector in 2019.

Credit ratings

CREDIT RATINGS AS OF 31.12.2019

Rating agency	Level of long-term credit rating	Outlook on credit rating	Date of change (confirmation)
Fitch	Long-Term Credit Rating "BBB-" Short-Term Credit Rating "F3"	Stable	21.05.2019
Moody's	Long-Term Credit Rating "Baa2"	Stable	13.02.2019
"RAEX (Expert RA)	Credit rating -ruAAA per national scale for the Russian Federation	Stable	26.04.2019

2019

Fitch Ratings has affirmed the long-term Issuer Default Rating (IDR) of PJSC TATNEFT n.a.V.D. Shashin at the level of «BBB–», the rating outlook is «stable».

The Moody's Investors Service rating agency (Moody's) upgraded the long-term credit rating of the Issuer of PJSC TATNEFT n.a.V.D. Shashin to Baa2, changing the rating outlook to «stable». The Moody's decision is related to the Agency's upgrade of the sovereign rating of the Russian Federation to Baa3 and the credit rating of the Republic of Tatarstan to Ba1.

The Expert RA rating agency affirmed the credit rating of PJSC TATNEFT n.a.V.D. Shashin at ruAAA with a «stable» outlook.

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.

The Fitch Ratings press-release confirming Tatneft's credit rating (in English) is available at fitchratings.com/research/corporate-finance/fitch-affirms-pjsc-tatneft-at-bbb-outlook-stable-08-05-2020

In April 2020, the Expert RA rating agency affirmed the Tatneft credit rating at ruAAA. The rating outlook is stable. The current debt burden of the Tatneft Group is at a minimum level that is assessed as a positive impact on the Company's ability to withstand the current stressful economic conditions. Foreign exchange risks arising from the presence of revenue in foreign currencies with predominantly ruble costs are assessed as acceptable thanks to natural hedge existence as a result of the specific taxation of companies in the industry. In the corporate risks, the agency continues to note a high level of information transparency of the Group and strategic support. The Expert RA press-release on the Tatneft rating confirmation is available at: [raexpert.ru/ releases/2020/apr15a](https://raexpert.ru/releases/2020/apr15a)

Ratings and nominations in sustainable development agenda in 2019

FTSE4GOOD Emerging Index

TATNEFT is included in the authoritative international stock exchange index - FTSE4GOOD Emerging Index of companies that are benchmarks of efficiency and transparency in environmental, social and management (ESG) practices.

The index is compiled by the analytical division of the London Stock Exchange - FTSE Russell - the leader in stock market indices, which calculates indices for more than 80 countries and for all asset classes, covering 98% of the global invested markets. The professional investment funds with a total asset management volume of about \$16 trillion use the FTSE Russell indices as a standard for making investment decisions.

Status of leader and top ranking among private companies according to corporate transparency survey results of largest Russian companies

(Survey of the Russian integrated reporting network and the Da-Strategy Corporate Development Agency)

The sampling included companies from the Expert-600 rating, as well as those listed on Moscow and leading foreign exchanges (LSE, NYSE, NASDAQ HKEX, Euronext NV, Deutsche Börse Group), system-forming organizations of the Russian Federation, state corporations and their controlled companies with at least three billion ruble revenue.

First place and status of most socially effective oil and gas company in Russia in social efficiency rating of largest Russian companies among oil and gas industry enterprises

(AK&M Rating)

The criteria for evaluating this category include disclosure of information on socially significant measures of merit, such as the payroll size and social benefits fund, the amount of tax payments, expenditures on social programs, financing of social development of regions and charity, environmental protection costs, as well as the volume of purchases from small and medium-sized businesses, to name but a few.

PJSC TATNEFT is listed among leaders of RSPP's sustainable development index

The Russian Union of Industrialists and entrepreneurs ranked TATNEFT among the 30 leaders of the Sustainable Development Vector index.

In ESG — rating — RAEX rating, TATNEFT is named in top leaders' group, ranking second position among largest Russian companies

99,9% transparency of Company's environmental performance disclosure

(Interfax-Era Rating)

Openness Rating Diploma for oil and gas companies of the Russian Federation in environmental responsibility for most dynamic promotion in the rating

(World Wildlife Fund (WWF) rating)

Growth Strategy

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

- 1** Expanding the geographical reach and the resource base outside the Republic of Tatarstan and the Russian Federation, including gaining the access to oil and gas reserves with the possibility of forming strategic alliances, as well as developing new markets for selling product outputs.

- 2** Ramping up the output of profitable oil and gas production shifting from production stabilization to sustainable organic growth, enhanced oil recovery at licensed fields under development, and extensive development of new fields, including super-viscous oil and hard-to-recover oil, in the Republic of Tatarstan, while cutting down operating and investment costs per unit.

- Asset life >30 years
- Reserve replacement rate >100 %
- Oil production growth up to 38,4 mln tonnes per year

- 3** Strengthening the technological capacities and capabilities with effective investment in the development and modernization of the production operating base through the accumulation of digital high-tech solutions, development of new and novel tools and techniques and improving the efficiency of used equipment and technologies, as a single platform for managing the production operations of a new generation at all stages of the value chain.

- 4** Boosting the output and sales of competitive finished products with high added value that meet the world environmental standards and future market requirements, development of Company's own refining and petrochemical capacities.

- Ramp-up of crude refining capacities
- up to 15,7 mln tonnes per year
- Oil conversion ratio 99%
- Light product yield 89%
- Premium product output growth
- Optimized sales logistics
- Optimum balance of crude and petroleum product sales

- 5** Improving the efficiency of the retail network for the sale of petroleum products, ensuring the sale of more than 50 % of gasoline and diesel fuel produced at the Company's refineries, through fuel filling stations and small wholesale; updating the brand concept and unique trading offer with increasing service standards and the development of accompanying services.

- 6** Keeping up with a leading position in the Russian tire market and developing new market niches through effective implementation of marketing programs, improving the quality and expanding the product slate.

- Production output and sales growth according to market conditions in the 2030 horizon

- 7** Ensuring sustainable development based on a high level of corporate social responsibility, industrial and environmental safety and the environmental balance in the course of the production and business operations.



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 multi-factor 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 makes it possible to identify risk drivers and respond 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

Организация системы КПЭ в Группе Татнефть и основные Setting up of the KPI system across the TATNEFT Group and the main principles of the long-term incentive program for key employees of the TATNEFT Group were approved by the Company's Board of Directors (Decision No. 3 of 26.09.2018).

The assessment of achievement of annual target levels, individual contribution and quality of management decision-making helps motivate employees to implement the 2030 Strategy goals on a step-by-step basis.

The targets of the long-term development strategy take the form of specific performance indicators annually, which are reflected in the individual KPI maps of the management team as part of the cascading and top-down decomposition procedures.

The library of current key performance indicators is fixed in the corresponding matrices across all business and functional streams of the TATNEFT Group, which provide for the procedure and methodology of calculation and are approved on an annual basis at the level of the Company's top management.

The number of participants in the program as at the reporting year-end is about 550 people.

The list and target values of performance indicators for 2019 for each top manager of the Company were developed on the basis of a consolidated business plan approved by the Management Board in December 2018, which are divided into two (2) groups i.e. collective and individual ones.

The collective indicators include top-tier financial and economic metrics, production objectives of the consolidated business plan and forecasts for the development of business streams. In 2019, as part of the improvement and development of the cash flow planning and controlling system and the quality of investment activities, an additional indicator such as free cash flow was introduced, which has been applied in the corporate incentive system since 2018. The individual KPIs are developed based on business initiatives, projected performance indicators, medium-term objectives and strategic goals set for a specific manager.

The KPI system development service (with selective involvement of specialists from the internal audit department and functional experts) carry out an audit of the performance quality, focusing on the examination procedure in relation to those areas that may contain distortions. The assessment results are submitted annually for review to and accepted by the decision of the members of the PJSC TATNEFT Management Board for annual remuneration payment at the reporting year-end. Factors that are not related to the scope of management of the company's managers (geopolitics, growth in world oil prices, currency exchange rates) are subject to the KPI normalization procedure.

The factor analysis, which reveals the controlled and uncontrolled impact zones, helps determine the objective zone of influence of the manager on the results of the activities. Normalization is performed under the Regulation on normalization of performance indicators in the review and assessment of the Company's management performance, which is an Annex to the Methodology for setting and assessing the fulfilment of key performance indicators «(approved By order of PJSC TATNEFT No. 09 of January 16, 2019).

The use of the KPI system in the Company shows a significant contribution to the achievement of the strategic goals, demonstrating growth in both operating and financial performance indicators, and annually increasing the income of the Company's shareholders.

As at the end of 2019, the planned performance indicators, given normalization, had been fulfilled.



Climate change

Under the Paris Agreement humanity must keep to global average temperature rise within 1.5–2 C° from the pre-industrial level.

The Company clearly sees its contribution to sustainable energy future in the context of transition of the global economy to a low-carbon development path associated with climate change and ensuring global economic growth.

The Company shares the global climate change concern and the Caring for Climate Strategic Global Partnership initiative of the UN Global Compact and the secretariat of the Framework Convention on Climate Change (UNFCCC), embodied in the Paris Agreement.

Given that energy companies generate significant greenhouse gas emissions during their production activities that can affect the climate and create climate risks, as well as an increase in energy demand to achieve and maintain a good quality of life, the Company seeks to contribute to sustainable development and building of innovative energy infrastructure..

STRATEGIC GUIDELINES

The Company recognizes the importance of meeting the needs and demand of the public for moving towards cleaner energy and takes into account the fundamental trend of rebalancing of energy mixes towards less carbon-intensive fuels, development of new energy sources to reduce greenhouse gas emissions, as well as a variety of possible long-term scenarios for global energy system transition to decarbonization. Although, the social and economic growth and better quality of life involve higher energy consumption. Being aware that there are a lot of uncertainties in the energy transition consumers are expected to continue using oil and gas for a long time to come. Not all types of economic activity can be easily, quickly, or cost-effectively electrified. We see a permanent role of oil and gas in the future along with renewable energy, hydrogen and new technologies. The key task in this direction is to develop our business model, which seeks to minimize and subsequently to zero emissions. These ambitions will be determined by specific goals for the long term with intermediate target values.

CONSUMERS AND PARTNERS

A significant part of emissions associated with the Company activities are emissions from consumers of our products. We will work with our partners, contractors and customers so that they should also take steps to reduce their emissions to achieve the common goal of coming to zero emissions.

GOVERNANCE

Climate change issues are addressed at the strategic level of the Company's management. In September 2019, the Board of Directors adopted a new version of the Climate Change Environmental Policy. At the same time, the Board of Directors appointed a member of the Board of Directors, Independent Director László Gerecs to be responsible for overseeing the Company's climate change activities.

In March 2020, the Board of Directors considered the Environmental Program Roadmap with considerations to the climate change to formulate target values for reducing greenhouse gas emissions.

The topics of reducing the environmental impact and climate aspects are regularly reviewed by the Board of Directors and the Management Board. The Corporate Governance Committee of the Board of Directors under the leadership of the Chairman of the Committee - General Director of PJSC TATNEFT Nail U. Maganov routinely coordinates shaping of program actions with regard to the TATNEFT Group's climate change policy and sustainable development.

INTERNATIONAL AND NATIONAL INITIATIVES

The Company is committed to the international initiatives aimed at preventing climate change in accordance with SDG 13 of the UN Global Compact on Climate and related international and national programs.

The IPIECA industry standard is being integrated into the Company's activities to improve the sustainable development practice in the oil and gas industry. It is planned to join the Company to the Science Based Targets Project (setting scientifically based goals to reduce greenhouse gas emissions) and a number of other effective platforms.

BOD REPORT

László Gerecs

Member of the Board of Directors of PJSC TATNEFT, independent director authorized by the Board of Directors on climate policy of the Company.

From his report made at the II Science and Innovation International Forum, Almet'yevsk, October 2019



«The Company shapes a clear-cut stance in planning its contribution to reducing carbon footprint. We set our goals, monitor and control greenhouse gas emissions on the basis of the international standards, best practice in the industry and ongoing progress. The human factor is crucial as we need to convince our communities that we are in the group of enterprises that will go forward on climate change agenda, because it is a serious responsibility to the public and the future.»

COMPANY'S GREENHOUSE GAS EMISSIONS ACCOUNTING SINCE 2015.

5%

LOWER GREENHOUSE GAS EMISSIONS FROM 2016

COMPANY PREVENTS AIR EMISSIONS OF NEARLY 3 MLN TONNES OF CO₂-EQUIVALENT GREENHOUSE GASES PER YEAR THANKS TO HIGH APG UTILIZATION RATE.

96,4%

EFFECTIVE APG UTILIZATION RATE

BUSINESS OPERATIONS

The tasks to reduce greenhouse gas emissions are consistently integrated into business processes. We plan to assess the impact on the environment, including an anthropogenic one, throughout the entire value chain, including logistics and supply.

IN 2019, WE LAUNCHED TWO SPECIAL TASK PROJECTS:

- Implementation of initiatives and actions of the Company on climate aspects. Greenhouse gas management and accounting processes.
- Analysis and selection of effective methods for reducing emissions, capturing and processing of carbon dioxide.

We carry out a detailed inventory of emission sources, analysis and selection of promising methods for reducing emissions, carbon dioxide capture and processing. The Company intends to develop a product line with lower carbon emissions and to develop renewable energy (clean low-carbon energy generation) and biofuels. In order to improve the climate management system effectiveness, it is planned to integrate the standards, such as ISO14064-1: 2018; ISO 14064-2: 2019; ISO14064-3: 2019.

INFORMATION DISCLOSURES

The Company discloses financial climate-related information TCFD (Task Force on Climate-related Financial Disclosures) and intends to become one of the CO₂ disclosure leaders of the Carbon Disclosure Project (CDP).

REPORTING

Climate information is disclosed in the Annual Report and Sustainability Report. In 2020, an independent verification of greenhouse gas emissions is planned to be done by international standards.

GREEN TATNEFT BRANDS

High environmental properties of the Company's products, energy efficiency and performance of the production processes and its model of rational consumption of resources that contribute to the continuous reduction of specific greenhouse gas emissions into the atmosphere form a single "green" brand of the Company.

All products of the TANECO fuel line such as gasoline of grades AI-92, AI-95, AI-98, AI-100 and diesel fuel comply with the EURO-6 environmental standard and represent a "green" calling card of the Company.

In order to create a favorable environment and increase the absorption of greenhouse gases TATNEFT has been implementing a landscaping program since 2000 with more than 10 million seedlings of trees and shrubs planted over this period.

SCIENCE

In order to reduce the negative impact on the environment and climate, increase the sustainability of ecosystems, the Company uses the best available technologies and solutions that have proved their effectiveness. At the same time, innovative methods are being sought. The development of new technologies is provided by the research and development unit of the TATNEFT Group, which interacts with the leading experts and specialists based on TatNIPIneft.

SCIENCE AND INNOVATION INTERNATIONAL FORUM OF THE COMPANY

In October 2019, TATNEFT organized the 2nd Science and Innovation International Forum in Almet'yevsk, bringing together distinguished Russian and international experts, representatives of government agencies, and leading industry experts. Opening the plenary session of the Forum, the General Director of TATNEFT Nail U. Maganov noted the importance of contribution of industrial companies and joint efforts in solving the global agenda of reducing the carbon footprint. A panel discussion on Global Decarbonization and Green Technologies was held during the forum.

Upstream

Exploration

Exploration operations within the Republic of Tatarstan

Within the Republic of Tatarstan, the Company holds 67 licenses, of these, 36 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 2019, the exploration activities were carried out within the Cheremshano-Bastryksky, Tlyanchy-Tamaksky, Stepnoozersky exploration zones, and the Agbyazovsky, Yersubaikinsky, Sokolinsky subsoil areas located in the Republic of Tatarstan.

The exploratory drilling carried out in Tatarstan in 2019 amounted to 41,0 thousand meters, including exploration drilling – 10,3 thousand meters, prospecting drilling – 30,7 thousand meters. The construction of 25 exploration wells was completed, of which 21 wells were proved productive. Based on the results of seismic surveys, one (1) new Adeyevskaya structure (the North-Eastern Dome) with prospective resources for the Do category (original oil in-place/recoverable) – 816/294 Ktonnes was prepared for deep drilling.

In 2019, within Tatarstan, the quantity of 36,679 million tonnes of oil was added to the recoverable oil reserves for all categories (A+B1+C1+B2+C2), including the incremental reserves through exploration that amounted to 30,439 million tonnes.

IN 2019, THREE OIL FIELDS WERE DISCOVERED WITHIN THE REPUBLIC OF TATARSTAN, NAMELY: KANEVSKOYE, USINSKOYE AND MYUDOVSKOYE. THE TOTAL ADDITIONS TO THE RECOVERABLE OIL RESERVES FOR THE C1+C2 CATEGORY AMOUNTED TO 0,696 MILLION TONNES.

KANEVSKOYE OIL FIELD

The Kanevskoye oil field (Zainsky District) was discovered within subsoil license TAT 02263 NE Cheremshano-Bastrykskaya area by prospecting well No. 11927, that tapped the oil accumulations within Lower Carboniferous carbonate deposits of the Vereiskian horizon and the Bashkirian stage, as well as carbonate deposits of the Famennian stage, the Dankovo-Lebedyansky and Yeletsky horizons, with the water-free oil tested at flow rates of 2,7 and 21,6 tonnes. For the field, the C1+C2 category reserves totaled 779/216 thousand tonnes (OOIP/recoverable).

USINSKOYE OIL FIELD

The Usinskoye oil field (The Muslyumovsky District) was discovered in the southern part of the Agbyazovsky licensed area of the subsoil based on the results of drilling and testing of prospecting well No. 944, which tapped a 2,2 m thick net oil pay zone within in the sediments of the Upper Devonian Pashian horizon. The well tested oil with the flow rate of 12,5 tonnes per day. The initial reserves for the C1category were estimated at 579/272 Ktonnes (OOIP/recoverable).

MYUDOVSKOYE OIL FIELD

The Myudovskoye field (Nurlatsky, Aksubaevsky Districts) was discovered by prospecting well No. 1369, where the terrigenous Bobrikovsky horizon produced oil with a flow rate at 2,5 tonnes per day. The C1+C2 category reserves amounted to 934/208 thousand tons (OOIP/recoverable).

84% **41,0 THOUS. M**

SUCCESS RATIO
OF EXPLORATORY DRILLING
IN TATARSTAN

EXPLORATORY DRILLING
METERAGE IN TATARSTAN
IN 2019

In 2020, the Company intends to drill 22 exploratory wells with a total meterage delivery of 28,1 thousand meters of rocks in its oil fields and exploration zones for the purpose of reserves replacement in Tatarstan, and to run 2D and 3D CDP seismic surveys with the delivery of 280 km and 558 km², accordingly.

Exploration operations outside the Republic of Tatarstan

Outside the Republic of Tatarstan, the Company holds 35 licenses, of these, 16 mineral exploration and extraction licenses, 16 geological study licenses, including mineral prospecting and appraisal, mineral exploration and extraction, 3 geological study licenses, including mineral prospecting and appraisal.

In 2019, the exploration operations were carried out by five (5) subsidiaries and affiliated companies within the Ulyanovsk, Orenburg, Samara regions, the Nenets Autonomous District and the Republic of Kalmykia.

In 2019, the prospecting and exploratory drilling meterage outside Tatarstan was delivered in the amount of 23,2 thousand meters.

The construction of two (2) prospecting wells and two (2) exploration wells was completed. The operations were carried out within the Samara, Orenburg Regions and the Nenets Autonomous District.

Over 2019, the additions to the recoverable oil reserves for all categories (A+B1+C1+B2+C2) in the Nenets Autonomous District amounted to 2,997 million tonnes, all reserves were added through exploration efforts; in the Samara Region for all categories (A+B1+C1+B2+C2) - 3,667 million tonnes, including the reserves additions through exploration totaled 1,679 million tonnes; reserves additions for all categories (A+B1+C1+B2+C2) in the Orenburg region amounted to 1,807 million tonnes, including the reserves increment through exploration that amounted to 0,099 million tonnes.

100% **23,2 THOUS. M**

SUCCESS RATIO
OF EXPLORATORY DRILLING
OUTSIDE TATARSTAN

EXPLORATORY DRILLING
METERAGE OUTSIDE TATARSTAN
IN 2019

In 2020, the Company intends to drill 22 exploratory wells with a total meterage delivery of 28,1 thousand meters of rocks in its oil fields and exploration zones for the purpose of reserves replacement in Tatarstan, and to run 2D and 3D CDP seismic surveys with the delivery of 280 km and 558 km², accordingly.

SAMARA REGION

In the reporting year, LLC Tatneft-Samara prepared five structures in the Samara Region for deep drilling with the D0-category prospective oil resources (original oil in-place/recoverable) standing at 2631/1278 thousand tonnes based on the results of 3D CDP seismic surveys.

LLC Tatneft-Samara purchased the Nugaykinsky area (based on the auction results), which contains 10 structures with in the D0 category prospective oil resources (OOIP/recoverable) – 12176/3450 thousand tonnes, and the D1-category inferred oil resources in the amount of 1,9 million tonnes, and the Otradnensky area with the inferred oil resources for the DL-category – 0,5 million tonnes, D1 cat. – 1,2 million tonnes. Five structures with prospective oil resources for the D0 category (OOIP/recoverable) – 23211/4350 thousand tonnes in the Ulyanovsk Region within the Popovkinsky area were transferred to be put on the books of Tatneft-Samara LLC.

NENETS AUTONOMOUS DISTRICT

In the Nenets Autonomous district, LLC Tatneft-NAO acquired the Jabotinsky area (at auction) where there are two (2) structures with the D0-category prospective oil resources (recoverable) – 1,184 million tonnes, inferred resources for DL – 1,8 million tonnes, D1 – 17,0 million tonnes and the license (flanks) of the Tibeivissky oil field the additions to the oil reserves for C2-category amounted to 1730/640 thousand tonnes.

Geological prospecting technologies

The Company assiduously applies and implements new effective methods of exploration and study of reservoir properties, modern analytical equipment, and uses best practices of leading Russian and foreign companies.

In 2019, new equipment with a thermal desorption unit was introduced to perform prospecting and exploration geochemical studies using the technology of passive adsorption of hydrocarbon components, which significantly improved productivity and led to the less amount of subcontracting work.

In 2020, with the patented geochemical technology (patents of the Russian Federation No.2478944 2499285) the surveys are being completed at the Zapadno-Alexandrovsky, Irgizsky, Izyumovsky, Rubezhinsky licensed areas of Tatneft-Samara LLC. The obtained geochemical data will make it possible to evaluate the oil content and prioritize the most oil-prospective reservoir targets.

At the end of 2019, a pyrolytic plant was introduced that allows performing a pyrolytic method to analyze core samples taken from unconventional reservoirs to assess the productivity of hard to recover reserves. This will help a lot in dealing with studying hydrocarbon generating properties of kerogen and substantiating the conditions of the Domanic reservoirs for estimating and updating oil field reserves.

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 play. This neurocomputer prediction method was tested in 2015.

In the period of 2017 through 2019, according to the Neuroseism-Foreground modification, the work was accomplished to study the Domanic deposits in the area of the Vostochno-Makarovsky field.

Based on the results of the work performed in this area, the paperwork was prepared for patenting the software suite "The Domanic hydrocarbon probability determination method" (Proposal for patenting No. A-659 in KAS Edison). The prepared paperwork was filed to a federal government budgetary institution - the Federal Institute for Industrial Property.

In parallel with the development of Neuroses-Foreground methodology, currently, the staff of the Neuroseism Scientific And Production Center of TGRU (Tatar Geological Prospecting Division), which is part of PJSC TATNEFT, has developed a new Wavelet-Selector software suite and methodological techniques

that allow the adaptation and optimization the Wavelet analysis technology for seismic data to predict parameters of reservoir properties of productive deposits.

From 2017 to 2019, this technology was applied to build a geological model of an oil field for the Tula horizon deposits of the Gareysky and Tatsuksinsky oil fields. Based on the results of the work performed in this area, the software patenting paperwork is also being prepared as follows: "The technique to determine porosity and permeability properties of rocks based on seismic survey data" (Proposal for patenting No. A-580 in KAS "Edison").

The technique of geo-radar electromagnetic pulse sensing for mapping structural highs and super-viscous oil accumulations within the upper part of the sedimentary cover (patent of the Russian Federation No. 2551261 of April 16, 2015) was implemented in 2019.

The electromagnetic georadar pulse sounding surveys were accomplished within the Karamyshevsky high of the Cheremshano-Bastryksky zone. In the course of the project, the geological setting was studied using the borehole-to-borehole measurements and the outline of the bitumen reservoir was updated for the Karamyshevskaya high structure, that is confined to the terrigenous reservoirs of the Sheshminsky horizon of the Ufian stage. The geo-radar and geochemical studies have improved the reservoir fluid saturation projections, while a comprehensive approach to exploration has reduced well drilling risks.

Adoption of the innovative technique helps evaluate the capacity of the super-viscous resources and make estimates of average net oil pay thicknesses and oil saturation capacities.

Technologies and solutions in oil field development

FORMATION HYDRAULIC FRACTURING

Hydraulic fracturing is the basic well stimulation technique in the Company. The Company has a great deal in hydraulic fracturing operations. Over the past few years, hydraulic fracturing operations have tripled in terms of their amount. At the year-end 2019, 859 frac jobs were completed (including 809 wells of the operating stock and 50 newly drilled wells), and more than 900 wells are planned to be fractured in the current year 2020.

At the same time, along with the frac job amount growth, there are average daily oil rate gains on hydraulic fracturing, reaching its historical high of 5,3 tonnes per day. The incremental production using hydraulic fracturing in 2019, taking into account converted wells, reached 2,1 million tonnes of oil. Altogether, the Company performed more than seven (7) thousand hydraulic fracturing jobs (Fig.2) with cumulative additional oil production of 19,2 million tonnes.

The dynamic growth of efficiency achieved through an integrated approach including: correct selection of technology tools for a specific reservoir treatments with the existing restrictions; the development of modern frac fluid and acid compositions for specific producing reservoir targets; modern analytical tools involved in hydraulic fracturing design implemented within hydraulic fracturing software simulators; assessment and consideration of the interwell space influence during frac operations.

TECHNOLOGY TO BUILD LONG SMALL-SIZE LATERALS WITH SUBSEQUENT WELL STIMULATION (TAMYP)

TATNEFT carries out drilling operations for small-size horizontal laterals with subsequent well stimulation using the TAMYP technology. A high priority for the Company is to deploy this technology in oil saturated reservoirs with nearby aquifers where the application of other technologies (such as multistage fracturing and selective large-volume acidizing) is highly risky and fraught with potential water production.

The technology uses of downhole tools (whipstock and downhole motor assembled on a coil tubing) to sequentially make small-size side channels in the open hole of a horizontal well following with an acid treatment of the created channel.

As a result of the implemented works, we managed to raise the incremental production from 1,6 to 3,8 tonnes per day thanks to the constant improvement of the technology.

In 2020, the works will continue with the aim of reaching the technological limit of this technology. This year's program provides for improving the technology through the use of rotary steerable tools for drilling, the selective acid treatment of new channels and the use of new formulations of acid compositions.

TECHNOLOGY OF DYNAMIC MATRIX ACID TREATMENT OF WELLS

The Company continues to improve acid formulations to expand the applicability scope of well stimulation techniques for various mining and geological setting.

In 2019, the Company developed and introduced its proprietary technology of dynamic matrix acid treatment of wells.

A range of the research and practice works on matrix acid treatments in a dynamic mode was implemented in 53 wells. The oil flow rate of the wells treated using this technology increased by 106% of the similar wells that were not acidized. Be the project results it was decided to replicate this technology in wells after drilling.

TECHNOLOGY OF APPLICATION OF HYDROPHOBIC (INVERT) EMULSION SYSTEMS FOR IMPROVED OIL RECOVERY FROM WATER-FLOODED HETEROGENEOUS RESERVOIRS (MGES-M)

By the year-end 2019, the Company performed 701 EOR treatments (of these, 616 treatments were done in injection wells, and 85 - in the producing wells).↵ The incremental EOR production totaled 2,89 million tonnes of oil, including converted wells, the additional production from wells was 290 thousand tonnes in 2019 . 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 TatNIPneft 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.

The MGES-M technology is implemented in injection wells that are under injection of both mineralized and fresh water. The target reservoirs are watered terrigenous reservoirs of pore and fracture-pore type, which have heterogeneous permeability in the cross-section or in the formation structure. As a result of the application of the MGES-M technology at 209 injection wells, the total current technological effect yielded 305,6 thousand tonnes (1462,5 tonnes per well job).

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

The Company aims to change the structure of oil production in favor of high-margin products, improving the structure of the investment program in the direction of activities with the highest net present value 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. The Company maintains the production efficiency, including in terms of unit operating costs despite the industrial producer price inflation rate (2.9 %).

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 mineral extraction tax 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 the subsoil areas in the NAO, the tax on excess profits from hydrocarbon production was applied.

In 2019, oil production of these fields was more than 25 million tonnes (including the SVO with viscosity of more than 10,000 MPa*s - more than 2.7 million tonnes).

In 2019, The Group increased the oil production at its fields by 0,9 % as compared to 2018.↗ The total oil output for the Group was 29,8 million tonnes with an average daily production of 581,5 thousand barrels per day. The Company was abiding by the terms of oil output curbs under the current OPEC+ agreement, which hindered its production growth capabilities.↗ At the same time, the Company retains its potential to boost oil production after demand and prices have stabilized on the crude oil market.

In order to ensure maximum efficiency of field development, digital modeling (digital twins) of producing assets is run, which enables to reliably determine 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 it possible to remotely manage the production facilities according to their specific features and peculiarities of the landscape.

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

In 2019, the Company applied lowering MET rates:

- for subsoil areas with over 80% depletion rates,
- for super-viscous oil with viscosity of 10 000mPa*a and more (in situ conditions), for oil,
- for oil produced from the Domanic deposits, for small subsoil areas with reserves (STOOIP) less than 5 mln 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, efficiently utilize the amassed knowledge and experience and to strengthen the Company's industry position with maintaining the balance of the ecosystem.

As part of measures to improve the efficiency of oil and gas production, the high-margin production has increased by 4.5% over the past three years

In 2019, the optimization of operating costs amounted to 1,7 billion rubles with a 14% over-fulfillment of the plan thanks to implementation of regulatory measures, optimization of the SAGD development process, and comprehensive optimization of workover processes.

44%
RF

THE COMPANY KEEPS DELIVERING ONE OF THE HIGHEST RECOVERY FACTOR (RF) IN THE INDUSTRY

TATNEFT GROUP AVERAGE DAILY OIL PRODUCTION



Production of associated petroleum gas for the Group in 2019 totaled 1 009,6 million m3 with the average daily gas production in oil equivalent at 16,3 thousand barrels of oil per day.

TATNEFT GROUP ASSOCIATED PETROLEUM GAS PRODUCTION, MLN. M3 2019

	2019 r.
Associated Petroleum Gas Production	1 009,6

AVERAGE DAILY GAS PRODUCTION RATE, THOUS. BOE PER DAY

	2019 r.
Average Daily Gas Production Rate	16,3

PRODUCTION OF NGL*, KTONNES

	2019 r.
NGL Production	321,136

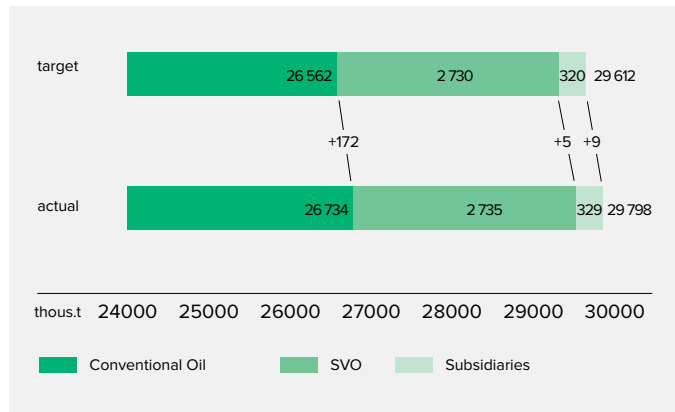
* excl. NGL of TANECO

2017 TO 2019 DRILLING, THOUS. M

	2017 r.	2018 r.	2019 r.
Production drilling:	942,6	750,7	835,9
PJSC TATNEFT	934,4	738,3	801,2
Exploratory drilling:	20,2	28,6	25,0
PJSC TATNEFT	11,5	20,3	15,3
Subsidiaries	8,7	8,3	9,7
Total Drilling:			
PJSC TATNEFT	945,9	758,6	835,9
Subsidiaries	16,9	20,6	25,0

In the reporting year, the planned targets were fulfilled by 100,6%, including 100,6% for conventional oil production, 100,2% for super viscous oil, and 102,8% outside the main production areas (outside of Tatarstan).

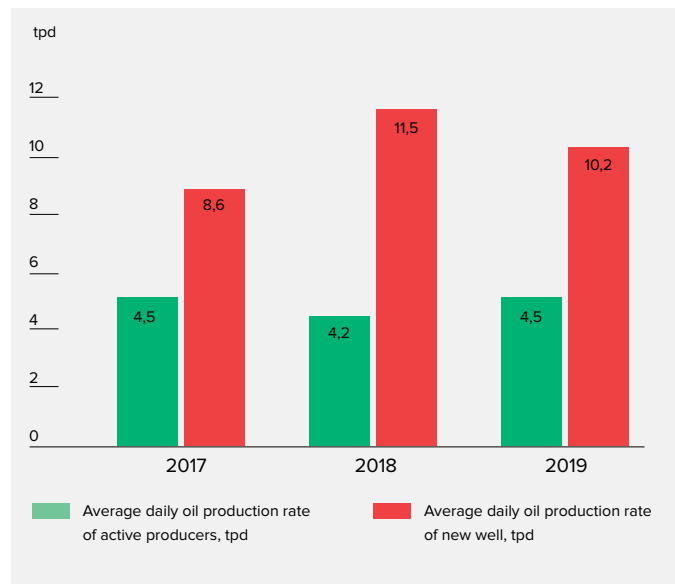
TATNEFT GROUP TARGET VS ACTUAL OIL PRODUCTION PERFORMANCE, THOUS. TONNES



TATNEFT GROUP WELL STOCK AS OF 01.01.2020

	Well Count
Operating producing wells	24 212
Active producing wells	21 521
Inactive producing wells	2 644
Testing and waiting-on-testing producing wells	47
Operating injectors	11 459
Active injectors	10 689

TATNEFT GROUP AVERAGE DAILY OIL PRODUCTION RATE OF ACTIVE PRODUCING WELLS VS NEW WELLS, TONNES PER DAY



In 2019, the TATNEFT Group fields' daily oil production per operating well averaged 4,5 tonnes per day, and per new well 10,2 tonnes per day

Oil production in the Republic of Tatarstan

The Company produces most of its oil output from conventional oil fields located within 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, and Arkhangelskoye.

OIL PRODUCTION BY MAJOR OIL FIELDS, KTONNES				
	2017	2018	2019	
Romashkinskoe	15 184	15 494	14 789	
Novo-Elkhovskoye	2 827	2 780	2 938	
Ashalchinskoye	1 234	1 071	1 205	
Bavlinskoye	1 255	1 207	1 163	
Bondyuzhskoe	246	239	231	
Pervomaiskoye	319	310	315	
Sabanchinskoye	570	537	558	
Arkhangelskoye	250	237	262	

Super-viscous oil field development

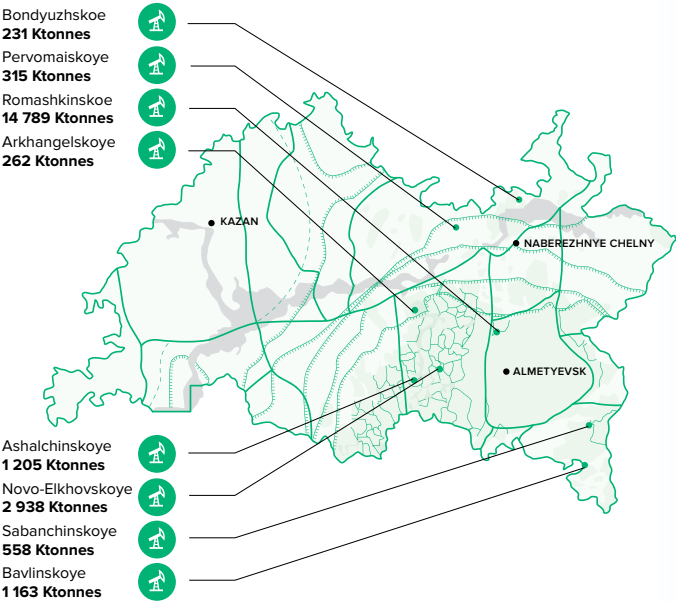
The Company produces super-viscous oil at the Ashalchinsky field in the Republic of Tatarstan, using simultaneous injection of steam into production and injection wells.

In 2019, super-viscous oil production totaled 2 735,09 thousand tonnes at Ashalchinsky and other fields (with an oil viscosity of more than 10,000 MPa*s).

At the year-end, the daily oil production reached 8 492 tonnes. In general, since the beginning of development, the total production of super-viscous oil has amounted to 8,309 million tonnes.

Twenty four (24) super-viscous oil accumulations deposited within the Sheshminsky horizon are under development and in production. In 2019, five (5) super-viscous oil (SVO) accumulations were brought into production (such as, Novo-Chagodaiskaya, Verkhnyaya, Karmalinskaya, Averianovskaya, South Ekaterinovskaya), six (6) SVO deposits were brought into steam injection (Arkhangelskaya, Gradinskaya, Moroznaya, Dimnaya, Podlesnaya, South Rodnikovskaya), drilling of infill horizontal wells and installation of surface facilities were commenced on two (2) SVO deposits (Ashalchinskoye, Melnichnaya).

As at 01.01.2020, at the SVO fields the operating well stock comprised 938 horizontal wells (including 125 wells drilled in 2019), 2532 appraisal wells were drilled (including 270 wells drilled in 2019). The operating producing well count consists of 362 wells, including 334 paired wells and 28 cyclic steam stimulation wells. The operating injection well count consists of 452 wells, including 434 paired, 18 cyclic steam stimulation wells.



WELL COUNT				
	2017	2018	2019.	
Operating wells	588	803	938	
Active producers	221	258	362	
Injectors	292	396	452	

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, the use of catalysts are 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 steam and gas injection, cold production and thermoshaft method of super-viscous oil recovery.

It is planned to further develop the super-viscous oil project through a completion of the SVN-3200 project, as well as drilling, testing and completion of in-fill wells on existing super-viscous oil accumulations (Melnichnoye, South-Ashalchinskoye, Averyanovskoye, South-Ekaterinovskoye).

Oil production outside the Republic of Tatarstan

The TATNEFT Group operated nineteen (19) oil fields outside of Tatarstan, including sixteen (16) fields in the Samara Region, two (2) fields in the Orenburg Region, and one (1) field in the Nenets Autonomous District.

In the Samara region, the oil production comes from 133 wells and amounted to 329 thousand tonnes. In the Samara region, 8 new production wells were brought into operation after drilling and testing with the average flow rate of new wells drilled in 2019 at 15,2 tonnes per day.

Within the Nenets Autonomous District, the pilot production was tested at the Severo-Khayakhinskoye field with the oil output of 390,2 tonnes in the reporting year.

TURKMENISTAN
As part of cooperation with the State Concern Turkmennebit, in 2019 the work was underway to implement the production program under the Additional Agreement No. 8 to the Contract No. T5-8-370 with the Turkmennebit Company.

Nine (9) workover crews were organized to accelerate advancing the production program to boost oil production. At the year-end 2019, 12 crews of the PJSC TATNEFT Branch in Turkmenistan completed workovers in 60 wells, including running and setting downhole pumps in 53 wells, recovered 23 273 tonnes of incremental oil, and the average daily production of incremental oil reached the rate of 179 tonne per day.

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

In the reporting year 2019, the study and development of subsurface resources containing unconventional hard-to-recover reserves were performed under the program for additional exploration of oil reservoirs in the Domanic deposits.

The operations were carried out in the wells of the NGDUs Prikamneft, Jalilneft and Leninogorskneft. Based on the results of the work performed, the target efficiency was achieved.

Within the Kuzminovsky area (the Bitumen testing site), after evaluating and predicting the prospects for oil-bearing structural highs in the Permian play by geophysical and geochemical methods, five prospecting and appraisal wells were drilled on the Permian deposits with core sampling. At the end of 2019, a deep prospecting well were spudded (with a total depth of 1 955 m). The well drilling program will include logging and testing of both conventional reservoirs and the Domanic low-permeable deposits as well. Drilling and completion of the well will continue in the first quarter of 2020.

UZBEKISTAN
As part of implementation of the Cooperation Agreement with JSC Uzkimesanoat 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 Uzkimesanoat. The projects are being implemented on the various activities.

LIBYA
Since 2014, the project in Libya has been under force majeure amid the political situation in the country. 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
The Company, through its branch of TEPI AG, has contractual obligations for the Block 27 exploration and development in Syria. Oil production has been suspended since 26.04.2011. 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 continuing. 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, There are no Russian personnel in Syria.

The activities titled “The development of research and engineering solutions to develop unconventional reservoirs (the Domanic deposits) and hard-to-recover oil reserves (tar sands oil) on the basis of experimental researches” were carried out under the Federal target program (FTP) of the Ministry of education of the Russian Federation. The technologies developed during the project were tested in oil field conditions and positive results were obtained. These works have been accomplished by Almeteyvsk Petroleum Institute.

The development of hard-to-recover reserves from the low-permeable Domanic deposits is progressing as planned. In 2020, the oil prospective reservoirs are expected to be tested in the drilled wells at the producing fields to put oil reserves (hard to recover reserves) on the state balance sheet.

Downstream

The downstream business segment incorporates the production facilities of JSC TANECO (main oil refining output), TATNEFTGAZPERERABOTKA Division (including the Elkhovsky Refinery), and JSC Nizhnekamsktehuglerod. The downstream operations are organized at four production sites in the immediate logistical proximity to the oil production operations in the Nizhnekamsk and Almetyevsk regions of the Republic of Tatarstan.

TATNEFT GROUP CRUDE REFINING VOLUME, THOUSAND BARRELS PER DAY

	2017	2018	2019.
Oil refining volume	163,3	179,0	206,7

In 2019, oil refining growth showed 15,5%.



TANECO Complex

Main processing facilities

1. Crude oil distillation plant;
2. Hydrocracking and base oil plant;
3. Petroleum product hydrotreatment and sulphur recovery plant;
4. Heavy residue processing plant;
5. Aromatics plant;
6. Feedstock and product facility;
7. Processing waste water treatment, electric power and water supply, and sewerage utilities

In 2019, more than 10,1 million tonnes of crude oil were processed at the TANECO Complex's facilities, the output of petroleum products amounted to 10,6 million tonnes. In addition, during the year, the vacuum gasoil was delivered from third parties in the amount of 0,230 million tonnes to operate the hydrocracking unit at higher process utilization rate.

In 2019, the TANECO Complex oil refining capacity growth showed 15,5%.

TANECO COMPLEX OIL CONVERSION RATIO, %

	2017	2018	2019
Oil conversion ratio	99,27	99,05	98,98

LIGHT PRODUCT CUT, %

	2017	2018	2019
Выход светлых нефтепродуктов	87,50	83,64	80,87

TANECO COMPLEX REFINING OUTPUT, KTONNES

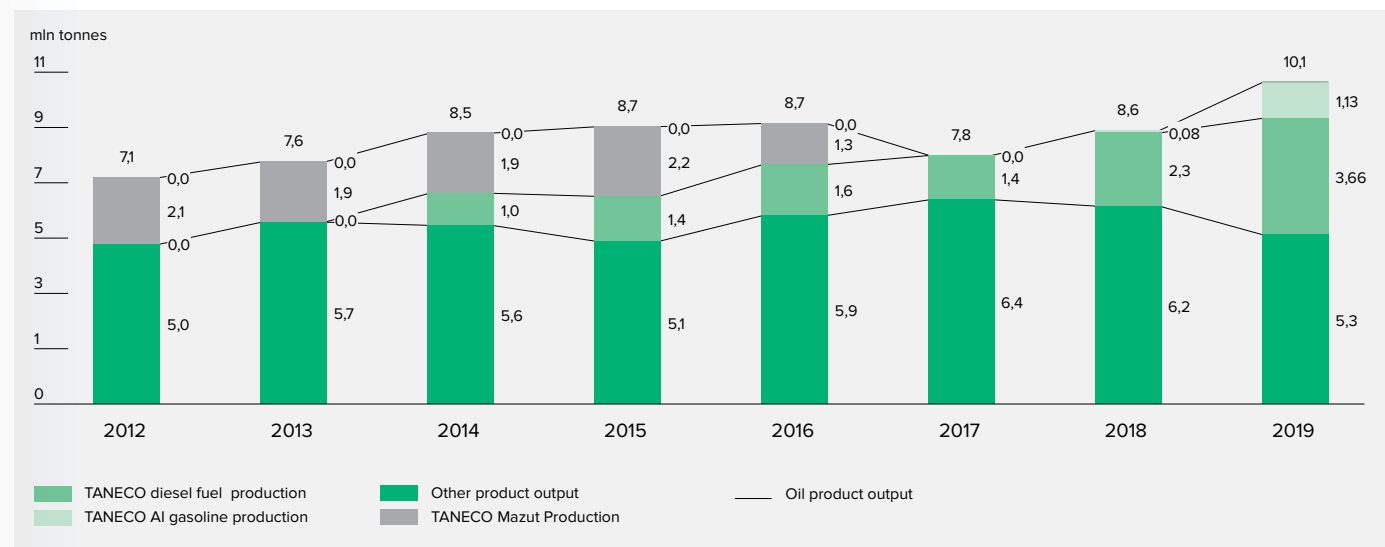
	2017	2018	2019
Petroleum product output	8 190,8	8 703,5	10 053,5

The TANECO fuel output slate including gasoline of grades AI-92, AI-95, AI-98, AI-100 and diesel fuel meets the EURO-6 environmental standards.

2019 TANECO Complex Main Product Slate

- stable natural gasoline
- unleaded gasoline
- aviation kerosene
- Diesel fuel EURO
- DTfG (Diesel Oil Cut Hydrotreated)
- hydrotreated fuel oil/base oil compound
- industrial gas granulated sulphur
- anode grade petroleum coke
- TATNEFT isoparaffin base oil HVI-2 (TANECO base 2)
- TATNEFT isoparaffin base oil VHVI-4 (TANECO base 4)
- lubricants
- other middle distillates

TANECO REFINERY CRUDE REFINING AND MAIN PRODUCT OUTUT



New product launch

The AI-100 premium gasoline as per STO 78689379-32-2018 was launched in February 2019. The video-conference with the President of the Russian Federation Vladimir Putin and the Tatarstan Republic President Rustam Minnikhanov was held to officiate the ceremony of launching the commercial output of motor gasolines of the following grades: AI-92, AI-95, AI-98, AI-100 Euro-5 that meet the Euro-6 engine specifications.

Based on the Tatneft HVI-2 lube basestock (TANECO base 2), the production of TANECO transformer oil as per STO 78689379-18-2018 was launched, which meets the requirements of the national standard GOST R 54331 and the International Electrotechnical Commission IEC 60296. In July 2019, based on the lube basestock Tatneft HVI-2 (TANECO base 2) and Tatneft VHVI-4 (TANECO base 4), all-season hydraulic oils of the VMGZ type (VMGZ-45, VMGZ-55, VMGZ-60), synthetic and semi-synthetic motor oils for gasoline and diesel engines of cars and trucks, as well as transmission oil for mechanical transmissions were brought onstream. The approval was received from Siemens for the TANECO Turbine 32 turbine oil, developed by the specialists of JSC TANECO, for use in Siemens turbine units.

The KAMAZ-Motorsport non-commercial partnership completed bench tests of TANECO Premium Ultra Race Synth engine oil (made on the basis of TANECO base). The recommendations were made to continue the base oil tests in the truck at the races in real life.

In December 2019, the pilot field tests of TANECO Premium Ultra Eco Synth engine oil (made on the basis of TANECO base's own base oils) and TANECO diesel fuel were successfully completed on a Volkswagen Transporter Multivan car with an EA 288 (CXFA) Euro-6 diesel engine as part of a joint project of Tatneft and Volkswagen group Rus "FOR THE CLEAN TODAY. FOR THE HEALTHY TOMORROW."



Key business projects and events in 2019

In February, the following facilities of the "gasoline scheme" were brought into commercial operation: naphtha hydrotreating, catalytic reforming, xylene fractionation and off-site facilities.

In March, a project was implemented to boost the productivity of the hydrocracking unit to 110 %.

In April, the capacity of the base oil production unit was increased to 120 %.

In the first half of 2019, the turnaround planned maintenance of the process equipment of the delayed coking unit was successfully completed.

The commissioning of the CDU-VDU-6 unit made it possible to bring the design oil refining capacity of the TANECO Complex up to 15,3 million tonnes per year. Moreover, with commissioning of the vacuum distillation unit of the visbreaker the refining oil capacity can reach 11,4 million tonnes per year with zero fuel oil produced.

The sulfolane extractive distillation unit was put to the integrated testing, which made it possible to boost the Euro-5 gasoline outputs that meet the Euro-6 engine specifications.

The 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, making it possible to expand the output and slate of refined products, enhance the oil conversion ratios as well as increase light product yield.

PLANNED START-UPS AND PROCESS UNIT CAPACITIES:

- Heavy coker gasoil hydrotreating unit - 850 Ktonnes per year
- Catalytic cracking unit – 1 100 Ktonnes per year
- Pilot tar hydroconversion unit - 50 Ktonnes per year
- Middle distillate hydrotreating unit - 3 700 Ktonnes per year
- Diesel fuel isodewaxing unit - 1 300 Ktonnes per year
- Hydrogen production unit-3 – 100 Ktonnes per year
- Gas fractionating unit - 350 Ktonnes per year
- Hydrocracking unit-2 – 1 200 Ktonnes per year
- Delayed coker unit-2 - 2 000 Ktonnes per year
- Lube stock plant – 40 Ktonnes per year

In October 2019, the kerosene hydrotreating and diesel fuel hydrotreating plants were put into commercial operation. The integrated reliability tests of the automated gasoline mixing system and commissioning of the heavy coker gasoil hydrotreating unit are underway. The vacuum distillation unit of the visbreaker came onstream in December.

The new hydrotreatment unit for heavy coking gas oil is capable to produce modern ecological fuel that complies with the requirements of the international convention for prevention of pollution from MARPOL-2020 ships and provide feedstock for motor fuel production for cars with Euro-6 engines. The commissioning of this facility will allow to reduce emissions of sulfur oxides into the atmosphere through exhaust gases by 47 000 tonnes per year.

In December 2019, the vacuum unit of the visbreaking plant was put into commercial operation.



Elkhovsky Oil Refinery of Tatneftgasprocessing Division

Main processing facilities

The design throughput capacity is 480 000 tonnes of crude oil per year. As of the end of 2019, the Elkhovsky Oil Refinery included the following main production facilities:

- atmospheric and vacuum distillation of crude oil;
- straight-run gasoline hydrotreating;
- gasoline catalytic reforming;
- benzene-free component unit for commercial gasoline production;
- diesel fuel hydrotreating;
- amine scrubbing of hydrocarbon gases;
- elemental sulphur recovery;
- road construction bitumen production

The feedstock and product facility includes the following sites:

- the refinery tank battery for commodity acceptance and storage consists of four (4) vertical steel tanks RVS-5000 and four (4) 200m3 - capacity tanks;
- commercial Regular-92 gasoline unit;
- two finished product release outlets.

The design capacity is 480 000 tonnes of crude per year.

The Elkhovsky Oil Refinery is located on the site of the Kichuisky stock tank farm of NGDU Elkhovneft.

In 2019, the Elkhovsky Oil Refinery accepted 444 244 tonnes of crude oil for processing, including 439 245 tonnes from NGDU Elkhovneft and 4,999 tonnes from Tatneft-Samara LLC (Irgizskoye oil field), which resulted in the refining output of 198 197 tonnes of finished products.

The targeted output of 192 755 tonnes of petroleum products was outperformed attaining 102.8%.

The Tatneftgazpererabotka's gas collection system received gas in the amount of 1,823 mln m3.

2019 product slate

- diesel fuel
- Regular-92 gasoline
- light vacuum gasoil
- elemental sulphur
- straight-run gasoline
- industrial solvent
- hydrocarbon solvent
- benzene-containing fraction

2019 key business projects

Over the reporting year, the projects were accomplished to raise diesel fuel output including winter-grade ones.

According to the turnaround maintenance program, planned preventive repairs of the equipment of the oil-refining unit and the stock tank fleet were carried out with the technical inspection of the equipment diagnostics.

Tatneftgasprocessing Division

Main processing facilities

- Four (4) NGL pumping stations with a system of product pipelines;
- The Minnibaevsky sour gas-sweetening plant with elemental sulphur recovery;
- Bavlinsky sour gas-sweetening plant with elemental sulphur 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 sulphur);
- 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;
- Ccascade refrigeration unit;
- Cryogenic plant for deep processing of dry topped gas;

Tatneftgasprocessing Division (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 Division is a single technological complex that provides the APG and NGL treatment, storage and processing operations as well as the shipment of processed products.

The Tatneftgasprocessing Devision's existing capacities enable to provide 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.

As part of implementing the Company's strategic goals and increasing oil production, UTNGP plans to revamp and upgrade its gas treatment and processing infrastructure to accommodate additional hydrocarbon feedstock volumes, including the reconstruction of the Minnibaevskaya and Bavlinskaya desulphurization plants and the construction of a new gas-fractionation plant. The ongoing upgrading efforts will enhance the reliability and resilience of the entire production process chain. In addition, to reduce the air pollutant emissions and mitigate the environmental impact the cryogenic plant reconstruction project was in a full swing.

Product slate

- flammable natural gas
- hydrocarbon liquefied fuel gases
- ethane fraction
- propane fraction
- isobutane fraction
- normal butane fraction
- iso-pentane fraction
- stable natural gasoline
- technical-grade sulfur
- technical-grade oxygen gas
- technical-grade nitrogen gas

The Company's products of high quality, including the "A" and "Highest" grades, comply with GOST and international standards. The products are delivered to the domestic and foreign markets.

In 2019, the supply of oil gas to the GPP amounted to 862,4 million m3 of gas, that is 16,8 million m3 more than in 2018. The integrated oil processing unit processed NGL in the quantity of 322,8 thousand tonnes, that is 3,6 thousand tonnes more than in 2018.

The increased feedstock processing was driven by the organization of the GPP operation without its full stop at the scheduled preventive maintenance, as well as higher oil production as a result of the removal of OPEC curbs. In 2019, the sour gas was sent for treatment in the volume of 271,6 million m3, which is 8,0 million m3 more than in the same period of the previous year. The established standards for selecting target components from raw materials are met monthly. The quality of products meets the requirements of the standards.

Processing of associated petroleum gas makes it possible to address important environmental challenges and reduce man-made impacts on the environment

96,4%
EFFECTIVE APG UTILIZATION RATE

Nizhnekamsktekhuglerod

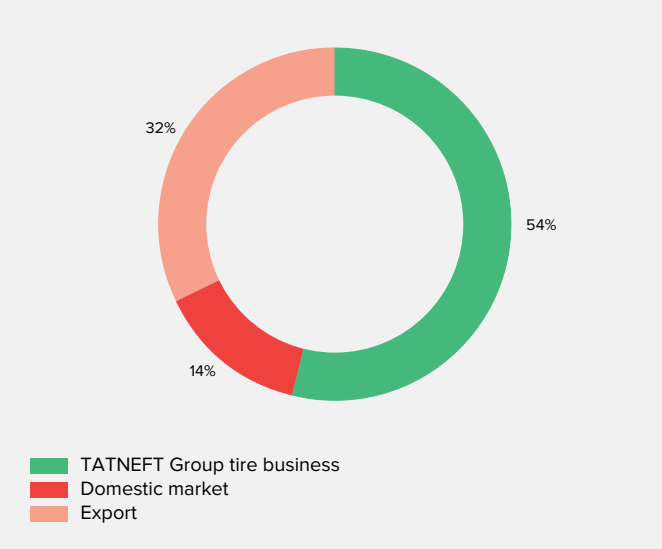
The Company's carbon black production capacity is one of the largest among the Russian industrial enterprises. The produced carbon black is highly competitive with its foreign counterparts, as a component in rubber manufacture and is used as a filler for plastic goods. The quality of the products corresponds to the world-class level. 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-550, N-220, N-234, N-330, N-326, N-339, N-650, N-375, N-660, N-121, P-324, P-514, 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. The consumers of carbon black products are the enterprises that produce industrial rubber goods.

Nizhnekamsktekhuglerod almost completely provides its production capacities with its own electric energy. Launched in 2018, the power plant works using recyclable resources. 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.

At the year-end 2019, the carbon black production amounted to 112,0 thousand tonnes. Total sales stood at 113,1 thousand tonnes, that is 100,7 % of the planned target.

In 2019, the carbon black importers were more than 10 countries. The main deliveries were made to Belarus, Germany, Poland, the United Arab Emirates, Turkey, as well as to Bulgaria, China, Lithuania, Ukraine, the United States, Uzbekistan, and others.

MAIN CARBON BLACK SUPPLY DESTINATIONS IN 2019



In 2019, a technical audit was accomplished with the participation of Doright Company, one of the leaders in the carbon black industry. The design and engineering solutions were developed improve technological process efficiency.

CARBON BLACK PRODUCTION, KTONNES

	2017	2018	2019
Carbon black production	133,7	134,4	112,0

2019 CARBON BLACK SALES, KTONNES

Sales destination	
TATNEFT Group Tire Business	61,3
Domestic Market	16,0
Export Market	35,8

Retail business

By the year-end 2019, the Company's retail sales network incorporated 802 fuel filling stations located in Russia, Ukraine, Uzbekistan and the Republic of Belarus, in particular: 23 regions of the Russian Federation - 691 fuel 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 September 2019, The Company's Board of Directors approved the Retail Business Development Program that provides for expanding the fuel filling station network given the market conditions. As part of the Program, the Company acquired 75 Neste filling stations located in the North-West of Russia and a terminal in Saint Petersburg at the end of 2019. Under the separate agreement between TATNEFT and Neste, the Company is to continue to use the Neste brand at the acquired filling stations for five (5) years.

With the asset acquisitions, the Company's retail network expanded its presence in the North-West of Russia and took the third position by the count of fuel filling stations among retail operators being one of the best in the region.

FUEL FILLING STATIONS COUNT

	2017	2018	2019
Total, including	685	711	802
Russian Federation	574	602	691
Ukraine	94	91	91
Republic of Belarus	17	18	18
Republic of Uzbekistan	-	-	2

RETAIL PETROLEUM PRODUCT SALES, KTONNES

	2015	2016	2017	2018	2019
Sales of petroleum products through retail network	2 435	2 575	2 677	3 455	4 142

AVERAGE DAILY SALES AT OPERATING FILLING STATIONS, TPD PER STATION

	2017	2018	2019
Average daily sales at operating filling stations	8,0	9,1	9,9

The new assets will help increase the sales of fuel produced by the Company in the domestic market.

In 2020, the Company looks to further expand the network of the TATNEFT fuel stations, including in Uzbekistan.

The rapid development of the TATNEFT fuel stations is facilitated and supported by ongoing upgrading and modernization of the fuel filling station along with expansion of accompanying services. Additional control measures for petroleum products are being putting in place, such as the pilot operation of a new type of petroleum product measurement systems in the fuel storage tanks at the stations with use of lasers.

The Company continues to build infrastructure to support electric vehicles by installing of the ABB and Electrociti Express electric charging stations.

With the expert approaches to upgrading the concept of the fuel station formats, the projects were carried out for the construction of three flagship stations with a unique design, a wide range of services and premium solutions.

8,8%

FILLING STATION AVERAGE DAILY SALES GROWTH

19,9%

COMPANY'S RETAIL PETROLEUM PRODUCT SALES GROWTH



The output produced at the TANEKO 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.

The quality level of petroleum products at the TATNEFT fuel filling stations is ensured by strict compliance with technological discipline and passes through ten (10) stages of quality control, as well as compliance with the requirements of regulatory documents when accepting, storing, transporting and selling petroleum products.

FUEL SALES THROUGH TATNEFT FILLING STATION NETWORK, KTONNES

Indicators	2017	2018	2019	2017	2018	2019
Sales:			Retail			Small Wholesale
Retail sales network	1 580	1 858	2 075	1 096	1 597	2 006
Tatneft-AZS-Centre	904	1 106	1 221	690	849	898
Tatneft-AZS-Zapad	599	653	749	387	719	1 083
Tatbelnefteproduct	44	68	76	2	5	4
Tatneft-AZS-Ukraine	33	31	28	18	24	21
Tatneft-AZS-Tashkent			0,3			

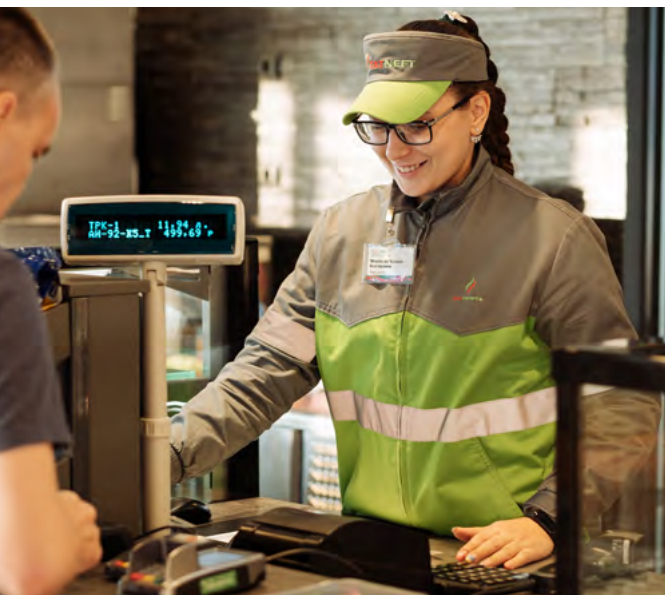
Accompanying services

In the strategic concept for the development of the fuel filling station network of the Company, one of the ways to improve efficiency and competitiveness is the development of accompanying services. During the reconstruction of existing facilities and construction of new ones, novel formats are implemented in the gas 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 additional service rendering.

In 2019, the first robotic carwash in Russia started operating at the Tatneft filling station.

As a highly promising direction, the Company develops digital gas station services: the concept of "smart home"; telehealthcare services, pickup points where one collect parcels bought on-line. There are also a number of other services that are convenient for customers.

In 2019, to improve customer service throughout the network, a system of uniform standards is in place, with regular employee training and control checks.



The Environment

In order 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 the 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 oil depots and refineries with installations for collecting and processing vapor-air mixture. Then all fuel-filling pumps at gas stations will be equipped with gas return systems.

The effectiveness of the vapor recirculation system was proved by researches conducted by the specialists of the A.E. Arbuzov Kazan Institute of Organic and Physical Chemistry. When analyzing air samples at gas stations before and during tank truck discharges using a vapor recirculation system and without using it, the saturated hydrocarbons are recorded to lower from 1,09 and 2,86 to less than 1 mg per m3 at various gas stations.

In order to optimize energy consumption, pellet boilers are installed at gas stations that operate on wood wastes.

All products sold within the fuel filling station network have the necessary certificates and permits. Over the past year, non-conformities were not found. Currently, the Company is working on the action item plan for shifting to environmentally friendly packaging and labels.



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).

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.



Informing consumers of goods and services

The customers buying our goods and services at our fuel stations are fully informed through the quality certificates for petroleum products and goods being sold, proactive information plates and signage, promotional or publicity 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, the impacts on the environment, etc.

During the reporting period, there was no discrepancy between the quality of products sold and the impact of products and services on health and safety.

Customer satisfaction surveys

Regular surveys to assess customer satisfaction and brand health indicators (knowledge-consumption-loyalty) are performed once a quarter using a statistical database of media studies 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 our 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 given their consent to the personal data processing and subsequent receipt of notifications from the fuel filling station network.

There are ten prompt feedback channels in place throughout the Company to ensure the quality control and quality assurance of our fuel filling station network operation

Feedback

In order 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 in all our gas 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**
- Official accounts of the retail sales network in social media (**vk.com/azs.tatneft**, **facebook.com/azs.tatneft**, **twitter.com/AZS_TATNEFT**, **ok.ru/azs.tatneft**, **instagram.com/azs.tatneft**)
- PJSC TATNEFT home page in social media.
- Corporate social network (CSN) – **<https://kss.tatneft.ru/>**
- Collecting reviews from third-party platforms (maps, navigators, and response sites)
- Polls of customers

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, serviceability of equipment, fuel filling accuracy, etc.). The customer is provided with our feedback via the received information channel (phone call, email, etc.) within 6 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.

Tire business

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

The tire production complex incorporates the tire manufacturing plants, such as PJSC Nizhnekamskshina, Nizhnekamsk All-Steel Tire Plant LLC (LLC "NZSH CMK"), Nizhnekamsk All-Steel Tire Plant LLC (LLC "NZGSH")¹, LLC Kamaretred. The tire service enterprises include LLC UK Tatneft-Neftekhim, JSC "NMZ", JSC Yarpolimermash-Tatneft, LLC STC Kama, LLC Energoshinservice.

Production capacities

PJSC NIZHNEKAMSKSHINA:

- passenger car and light truck tires;
- agricultural and industrial tires.

NIZHNEKAMSK ALL-STEEL TIRE PLANT LLC:

- all-steel truck tires;
- combined 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 the smooth operation of the KAMA TYRES group of enterprises.

In the reporting year, the Nizhnekamsk All-Steel Tire Plant accomplished the first stage of the project to increase all-steel tire output: 18 curing molds were put into operation in stages from January to May 2019, which allowed to add the production capacities for manufacturing 300 thousand pieces of all steel tires per year.

In early 2019, the functions of the sole executive body of JSC Nizhnekamsktekhuglerod were transferred from LLC Tatneft-Neftekhim to the oil and gas processing segment of JSC TANECO for improved specialization profile of the Tatneft Group's business streams.² The LLC Nizhnekamsk Truck Tire Plant was merged in the Nizhnekamsk All-Steel Tire Plant LLC to improve the management efficiency; the functions of the sole executive body of LLC Macbar were transferred to LLC MC Tatneft-Neftekhim to improve the production management efficiency and the management processes of production of components and spare parts; the functions of the sole executive body of LLC SBO Shinnik were passed to LLC MC Tatneft-Neftekhim to improve the management efficiency and effectiveness.

In the reporting year, 100% of shares of SIBUR Togliatti LLC (later renamed Tolyattikauchuk LLC) and 100% of shares of JSC Tolyattisintez were purchased from a third party of PJSC SIBUR Holding³. The enterprises are located in Tolyatti, including the production of various types of synthetic rubber used for the

The KAMA Trading House LLC (LLC TH KAMA) with separate regional divisions and a subsidiary provide procurement and supply of feedstock and materials, and tire sales as well. Moreover, in 2019, the tire complex included social enterprises - LLC SBO Shinnik, LLC KP Shinnik², ChUSK Shinnik³ and the carbon black plant - JSC Nizhnekamsktekhuglerod⁴.

The competitive edge of the KAMATYRES Manufacturing Complex is secured through proprietary research and engineering solutions, advanced technologies and production capacities, high quality standards and control throughout all production phases, as well as a high level of after-sale service.

production of high-quality tires by leading Russian and world manufacturers, the production of MTBE, butadiene, isoprene and other intermediate products, as well as the infrastructure of the Industrial Park, where a number of technological companies of chemical and other specialization profiles carry out their business operations.⁴ The acquisition of these assets will ensure vertical integration of the KAMA TYRES tire business, which is part of the TATNEFT Group. The company intends to continue developing its acquired assets as part of its petro-gas-chemical strategy.

On November 26, 2019, TATNEFT and UZKIMESANOAT JSC signed an agreement to establish a joint venture on the basis of Birinchi Rezinotexnika Zavodi LLC (Republic of Uzbekistan) with the following ownership interests: PJSC TATNEFT – 51%, JSC UZKIMESANOAT – 49%.⁴ The setting up of this joint venture gives TATNEFT the opportunities to diversify and expand its production and sales of tire products in the lucrative markets in Central Asia.

The 2020 Tire Complex Development Plans call for accomplishment of three major investment projects: expanding the output capacities of all-steel and Viatti tires, large-size tire production launch; removing the KAMA EURO brand from the portfolio; developing a new brand of KAMA PRO all-steel tires; improving the sales system through the development of retail and direct small-wholesale sales, including deployment of its own on-line sales channel.

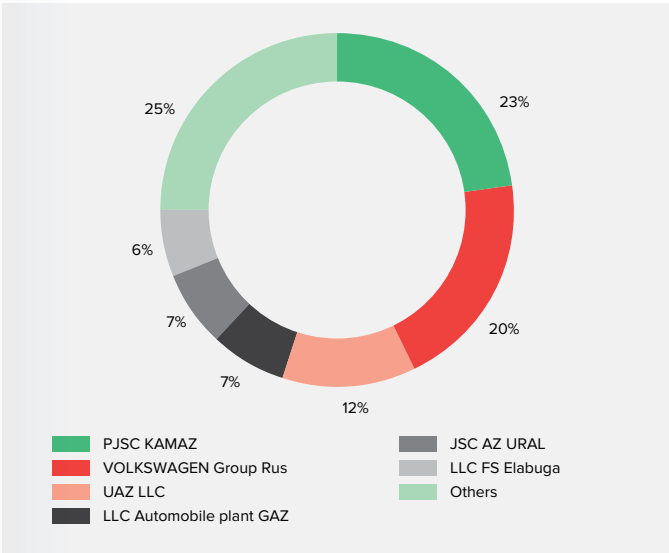
¹ Termination of the legal entity by reorganization in the form of merger into the Nizhnekamsk All-Steel Tire Plant LLC on 30.05.2019.
² Liquidation of the legal entity 25.12.2019.
³ Termination of participation in the legal entity due to the change of the legal entity's owner on 29.10.2019.
⁴ Termination of the sole executive body's authorities on 21.02.2019.

Main types of tire commodities

TIRE SUPPLY DIRECTIONS, MLN PCS.

Sales market	2017	2018	2019
After market	9,2	8,8	5,8
Parts assemblage	0,7	0,6	0,6
Export	3,2	4,2	3,6
Total sales	13,1	13,6	10,0

MAJOR CONSUMERS OF PARTS ASSEMBLAGE MARKET



Export

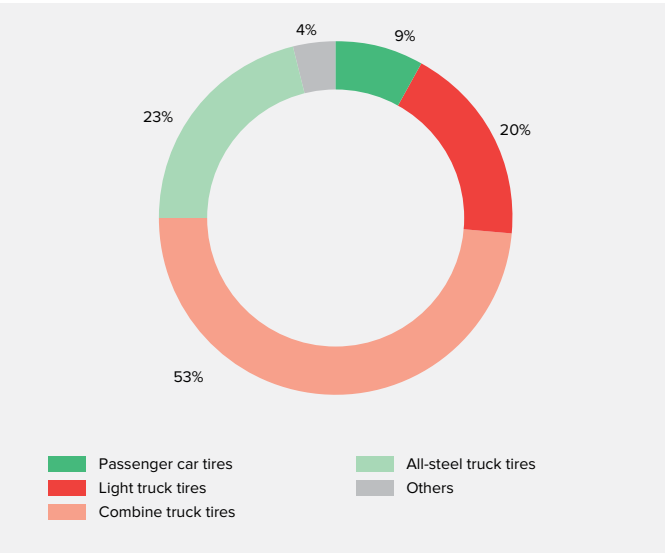
The near-abroad market share is 69%. The far-abroad market share is 31%. The global reach of the KAMA TYRES deliveries covers about 50 countries, including near and far abroad.

In 2019, 4 new export markets were captured such as Jordan, Spain, Lebanon, and Finland. In the Republic of Kazakhstan, there is a subsidiary of the Kama Trading House LLC, which sells KAMA TYRES products.

Tire deliveries for parts assemblage

The tires are supplied for parts assemblage to the automobile assembly plants. The main consumers are KAMAZ, UAZ, GAZ Automobile plant, URAL Automobile Plant, Volkswagen Group Rus, and FS Elabuga. In 2019, the parts assemblage supply route increased due to growth in deliveries to the automobile assembly plants of the GAZ Group, LLC Volkswagen Group Rus, LLC FS Elabuga.

TIRE MARKET SHARES IN RUSSIA



After market

The main tire sales are carried out through the wholesale channel and the separate divisions of the Kama Trading House LLC as well.

Quality assurance of tire goods

Tire quality control system

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

The quality control of tire goods is carried out at all stages of the product life cycle (from input control of raw materials to output control of finished products and its testing) in accordance with the internal regulatory documents.

The system of product management and quality control is specified in the production management plans developed based on the results of 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 meet the requirements of regulatory documents (GOST, TU), as well as the requirements of UN Regulations No.30, 54, 106 and 117 (international standards), TR CU 018/2011 On the safety of wheeled vehicles, TR CU 031/2012 On the safety of agricultural and forestry tractors and their trailers.

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

Tests of the feedstock, materials and finished products are carried out 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 corresponding fines and warnings were received in 2019.

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 gives the information to its consumers regarding product composition, safe use and disposal procedure, and product impacts on the environment

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

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

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

Customer satisfaction assessment

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 through the customer feedback system on the websites and bidding site of LLC KAMA Trading House;
- getting 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;
- target-focused 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.

Customer complaint responding 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 claimed products at the manufacturer or directly at the consumer's place with resolving the matter based on the results of analysis corresponding to the consequences (or potential consequences) of non-compliance; determining the causes of non-compliance; initiating corrective actions, if necessary.

The tire manufacturers together with LLC Kama Trading House and LLC STC Kama, examine consumer's 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 brought to the consumer and the relevant departments of the KAMA TYRES enterprises.

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

In the reporting year, no fines were imposed for non-compliance with legislation and regulatory requirements related to the provision and use of tire products.

Enterprises are fully complaint with the tire waste disposal standards.

Machinery

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

The Bugulma Mechanical Plant (BMZ) manufactures the mechanical goods for oil and gas production, petrochemicals, power energy generation and other industries. The manufactured equipment include air cooling units, heat exchangers, oilfield 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.

The main tasks of BMZ for 2020 include digitalization of production, modernization of the plant, expansion of the range of services, and use of innovative educational tools of TATNEFT.



In 2019, the Bugulma Mechanical Plant produced goods, works and services worth 5,6 billion rubles. This is up 15,7% from 2018. The plant provided maintenance and repair services for 826 million rubles. The plant launched an electric-welded pipe manufacturing line and developed the manufacture of the dual completion equipment. Altogether, 818 dual completion units have been manufactured in Bugulma thus far.

The creation of a single information space for BMZ and JSC TatNIlneftemash (Kazan) made it possible to master the production of flare systems. Together, 51 projects were implemented for the production of tanks and vessels, and packaged modular equipment.

A robotic complex for welding tube bundles was launched at the Bugulma Mechanical Plant. Also, the installation for cutting holes in pipes was launched in the commercial operation. A horizontal boring-and-turning mill with higher power capacity was put into service. The laser marking technology for the equipment was mastered. At the same time, labor productivity grew by 17% in 2019.

In 2020, the BMZ Plant intends to modernize the pipe production with improved pipe coating productivity twice as much, master the application of new types of coatings and the manufacture of new types of heat exchangers and tanks. New robotic welding systems are being deployed.

Currently, the plant is manufacturing the second Delayed Coker Unit for the TANECO Refinery Complex. The first DCU was manufactured in 2013-2014.

5,6 BILLION RUB
2019 PRODUCT OUTPUT

17%
2019 IMPROVED PRODUCTIVITY

Tatneft-Presscomposite

In order to increase the added value in the product supply chain, the Company develops a high-tech production of composite materials at its Tatneft-Presscomposite facilities located in the Alabuga Special Economic Zone. The production uses fiberglass manufactured by P-D Tatneft Alabuga-Fiberglass.

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 production planning takes into account the current demand for composite materials on the domestic market with the medium term goal set to increase the sales to third-party customers up to 70% of the total production capacity and become the market leader in Russia and the CIS in the represented product segments.

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

Output products

SMC COMPOUNDS (GLASS FIBER FILLED PRESS MATERIALS)

The design capacity of the equipment is a single (1) line with a capacity of 8000 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-Presscomposite 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 five (5) lines with a total capacity of 1000 tonnes per year. The enterprise makes various fiberglass structures using fiberglass profiles.

FIBERGLASS PUMP AND COMPRESSOR, CASING, LINEAR PIPES AND FITTINGS

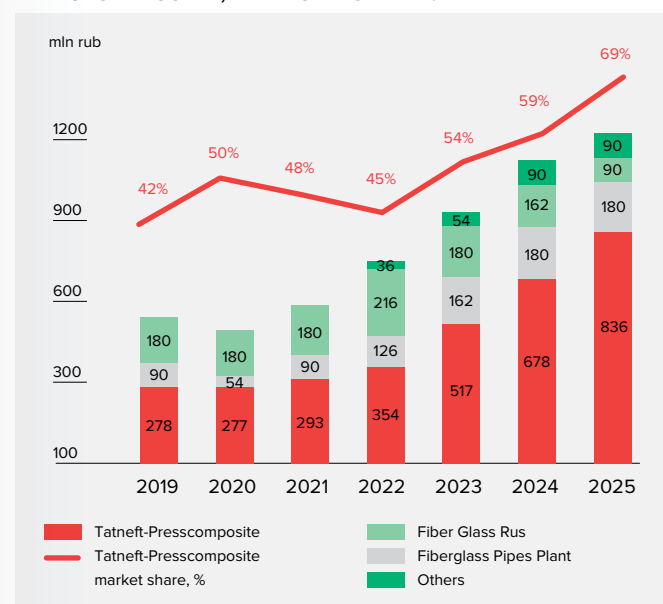
The design capacity of the equipment is a single (1) line with a capacity of 300 km per year. Fiberglass pipes and fittings are designed for the petrochemical industry and are used as downhole tubular (pump-compressor and casing), injection, production, for disposal of chemical waste and observation wells; as part of oilfield 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.

In 2018–2019, 30 % improved equipment productivity measures yielded 20 % product unit cost reduction.

Fiberglass products have become highly competitive compared to their metal counterparts in anti-corrosion performance not only due to the cost of ownership and durability but also in the course of construction phase.

The most significant benefit of composite materials is their environmental friendly properties and low carbon footprint. Carbon dioxide emissions from the composite material use are several times less as compared to the steel use. 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.

FIBERGLASS PIPE MARKET VS. TNPC SHARE IN RUSSIAN OIL AND GAS INDUSTRY, MLN RUBLES AND %



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 south-east of Tatarstan and include the capacities of the Nizhnekamsk HPP and the Almetyevsk Heating Networks.

The installed electric power capacity at the beginning of 2019 was 748 MW, and heat capacity was 2 272,51 Gcal per hour.

The power energy capacities operated by the Tatneft Power Grid Management Center consists of 17 694 substations, including 313 substations with 35–110 kV voltage, 17 381 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 16 823,0 km.

In 2019, the total power generation amounted to 1,53 billion kW*hour, including 1,41 billion kW*hour supplied to Nizhnekamsk HPP, and 0,124 billion kW*hour to the Almetyevsk Heating Networks.

In 2019, the heat energy was generated in the amount of 4 199 785 Gcal. 4% less of thermal energy supply was caused by 1,3°C higher average annual outdoor temperature from 2018 and reduced power take-off of PJSC Nizhnekamskneftekhim.

INSTALLED ELECTRIC POWER AND HEAT CAPACITIES

Enterprise	Installed Capacity	
	Electric power, MW	Heat, Gcal per hour
Nizhnekamsk HPP LLC, including	724	1 580,0
Nizhnekamsk HPP (PTK-2)	724	1 580,0
Almetyevsk Heating Networks (JSC APTS) incl.	24	692,5
Super-viscous oil production	-	142,1

TATNEFT GROUP POWER AND HEAT SALES

Fuel and Energy Resource	Unit of measure	2017	2018	2019
Electric power sales	bln kWh	1,45	1,23	1,5
Heat sales	mln Gcal	4,8	4,4	4,2

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.

In 2019, the internal transformation of the electric power equipment operation enterprise was completed. The Power Grid Management Center business unit was formed within the Company's organizational structure. The power generating facilities including 110/35/6 (10) kV substations and 220–6 (10) kV overhead power transmission lines are concentrated within one business unit.

The existing energy capacities in the Group’s asset portfolio make it possible to increase the vertical integration level and to reduce the dependence of its own energy needs on external market conditions and optimize 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.

BOD REPORT

At the power generation facilities, the work was underway to increase the energy conservation efficiency and perform retrofitting and upgrading 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 was provided on the basis of an automated system of a single digital platform, which made it possible to control 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 during repair schemes.

At the Nizhnekamsk HPP, programs were being implemented 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 heat management system uses the “Smart Heat” integrated supervisory control system, the purpose of which is to provide the necessary parameters for heat supply to consumers, optimize the load between sources, and monitor and deal with accidents. As a result, this will help curb rising tariffs for households.

NIZHNEKAMSK HPP HEAT AND POWER OUTPUTS

Fuel and Energy Resource Type	Unit of measure	2017	2018	2019
Electric power generated	thous.kW*h	1 361 216	1 167 444	1 407 573
Heat energy output incl.:	Gcal	3 364 611	3 590 659	3 418 876
Nizhnekamskneftekhim incl. by parameters:	Gcal	1 428 214	973 486	473 870
– steam 15 atmabs		1 428 214	973 486	436 826
– steam 30 atmabs		0	0	37 044
TANECO Complex incl. by parameters:	Gcal	1 186 784	1 768 848	2 182 774
– steam 45 atmabs		562 008	939 495	586 770
– steam 15 atmabs		624 776	739 618	872 004
– steam 30 atmabs		0	89 735	724 000
– output of thermal energy with hot water in Nizhnekamsk	Gcal	749 613	848 325	762 232

HEAT AND POWER ENERGY GENERATED BY THE ALMETYEVSK HEATING NETWORKS

No.	Parameters	Unit of measure	2017	2018	2019
a)	Heat energy generation (heat carrier – hot water)	Gcal	768 173	791 151	780 909
b)	Power energy generation (MV1 and HV voltage level)	thous.kW*h	123 504	87 939	124 171

Energy and resource efficiency

Improved Energy Efficiency and Energy Saving Policy

The company is implementing the target-focused resource saving program 2010-2020, 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 program activities implemented during the period from 2017 to 2019, the Company's demand for energy resources (in tonnes of oil equivalent) decreased by an average of 1% per year or 2 billion rubles of the accumulated effect.

As a result of the implementation of the Energy Saving Program for 2019, the TATNEFT Group's enterprises saved more than 40,7 thousand tonnes of oil equivalent, which amounted to 561 million rubles. The best saving performance showed the following areas of activity: oil and gas treatment and processing, transportation, oil and gas production technology, and reservoir pressure maintenance. In 2019, the Company approved and put into effect a unified policy to improve energy efficiency and energy saving, the Standard of Energy Efficiency and Energy Saving in the TATNEFT Group, and also adopted the Program to improve energy efficiency and energy saving for 2020-2022. The documents are aimed at achieving the Company's strategic goals, establish general requirements for the system of energy efficiency and energy saving, and formalizes uniform principles and approaches in this area.

The main goals 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 that meets the requirements of GOST R ISO 50001 and ISO 50001.

The 2020 Improved Energy Efficiency and Energy Saving Program is targeted to attain not less 1.5% of the baseline of 2019 (in tonnes of oil equivalent), which amounts to 620 million rubles.

Renewable energy

The Company's strategy gives weight to the renewable energy sources (RES) and recognizes their significance for bringing a cleaner, low-carbon energy future. 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. As part of the Company's innovation activities, the scientific research project with Kazan State Energy University is planned for 2020 to determine the wind and solar potential at the Company's facilities for renewable energy investment opportunities.

Currently, the main share (93,2%) of RES energy production in the TATNEFT Group is accounted for heat generation from pellet boilers, 6,7% - electricity generation from small hydroelectric power plants at the Karabash water-storage basin, and 0,05% - from solar power plants in the company's retail and sales network. In 2019, the total energy produced from RES was 1 282,9 tonnes of oil equivalent or 0,18 % of the Tatneft Group's total energy production.

TATNEFT Group Fuel and Energy Consumption

Fuel and Energy Resource Type	Unit of measure	2017		2018		2019	
		Consumption in kind	Costs, mln Rub	Consumption in kind	Costs, mln Rub	Consumption in kind	Costs, mln Rub
Electric power, incl.	hou kWh	4 251 700	11 560, 000	6 027 682	16 833, 077	6 267 991	18 775, 841
Industrial consumption	hou kWh	4 160 900		5 990 446		6 126 577	
Heat energy*, incl.	Gcal	2 854 742	2 550,897	3 468 154	3 314,468	3 722 179	3 739,357
Industrial consumption	Gcal	2 807 674		3 421 156		3 683 207	
Natural gas, incl.	thous m³	1 859 051	7 768, 476	1 990 178	8 732,258	2 126 429	9 649, 622
Industrial consumption	thous m³	1 858 600		1 989 696		2 126 023	
Gasoline (total) including:	tonnes	3 957,0	155,749	3 917,0	168,398	3 868,4	168,339
AI-80	tonnes	254,0	9,242	217,3	8, 574	102,0	4,294
AI-92	tonnes	2 227,5	85,666	2 386,4	99,844	2 632,7	112,170
AI-95	tonnes	1 458,0	60, 028	1 308,8	59,741	1 120,5	51, 154
AI-98	tonnes	17,46	0,813	4,52	0,239	13,25	0,721
Diesel fuel	tonnes	3 858,74	136,610	4 170,32	170,713	4 811,08	201,585
GAS	tonnes	590,3	14,043	757,5	21,226	971,8	26,337

* thermal energy for super-viscous oil production is included in the natural gas purchases

In order to improve rational energy consumption of 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.

>2 BLN RUB
CUMULATIVE EFFECT FROM ENERGY SAVING PROGRAM

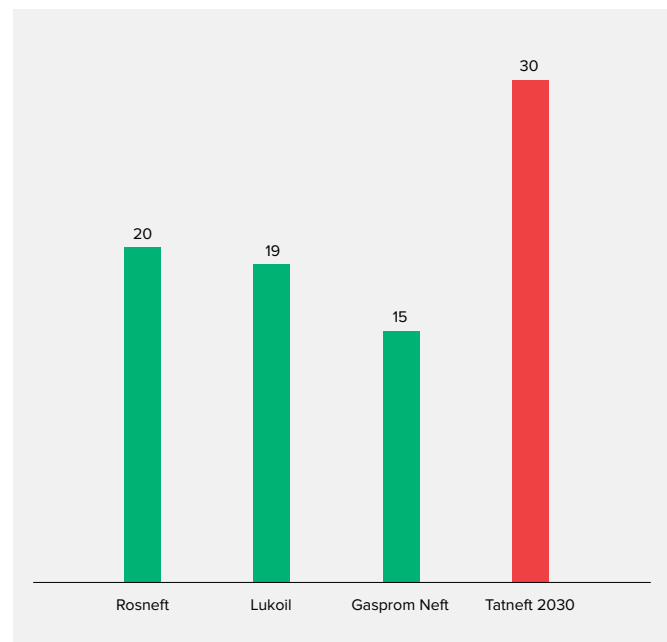
>40,7 KTONNES
OIL EQUIVALENT SAVED IN 2019

Macroeconomics and Competitive Environment

Company's leadership indicators

Resources

RESERVES LIFE (YEARS)

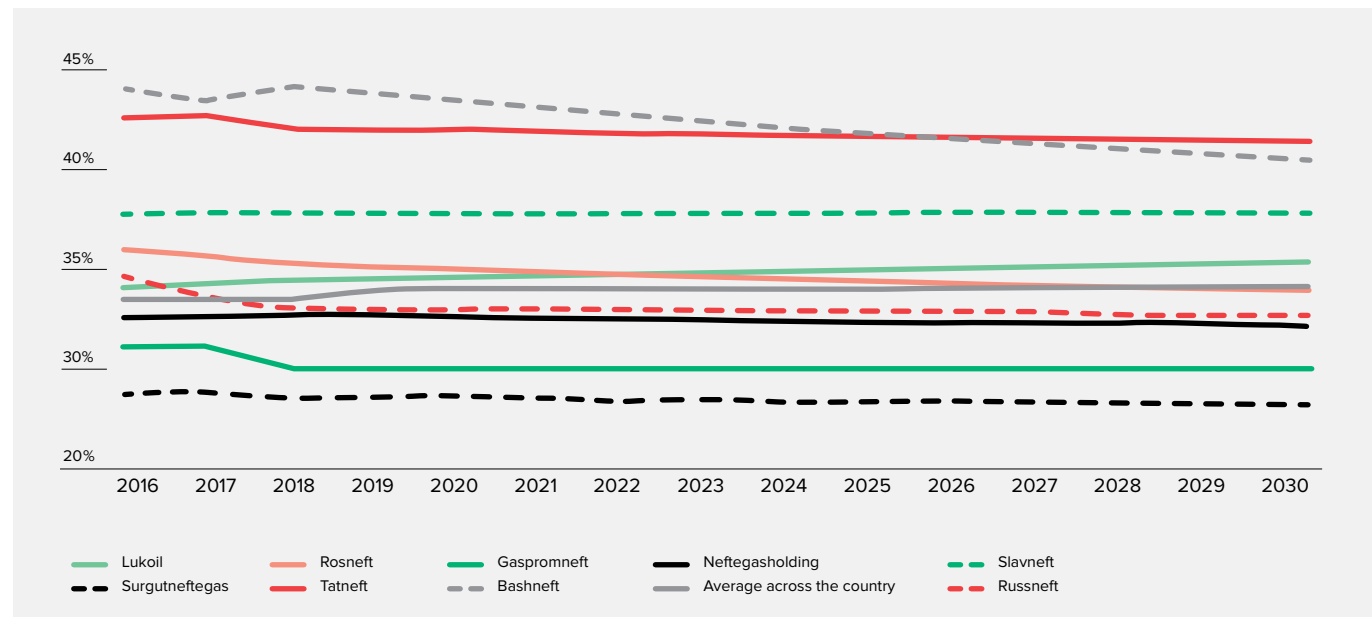


Source: Data from companies

The Company has the highest indicator on proves reserves life amongst Russia vertically integrated oil companies – (for the period of 30 years)

The company maintains one of the highest ORF among Russia vertically integrated oil companies — at the level of 44%

ORF



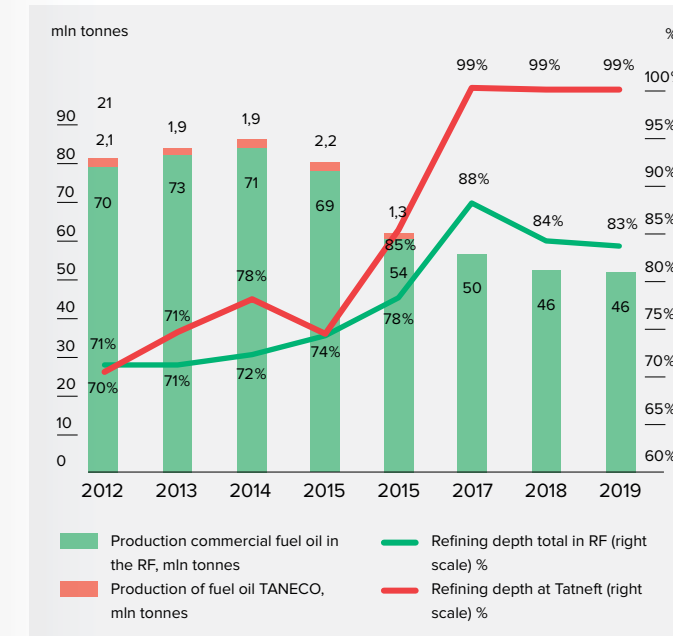
Source: REA calculations at oil price of 40 USD/barrel

Refining

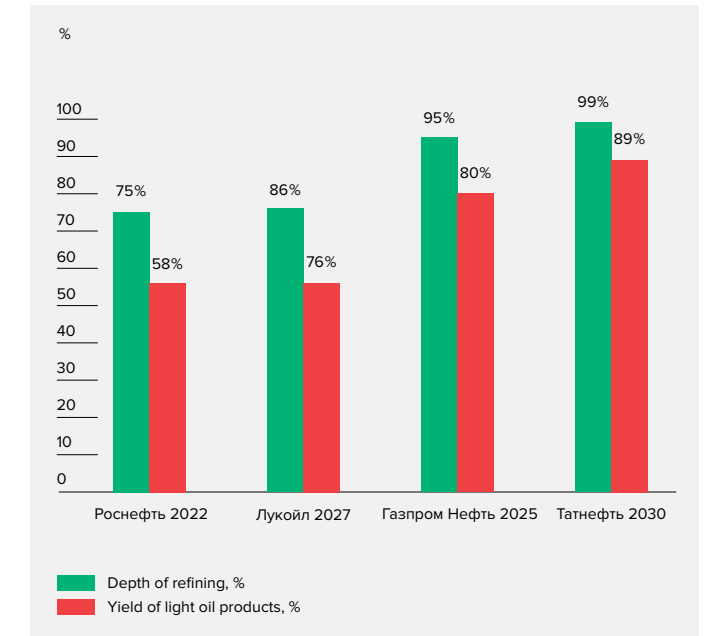
Up to 2030, the Company will maintain the highest rates of refining depth and light oil product yield

In 2019, the oil refining depth in Russia reached 83.1%, slightly decreasing by the end of 2018 (83.6%). The yield of light oil products also decreased slightly from 61.9% in 2018 to 61.7% in 2019. In oil refining, the Company has one of the best indicators in the industry: the refining depth, yield of light oil products, while there is no production of heating oil.

FUEL OIL PRODUCTION TRENDS IN THE RUSSIAN FEDERATION AND PJSC TATNEFT, REFINING DEPTH TRENDS



STRATEGIC PLANS FOR REFINING: YIELD OF LIGHT OIL PRODUCTS AND DEPTH OF



Source: Ministry of Energy. Data from companies

One of the fundamental external factors affecting the long-term price of oil is global oil consumption. Despite the current crisis in the global economy, it is expected that demand for oil will continue to grow until the end of the 2030s. During this period, monetization of oil reserves is expected to bring maximum returns to oil companies.

According to the baseline scenario, the peak of global oil demand will be reached by the mid-30s, after which a long period of stabilization of global oil consumption is projected.

Prospects for the development of the oil and gas industry in Russia will be based on international prices, tax payments, volumes of domestic consumption, promotion of the transport sector, technological solutions in the research of new oilfields.

The global cost of hydrocarbon resources will depend on the degree of development of the international economy and the activity of introducing other sources of energy.

The promotion of the oil and gas industry includes the goals to increase long-term stability, ensure effectiveness for activities and goals of reducing the carbon footprint, the search for new environmentally friendly energy solutions. Solving these problems requires investments that will provide new ways for economic growth.

The Company's Strategy 2030 is primarily aimed at solving these priority tasks:

- Focus and intensification of production on the territory of Russia;
- Acceleration of reserves involvement in development, increase in ORF (Tatneft has one of the highest ORF level of 35%, across Russia 27%);
- 100% replacement of proved reserves
- Ensuring safe operations;
- Reducing the negative impact on environment and greenhouse gas emissions;
- Reducing costs and losses at all stages of processes;
- High-quality oil refining;
- Petrochemicals development

Main challenges and assessment of their impact on the Company's development

While setting ambitious goals, the Company evaluates a complex of external challenges:

- high volatility in oil prices
- escalation of competition between producers in the markets as a result of technology development (including those in shale oil and gas production);
- tightening of non-competitive methods of economic struggle, including US sanctions and its allies
- slowing the growth and changing the structure of global energy demand, including the gradual replacement of hydrocarbons with other types of energy
- 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

The most significant global business challenges are the decline in global oil consumption, which is not comparable to previous crises – a decline in demand in 2020 is projected to reach 22 million barrels/day in the 2nd quarter and up to 10 million barrels/day at the year-end as a result of the pandemic coronavirus and crisis factors in the global economy.

- oil production cut by 10 million barrels/day as part of the historic new OPEC+ Agreement, which covers the period from May 1, 2020 to May 1, 2022. In total, production is expected to be reduced by the OPEC+ Agreement participants and some of the G20 producers by 20 million barrels/day;
- the greatest volatility in oil prices in recent years and price uncertainty until 2025 amid 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 non-competitive methods of economic struggle, including sanctions of the USA and its allies;
- increasing the importance of the global climate agenda;
- escalating competition of producers in the markets as a result of 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;
- decline in the conventional crude oil quality, field depletion, the need to involve in the development unconventional/hard-to-recover oil reserves;
- introduction of restrictions on sulphur in marine fuels of International Maritime Organization (IMO);
- 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.

The key influence on the Company's operations in 2020 and the next few years will be exerted by new OPEC + agreement. A decrease in demand for oil and oil products is pushing refiners to reduce the load on their refineries. Many oil companies in Russia have scheduled major repairs at their refineries.

Main challenges and risks for the domestic oil market are:

- reduction of oil production in Russia (excluding condensate) by 2.5 million barrels/day from May 1, 2020;
- reduction of oil refining by up to 26% as a result of drop in demand in the key market-European, and falling demand in the domestic market (reduction of supplies to export and domestic markets will total ~ 24.6 million tons);
- increase in tax burden on the oil industry in the Russian Federation, revision of tax benefits;
- deterioration of the FEC mineral resource base as existing fields are becoming depleted;
- increased costs, including transport and capital ones, as well as risks of mining projects due to the need to develop remote oil and gas provinces with undeveloped infrastructure;
- increased 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 RF;
- introduction of new sanctions against the RF.

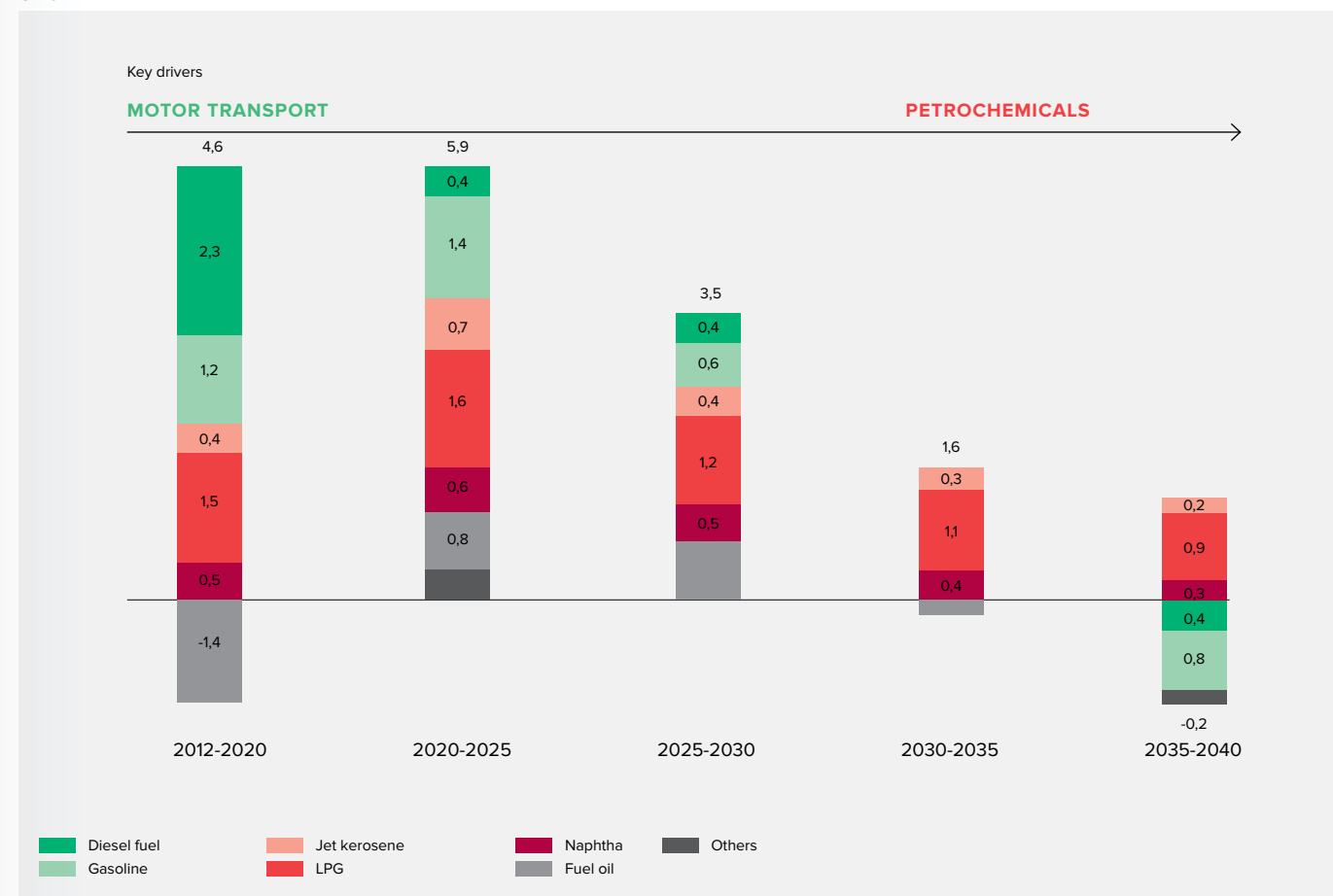
To a varying degree, all of the above challenges and threats can have an impact on the Company's financial and economic performance.

Most experts believe that after the market passes the bottom in 2020, recovery will begin in 2021 and by 2023, demand level will return to the level of 2018-2019. Demand growth will slow down and consumption will peak in the late 2030s.

The development of technologies also changes the power balance, for example, the USA turns from net importer into exporter; the situation with the supply of oil in the oil market has changed dramatically with the beginning of rapid development of shale oil production in the USA – if the US share in world oil production was only 6% in 2010, then the share was 13% in 2019, which allowed the USA to become a leader of world oil production amid of declining production by OPEC+ Agreement countries and, while maintaining the current economic «model» by the end of 2019, the United States had every chance to become the main source of oil supply growth in the world market in the next decade (according to experts, with oil prices at not lower than 60USD/barrel, the USA are able to grow to 5.5 million barrels/day to 2025).

GROWTH IN GLOBAL CONSUMPTION BY TYPES OF PETROLEUM PRODUCTS

Million barrels/day for corresponding period



Among the key expected events in the global liquid hydrocarbon market in 2020, which can significantly affect the balance of supply and demand, should include, first of all, development of the situation with the coronavirus pandemic, the rate of recovery of economic activity of countries in the world and the restoration of demand for liquid hydrocarbons, stabilization of oil production under the new OPEC + agreement.

On the horizon to 2035, consumption will grow by 15% (15 million barrels per day) versus 2019, but the demand growth drivers for LH* will change - leadership in maintaining the growth in demand will shift from motor fuels to petrochemicals (naphtha and LHG), while vehicles will remain a key consumer of liquid hydrocarbons

The refining market is expected to recover after the oil market by 2023, but at this time additional refining capacity will be introduced in the world, with an excess of 7 million barrels/day. This will increase competition in the world market of petroleum products and between regions, create prerequisites for reducing the margin of refiners and the need to modernize/repurpose capacities in the future.

Also in the medium term, the hydrocarbon feedstock market will be influenced by the introduction of restrictions on sulphur content in marine fuels (IMO).

* Liquid Hydrocarbon

New consumer preferences, technological progress and a new energy policy will increasingly influence the global energy landscape and the oil market. These global factors are changing the architecture of the economy, increasing competition, and increasing price volatility.

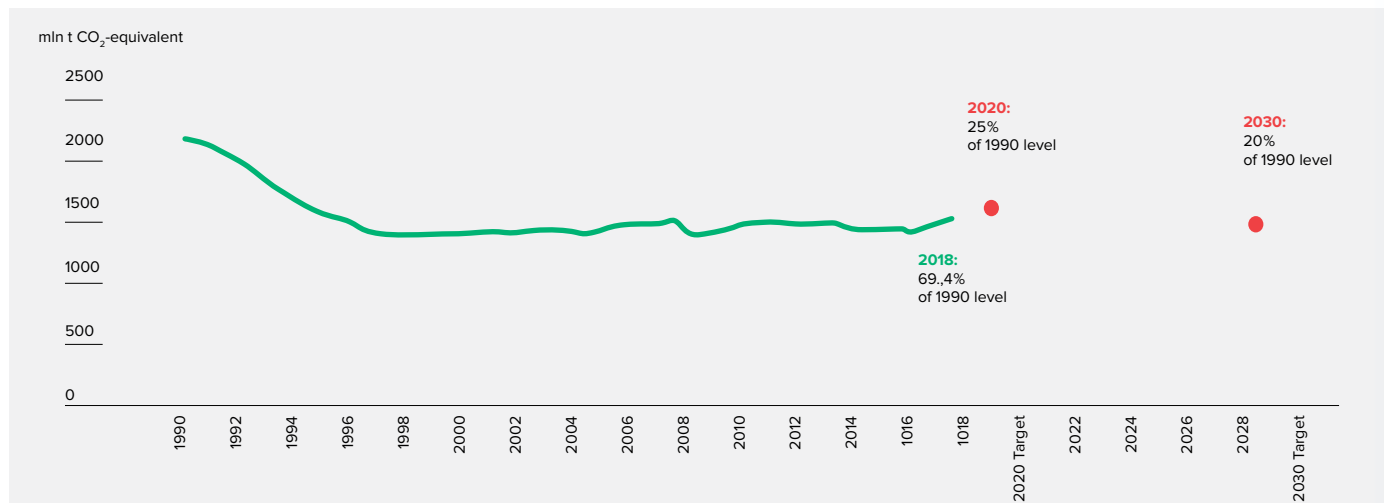
Environmental and climatic factors, due to the goals of the Paris Agreement and the goals to reduce the negative impact on the environment, will have a significant impact on the development of the oil industry.

IMO

In 2005, IMO requirements for reducing harmful emissions from ships came into force in accordance with Annex VI of the International Convention for the Prevention of Pollution from Ships (MARPOL Convention). Since then, restrictions on marine emissions have been gradually tightened. One of the main pollutants that are subject to restrictions is sulfur oxide (SOx). The last significant tightening of restrictions on its content in marine fuel began in 2015 – its content was limited to 0.1 % in the emission control areas (Emission Control Areas, ECA – the Baltic and North Seas, certain coastal areas of the United States and Canada, the Caribbean Sea area (around Puerto Rico and the Virgin Islands)). For shipping activities outside the ECA zone, the sulfur content of marine fuel was allowed to be up to 3.5%, but new requirements from January 1, 2020 limited it to 0.5%. This change affects temporarily the economy of production of all types of petroleum products.

Global demand for marine fuel at the beginning of 2020 is on average about 15.6 million tons per month. It is estimated that almost 2.5 million tons of high-sulfur fuel oil (HSFO) will be consumed by vessels equipped with scrubbers, the number of which may exceed 4,000 by the end of 2020. The increase in freight rates in October 2019, caused by the US sanctions against the largest Chinese shipping company Cosco, led to the fact that ship owners postponed temporarily the installation of scrubbers. The rest of the demand should be provided by very-low sulphur fuel oil (VLSFO) or marine gas oil (MGO). In the long term, LNG bunkering can become an alternative to traditional fuel. As a result of the introduction of IMO restrictions on the sulfur content in marine fuel in the range of 0.5%, the global market in 2020-2022 was expected to increase the spreads on average distillates to oil. At the same time, it should be noted that the consequences of the impact of the COVID-19 global pandemic on the global market, including the oil refining market, are currently difficult to predict.

GREENHOUSE GAS EMISSION TRENDS IN 1990-2018



Climate aspects

The role of the Paris Agreement and the measures taken by its participants in reducing the impact on climate and reducing green-house gas emissions is significantly increas-ing.

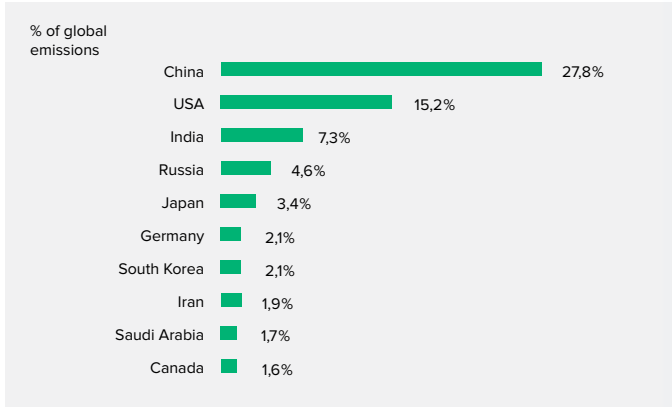
The Paris Agreement* aims to prevent the global average annual temperature on the planet from exceeding by more than 2°C from pre-industrial levels by 2100 and to do everything possible to keep warming within 1.5°C (currently the average temperature is 0.75°C higher than the average annual rates in 1850-1900).

The commitment adopted by RF under the Agreement is to ensure that greenhouse gas emissions should not exceed 75% by 2020 versus the emissions in 1990, and 70% by 2030.

The largest air pollutants according to the World Bank (WB data) are China, the USA, India and Russia.

* The Russian Federation ratified the Paris Agreement. The Paris Climate Agreement was adopted on December 12, 2015, following the 21st conference of the UN Framework Convention on Climate Change (UNFCCC) in Paris. The document was signed by 175 countries, including Russia. September 23, 2019 - Prime Minister Dmitry Medvedev signed a Government Decree on adoption of the Paris Climate Agreement. The Agreement will come into force in 2021, but even since 2020 it obliges all public compa-nies and investment funds to disclose their carbon footprint and measures to reduce it, as well as plans to enter a low-carbon future.

TOP 10 GREENHOUSE GAS EMIT-TERS IN 2018



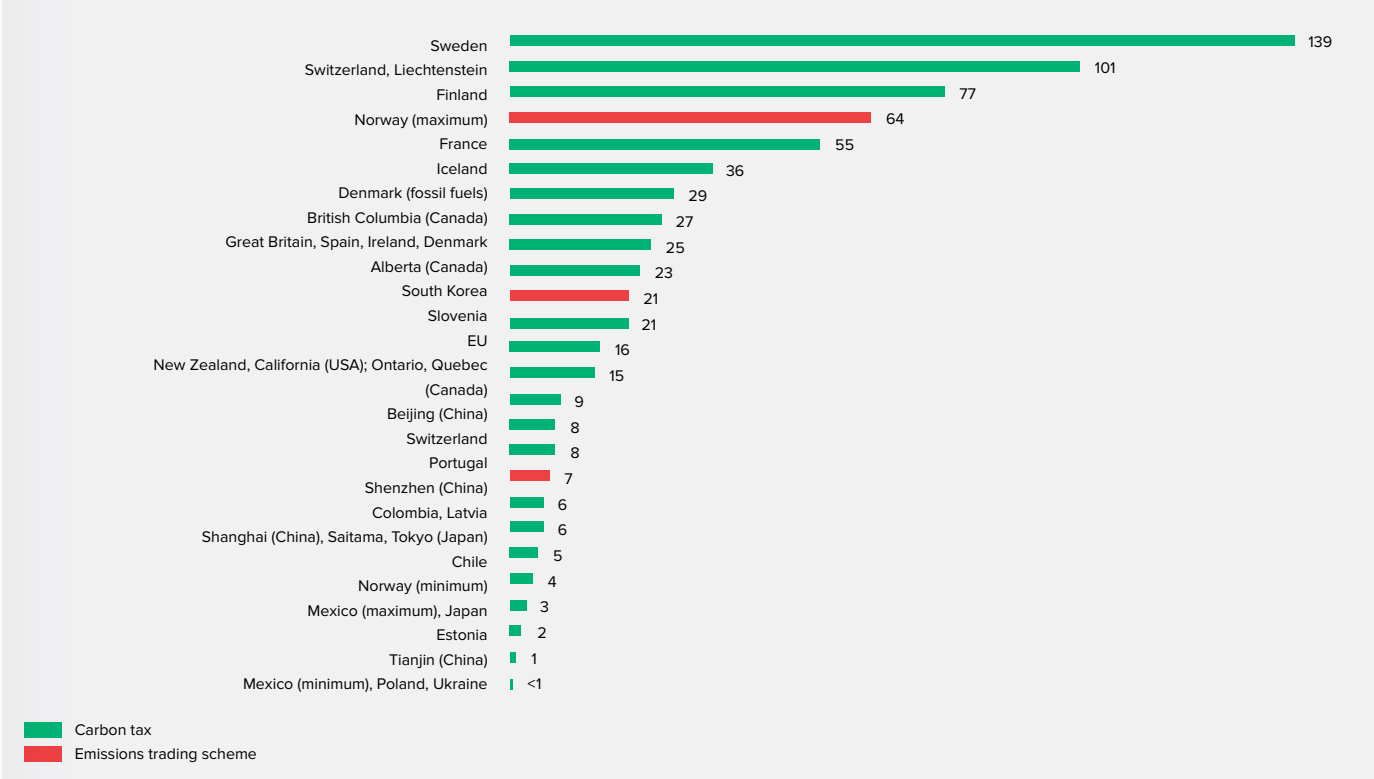
Source: Ministry of Energy, the Company data

TOTAL GREENHOUSE GAS EMISSIONS PER THOUSAND TONS OF O. E. IN HY-DROCARBON PRODUCTION



Source: REA calculations at the oil price of 40 USD/barrel

CARBON PRICE IN EXISTING MECH-ANISMS OF CHARGING FOR GREENHOUSE GAS EMISSIONS, USD PER TONS OF CO₂-EQ



According to the World Bank, in 2019, there were 50 mechanisms of carbon emission fees, which covered 15% of the world's green-house gas emissions.

Carbon fees are charged at both the national and regional levels. In this case, mechanisms for the introduction of a carbon tax or an emissions trading scheme can be used. The maximum emission fee for 1 ton of CO₂ is charged in Sweden and is USD 139, while the average global carbon fee is estimated by the IMF to be USD 2 per ton of CO₂-eq.

Russia has not yet introduced a mechanism of carbon emission fees. With the introduc-tion of a carbon fee, the main losses for com-pa-nies will not be related to the emission tax, but to a decrease in demand for products with a high carbon footprint and for shares of companies that produce such products/

As a result of environmental requirements global oil producers are adjusting their strate-gies.

Oil Market

In recent years the global oil market has undergone significant changes: the boom of shale production in the United States, consumption growth in the Asia-Pacific Region, the development of a trade war between the major oil consumers, the USA and China, the conclusion of OPEC+ Agreement, the depletion of resources in conventional plays in Europe, the tense military situation in the Middle East and Africa – Libya, Nigeria and Syria, the aggravation of political confrontation between Iran and the United States, the introduction of US sanctions against the largest oil producers – Russia and Iran.

The period of high oil prices contributed to a significant increase in production in a number of countries with expensive production in various geographies – North and South America, the North Sea, Africa and a number of countries in the Middle East began to increase production. In total, these factors led to overproduction of oil.

To balance the market at the end of 2016, the OPEC member countries (14 countries), as well as 11 non-cartel countries that joined the agreement, including Russia, signed the OPEC+ Agreement and agreed to reduce production by 1.8 million barrels per day compared to the level of October 2016. The agreement showed its effectiveness and the OPEC+ member countries reviewed the volume of cuts periodically.

The OPEC+ Agreement, as well as production cuts in Iran and Venezuela, helped stabilize the global oil market, eliminate excess reserves, and maintain a balance between supply and demand, which in turn helped keep Brent price in the range of 60-70 dollars/barrel in 2019. At the same time, the parties to the agreement lost gradually their share in the world oil production to countries outside the agreement, primarily to the United States.

The main source of oil supply growth was shale oil – the United States is one of the few countries in the world where liquid hydrocarbon production had a stable and distinct growth trend during 2016-2019, the country overtook its main competitors – Russia and Saudi Arabia in production volumes, reaching the level of 12.97 million barrels/day at the end of 2019. The increase in oil production in the United States was facilitated by the expansion of pipeline capacity and increased demand for low-sulfur feedstock in Europe due to the transition of refineries to the production of marine fuel with a sulfur content of no more than 0.5% due to the entry of new requirements of the International Maritime Organization (IMO*) from January 2020. According to forecasts (actual for January 2020), production in 2020 at American fields was expected to reach 13.2 million barrels/day. To balance oil and keep the price of Brent oil at least of 60 USD /barrel, it was decided at a meeting in Vienna on December 6, 2019 to extend the OPEC+ Agreement to reduce oil production until the end of March 2020. The volume of production cuts compared to October 2018 was 1.7 million barrels/day, which corresponded to approximately 1.7% of global oil demand.

Geopolitical factors came to the fore again in 2019 in determining the market conditions and economic development of countries and regions – the trade conflict between the United States and China was a key reason for reducing Chinese exports in the past year and contributed to the slowdown in the global economy and reduced demand for oil.

In 2019, there was a turning point in the positive dynamics of world trade, which began in 2016. In the first half of the year, many countries recorded a negative increase in exports year on year. This was particularly true in the United States, Germany, Brazil, China, Japan, and Russia. According to experts, the decline in exports occurred as a result of import-limiting duties and weakening global demand.

In 2019, several events occurred that could potentially become a «Black Swan»**, i.e. significantly shift the supply-demand balance on the world market and affect the price of oil. These events include increased sanctions against Iran and Venezuela, drone attacks on oil fields in Saudi Arabia, potential threat of closing the Strait of Hormuz, contamination of the Druzhba oil pipeline, a tropical storm in the Gulf of Mexico that brought a significant part of oil production platforms to a standstill, and so on. However, these events did not have a significant impact – price fluctuations were quickly smoothed out, and there was no significant deficit/ surplus of oil on the market due to the response of OPEC+ member countries

Early in 2020, the global economy was experiencing a crisis, which was characterized simultaneously by interruptions in the work of manufacturers and suppliers in China, the mass closure of factories led to a disruption in the supply of automotive parts, components for electronic devices and clothing. The introduction of a mass quarantine regime led to a decrease in consumer demand for oil products. The emergence of a huge supply surplus on the market (according to experts, in the second quarter, the excess supply of liquid hydrocarbon can reach up to 22-30 million barrels/day) in the near future will be limited by the existing infrastructure for storage and transportation of oil (oil storage facilities around the world are rapidly filling up due to a significant excess of supply over demand).

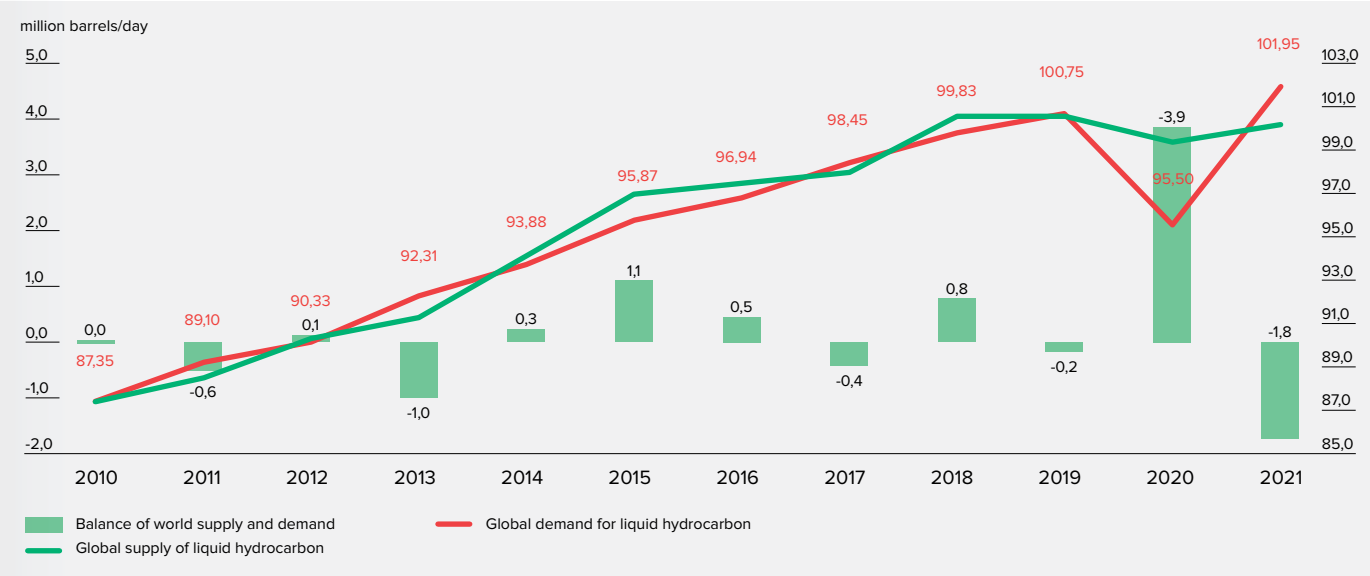
In total, the impact of the coronavirus on energy markets and the global economy will be highly uncertain until the pandemic recedes.

With this instability, a stronger global recession is expected in 2020 than in 2009.

* The International Maritime Organization (IMO) is a specialized agency in the UN sys-tem in the field of maritime safety and protec-tion of the marine environment. In accord-ance with the IMO-approved 0.5% limit on sulphur emissions for all vessels, which will come into force from 2020, the shipping in-dustry has started to equip its vessels with either exhaust gas cleaning systems (scrub-bers) or switching to low-sulphur bunker fuels.

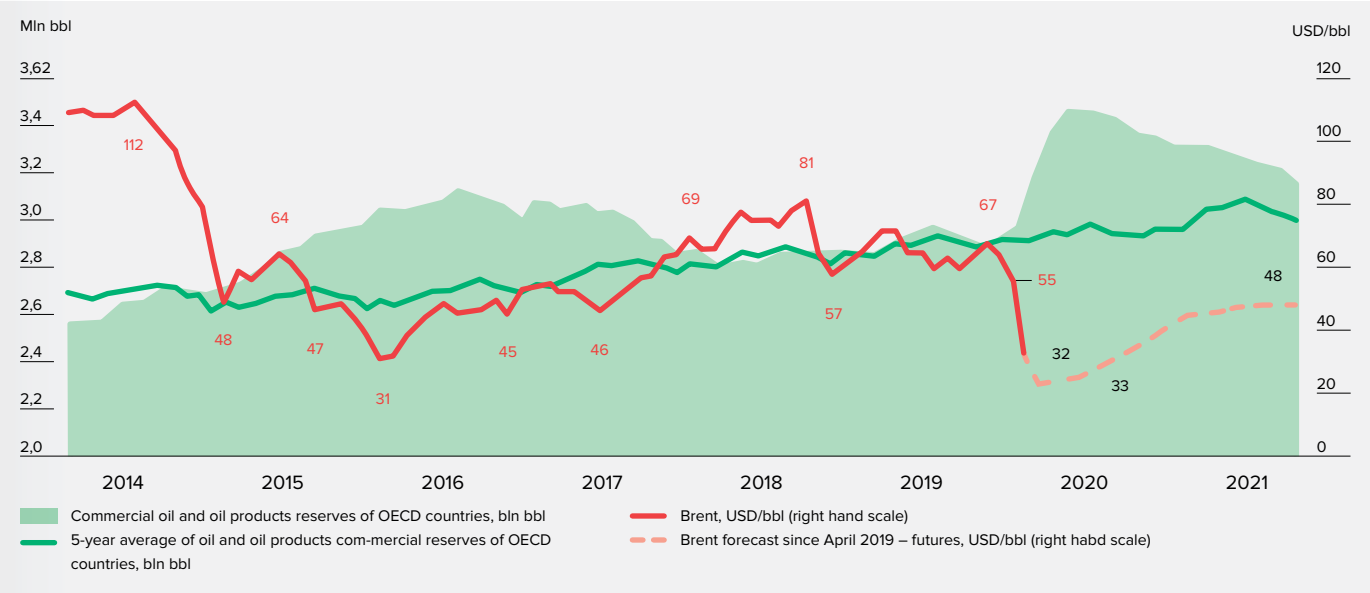
** «Black Swan» is an unlikely event (force majeure), which is impossible to predict, but which often entails large-scale consequences.

BALANCE OF OIL MARKET IN 2010-2019 WITH A FORECAST UNTIL 2021



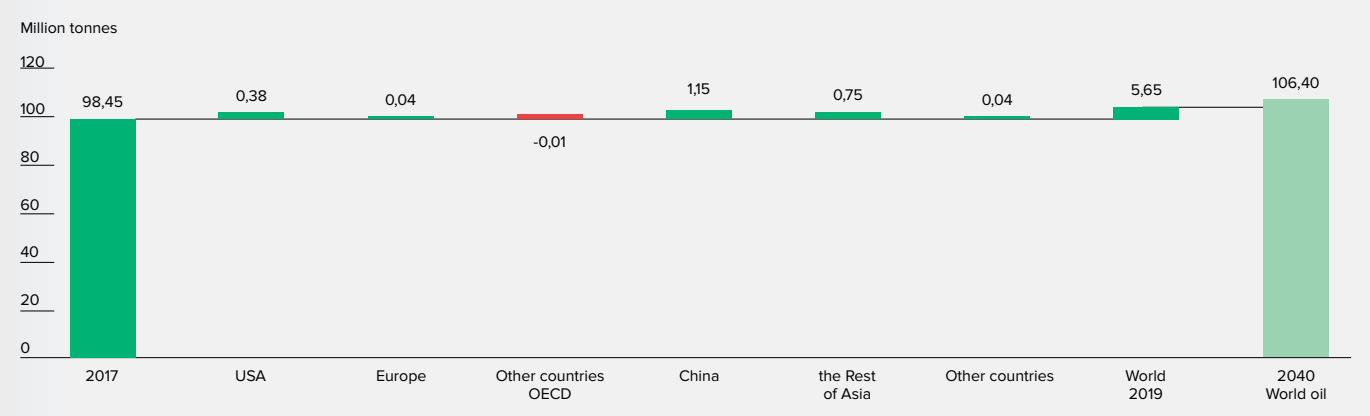
Source: Energy information administration of the US Department of Energy as of 07.04.2020

OIL RESERVES OF THE OECD COUNTRIES



Source: Energy information administration of the US Department of Energy

DYNAMICS OF OIL DEMAND BY COUNTRY/REGION IN 2014-2019 AND IEA FORECAST UNTIL 2040, MILLION TONNES



Source: Energy information administration of the US Department of Energy

Dynamics of world oil prices (Brent, Urals).

Over the past five years, the dynamics of oil prices have been highly volatile. In 2019, the oil price was moderately volatile in the range of 53-75 dollars per barrel.

Quotes growth in the first half of the year from 53 dollars per barrel up to a maximum of 75 dollars per barrel was due to a reduction in supply amid implementation of the OPEC + agreement and increased geopolitical risks.

The average price of Urals crude in 2019 de-creased by 8.4% compared to the previous year and amounted to 64 dollars per barrel.

The net price of Urals crude oil (after deduc-tion of the mineral extraction tax (MET) and export duty) decreased to a lesser extent (about 6%) due to the positive effect of the time lag and a progressive scale of MET and export duties calculation.

BRENT AND URALS OIL PRICE



Source: Refinitiv

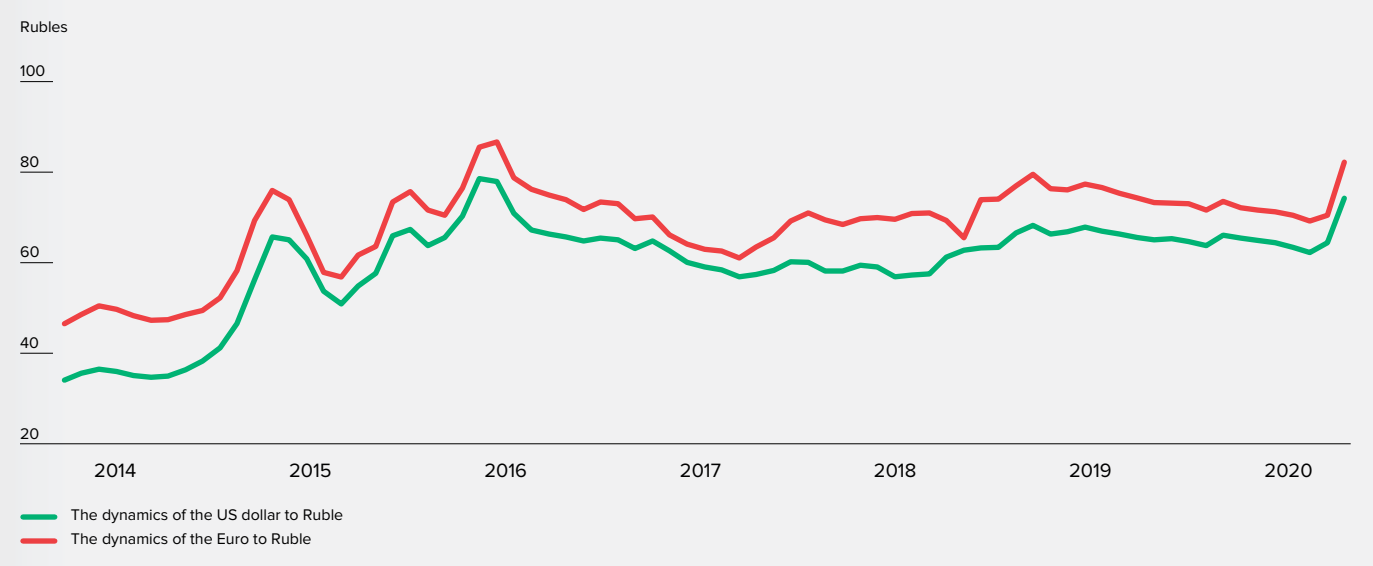
Dynamics of RUB/USD and RUB/EUR exchange rate

In 2019, the average annual exchange rate of the ruble against the US dollar increased by 3.2%, to 64.7 rubles/dollar, which positively affected the dynamics of the price of Urals oil in ruble terms, which decreased by 5.4% compared to 2018 year. Net price in ruble terms decreased by 2.8%.

Despite the fact that according to the budget rule, the sale of foreign currency had to be carried out with a time lag (after the average oil price fell beyond the base level at the end of the reporting month), the Bank of Russia began conducting these operations in ad-vance (from March 10, 2020), so that they were proactive.

The steps of the Bank of Russia on the for-eign exchange market in February-March 2020 consisted of curbing volatility risks by canceling purchases of foreign currency by the Bank of Russia under the budget rule and then selling it.

DYNAMICS OF RUB/USD AND RUB/EUR EXCHANGE RATE



Source: Central Bank of Russia

DYNAMICS OF RUB EXCHANGE RATE IN COM-PARISON WITH THE DYNAMICS OF OIL PRICE



Source: RUB exchange rate – Central Bank of the Russian Federation, Brent quotes – Thomson Reuters

GDP Dynamics of Key Economies

Global GDP growth in 2019 was 2.9%, down from 3.7% in 2018.

The IMF at the end of 2019 projected global GDP in 2020 at 3.4%. However, as a result of the shock caused by the spread of the COVID-19 pandemic in the 1st half of 2020, the world economy will face a serious sharp decline, the extent of which is to be assessed.

According to preliminary estimates, the decline in global GDP in 2020 from the forecast level will be 6.4 p.p. and will reach -3%, which is much more than the decline during the financial crisis of 2008-2009. It is expected that the economies will begin to re-cover in 2021.

The decline in GDP at the end of the year in the Euro Zone is projected at -7.65%, the United States -5.9%, Russia -5.5%, China's GDP growth will fall to 1.2%, India - to 1.9%. In 2019, the GDP of Russia in real terms decreased to 1.3% from the level of 1.7% of the previous year. The slowdown in gross output was due to a decrease in exports (-2.1%), and was also accompanied by a decrease in the growth rate of household final consumption expenditure (+2.3% in 2019 after +3.3% in 2018).

DYNAMICS OF GDP GROWTH RATE



Sources: Refinitiv, IMF, IHS

Dynamics of consumer price growth in key economies

Core inflation, which is a key indicator for the Central Bank and allows it to identify better inflationary risks, has reduced below targets in the developed countries, and it is below the historical average of core inflation in many developing countries and in emerging markets.

In 2019, the growth rate of consumer prices in Russia reduced from 4.3% in 2018 to 3.0% in 2019 (December to December). Food inflation reduced to 2.6% from 4.7% in the previous year (December to December).

The main factors for reducing inflation in 2019 were a decrease in external demand for Russian export goods in the context of a slowing global economy, restraining inflation in Russia's trading partner countries, as well as weak consumer demand.

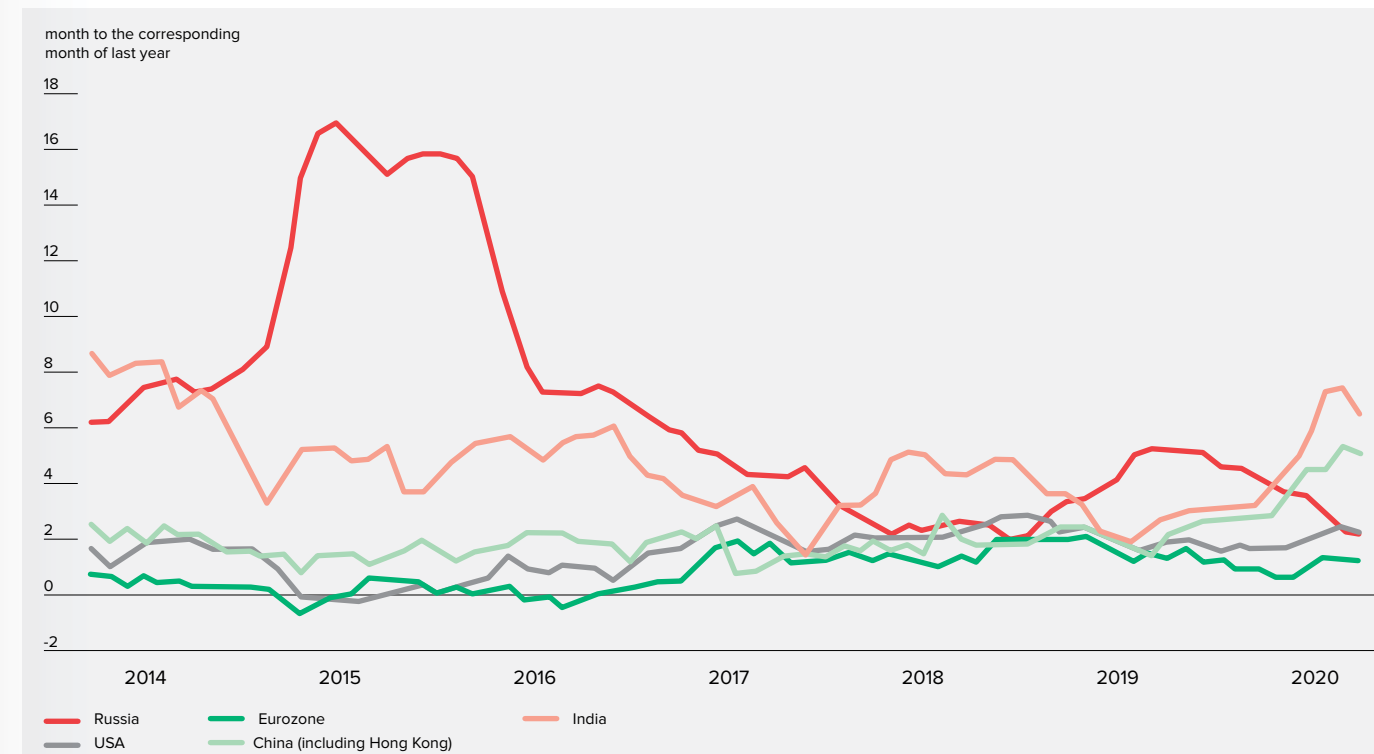
Since the slowdown in inflation in 2019 was faster than it was forecasted, the Central Bank of the Russian Federation reduced its key rate five times during the period from May to December 2019.

According to the survey data conducted in the first decade of March 2020 by the Central Bank of the Russian Federation, the population's inflation expectations for the year ahead have not changed in comparison with February. The forecast of inflation for 2020 by professional analysts also remained virtually unchanged (in February 2020, the range of inflation forecasts for 2020 made by professional analysts - Interfax, Bloomberg, Refinitiv - continued to decline and amounted to 3.5%).

According to the Bank of Russia, the weakening of the ruble in February-March, due to the changes in external conditions, will lead to a temporary acceleration of annual inflation in the coming months. Inflation expectations of the population and business may also temporarily increase. However, the slowdown in domestic demand growth is a significant deflationary factor. It will have a restraining effect on inflation. Under these conditions, taking into account the current monetary policy, annual inflation will return to 4% in 2021. Expectations of inflation in 2020 and in the three-year term have not changed much compared to previous months. The Bank of Russia maintains a target inflation rate of 4% following the results of 2020.

Inflation expectations of the population and price expectations of enterprises in general remained stable, on February 7, 2020 the Bank of Russia decided to reduce the key rate by 25 b.p., to 6.00% per annum, on April 24, 2020 it decided to reduce the key rate by 50 b.p. to 5.50% per annum

DYNAMICS OF CONSUMER PRICE GROWTH IN KEY ECONOMIES



Sources: Refinitiv

Oil and Condensate Production in Russia

In 2019, the Russian Federation achieved historic figures for oil and gas production and electricity generation, and set new national records. Oil production following the results of the year was about 560 million tons, gas – 737 billion cubic meters. Production growth was 0.8% or 4, (in 2018 - 555.9 million tons). The growth was achieved, among other things, due to the production at new fields (green fields): Verkhnechonskoye (PJSC Rosneft Oil Company) and Talakanskoye (PJSC Surgutneftegas) fields in Eastern Siberia, as well as due to the start of commercial oil production at the Suzunskoye and Tagulskoye (PJSC Rosneft Oil Company) fields. In addition, PJSC LUKOIL increases oil production at the V. Filanovsky field, and PJSC Gazprom Neft - at the Prirazlomnoye and Novoportovskoye fields.

The largest increase in production was achieved in Western Siberia + 2.5 million tons (+0.8%) and amounted to 319.5 million tons or 56.9% of the total level for the country. The growth was due to the increase in production by Kondanef at the new Kon-dinskoye field (+1.2 million tons compared to the previous year), Gazprom Dobycha Urengoy (+1.1 million tons), RN-Nyaganneftegaz (+1.0 million tons) and at certain fields of KhMAD: Novoportovskoye (+0.6 million tons, Gazprom Neft), Zapadno-Chatylkinskoye (+0.5 million tons, Gazprom Neft), Russkoye (+0.5 million tons, Rosneft).

In 2019, Rosneft reversed the trend of falling production at the Samotlorskoye field, which declined by an average of 5% annually until 2018. Due to the investment incentives, production was reduced to 1.2%, reaching the level of 18.4 million tons at the end of the year. Production growth in 2019 occurred in almost all vertically integrated oil companies with the exception of PJSC Gazprom Neft (minus 0.9% or 0.34 million tons), whose production decreased, though slightly, but for the first time in recent years, as well as PJSC Bashneft, which has a decrease for the third consecutive year – minus 1.5% compared to the previous year (in 2019, decrease to the level of 2018 was 8.1%). According to the year results of the vertically integrated oil companies, Rosneft (+0.9 million tonnes or 0.5%) and Tatneft (+0.3 million tonnes or 0.9%) became the production growth leaders.

TATNEFT GROUP'S SHARE OF OIL AND CONDENSATE PRODUCTION IN RUSSIA OVER THE PAST 3 YEARS HAS BEEN STABLE AT 5.3%

TATNEFT GROUP'S SHARE OF OIL AND CONDENSATE PRODUCTION IN RUSSIA

	2012	2013	2014	2015	2016	2017	2018	2019
Tatneft Group oil and condensate production, million tons	26,3	26,4	26,5	27,2	28,7	28,9	29,5	29,8
Conventional oil, mln tonnes	26,2	26,3	26,3	26,9	27,8	27,3	27,6	27,1
Share of Tatneft Group oil production in the all-Russian oil and condensate production	5,08%	5,05%	5,04%	5,10%	5,24%	5,29%	5,31%	5,32%

In the European part of the country, oil production with gas condensate increased by 1.4 million tons (+0.8%) to 165.7 million tons compared to 2018. The main growth was due to the development of offshore fields named after V. Fili, named after Yu. Korchagin (+0.5 million tons, LUKOIL) and the development of old fields of Samaraneftegaz in the Samara region (+0.5 million tons), LUKOIL-Komi - in the Komi Republic (+0.3 million tons).

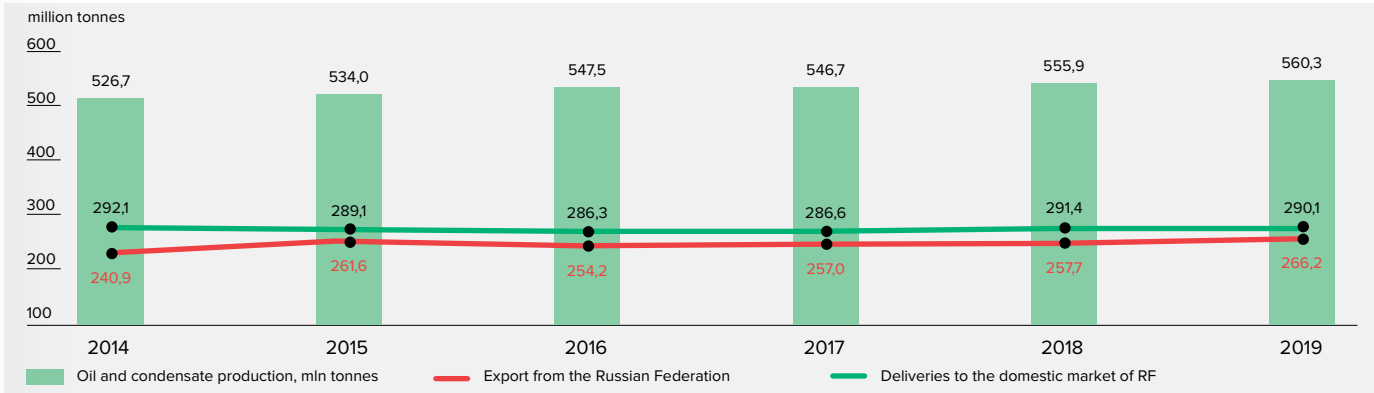
In the Orenburg region, Sladkovsko-Zarechnoye and Koshinskoye (total +0.7 million tons, Sladkovsko-Zarechnoye) fields also helped to compensate for the decline in other districts of the region.

In the Eastern Siberia and Far East region, production increased by 1.3 million tons (+1.7% compared to 2018). In 2019, 76.0 million tons of oil were produced, which was due to the increase in production at the Kuyumbinskoye field (+0.5 million tons, Slavneftkrasnoyarskneftegaz) in Eastern Siberia and the Far East: Srednebotuobinskoye (+1.1 million tons, TAAS-Yuryakh-Neftegazdobycha), the Eastern blocks of the Srednebotuobinskoye field (+0.7 million tons, Rostneftegaz) and Exxon NL (Sakhalin-1) Arktun-Dagi and Odoptu offshore fields (total +2.2 million tons).

At the end of April 2019, the Belarusian company Belneftekhim reported the deliveries of low-quality oil from Russia via the Druzhba pipeline with a high content of organic chlorides in naphtha (a fraction that boils to a temperature of 204 °C) – about 20 ppm (according to market participants), which exceeds the maximum threshold stipulated by GOST of the Russian Federation by 2 times - 10 ppm. Oil exports via the Northern route of the pipeline to Poland and Germany were stopped for 45 days. Cleaning of contaminated oil volumes continued until the end of the year.

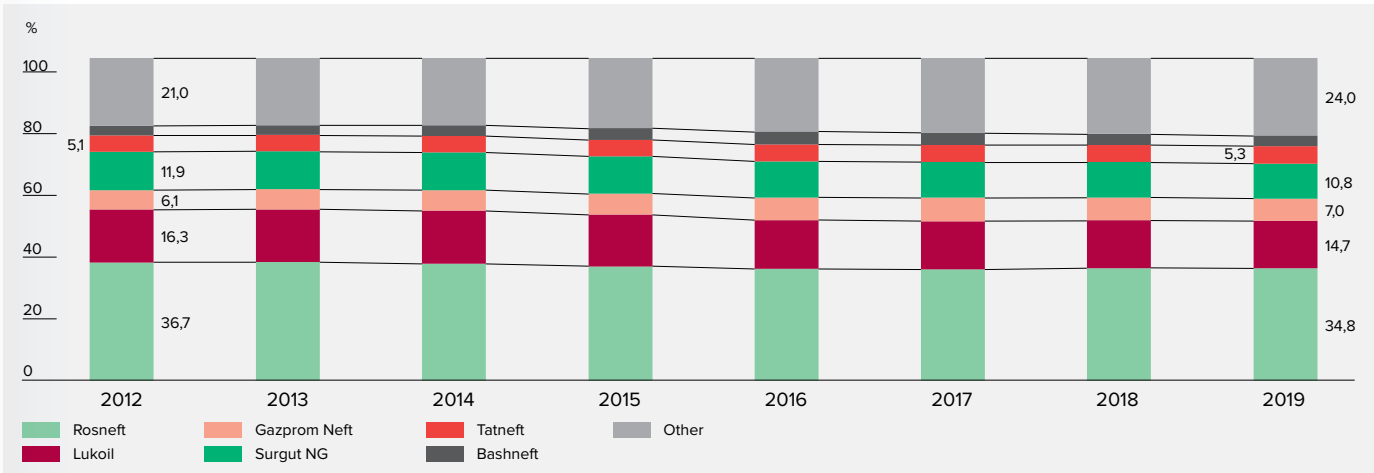
The situation with oil contamination caused the need to revise GOST for oil – to reduce the maximum content of organic chlorides in the oil fraction, which boils to a temperature of 204°C (nafta), from the current 10 ppm to 6 ppm. The new level corresponds to the technical regulation of the Eurasian Economic Union on oil safety, which was adopted in December 2017

RUSSIA'S OIL MARKET BALANCE



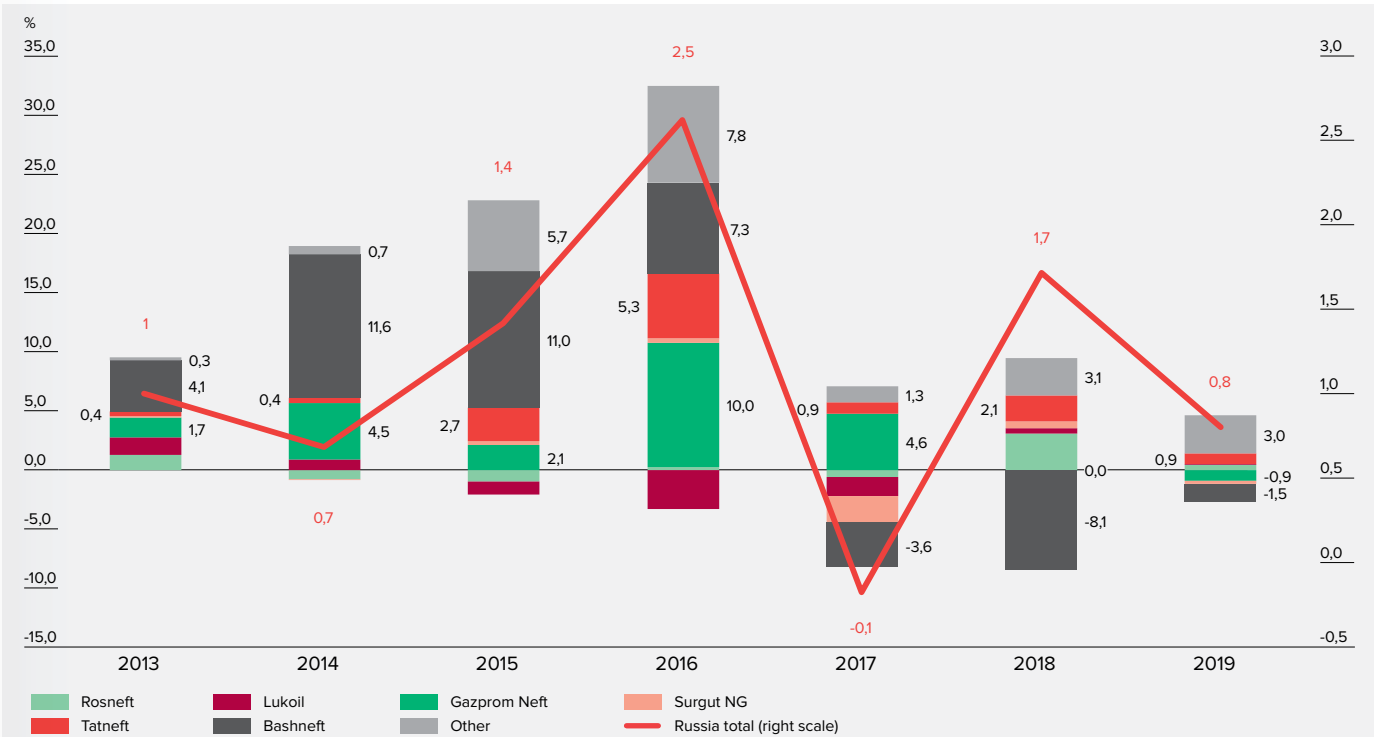
Sources: CCA for FEC

COMPANIES'S PRODUCTION SHARE



Sources: CCA for FEC

OIL PRODUCTION GROWTH (YEAR-TO-YEAR)



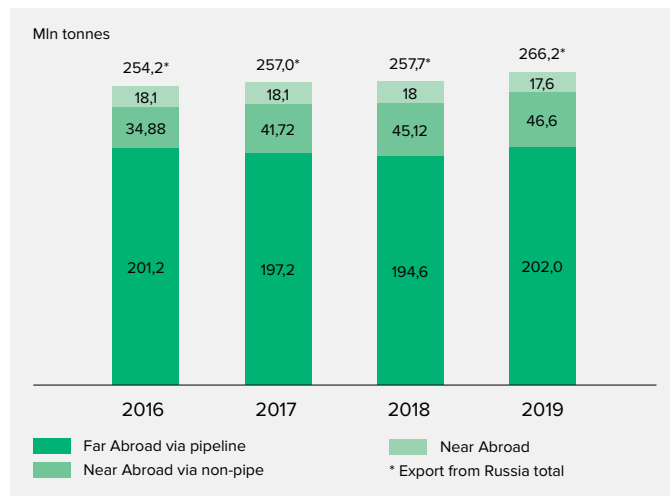
Sources: CCA for FEC

Oil export from the Russian Federation and deliveries to the domestic market

Despite the restrictions imposed on the industry by the OPEC+ Agreement, oil exports from Russia in 2019 increased by 3.3% or 8.5 million tons. US sanctions against exporters of medium-heavy oil from Iran and Venezuela have caused an increase in interest in Urals in many regions over the past year. Demand began to decline only towards the end of the year, when many refiners chose to increase purchases of low-sulfur feedstock due to the introduction of restrictions on the content of sulfur in marine fuel.

The trend of increasing deliveries outside the pipeline system of PJSC Transneft continued - the growth was 3.2% or 1.5

STRUCTURE OF OIL EXPORT FROM RF



Sources: CCA for FEC

SHARE OF OIL EXPORT FROM RF (MLN T)

	2012	2013	2014	2015	2016	2017	2018	2019
Total exports from RF	262,5	256,6	240,9	261,6	254,2	257,0	257,7	266,2
Far abroad countries resources of the RF	234,3	228,5	218,4	239,0	236,1	238,9	239,7	248,6
Far Abroad via pipeline	189,6	184,1	176,3	192,1	201,2	197,2	194,6	202,0
Far Abroad off pipeline	21,83	22,71	22,8	28,19	34,88	41,72	45,12	46,6
Pipeline transit resources to far abroad	21,2	21,7	19,3	18,7	19,9	19,6	18,6	19,9
Near Abroad	28,2	28,1	22,5	22,6	18,1	18,1	18,0	17,6
- through pipeline	27,8	26,4	21,5	22,0	18,1	18,1	18,1	17,6
- off pipeline	0,4	1,6	1,0	0	0	0	0	0

TATNEFT GROUP SHARE IN THE VOLUME OF OIL EXPORT FROM THE RF

	2012	2013	2014	2015	2016	2017	2018	2019
TATNEFT Group oil export from the Russian Federation, million tonnes	12,5	12,5	9,7	11,6	13,0	15,5	12,4	11,7
Far abroad export	11,9	11,4	8,4	10,3	11,9	14,2	11,2	10,5
Near abroad export	0,62	1,05	1,3	1,3	1,1	1,2	1,2	1,2
Share of Tatneft Group oil export to the share of total export from the Russian Federation	4,8%	4,9%	4,0%	4,4%	5,1%	6,0%	4,8%	4,40%

million tons, although the increase significantly decreased in comparison with 2018 – 8.2% or 3.4 million tons. The main increase came from shipments from the port of De Castries (1 million tons) and deliveries to CPC (0.6 million tons).

The trend of increasing shipments of feed-stock in the Eastern direction via main pipe-lines continued – the growth amounted to 4.5 million tonnes or 6.6% and reached 73.2 million tonnes. Exports to the West via the pipeline also increased by 3 million tons or 2.4% and reached 128.8 million tons (in 2018, the decline in pipeline exports to the West was 12.9 million tons or -9.3%). The growth of shipments in the Western direction was not stopped even by the situation with chlorinated organics. A decrease in the volume of shipments to the near abroad (Belarus) contributes to an increase in deliveries to the far abroad.

Last year, the export of Urals marine shipments significantly increased by (9.2 million tonnes) versus 2018, to (97.7 million tonnes), which was facilitated by the suspension of export through the Druzhba pipeline in the second quarter due to organic contamination of oil with organic chlorides and accumulation of excess oil volumes in the Transneft system. Shipments approached the indicator of 2017, when they amounted to about 101 million tonnes.

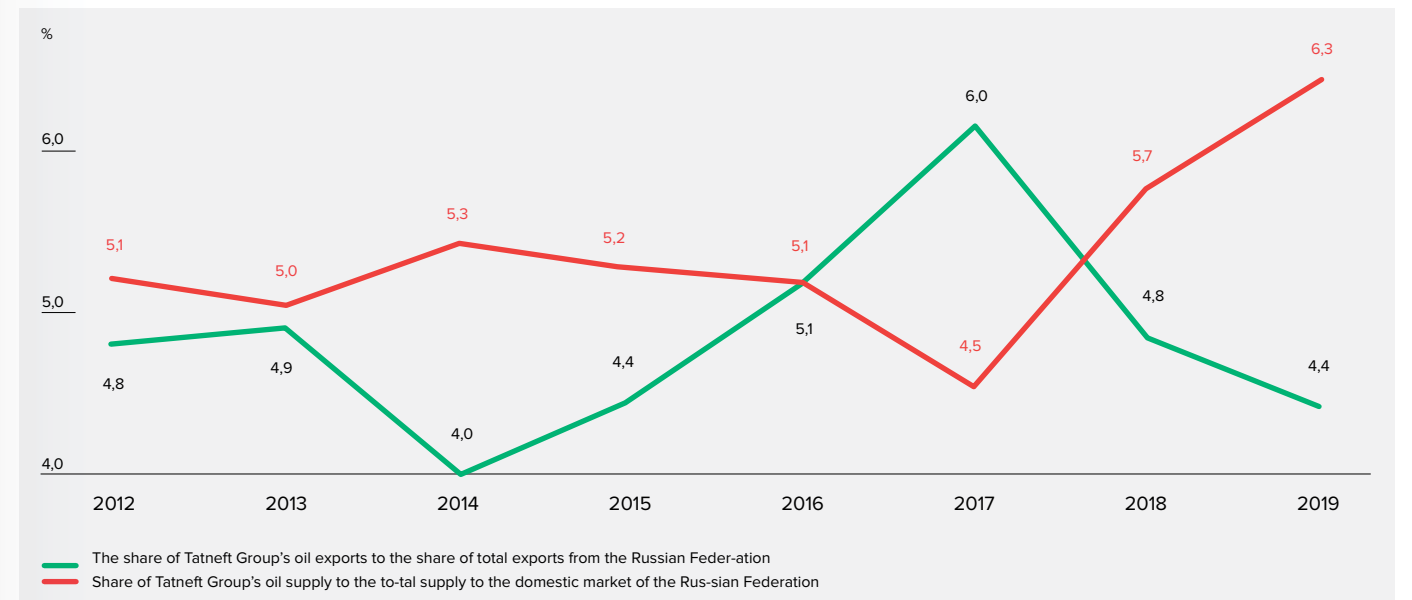
In addition, the volume of rail-road transportation increased. The increase in “wheeled” exports was the result of several factors: the need for redistribution of flows due to oil contamination in the Druzhba pipeline, and an increase in delivery of Rosneft's crude oil to the Caspian Pipeline Consortium system due to a protracted repair at the Tuapse refinery, and oil shipment to Belarus PJSC 'NK' RussNeft'.

According to the results of 2019, Tatneft's crude oil export decreased by 5.4% or 0.7 million tonnes, the share in the volume of crude oil export from Russia by the end of 2019 decreased to 4.4% (in 2018 - 4.8%), while shipments for processing on the domestic market increased by 11% or 1.7 million tonnes, a larger share of growth was accounted for by Taneko our own refinery - shipments increased by 1.2 million tonnes or 3,2 %

RATIO OF TATNEFT GROUP OIL SUPPLIES TO DOMESTIC/ EXPORT MARKET TO OWN PRODUCTION



SHARE OF EXPORT AND OIL SUPPLIES OF TATNEFT GROUP TO THE DOMESTIC MARKET

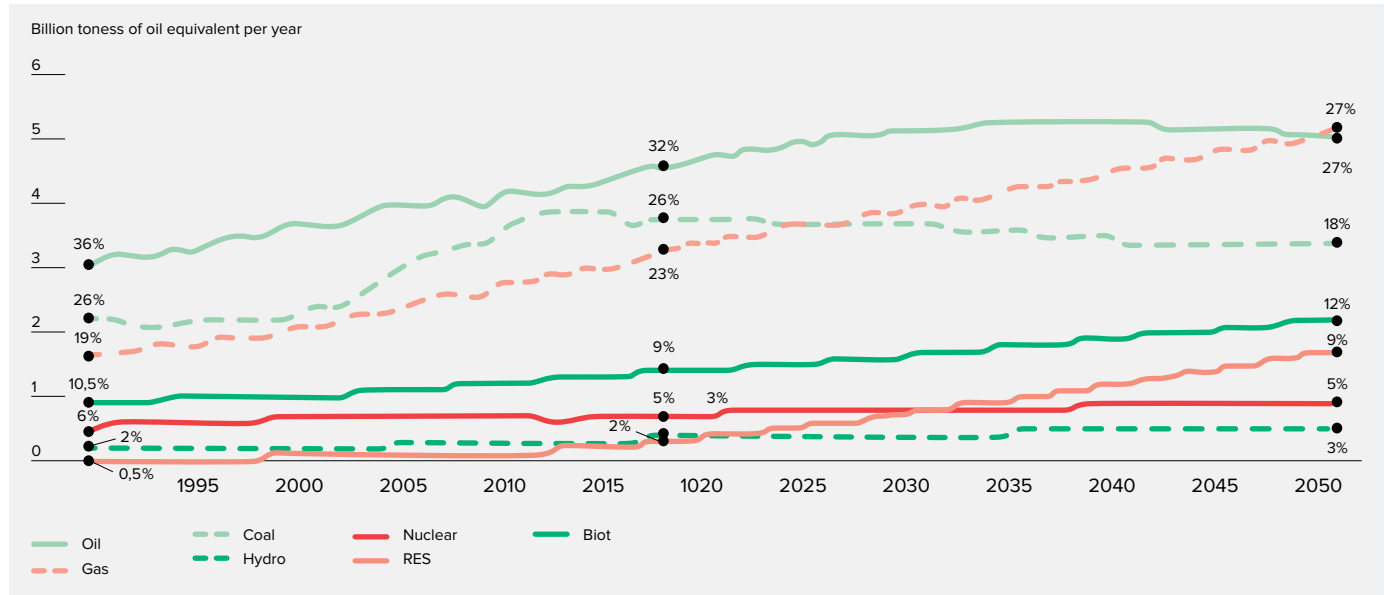


SHARE OF TATNEFT GROUP IN OIL SHIPMENT TO THE DOMESTIC MARKET OF THE RUSSIAN FEDERATION

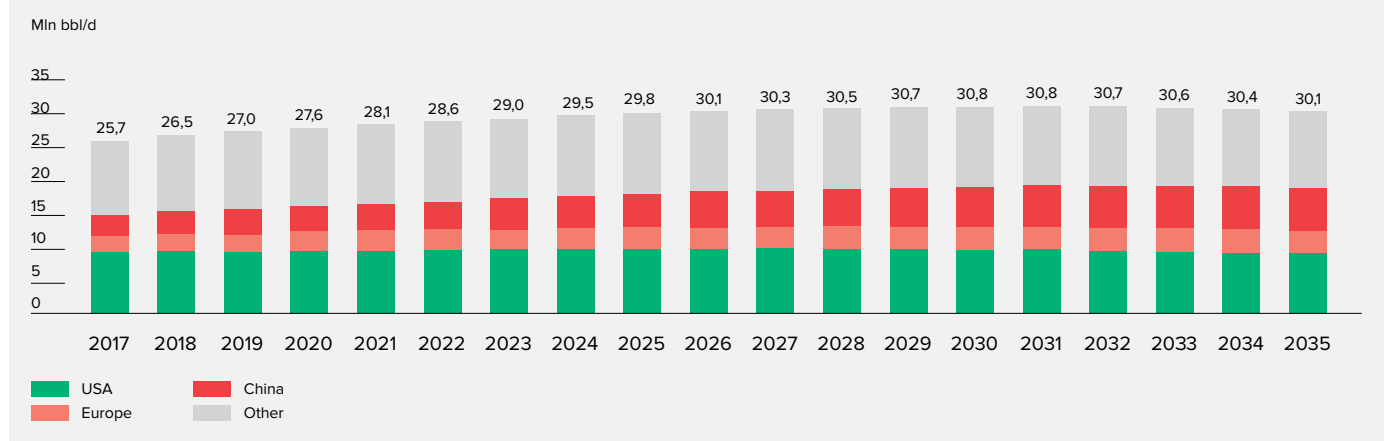
	2012	2013	2014	2015	2016	2017	2018	2019
Tatneft Group Oil supplies to domestic market of the Russian Federation (to be refined)	13,7	13,7	15,6	15,0	14,6	12,9	16,5	18,2
TAIF-NK OJSC	5,8	5,4	6,2	6,2	6,9	4,7	4,9	4,8
TANECO JSC	7,5	7,7	8,4	8,6	7,4	7,3	8,6	9,8
Other refineries, including Kichui refinery	0,4	0,7	1,0	0,1	0,3	0,9	3,0	3,6
Share of Tatneft Group 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%	6,3%

Fuel consumption and vehicle fleet

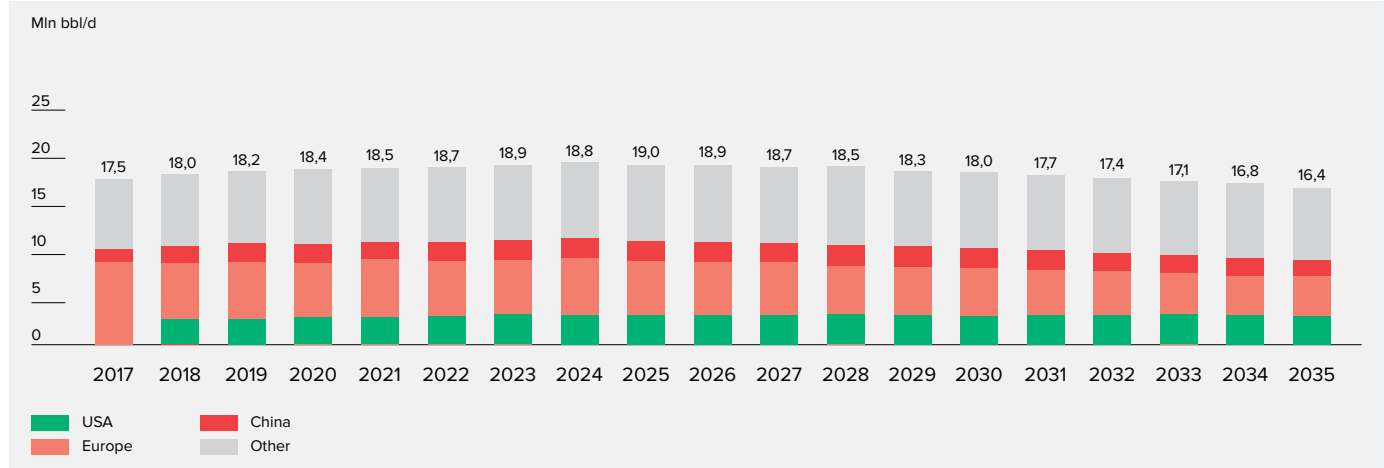
GLOBAL PRIMARY CONSUMPTION OF ENERGY RESOURCES BY TYPES OF ENERGY



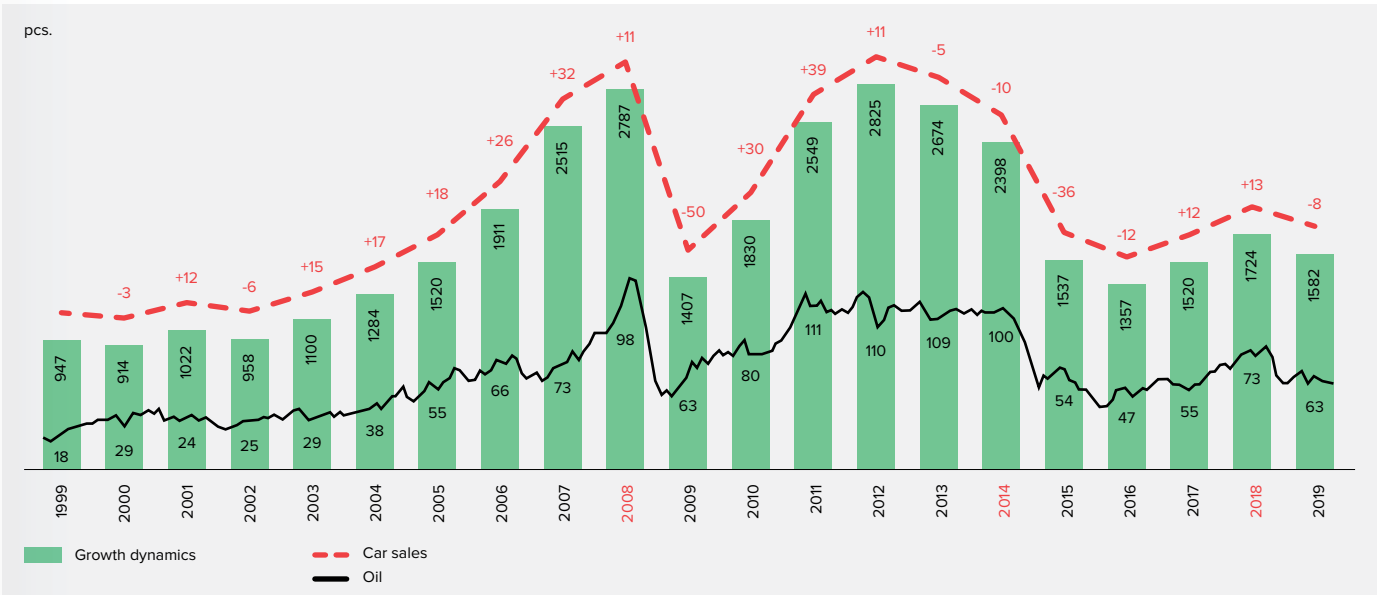
GASOLINE CONSUMPTION



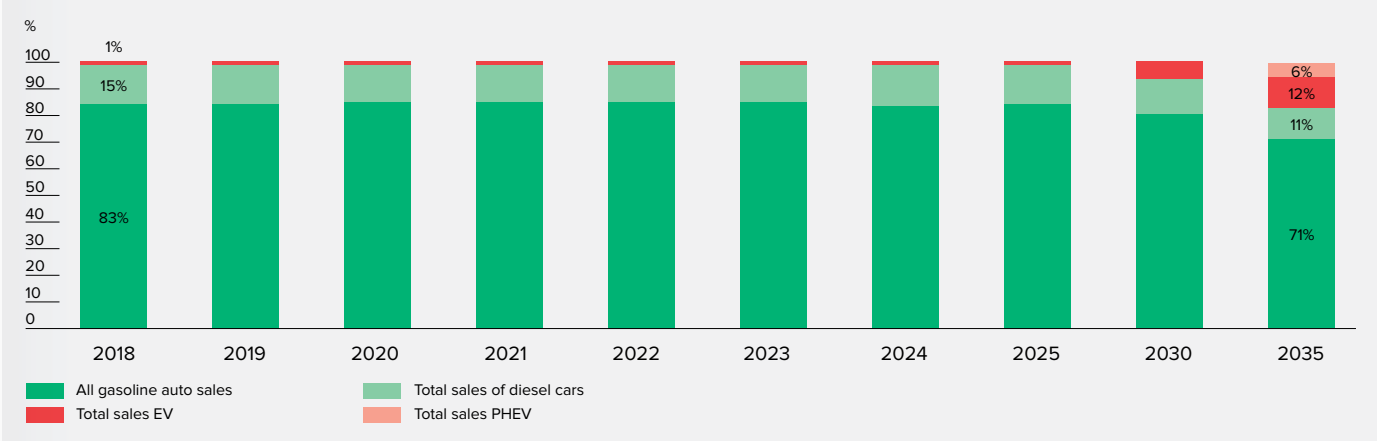
DIESEL CONSUMPTION



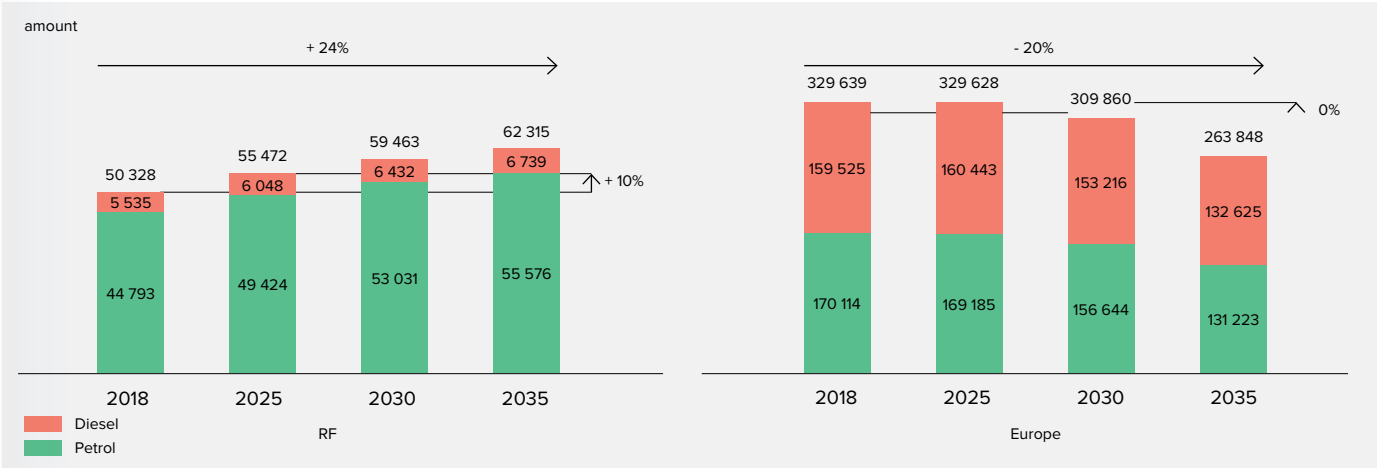
TREND OF NEW CAR SALES IN THE RUSSIAN FEDERATION



NEW CARS SALES STRUCTURE BY TYPES OF ENGINES IN THE WORLD

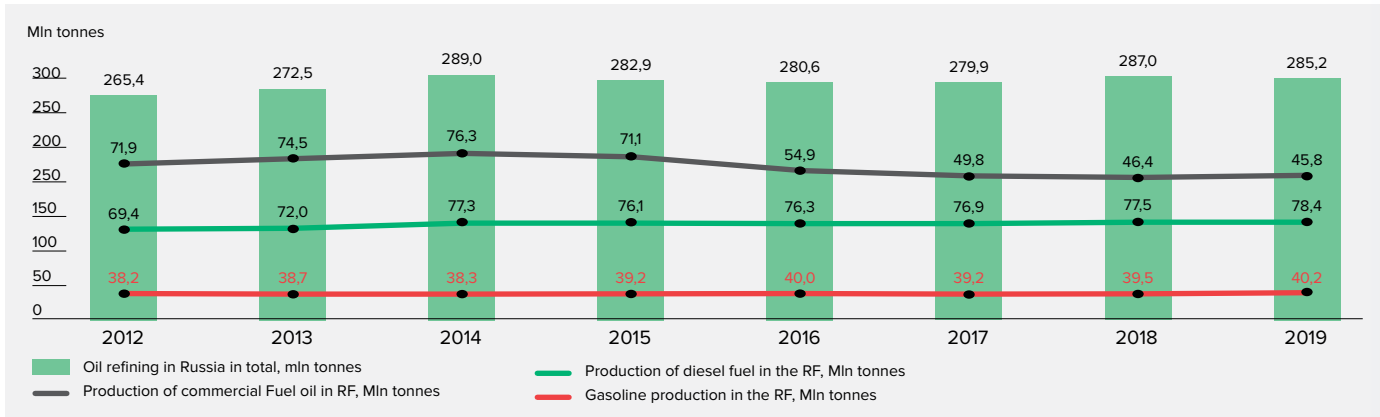


DYNAMICS OF THE CAR FLEET DY-NAMIC BY TYPES OF CONSUMPTED OIL PRODUCTS



Oil Products production and supply in Russian Federation

OIL REFINING AND PRODUCTION OF BASELINE PRODUCTS IN RF



In 2019, the volume of primary oil refining decreased by 0.6% or 1.8 million tons compared to 285.2 million tons in 2018.

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. Production of fuel oil in 2019 decreased by 0.6 million tons or 1.3% compared to the corresponding period in 2018 and reached a record low of 45.8 million tons. The decline in the rate of production of fuel oil is due to the IMO, at the same time, low prices and vessels equipped with scrubbers increased the demand for high-sulfur fuel oil. The drop in prices arouse interest to high-sulfur fuel oil as feedstock for refining at complex refineries, especially in the United States.

Petrol production (hereinafter RON) increased by 1.9% or 0.8 million tonnes and reached 40.2 million tons due to the commissioning of large oil refining units at the end of 2018 at the Antipinsky oil refinery and the TAN-ECO plant and the growth of gasoline production at the Gazprom Neftekhim Salavat plant. Production of diesel fuel (hereinafter DF) in 2019 reached the level of 78.4 mln tonnes, an increase was 1.2% or 0.9 mln tonnes.

In 2019, the regulation of domestic gasoline prices legislated, which led to a drop in domestic fuel prices below export parity. The introduced damper only partially compensated for the decline below the level of export parity

PRODUCTION AND EXPORT OF OIL PRODUCTS

GASOLINES	2012	2013	2014	2015	2016	2017	2018	2019
Gasoline production in the RF, mln t	38,2	38,7	38,3	39,2	40,0	39,2	39,5	40,2
Gasoline export from the RF	3,6	4,3	4,3	4,7	4,9	4,1	3,8	5,2
Gasoline deliveries to the domestic market in the RF	34,3	34,1	33,1	34,6	34,9	35,2	35,6	35,0
DIESEL FUEL	2012	2013	2014	2015	2016	2017	2018	2019
DF production in the RF, mln tonnes	69,4	72,0	77,3	76,1	76,3	76,9	77,5	78,4
DF export from the RF, mln tonnes	34,9	37,5	44,1	45,1	43,7	43,7	42,0	39,4
DF supplies to the domestic market in the RF, mln tonnes	32,5	32,3	31,5	31,3	32,5	32,8	35,7	38,9
FUEL OIL	2012	2013	2014	2015	2016	2017	2018	2019
Fuel oil production in the RF, mln tonnes	71,9	74,5	76,3	71,1	54,9	49,8	46,4	45,8
Fuel oil export from the RF, mln tonnes	56,9	57,3	53,5	53,8	42,0	39,4	32,8	33,0
Fuel oil supplies to the domestic market in the RF, mln tonnes	11,4	12,8	19,8	15,3	12,8	10,3	12,3	12,9
JET KEROSENE	2012	2013	2014	2015	2016	2017	2018	2019
Jet kerosene production in RF, mln tonnes	10,0	10,3	10,9	9,7	9,6	11,1	12,7	12,5
Export of jet kerosene from the RF, mln tonnes	2,7	1,5	0,8	1,1	1,1	1,0	1,3	0,9
Supplies of jet kerosene to the domestic market of the RF, mln tonnes	7,3	8,9	10,0	8,6	8,5	10,1	11,4	11,6

Key factors of oil industry growth in 2019

- Prolongation of OPEC+ Agreement until the end of 2019;
- Approval of the program for the formation of common EEU oil and petroleum product markets;
- Introduction of tax on additional income from hydrocarbon production from January 1, 2019;
- In order to complete the «tax maneuvers», a step-by-step reduction of export duties has been initiated over 6 years, and excise rates have been set for excisable goods
- (No. 305-FZ and No. 301-FZ);
- Development of the largest fields in Eastern Siberia, the Yamal-Nenets Autonomous area, and the Arctic continued;
- Falling production in Western Siberia poses a challenge to develop incentive measures;
- Contamination of export volumes of oil with organochlorine compounds in the Dru-zhba pipeline;
- In accordance with the four-way agreement, work was completed at 5 Russian refineries in 2018, including the commissioning of a 1.6 million-ton diesel hydrotreatment unit at JSC TANECO, as well as the completion of a 0.7 million-ton catalytic reforming unit;
- The project to develop a pipeline system to increase the supply of diesel fuel to Primorsk to 25 million tons has been completed (the «Sever» project);
- In November, the State Duma adopted the law on extraction of hard-to-recover minerals in the third reading. In early December, the President of the Russian Federation approved a document that allowed removing administrative barriers in the development of technologies for involving such reserves in commercial development. The law applies primarily to HTR reserves in the Abalak, Khadum and Bazhenov strata in Western Siberia and the Urals

Key factors of industry development in 2020

- Reduction of oil production under the OPEC+ Agreement;
- Encouragement of oil production in Western Siberia;
- 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 the Arctic development. According to the May Decree of the President, the cargo flow through the NSR should grow to 80 million tons per year by 2024);
- Monitoring of the implementation of the «big tax maneuver» completion and the introduction of tax on additional income;
- Stabilization of oil quality in the system of main oil pipelines in order not to worsen the quality of supplies to domestic refineries;
- Meeting the growing requirements for reducing the carbon footprint and preserving the environment;
- Adapting to new IMO requirements.

In mid-2020, a legislative package providing a set of tax incentives for investors in the Arctic zone should come into force. One of the main projects that the upcoming changes in legislation are largely focused on is Vostok Oil. It includes the fields of Rosneft, in particular the actively developed Vankorsky cluster, and Neftegazholding in the North of the Krasnoyarsk Territory. The project is designed to help solve the tasks declared strategic for the country – the development of the Arctic and the Northern Sea route. Technical difficulties and high cost of work can be compensated by tax incentives, as well as by the synergy of complex development of new territories.

This year, condensate exports may increase due to the expectation of commissioning of new large gas fields, despite the fact that condensate is not subject to restrictions under the new OPEC+ Agreement.

Company’s membership in Industry Associations and Unions

The Company is involved in the activity of certain industry associations and unions with the aim of constructive interaction with other industry participants and position development 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 (WPC RNC)**. 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.
- Currently, preparations are underway for the 23rd World Petroleum Congress scheduled for December 2020, to be held in Houston, in which the TATNEFT delegation is planning to participate.
- 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 Board of the Russian Union of Industrialists and Entrepreneurs, representatives of the Company are included in the RSPP Committees: Energy Policy and Energy Efficiency Committee; Labor Market and Social Partnership Committee; Industrial Safety Committee.
- The Company **cooperates with the NP 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 about the activities of the SPIMEX Exchange and make relevant proposals.
- The Company in **collaboration with the Trade Union Organization, cooperates with the All-Russian Industrial Association of Oil and Gas Industry Employers**. (PJSC TATNEFT is not a member of the Association.) On December 11, the Industrial Agreement on the oil & gas industry organizations for 2020-2022 was solemnly signed with the participation of A.V. Novak, Minister of Energy of the Russian Federation in Ministry of Energy of the Russian Federation.
- In 2011, the Company signed **the quadripartite agreement with the Federal Antimonopoly Service of Russia**, Federal Service for Environmental, Technological and Nuclear Oversight of Russia and Federal Agency on Technical Regulation and Metrology with the aim of quality improvement of petroleum products supplied to the Russian commodity markets and efficient refinery modernization. The Company fulfills its obligations under the agreement ahead of schedule.
- Since 2011, the Company's representatives **have been in the Working Group of the Ministry of Energy of the Russian Federation on monitoring the situation related to the production and consumption of petroleum products in the Russian Federation** with the goal of preventing an uncontrolled increase in the price of petroleum products and ensuring stable and uniform 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 of 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. As part of the work of this organization, issues of tariff formation 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 **in the Working Group established under the Ministry of Energy of the Russian Federation for monitoring the crude oil quality transported** through the oil trunk pipeline system, created to stabilize the crude oil quality in the oil trunk pipeline system and to prevent deterioration of the crude oil quality supplied to domestic refineries. The active position of PJSC TATNEFT in the Working Group work helped to deliver 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 Russia and TANECO JSC entered into an **Agreement on modernization of oil refinery facilities for oil re-refining** in the amount of RUB 106.5 billion investments, and later (in the same year) they signed an additional agreement to amend the current agreement on modernization of oil refinery facilities with TANECO JSC regarding the timing of the commissioning of several facilities and corresponding 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 Subsoil Use Experts (ESOEN)** to enable the full use of existing competencies to ensure fair and high-quality appraisal of mineral reserves.
- The Company joined **the All-Russian Industrial Association of Oil and Gas Industry Employers of the Russian Federation** in order to improve the regulation of social and labor relations between employers and employees. On December 11, 2019, the Industrial Agreement on the oil & gas industry organizations for 2020-2022 was signed between the Trade Unions and the All-Russian Industrial Association of Oil & Gas Industry Employers of the Russian Federation.

Support for International and National Economic, Environmental and Social Initiatives

UNITED NATIONS GLOBAL COMPACT

In 2019, the Company joined the Global Compact UN as a participant, having accepted the obligations to implement 10 principles and 17 Sustainable Development Goals.

We are aware that the enterprises of the fuel and energy complex play one of the key roles in ensuring sustainable development. First of all, this is the production of energy, which is necessary to ensure the livelihoods of mankind, improve the quality of life and socio-economic growth in general. Given the specific nature of activities related to natural resources and environmental impact, the Company focuses its efforts on environmental goals. Our fundamental priority is to reduce our environmental footprint and ensuring ecosystem self-healing potential.

One of our key tgoals is 13 SDG “Taking action to combat climate change and its impacts”. We started the action on this goal several years ago, taking into account the content of the UN Framework Convention on Climate Change (Paris Agreement), which regulates measures to reduce carbon dioxide in the atmosphere since 2020. Accessible and clean energy, clean water, good health and well-being, rational consumption and production, decent work and economic growth, quality education, industrialization and the development of social infrastructure are inextricably linked in achieving sustainable development. We comprehensively consider these goals when making our business decisions and implementing targeted corporate programs.

HUMAN RIGHTS AND LABOUR RELATIONS

The Company adheres to and shares the principles of fundamental international declarations and conventions in the field of human rights and labour relations, including:

- UN Universal Declaration of Human Rights;
- UN Environment and Development Declarations;
- OECD Guidelines for Multinational Enterprises;
- Declarations of Fundamental Labour Rights and Principles of the International Labour Organization (ILO);
- ILO Convention No.87 on Freedom of Association and Protection of the Right to Organise Convention;
- ILO Convention No. 98 concerning the application of the principles of the right to organise and to bargain collectively;
- ILO Convention No.111 on Discrimination in Employment and Occupation.

ANTI-CORRUPTION ACTIVITIES

The Company adheres to the principles and norms contained in the following documents:

- The United Nations Convention against Corruption, (adopted by the UN General Assembly Resolution in New York on 31 October 2003);
- The Convention of the Economic Cooperation and Development Organization on Combating Bribery of Foreign Public Officials in International Business Transactions, adopted in Istanbul, on November 21, 1997);
- Criminal Law Convention on Corruption (concluded in Strasbourg on January 27, 1999 ETS No. 173);
- Anti-corruption Charter of Russian Business community.

ENVIRONMENT AND CLIMATE

The Company takes into account a number of fundamental initiatives and standards in its activities and supports for the environment and climate safety:

- Global Oil and Gas Industry Standard for Improving Environmental and Social Performance (IPIECA)
- Oil and Gas industry Climate Initiative (OGCI);
- TCFD Recommendations for companies to disclose information on financial risks arising from global climate change;
- Setting Science Based Targets to reduce greenhouse gas emissions;
- CDP - global climate rating;
- The Greenhouse Gas Protocol of the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI).

SOCIAL CHARTER OF RUSSIAN BUSINESS

The Company adheres to the responsible business principles defined by the Social Charter, covering aspects of economic and financial sustainability, product quality, respect for human rights, business ethics and relationships with partners, consumers, employees, environmental safety, participation in the development of the local community.

Corporate Governance

124

TRILLION
RUB

VALUE OF CONSOLIDATED ASSETS
AS OF 31.12.2019

2977

PUBLICATIONS ON THE COMPANY'S
CORPORATE ACTIONS
IN THE FEDERAL MEDIA IN 2019

4191

PUBLICATIONS ON THE COMPANY'S
TRANSACTIONS, PROJECTS,
INVESTMENTS COMPANIES
IN THE FEDERAL MEDIA IN 2019

according to the SCAN Interfax system



Corporate governance system

In 2019, the TATNEFT’s status of a publicly traded company with the listing on the international stock market had marked its 25-th anniversary. Over this period, the Company has continuously demonstrated sustainability and high corporate governance performance ensuring trust and confidence for its shareholders.

The corporate governance model of the Company is built upon on the strong engagement of its shareholders, the Board of Directors, top managers, executive bodies, employees, business partners and local communities in the areas of which the Company operates, in order to make strategically aligned decisions, ensure effective asset management, and high operational and financial performance, increase investment attractiveness and gain 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 whose shares are included in the top-tier quotation list of the Moscow Exchange, and the rules of other stock exchanges, where the Company’s securities are traded, 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 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, and takes into account the international and national standards and regulatory documents relevant to various aspects of good governance.

In December 2019, TATNEFT was granted the official status of the UN Global Compact participant.

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 the areas the TATNEFT Group enterprises carry out their operations. The goal-oriented programs are implemented on the basis of 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 a lot of 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 increases the effectiveness of corporate practice in general.

The management of the sustainable development pillars is based upon the consistency of the Company’s actions with the UN fundamental principles and sustainable development goals, global trends in sustainable development and priorities for national and regional development.

CORPORATE GOVERNANCE PRINCIPLES			
1	2	3	4
Serving the legitimate interests of shareholders and pari passu in exercising their rights in the management of the Company.	A highly professional and efficient Board of Directors that is accountable to the shareholders with the sufficient membership of independent directors.	Progressive and transparent dividend policy.	Disclosure of information on all material facts and the most significant aspects of the Company's activities for the shareholders and all interested parties.
5	6	7	8
Effective risk management and internal control.	Oversight of major corporate actions, including those in the controlled organizations.	Leadership and innovative development.	Decision-making based on consistency and collegiality.
9	10	11	12
Commitment to the fundamental human rights principles and high ethical business principles.	Counteracting corruption and corporate fraud.	Implementation of sustainable development Goals, development of ESG practices and socially responsible investment.	Decision-making through engagement with stakeholders.
STRATEGIC PRIORITIES OF CORPORATE GOVERNANCE			
1	2	3	4
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.	Constructive engagement of shareholders and investors with the Board of Directors and executive bodies for joint task-setting and effective decision-making.	Building an efficient process of strategic and investment planning, implementation of production and business plans and operational performance.	Professional and ethical responsibility of members of the Board of Directors and executive management, officers and employees of the Company.
5	6	7	8
An integrated system to ensure a high level of staff competence, effective incentive mechanisms and KPI system.	Safeguarding and improving the quality and structure of assets by improving the ownership and organizational structure.	Development of an integrated risk management and internal control system.	Integration of social aspects, industrial and environmental safety issues into the Company's Strategy and its current operations.
9	10	11	12
Maintaining a high business reputation of the Company.	Prevention and resolution of corporate conflicts.	Providing high quality products and services.	Ensuring transparency of the Company's activities and information openness.

Main Internal documents

In 2019, in accordance with changes in the Russian law and recommendations of the Bank of Russia's Corporate Governance Code the Management Board made changes to the following Internal documents: Articles of Association, Regulations on the General Meeting of Shareholders, Regulations on the Board of Directors, Regulations on the Director General, Regulations on the Management Board, Regulations on the Revision Commission.

Also, as part of the improvement of the corporate governance mechanisms, the new internal documents have been formed and approved.

Articles of Association of PJSC TATNEFT



Regulations on the General Meeting of Shareholders of PJSC TATNEFT



Regulations on the Board of Directors of PJSC TATNEFT



Corporate Governance Code of PJSC TATNEFT



Regulations on the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT



Regulations on the Audit Committee of the Board of Directors of PJSC TATNEFT



Regulations on the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT



Regulations on the Revision Commission of the Board of Directors of PJSC TATNEFT



Regulations on the General Director of PJSC TATNEFT



Regulations on the Management Board of PJSC TATNEFT



Regulations on the Internal Audit Management of PJSC TATNEFT



Regulations on the Corporate Secretary of PJSC TATNEFT



Regulations on the Dividend Policy of PJSC TATNEFT



Regulations on the Information Policy of PJSC TATNEFT



Regulations on Information Disclosure to Shareholders of PJSC TATNEFT



Health, Safety and Environmental Policy with the consideration to the climate change of PJSC TATNEFT



Improving corporate governance practices in 2019

In the reporting year, a great deal of efforts was made to improve the internal corporate procedures and practices, as well as to develop the sustainable development practices.

Within 3 years, the Company has raised its compliance with the Corporate Governance Code by 7%.

In 2019, pursuant to the Bank of Russia's Corporate Governance Code guidance, the Company's Articles of Association were amended by the decision of the General PJSC TATNEFT shareholders' meeting in 2018 as follows:

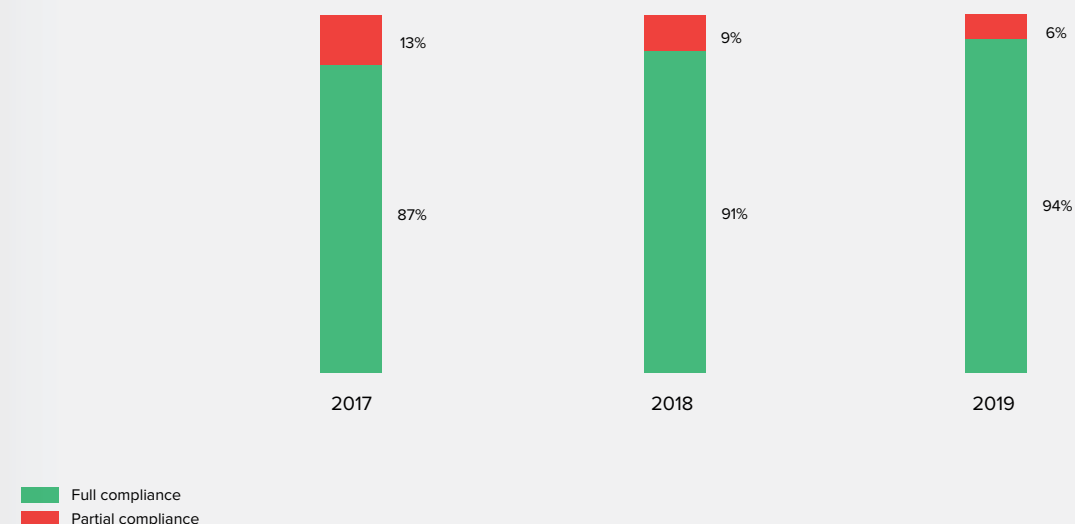
- the time frame within which the stockholders can propose items to be included in the agenda of the Annual general shareholders' meeting after the end of the fiscal year was extended from 55 to 60 days;
- decisions with regards to the most important items specified in the recommendation 170 of the Code shall be taken at a meeting of the Board of Directors via open ballot by a qualified majority of not less than three-quarters of the votes of all members of the Board of Directors, with the votes of the retired members of the Board of Directors of the Company not to be counted.

The corporate governance of the Company is 94% of the full compliance with the provisions of the Corporate Governance Code recommended by the Bank of Russia. The partial compliance of the Company is 6% of the Code guidance.

For more details on the assessment of the compliance with the guidance of the Bank of Russia's Corporate Governance Code, please refer to 330-349 pages.

As far as the partial compliance with the Code guidance is concerned, the Company sticks to the principle of «explanation» and provides a detailed commentary on the current practices.

COMPLIANCE WITH THE COMPANY'S CORPORATE PRACTICES WITH THE BANK OF RUSSIA'S CORPORATE GOVERNANCE CODE GUIDANCE



Key Focus Items for Corporate Practice Development of the Company in 2019

TATNEFT Group Development Strategy

The Board of Directors comprehensively reviews the Company's planning and the performance of the current operating and financial activities of the Company as part of the Strategy 2030 implementation. The analysis of the influence of macroeconomic factors, conditions for limiting oil production under the OPEC + Agreement, market price fluctuations and other factors associated with the analysis of long-term trends in the hydrocarbon market and their impact on the development of the Company is carried out. The focus is on issues related to programs to increase efficiency, increase margins in the value chain and optimize costs. The issues of human resources management, motivation system and KPI are considered. Close attention is paid to ensuring industrial and environmental safety, labor protection. The Company expands the strategic planning taking into account aspects of sustainable development. The Company did succeed in meeting the targets set for as well as in achieving the key goals in the reporting year, despite external constraints.

For more information to the issues reviewed by the Board of Directors please refer to pages 128–113

Sustainable development in compliance with the UN 17 Sustainable Development Goals and ESG practice

The topics of the Sustainable Development Goals are included in the Company's Corporate Policy priorities. In 2019, the efforts were made to enhance the integration of the SDGs and ESG aspects into business planning and the KPI system. The development of a number of internal procedures and regulations was initiated, including liaising with stakeholders, contractors and suppliers. In December 2019, the Company was officially granted the status of a participant in the UN Global Compact.

The Company's position and actions in implementation of the Sustainable Development Goals and ESG aspects are further described in the Sustainable Development Section and the Company's Sustainability Report for 2019

KPI system development

The key performance indicators system development is intended to transform the Company's Strategy and Planning into the specific operational management performance indicators with the assessment of the current state of their achievement and to provide a systematic approach for making effective management decisions. This approach provides for building the process for the Company's employees motivation to bring the Company's strategic goals to realization on a step-by step basis. In 2019, the coverage of duty positions in the main business areas and business blocks was expanded to include ESG aspects.

For more information on the KPI System, please refer to Pages 50-51.

Assessment of Corporate Practice Efficiency

The Company seeks to maximize the assessment efficiency of the corporate practice quality and the work of the Board of Directors and its committees, individual members of the Board of Directors and the management to determine the efficiency of the overall corporate practice and the work of the Board of Directors, the members of the Board and the management and their consistency with the Company's development needs and identify the areas to improve the corporate governance. In 2019, the Company regularly interacted with its shareholders, investors, analysts and other stakeholders on the corporate practice issues, taking into account their expectations for improving the corporate governance system and ESG. The Company constantly analyzes the development of the corporate

legislation and international standards. These factors are taken into account in the internal assessment of the corporate governance in order to further improve the system and mechanisms of the corporate governance. The internal regular assessment of the corporate practices falls within the competence of the Corporate Governance Committee of the Board of Directors and the Corporate Secretary's Office. The performance of the Board of Directors, its committees, and members of the Board is evaluated annually in the self-assessment form.

For more information on the Corporate Practice Efficiency, please refer to Page 132

Health, Safety & Environmental Policy with considerations to the climate change

For more information on the Company's position and actions related to the HSE Policy with considerations to the climate change, please refer to the Sustainable Development Section and the Company's Sustainable Development Report for 2019.

Ensuring the safety, protecting the lives and health of people, and preserving a favourable environment are among the Company's key priorities. In 2019, the Board of Directors approved the restated version of the Company's HSE Policy with the considerations to the climate change, based on the international best practices and a risk-based approach. The Policy takes into account the risks and opportunities associated with the impact on the environment and the climate change, and determines the Company's comprehensive position in this domain. The Company integrates the international standards covering the environmental and climate management.

Currently, the organizational structure of industrial and environmental safety management is being reformed taking into account climatic factors.

Governance of subsidiaries

For more information on the Corporate Governance Structure please refer to Pages 112–113

The Company develops the mechanisms for interaction of the controlled companies as the participants in the corporate environment of the TATNEFT Group, as significant strategic management tools, including the oversight of significant corporate actions in the controlled organizations. In 2020, the internal regulations for engagement with subsidiaries and affiliates were updated such as the Regulation on the procedure for the PJSC TATNEFT corporate engagement with controlled and related organizations (approved by the Board of Directors in January 2020). Currently, the Company develops a unified corporate information platform for managing the controlled companies and expanding the integration of the unified corporate standards for the organizations of the TATNEFT

Group, including in the ESG practice and consolidation of actions for implementation of the Sustainable Development Goals.

Development of Risk Management & Internal Control System

For more information on the Risk Management and Internal Control System please refer to Pages 158-163

The Company develops the Risk Management and Internal Control System (RMS and IC) in order to provide reasonable confidence in achieving the goals set for the Company. The principles and approaches to the setting up of the risk management and internal control system are based on the Bank of Russia's Corporate Governance Code guidance with taking into account generally accepted concepts and practices in risk management and internal control: «Integrated concept for an internal control framework» COSO ERM, The Enterprise Risk Management Concept (COSO). Integrated Model», Committee of Sponsoring Organizations of The Treadway Commission; ISO31000 International standards «Risk Management. Principles and guidelines», ISO31010 «Risk Management. Risk

Assessment Techniques», corresponding GOST standards et al. In 2019, the efforts were made to improve the effectiveness of integrating risk management processes into investment and operational activities, as well as drafting the internal documents on the integrated risk management and internal control system (pending approval by the Company's Board of Directors in 2020).

Company management structure

The Company operates a two-tier model of the governance bodies, which contemplates dividing management functions between the Board of Directors and executive bodies.

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 key role in the process of 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. The general oversight of the financial and economic activities of the Company is carried out by the Revision Commission.

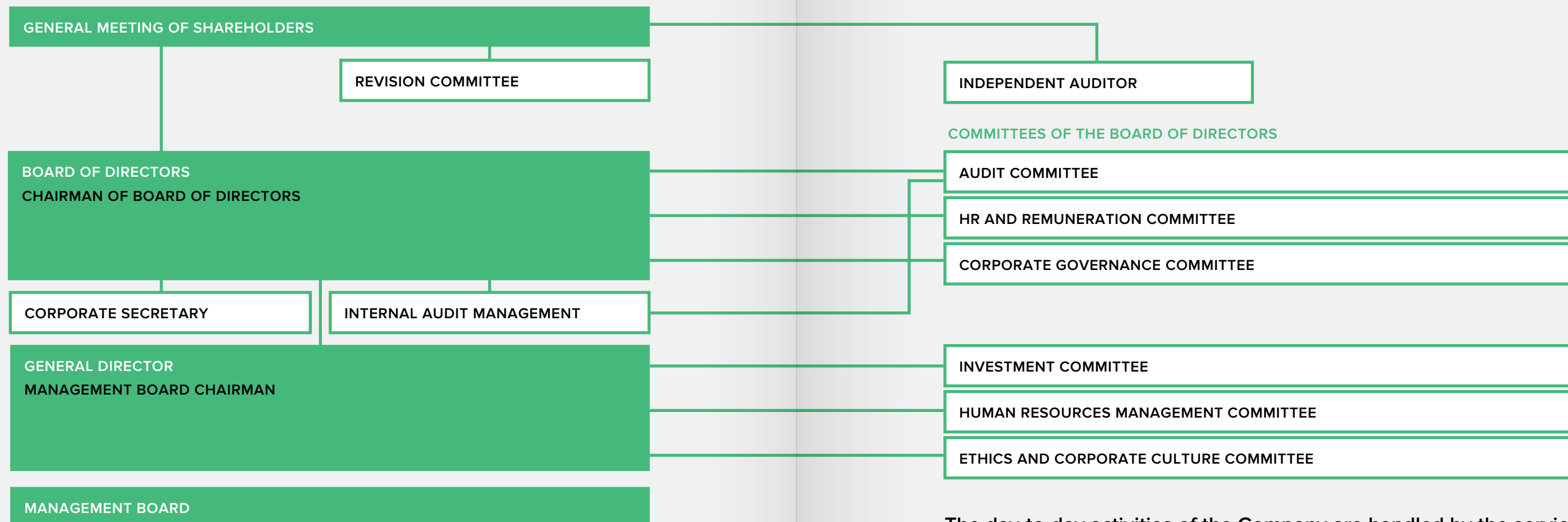
Planning of financial and operational targets is integrated into a unified corporate governance system of the Group in accordance with the Development Strategy and key decisions made by the Board of Directors with considerations to sustainable development aspects. The authority to implement the production plans, economic, environmental and social goals and objectives is delegated to the management of the Company with overseeing at the level of the Board of Directors and its Committees, the Management Board, and the General Director.

The Company operates as a Group. PJSC TATNEFT is the corporate center of the Group, with the organizational structure that ensures all levels of interaction between the members of the Group's corporate environment. In order to ensure

the management system and transparency of the controlled companies, the Company operates appropriate mechanisms and a system of uniform corporate standards.

Insurance of liability risks of members of governance bodies

The Company insures liability risks of members of the Company's governance bodies, including abroad, under the terms and in the amounts that are consistent with the insurance market for such risks in the Russian Federation. During 2019, JSC SOGAZ was the insurer of such risks for the Company.



The day-to-day activities of the Company are handled by the services of the executive office, structural business divisions, facilitators of the business streams and business blocks, as well as by the authorized representatives in the governing bodies of the subsidiaries and affiliates.

General Meeting of Shareholders

The General meeting is the supreme governing body of the Company and acts in accordance with the regulatory legal acts of the Russian Federation, the Articles of Association of the Company and these Regulations.

The General meeting of shareholders make decisions on major issues of the Company's activities. 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 General meeting of shareholders may be held by the Company with an option to fill out electronic ballots online via the Internet.

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 observance the rights of shareholders. The procedure for preparation, convening, holding and summing-up of the General meeting of shareholders is defined by the Regulations on the General meeting of shareholders of PJSC TATNEFT n.a. V.D. Shashin approved as amended by the decision of the annual General meeting of shareholders of PJSC TATNEFT n.a. V.D. Shashin, Minutes No. 29 from 25.06.2019.

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 with regard to 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 as well as 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 full list of matters reserved to the General meeting of shareholders is specified by the requirements of Federal Law 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 ongoing corporate policy and production and business activities of the Company 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, as well as 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 in accordance with the current legislation and the Company's Articles of Association. When drafting the decisions of the meeting, it is mandatory to indicate by what majority of votes the 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 of 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 with each other.

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 2019

Annual General Meeting of Shareholders June 21, 2019 (in the form of joint attendance)

The decisions taken by the extraordinary General meeting of shareholders:

- Approve the annual report of PJSC TATNEFT n.a. V.D.Shashin for 2018.
- Approve the annual accounting (financial) statements of PJSC TATNEFT n.a. V. D. Shashin for 2018.
- Approve the appropriation of profit (including payment (declaration) of dividends) of PJSC TATNEFT n.a. V. D. Shashin by the reporting year-end results. Pay out the 2018 dividends taking into account the nine- and-six-months dividends paid out earlier.
 - on the preferred stock in the amount of 8491% to the par value;
 - on the ordinary stock in the amount of 8491% to the par value. Set July 05, 2019 as the record date when the persons entitled to dividends are determined. The dividends are to be paid in cash.
- Elect the following individuals to the Board of Directors of PJSC TATNEFT n.a.V. D. Shashin:
 - Gaizatullin Radik Raufovich
 - Gerecs Laszlo
 - Levin Yuri Lvovich
 - Maganov Nail Ulfatovich
 - Muslimov Renat Khaliullovich
 - Nurmukhametov Rafail Saitovich
 - Sabirov Rinat Kasimovich
 - Sorokin Valery Yurievich
 - Syubaev Nurislam Zinatulovich
 - Takhautdinov Shafagat Fakhrazovich
 - Khalimov Rustam Khamisovich
 - Khamaev Azat Kiyamovich
 - Khisamov Rais Salikhovich
 - Steiner Rene Frederick

- Elect the following individuals to the Revision Commission of PJSC TATNEFT n.a.V. D. Shashin:
 - Borzunova Ksenia Gennadievna
 - Galeyev Azat Damirovich
 - Gilfanova Guzal Rafisovna
 - Zalyaev Salavat Galiaskarovich
 - Kuzmina Venera Gibadullovna
 - Rakhimzyanova Liliya Rafaelovna
 - Farkhutdinova Nazilya Rafisovna
 - Sharifullin Ravil Anasovich
- Approve the Joint-Stock Company PricewaterhouseCoopers Audit as the auditor for PJSC TATNEFT named after V. D. Shashin to perform the statutory audit of the 2019 annual financial statements prepared in accordance with the Russian and international accounting standards for a period of one year.
- Approve the amended and restated Articles of Association of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.
- Approve the amended and restated Regulations On General Meeting of Shareholders of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.
- Approve the amended and restated Regulations On the Board of Directors of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.
- Approve the amended and restated Regulations On the General Director of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.
- Approve the amended and restated Regulations On the Management Board of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.
- Approve the amended and restated Regulations On the Revision Commission of the Public Joint Stock Company TATNEFT n.a. V. D. Shashin.

Extraordinary General meeting of shareholders (in the form of absentee voting) September 13, 2019

The decisions taken by the extraordinary General meeting of shareholders:

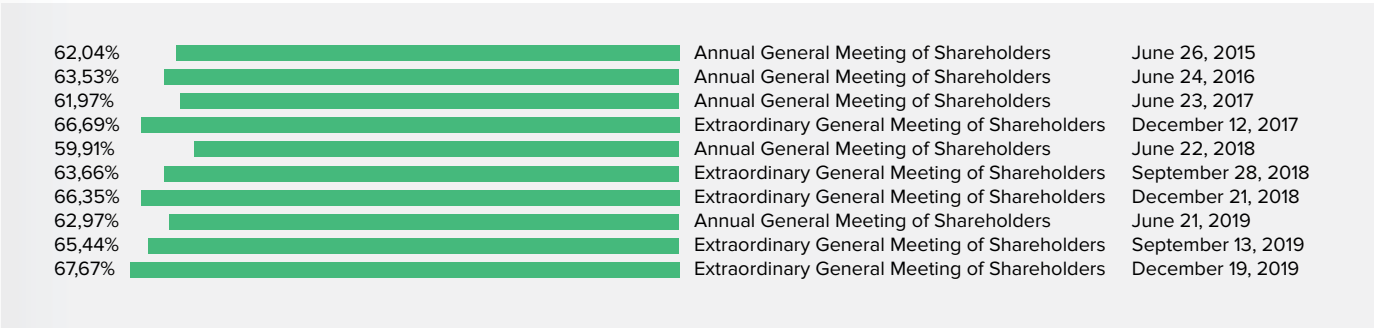
- Make the dividend payment for the six (6) months of 2019:
 - on the preferred stock in the amount of 4011% to the par value;
 - on the ordinary stock in the amount of 4011% to the par value.
- Set September 27, 2019 as the record date when the persons entitled to dividends are determined. The dividends are to be paid in cash.

Extraordinary General meeting of shareholders (in the form of absentee voting) December 19, 2019

The decisions taken by the extraordinary General meeting of shareholders:

- Pay out the 2019 nine-month's dividends taking into account the 2019 six-month's dividends paid out earlier:
 - on the preferred stock in the amount of 6447% to the par value;
 - on the ordinary shares in the amount of 6447% to the par value.
- Set December 30, 2019 as the record date when the persons entitled to dividends are determined. The dividends are to be paid in cash.

THE QUORUM OF GENERAL MEETINGS OF SHAREHOLDERS FROM 2015 TO 2019



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, the level of 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 high level of professional skills and knowledge, significant background in management positions, and impeccable business and personal reputation. The Chairman of the Board of Directors is a non-executive director, nor is a member of any of the committees of the Board of Directors.

The procedure of composing the membership, status, structure, functions, goals and objectives, competences, 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 clearly distinguished from the competences of the executive bodies of the Company, which govern its current activities.

Fourteen (14) members of the Board of Directors are elected by the general shareholders' meeting by cumulative voting (the candidates receiving the largest number of votes are deemed elected to the Board of Directors. One member of the Board of Directors is designated under the special Golden Share right. The Company is to include the matter of electing the members of the Board of Directors in the agenda of the annual general shareholders' meeting.

The Company provides a transparent procedure for electing members of the Board of Directors and discloses information on the current composition of the Board of Directors 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 in the economic, environmental and social areas.

The Board of Directors at its first meeting following the establishment of membership of the Board, elect the Chairman of the Board of Directors, whose powers are set out in the Regulations on the Board of Directors of PJSC TATNEFT n.a. V. D. Shashin, and set up committees of the Board of Directors.

Information on the composition of the Board of Directors and its activities is disclosed on the Company's official website.

Chairman of the Board of Directors

The Chairman of the Board of Directors plays a pivotal role to ensure that the Board of Directors and its committees work effectively and efficiently.

The Chairman of the Board of Directors of the Company is elected by the members of the Board of Directors from among them by a majority vote of the total number of members of the Board of Directors and carries out his duties in accordance with 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.

The competences of the Chairman of the Board of Directors include drawing up proposals regarding activity tasking among members of the Board of Directors and committees of the Board of Directors; ensuring open discussion of the agenda items while duly reflecting the views of all members of the Board of Directors; determining key issues to be considered by the Board of Directors and choosing the optimum form of meeting for discussion of matters; representing the Board of Directors in the relationship with shareholders, management and other stakeholders.

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 in order to develop the most thoughtful and effective decisions.

Powers and competencies of the Board of Directors

The Board of Directors provides 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 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 major transactions, oversees the achievement of strategic objectives, plans and programs of the Company, promotes timely disclosure of full 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 takes into account the sustainable development aspects and goals in HSE, social policy, and human resource management.

One of the key duty 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:

- 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;
- convocation of the annual and extraordinary general meeting of shareholders, as well as matters related to the preparation of 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 ensures that the candidates to the Board of Directors and its committees are nominated and selected based on criteria of diversity, independence, professional skills and expertise.

The Board of Directors and executive bodies play a key role in shaping, setting, approving, and updating the Company's goals, values, and mission, as well as the strategies, policies, and objectives to achieve the economic, environmental, and social well-being.

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 in accordance with the Articles of Association.

In order to ensure the effective work of the Board of Directors the Company accomplishes the following comprehensive actions:

- Provision of 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;
- Archive storage of minutes of meetings;
- Ensuring that members of the Board of Directors are aware of and familiar with the internal documentation and business operations of the Company, including production, financial and economic, environmental and social aspects of its operations;
- Procedures for keeping the Board of Directors informed, including critical issues if they arise.

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.

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 decision on the agenda items of the Board of Directors.

Composition of the Board of Directors of PJSC TATNEFT

The composition of the Board of Directors of the Company is based on the balance of key knowledge, skills and experience necessary for efficient work.



Minnikhanov Rustam Nurgalieevich

Non-executive Director

Chairman of the Board of Directors of PJSC TATNEFT

- Born in 1957.
- In 1978, graduated from Kazan Agricultural Institute.
- In 1986, graduated from the Soviet Trade Institute.
- From 1996 to 1998, Minister of Finance of the Republic of Tatarstan.
- From July 1998 to March 2010, presided over the Government of the Republic of Tatarstan.
- President of the Republic of Tatarstan since March 2010.

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	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
Chairman of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT

- Born in 1958.
- From July 2000 to November 2013, First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of OJSC TATNEFT
- From November 2013 to present, General Director of PJSC TATNEFT

Share in the authorized capital of the Company, %	0,000176
Share of the Company's ordinary stocks owned by the person, %	none



Gaizatullin Radik Raufovich

Non-executive Director

Member of the Board of Directors of PJSC TATNEFT
Member of the Audit Committee of the Board of Directors of PJSC TATNEFT

- Born in 1964.
- In 1985, graduated from Kazan Agricultural Institute.
- From June 2002 to present, Minister of Finance of the Republic of Tatarstan

- Participation in governing bodies of other organizations:**
- Chairman of the Board of Directors of PJSC Bank ZENIT
 - Chairman of the Board of Directors of INKO-TEK LLC
 - Member of the Board of Directors of PJSC Nizhnekamskneftekhim
 - Member of the Board of Directors of OJSC Tatneftekhiminvest-holding
 - Member of the Board of Directors of JSC Svyazinvestneftekhim
 - Member of the Board of Directors of KHL 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
 - General Partner, who is entrusted to run business affairs (without a power of attorney) of LP TATNEFT, Solid and Co
 - Chairman of the Board of Directors of TATNEFT Charitable Fund.
 - Deputy Chairman of the Supervisory Board of ANO Academy of Hockey AK BARS n.a. Y. I. MOISEEV

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Gerecs Laszlo
Independent Director

Member of the Board of Directors of PJSC TATNEFT
Member 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.
- In 1977, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- In 1995, graduated from Oxford Business University
- From 2012 to December 31, 2016 - Managing Director of MOL Oman, Oman Branch Office in Muscat
- From January 1, 2017 to present - Managing Director of G Petroconsulting Ltd

Participation in governing bodies of other organizations:

- Independent Advisor (Member of Reserves Estimation Committee), MOL GROUP

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none

Ibragimov Nail Gabdulbarievich
Executive Director until June 21, 2019

Member of the Board of Directors of PJSC TATNEFT until June 21, 2019
First Deputy General Director for Operations – Chief Engineer of PJSC TATNEFT until February 18, 2020
Member of the Management Board of PJSC TATNEFT until February 28, 2020

- Born in 1955.
- In 1977, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 2000 till February 18, 2020 — First Deputy General Director for Operations - Chief Engineer of PJSC TATNEFT

Share in the authorized capital of the Company, %	0,019831
Share of the Company's ordinary stocks owned by the person, %	0,020873

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.
- In 1975, graduated from Moscow Finance Institute
- In 1979, post-graduate studies at the Institute of World Economy and International Relations
- From 2001 to present – Managing Partner of BVM Capital Partners Ltd

Participation in governing bodies of other organizations:

- Managing Director, 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

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Muslimov Renat Khaliulloovich
Non-executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1934.
- In 1957, graduated from Kazan State University
- From June 2007 to present, Adviser to the President of the Republic of Tatarstan on development of crude oil and gas fields, Professor of the Crude Oil and Gas Geology Department of Kazan (Volga Region) State University

Share in the authorized capital of the Company, %	0,047618
Share of the Company's ordinary stocks owned by the person, %	0,050282

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
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

- Born in 1967.
- In 1991, graduated from Kazan State University
- In 1994, graduated from the postgraduate course of Kazan State Technological University
- In 1998, completed a course in the framework of the President's Program of Management Training
- In 2012, training under the Master Business Administration program of the State University of Colorado (USA)
- From 2006 to June 2010, Head of Petrochemical Complex Department of the Office of the Cabinet of Ministers of the Republic of Tatarstan
- From June 2010 to present, Assistant to the President of the Republic of Tatarstan

Participation in governing bodies of other organizations:

- Member of the Board of Directors of PJSC Nizhnekamskshina

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none

Sorokin Valery Yurievich
Non-executive Director

Member of the Board of Directors of PJSC TATNEFT

- Born in 1964.
- In 1986, graduated from Kazan State University
- From 2003 to present, General Director of JSC Svyazinvestneftekhim

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Syubaev Nurislam Zinatulovich

Executive Director since June 21, 2019.

Member of the Board of Directors
of PJSC TATNEFT from June 21, 2019,
Member of the Corporate Governance
Committee of the Board of Directors
of PJSC TATNEFT
Deputy General Director for Strategic
Development of PJSC TATNEFT
Member of the Management Board
of PJSC TATNEFT

- Born in 1960.
- In 1982, graduated from Moscow Institute of National Economy n.a. G.V. Plekhanov
- From 2001 to July 17, 2016, Head of Strategic Planning Department - Advisor to General Director for Foreign Economic Affairs and Financial/Banking Issues
- From July 18, 2016 to present, Deputy General Director for Strategic Development of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Kara Altyn Enterprise
- Member of the Board of Directors of Karbon-Oil LLC
- Member of the Board of Directors of JSC Aznakaevsky Neftemash plant
- Chairman of the Board of Directors of JSC IDELOIL
- Member of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of Zavod Elastic LLC
- Member of the Board of Directors of URS - Trading House LLC
- Member of the Board of Directors of PJSC Bank ZENIT
- Member of the Board of Directors of P-D Tatneft-Alabuga Fiberglass LLC
- Chairman of the Board of Directors of JSC National Non-Governmental Pension Fund
- Member of the Supervisory Board of Tatneft International Cooperative U.A. (the Netherlands)
- Member of Self-regulating Organization - National Association of Non-State Pension Funds

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Khalimov Rustam Khamisovich

Executive Director

Member of the Board of Directors
of PJSC TATNEFT
First Deputy General Director for Oil and
Gas Exploration and Production of PJSC
TATNEFT, Head of Tatneft-Production

- Born in 1965.
- In 1987, graduated from the Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 2010 to 2011, Head of the PJSC TATNEFT's Branch in Libya
- From 2011 to 2015, Head of NGDU Elkhovneft of OJSC TATNEFT
- From 2015 to May 20, 2018, Deputy General Director for Oil and Gas Development and Production of PJSC TATNEFT
- From May 21, 2018 to present, First Deputy General Director for Oil and Gas Exploration and Production, Head of Tatneft-Production

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Yambuloil
- Member of the Board of Directors of CJSC Troitskneft

Share in the authorized capital of the Company, %	0,000056
Share of the Company's ordinary stocks owned by the person, %	none



Takhautdinov Shafagat Fakhrazovich

Non-executive Director

Member of the Board of Directors
of PJSC TATNEFT
Advisor to the Chairman of the Board
of Directors of PJSC TATNEFT

- Born in 1946.
- In 1971, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 1999 to November 2013, General Director of OJSC TATNEFT
- From November 2013 to present, Assistant to the President of the Republic of Tatarstan on oil industry issues, Advisor to the Chairman of the Board of Directors of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Member of the Board of Directors of JSC National Non-Governmental Pension Fund
- Member of the Board of Directors of PJSC Bank ZENIT
- Member of the Board of Directors of OJSC Tatneftekhiminvest-holding
- Chairman of the Board of Directors of JSC Tatoilgas
- Member of the Board of Directors of JSC Tatex
- Member of the Board of Directors of CJSC Neftekonsorzium
- Chairman of the Board of Directors of JSC Bulgarneft
- Chairman of the Board of Directors of CJSC Kara Altyn Enterprise
- Chairman of the Board of Directors of JSC Tatneftprom-Zyuzeevneft
- Chairman of the Board of Directors of JSC Tatneftprom
- Chairman of the Board of Directors of Karbon-Oil LLC
- Chairman of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of PAKER-BIS LLC
- Member of the Board of Directors of CJSC Selengushneft
- Member of the Board of Directors of CJSC VELLOil

Share in the authorized capital of the Company, %	0,116503
Share of the Company's ordinary stocks owned by the person, %	0,123914



Khamaev Azat Kiyamovich

Non-executive Director

Member of the Board of Directors
of PJSC TATNEFT

- Born in 1956.
- In 1985, graduated from Kazan Aviation Institute
- In 2000, graduated from Kazan State University, Law Faculty
- From December 2008, First Deputy Minister of Land and Property Relations of the Republic of Tatarstan
- From March 2009 to September 2019, Minister of Land and Property Relations of the Republic of Tatarstan
- From September 2019 - National Council deputy of the sixth session of the Republic of Tatarstan, Chairman of RT State Council Committee on Ecology, Nature Management, Agro-Industrial and Food Policy

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



**Khisamov
Rais Salikhovich**

Executive Director

Member of the Board of Directors of PJSC TATNEFT
Chief Geologist– Deputy General Director of PJSC TATNEFT

- Born in 1950.
- In 1978, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From October 1997 to present, Chief Geologist –Deputy General Director of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Kalm Tatneft
- Member of the Board of Directors of OJSC Kalmyk Oil and Gas Company
- Chairman of the Board of Directors of CJSC Yambuloil
- Member of the Board of Directors of Karbon-Oil LLC
- Member of the Board of Directors of Blagodarov-Oil LLC

Share in the authorized capital of the Company, %	0.020341
Share of the Company's ordinary stocks owned by the person, %	0.021433

**Steiner
Rene Frederick**

Independent Director

Member of the Board of Directors of PJSC TATNEFT
Chairman of the HR and Remuneration Committee of PJSC TATNEFT
Member of the Audit Committee of the Board of Directors of PJSC TATNEFT

- Born in 1964.
- In 1989, graduated from Technical High School in Zurich.
- Bachelor of Swiss Banking, Zurich since 1992
- Co-founder, Program Director of Direct Private Investments of FIDES Business Partner AG, Switzerland, since 2011.

Participation in governing bodies of other organizations:

- Vice Chairman of the Board of Directors of FC Zurich Football Club
- Member of the Board of Directors of HB Group SA

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none

**Nurmukhametov
Rafail Saitovich**

Executive Director

Member of the Board of Directors of PJSC TATNEFT
Head of NGDU Leninogorskneft of PJSC TATNEFT
Member of the Management Board of PJSC TATNEFT until December 23, 2019

- Born in 1949.
- In 1974, graduated from Ufa Petroleum Institute.
- From January 30, 1998 to January 31, 2020, Head of NGDU Leninogorskneft

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Okhtin-Oil

Share in the authorized capital of the Company, %	0,010465
Share of the Company's ordinary stocks owned by the person, %	0,010107

Balanced composition of the Board of Directors

The composition of the Board of Directors is well balanced in terms of membership of independent, non-executive and executive directors. The participation of three independent directors and seven non-executive directors in the work of the Board of Directors maintains a balance between the interests of different groups of shareholders, which facilitates objectivity in decision-making, and inspire investors, shareholders, and other stakeholders with a high confidence in the Company. The participation of five executive directors ensures a deep integration of the activities of the Board of Directors and executive bodies. In the Company's opinion, three independent directors are sufficient to have a significant influence the decision-making process and ensure flexibility and objectivity in resolving issues. Moreover, the independence of these directors' judgments enhance the effectiveness of the Board of Directors. The company regularly evaluates whether independent members of the Board of Directors meet the independence criteria.

Three of the fifteen members of the Board of Directors are foreign citizens (20% of the total membership of the Board of Directors). The presence of foreign directors promotes the integration of international business contacts and best practices in the Company.

Members of the Board of Directors of PJSC TATNEFT have high skills and knowledge, and professional background in strategic management, financial activities, risk management, accounting and audit, as well as in the Company's industry areas, 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 development of corporate governance.

In 2019, the independent directors made a strong focus upon the Company's risk management and internal control system, as well as other issues in accordance with the Agenda of meetings of the Board of Directors and its committees.

As part of the development of the Company's climate planning system in 2019, Mr Laszlo Gerecs, the independent member of the Board of Directors, was appointed responsible for overseeing the Company's activities related to the climate change. Mr. Gerecs has a good relevant expertise in this area and interacts with the Company's management to discuss actions and plans to reduce the carbon footprint.

BOARD OF DIRECTORS



NUMBER OF THE BOARD OF DIRECTORS MEMBERS BY TENURE

1 person	5 persons	9 persons
less than a year	one to seven years	over seven years

AGE PROFILE OF THE BOARD OF DIRECTORS

45–55 y.o.	56–65 y.o.	66+ y.o.
33,3%	26,7%	40%
5 persons	4 persons	6 persons

Changes in the membership of the Board of Directors

In 2019, there were the following changes in the Board of Directors' membership:

- the authorities of the member of the Board of Directors Nail Gabdulbariyevich Ibragimov were terminated;
- Nurislam Zinatullovich Syubayev was elected to the Board of Directors by the decision of the General meeting of shareholders (the AGM Minutes No. 29 of 25.06.2019).

All members of the Board of Directors have significant work experiences in the Company, high professional reputation 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 well diversified and balanced.

Tenure of the Board of Directors membership



Enhancing the collective ESG knowledge of the Board members

The Company takes appropriate procedures to develop and improve the collective knowledge of the Board of Directors on economic, environmental and social issues, including the implementation of the Sustainable Development Goals of the UN Global Compact and the Paris Agreement signed under the United Nations Framework Convention on Climate Change, which regulates the measures to reduce carbon dioxide emissions in the air from 2020.

THE COMPANY USES THE MODERN INFORMATION RESOURCES AND CHANNELS, INCLUDING DEDICATED SOFTWARES, TO ENSURE EFFECTIVE COMMUNICATION TO THE BOARD MEMBERS IN RUSSIAN AND ENGLISH

Onboarding

In order to ensure effective and fast introduction of new members to the Board of Directors and maximize their efforts in the best interests of the Company, the latter provides the onboarding procedure for the newly elected directors to learn in-house procedures of the work of the Board of Directors and its committees, meeting agenda preparation and delivery of information materials, and other matters depending on the extent to which a new member of the Board of Directors is aware of and familiar with the strategy and current business operations, as well as corporate and organizational structure of the Company. Adherence to the rules of confidentiality and insider information protection is thoroughly explained in a mandatory manner.

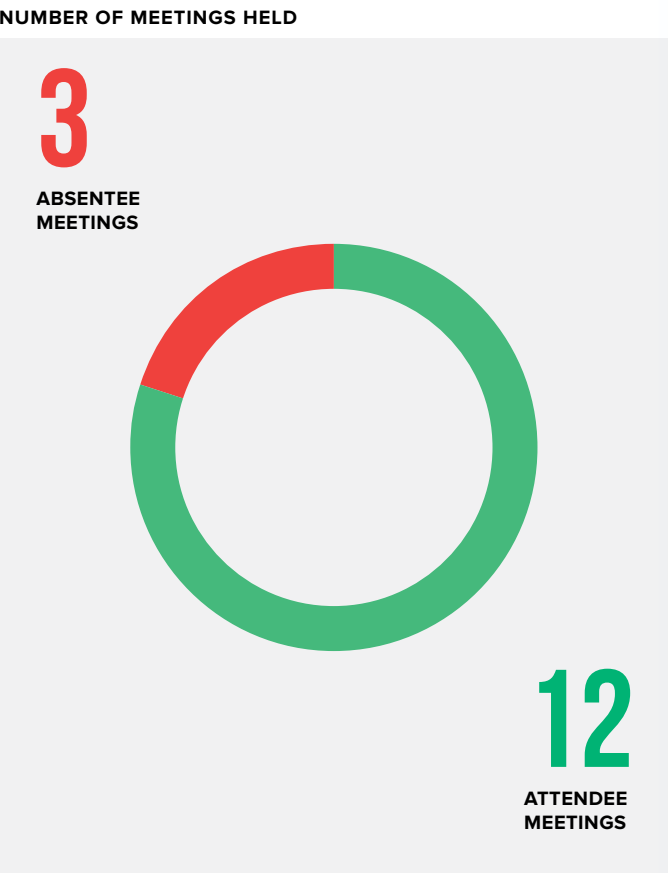
The onboarding procedure for the newly elected members of the Board of Directors of PJSC TATNEFT is implemented by the Corporate Secretary, who coordinates interaction of all the parties involved with the assistance and supervision of the Human Resources & Remuneration Committee and the Corporate Governance Committee.

In 2019, Nurislam Zinatulovich SYUBAYEV, Deputy General Director for Strategic development of PJSC TATNEFT, joined the Board of Directors for the first time.

2019 Board of Directors’ Activities

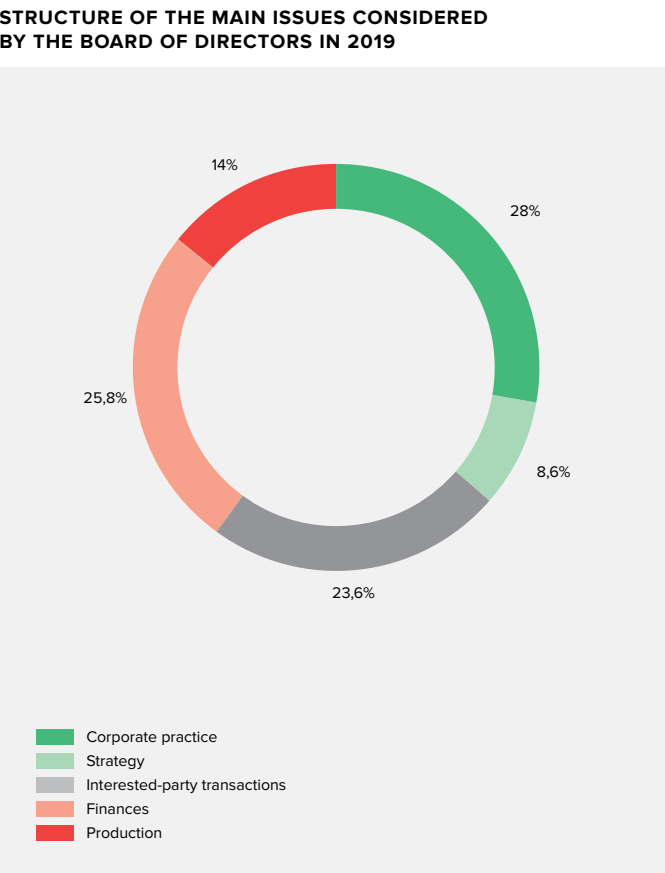
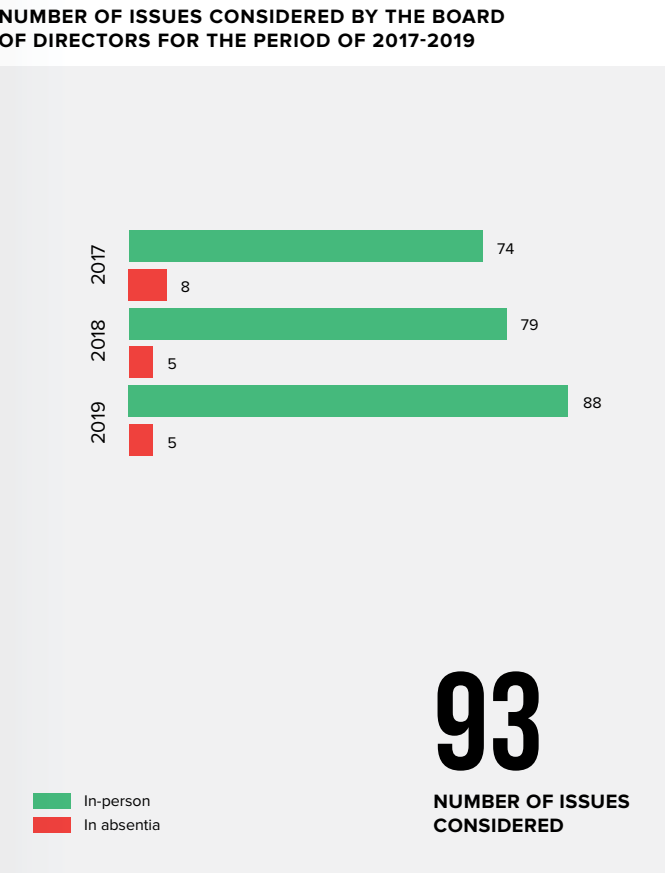
In 2019, the agenda of items reviewed by the Board of Directors included the implementation of Strategy 2030, long-and medium-term development plans and programs of the TATNEFT Group, oversight of their implementation, including the investment, financial position, production operations, sustainable development, industrial safety and occupational health, environmental protection, interaction with controlled companies, and making decisions on major transactions. A strong focus was made on improving margin ratio in the value chain, strengthening the Company’s technological base, and switching to innovative forms of governance and business process management.

In 2019, the Board of Directors held fifteen (15) meetings with a total of 93 issues that were considered therein, including twelve (12) meetings in presentia (88 issues) and three (3) meetings in absentia (5 issues). In-person meetings addressed issues related to the Company’s strategy and corporate governance, authorization of non-arm’s length transactions, decision-making in preparations for the Company’s annual and extraordinary general meetings of shareholders, and significant operational issues.



Participation of members of the Board of Directors in meetings of the Board of Directors in 2019

Surname, Name, Patronymic																
Maganov Nail Ulfatovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Minnikhanov Rustam Nurgalieovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Ibragimov Nail Gabdulbarievich Until June 21, 2019	6/6	●	●	●	●	●										
Syubaev Nurislam Zinatulovich From June 21, 2019	9/8						●	●	●	●	●	●	●			●
Levin Yuri Lvovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Gaizatullin Radik Raufovich	15/14	●	●	●	●		●	●	●	●	●	●	●	●	●	●
Gerecs Laszlo	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Muslimov Renat Khaliulloovich	15/12	●	●	●		●			●	●	●	●	●	●	●	●
Sabirov Rinat Kasimovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Sorokin Valery Yurievich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Takhautdinov Shafagat Fakhrazovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Khalimov Rustam Khamisovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Khamaev Azat Kiyamovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Khisamov Rais Salikhovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Steiner Rene Frederick	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Nurmukhametov Rafail Saitovich	15/15	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
		28.01 in absentia	13.02	27.02	23.03	26.04	22.05	21.06	19.07	05.08	26.08	30.09	24.10	13.11	28.11	23.12
										in absentia				in absentia		



THE REVISED VERSIONS OF PJSC TATNEFT INTERNAL DOCUMENTS WERE APPROVED BY THE BOARD OF DIRECTORS IN THE REPORTING YEAR

1	2	3	4
Regulations on a branch office of the Public Joint-Stock Company TATNEFT n. a. V.D. Shashin in Turkmenistan.	The regulations on the interaction of the departments and offices of the Executive office, structural subdivisions of PJSC TATNEFT n.a. V.D. Shashin to make disclosures, recognized as the insider information and material facts of the Issuer’s securities under the legislation of the Russian Federation and the European Union and/or UK.	The Health, Safety, and Environment Policy of PJSC TATNEFT n.a. V.D. Shashin with considerations to the climate change	Regulations on the procedure for corporate engagement of PJSC TATNEFT n. a. V. D. Shashin with controlled and related organizations (approved in January 2020).

The Board of Directors is in constant interaction with the executive bodies of the Company and the Committees of the Board of Directors on all key management issues, including auditing, evaluating the performance of members of the Board of Directors, human resources development, KPI system, sustainable development aspects and others.

Key topics in core business streams addressed by the Board of Directors

COMPANY STRATEGIC DEVELOPMENT. STRATEGY 2030

- Opportunities for strategic diversification based on the Company's core competencies and competitive advantages.
- Reserves-to-production ratio trends pursuant to the adopted Strategy 2030 for oil reserve replacement by field.
- Market strategy related to oil and gas processing amid increasing the quantity and slate of new products as a result of higher capacity of TANECO.
- Implementation of the construction project for the gas-and-petrochemical complex and the gas-and- petrochemical business development.
- The tire project development.
- The Company's strategy in the energy sector of the future.
- Implementation of the IT-Strategy goals and projects: 2018 actual results and plans for 2019-2020.
- Accomplishment of the innovation and technology strategy goals and projects: 2018 actual results, medium-and long-term projects.
- Retail business: market strategy and development plans for the next few years.
- Strategy and plans for non-core assets (banking, loan portfolio, etc.).

INTERNATIONAL PROJECTS

- The Company's development strategy in external regions: production and financial goals, projects and activities.
- On status of the development of external projects outside the Russian Federation.

PRODUCTION OPERATIONS

- Efficiency of exploration operations.
- Reaching predicted oil production targets and reservoir management performance
- Application of enhanced oil recovery techniques, including scientific researches and practical application of various oil production methods. Current status and future plans.
- Fulfilment of the TANECO Complex construction plan.
- The oil production outlook, opportunities and objectives for Exploration and Production business segment. Forecast performance indicators of the Exploration and Production business stream for 2020.

SOCIAL POLICY

- Social investments of the Company.
- The TATNEFT Charity Fund's activities
- Development of a unified management system for social projects and programs of the TATNEFT Group.

HEALTH, SAFETY, AND ENVIRONMENT WITH CONSIDERATIONS TO THE CLIMATE CHANGE AND CARBON FOOTPRINT REDUCTION

- Health, Safety, and Environment Policy with considerations to the climate change
- About the member of the Board of Directors of PJSC TATNEFT responsible for overseeing activities related to the climate change.

INVESTMENT AND FINANCIAL ACTIVITIES

- The investment program progress report.
- The 2018 Budget performance report.
- The 2018 Financial and operating performance report including the 2018 accounts receivable and accounts payable report.
- The report of the Revision Commission on the audit of the 2018 financial and business operations.
- The 2018 summary report of the Board of Directors, the annual report, the annual accounting (financial) statements, including appropriation of retained earnings.
- Approval of the 2019 budget by month.
- The financial and operating performance for the first quarter, the first six months and the nine months of 2019.
- Approval of the 2020 budget.
- The 2020 financial and operating forecasts.
- Approval of the program of exchange-traded bonds of PJSC TATNEFT n. a. V. D. Shashin.
- Approval of the Securities Prospectus of PJSC TATNEFT n. a. V. D. Shashin.
- The analysts' assessment of the TATNEFT Group's financial performance in comparison with other leading companies in the industry.

AUDIT

- The 2018 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.
- The Internal Audit Department performance for 2018 and the work plan of the Internal Audit Department for 2019.

The decisions made by the Board of Directors can be found on the Company's website www.tatneft.ru.

The 2020 Board of Directors' work plans

THE KEY ISSUES OF THE BOARD OF DIRECTORS' WORK PLAN FOR THE FIRST HALF OF 2020 INCLUDE AS FOLLOWS:

- Report on the Internal Audit Department performance for the past year and the internal audit plans for 2020.
- The IT strategy implementation results in the core business streams of the Company. The potential projects for 2020 include digitalization of the processes for reserve estimates, well planning and construction, managing workover operations; replication of digital twins technology at the TANECO hydrocracking plants and CDU-VDU-6; development of tools for multi-period optimized planning in the tire business; deployment of business analysis tools for cost management, digitalization of efficiency management processes, etc.
- Organizational and financial effects expected from the introduction of the personnel satisfaction assessment system in the TATNEFT Company. The key indicators cover the main aspects of employee satisfaction, including working conditions, social climate among the staff, brand loyalty, and commitment to the corporate culture and values.
- Approval of the amended and restated «Regulations on the procedure for the corporate engagement of PJSC TATNEFT n.a. V. D. Shashin with the controlled and related organizations», which regulates the mechanism of engagement with organizations of the TATNEFT Group.
- Financing the 2019 investment program. The 2020 investment program parameters aimed at implementing the Company's objectives as part of the Strategy - 2030.
- The 2019 performance results of the Exploration and Production business-segment, taking into account the improved business processes to ensure environmental friendliness and sustainability of the Company. As part of the operational program, the Company continues to implement projects aimed at ensuring sustainable development and improving the environmental friendliness of production operations, including reducing the carbon footprint.
- Implementation of the Company's Exploration Strategy. Additions to reserves.
- The Company's initiatives to further implement the international Health, Safety and Environment standards such as ISO 14001:2015 and ISO 45001:2018 across the TATNEFT Group were given the green light.

- The Company's actions to address the climate change challenges and the Company's contribution to the achievement of the relevant Sustainable Development Goals under the UN Global Compact. These endeavours are primarily focused on the development of professional skills. The next step will be motivation system development to attain the sustainable development goals and mitigate the anthropogenic impact on the climate.
- The Company's actions to prevent the COVID-2019 spread, measures to support the regional health system and provide social aid under the lockdown and stay-at-home orders.
- The 2019 performance results of the TATNEFT Group's companies.
- 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.
- Dividends for 2019 based on the operating performance results.
- On the annual meeting of shareholders of PJSC TATNEFT named after V. D. Shashin.
- The results of the internal assessment (self-assessment) of the quality of work of the Board of Directors and its committees.
- The statement of the Board of Directors of PJSC TATNEFT n. a. V. D. Shashin with regard to the independent directors.
- 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 key priorities for the work of the committees of the Board of Directors of 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 appropriation of retained earnings of PJSC TATNEFT n.a. V.D.Shashin.
- Other issues.

The Board of Directors approves the work plan with the agenda for every half-year period. Plan of matters at issue is drafted based on the proposals of members of the Board of Directors, executive bodies and top management including at all times as follows:

- oversight of implementation of the Strategy and success in achieving targets;
- review of plans and results of financial and business activities;
- evaluating performance of the Board of Directors;
- preparation for general meetings of shareholders, etc.

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 members of the Board of Directors with regard to their activities during their tenure of office as members of the Board of Directors of PJSC TATNEFT since their election in the reporting corporate 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.)

In 2019, the Board of Directors ' self-assessment was conducted for the reporting corporate year. The results of the self-assessment 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. Meanwhile, 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. Brief comments on the Board of Directors' activities were submitted to the Corporate Governance Committee and the HR and Remuneration Committee.

DISTRIBUTION OF AVERAGE SCORES BY KEY COMPONENTS

4,17	4,21	4,00	4,24	4,54
Competences and powers of the Board of Directors	Composition of the Board of Directors	Committees of the Board of Directors	Work procedure of the Board of Directors	Annual General Meeting of Shareholders

SELF-ASSESSMENT INCLUDES 50 CRITERIA FOR 5 KEY PRACTICE COMPONENTS OF CORPORATE GOVERNANCE

The work quality assessment of the Board of Directors is intended to determine how effectively and efficiently the Board of Directors, its Committees and members perform their duties, how their service aligns with the Company’s development needs, and to promote better performance of the Board of Directors and identify the areas in which their activities can be improved.

Committees of the Board of Directors

The membership of the Audit Committee and the Human Resources and Remuneration Committee has a significant proportion of the independent 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:

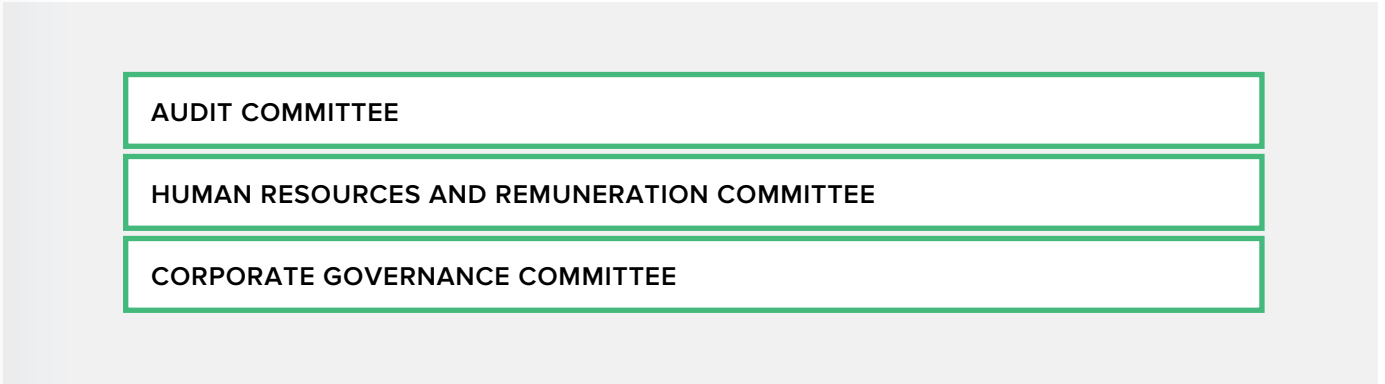
- Audit Committee
- Human Resources and Remuneration Committee
- Corporate Governance Committee

The activities of the committees are governed by the relevant regulations approved by the 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 a committee membership. The Company furnishes the Board of Directors with the curriculum vitae details, as well as expertise, knowledge and skills of each candidate.

COMMITTEES OF THE BOARD OF DIRECTORS



QUANTITATIVE REPRESENTATION OF THE DIRECTORS' COMMITTEES



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. There were no changes in the composition of the Audit Committee during the corporate year.

The Audit Committee consists of three independent directors. Chairman of the Committee Yu.L. Levin has experience and knowledge in the field of preparation, analysis, evaluation and audit of accounting (financial) statements. The members of the Committee possess the necessary knowledge and competencies for the preliminary consideration of issues related to the control over the financial and economic activities of the Company. The Board of Directors has decided to increase the composition of the Committee by including an additional one non-executive director who also has experience and knowledge in the preparation, analysis, evaluation and audit of the accounting (financial) statements (R.R. Gaizatullin).

CHAIRMAN



Yuri Lvovich Levin

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

COMMITTEE MEMBERS

Radik Raufovich Gaizatullin

Member of the Board of Directors of PJSC TATNEFT
Non-executive Director
Minister of Finance of the Republic of Tatarstan

Laszlo Gerecs

Member of the Board of Directors of PJSC TATNEFT
Independent Director
Managing Director of G Petroconsulting Ltd
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

Rene Frederik Steiner

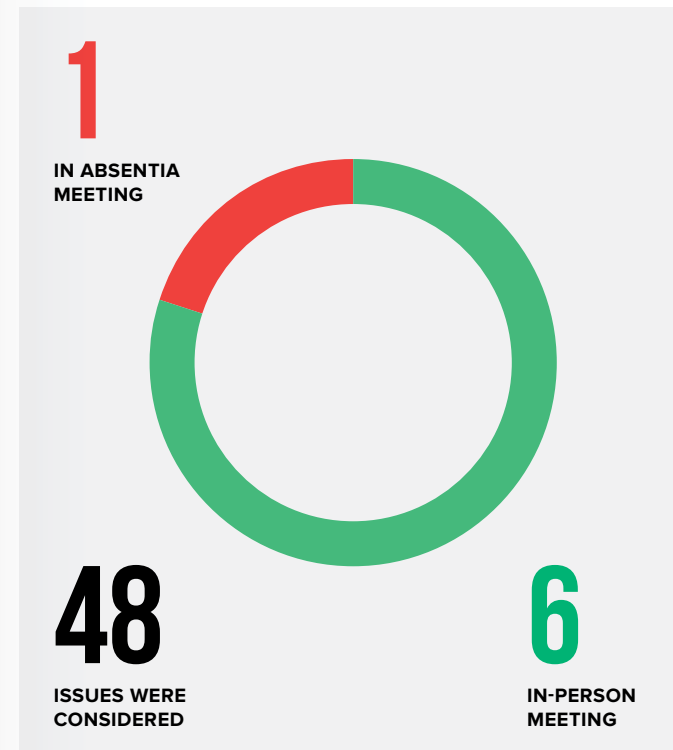
Member of the Board of Directors of PJSC TATNEFT
Independent Director
Program Director of Direct Private Investments of FIDES Business Partner AG
Chairman of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

MAIN FUNCTIONS OF THE AUDIT COMMITTEE

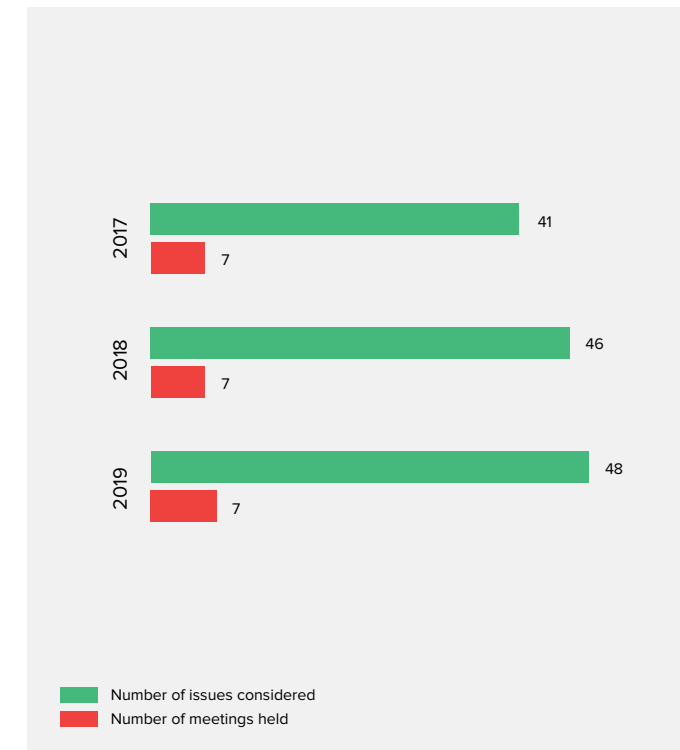
- Control over ensuring the completeness, accuracy, and reliability of the accounting (financial) statements of PJSC TATNEFT, including the preparation of the consolidated financial statements of PJSC TATNEFT Group with the integration of the financial statements of ZENIT Bank into the consolidated financial statements.
- Coordination of the work of external auditors and the internal audit department, as well as 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.
- Check on the external auditor's independence.
- Consideration and analysis of the quarterly, semi-annual and annual financial statements of PJSC TATNEFT, including the results of inspections by its external auditor.
- Assessment of candidates for auditors and submission of recommendations to the Board of Directors on the election of independent auditors of the financial statements of PJSC TATNEFT in accordance with IFRS and RAS.
- Assistance to the Board of Directors in exercising control over the work of the internal control and risk management systems of PJSC TATNEFT.
- Preliminary consideration of non-arm's length transaction and transactions with parties related to PJSC TATNEFT that are submitted for approval by the Board of Directors of PJSC TATNEFT

Activities of Committee in 2019

MEETINGS OF THE COMMITTEE IN 2019



NUMBER OF MEETINGS OF THE AUDIT COMMITTEE AND ISSUES CONSIDERED FOR THE PERIOD OF 2017-2019



KEY ISSUES CONSIDERED BY THE AUDIT COMMITTEE FOR THE PERIOD OF 2017-2019:

Topic	2017	2018	2019
Review of the consolidated financial statements with participation of external auditors	12	14	10
Issues related to the selection of external auditors and confirmation of the independence of external auditors	5	3	4
Issues related to the work of the Internal Audit Department (IAD)	12	15	14
Issues related to a preliminary consideration of non-arm's length transactions and transactions with parties related to PJSC TATNEFT that are submitted for approval by the Board of Directors of PJSC TATNEFT	4	4	3
Review of the MSCI Report on Risks in Accounting and Corporate Governance.	-	-	1
Issues on disclosure of information on financial condition of PJSC TATNEFT in annual report for 2018	-	-	1
On assessment of the current condition of corporate governance of PJSC TATNEFT	-	-	1
Other	8	10	14

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2019

		29.01	22.03	25.04	3.07	18.07	1.10	27.11
Levin Yuri Lvovich	7/7	●	●	●	●	●	●	●
Gaizatullin Radik Raufovich	7/7	●	●	●	●	●	●	●
Gerecs Laszlo	7/7	●	●	●	●	●	●	●
Steiner Rene Frederik	7/7	●	●	●	●	●	●	●
in absentia								

Human Resources and Remuneration Committee

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.

The Committee combines duties in terms of performing functions on human resources (nominations) and functions on remuneration. It is a permanent committee. There were no changes in the composition of the HR and Remuneration Committee during the corporate year.

The HR and Remuneration Committee of the Board of Directors consists of three independent directors. Rene STEINER, Independent Director, is the Chairman of the Committee. Due to the fact that the Committee combines the tasks of the Remuneration Committee and the Nominations (Appointments, Staff) Committee, the Board of Directors decided to increase the composition of the Committee by including an additional non-executive director (R.K. Sabirov). All members of the Committee have the relevant knowledge, competence, and experience for the tasks of the Committee.

CHAIRMAN



Rene Frederik Steiner

Independent Director

Member of the Board of Directors of PJSC TATNEFT
Program Director of Direct Private Investments of FIDES Business Partner AG
Member of the Audit Committee of the Board of Directors of PJSC TATNEFT

COMMITTEE MEMBERS

Laszlo Gerecs

Member of the Board of Directors of PJSC TATNEFT
Independent Director
Managing Director of G Petroconsulting Ltd
Member of the Audit Committee of the Board of Directors of PJSC TATNEFT

Yuri Lvovich Levin

Member of the Board of Directors of PJSC TATNEFT
Independent Director
Managing Partner of BVM Capital Partners Ltd
Chairman of the Audit Committee of the Board of Directors of PJSC TATNEFT

Rinat Kasimovich Sabirov

Member of the Board of Directors of PJSC TATNEFT
Assistant to the President of the Republic of Tatarstan
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT

MAIN FUNCTIONS OF THE AUDIT COMMITTEE

In terms of performing functions on human resources (nominations):

- Evaluation of the Board of Directors membership in terms of professional specialization, experience, independence of its members, participation in the work;
- Identification of priority areas for strengthening the composition of the Board of Directors;
- Interaction with all groups of shareholders in the selection of candidates for the Board of Directors and regarding voting on the election of candidates for the Board of Directors, bearing in mind the most comprehensive coverage of the goals and objectives of the Company;
- Analysis of professional qualifications and independence of candidates nominated to the Board of Directors, etc.

In terms of performing functions on remuneration:

- Development and periodic review of the Company's policy on remuneration of members of the Board of Directors, executive bodies and other key managers, including development of program parameters for short-term and long-term motivation of members of the executive bodies;
- Control over the implementation and progress implementation of the Company's policy on remuneration and incentive programs;
- A preliminary assessment of the work of the executive bodies of the Company and other key executives at the end of the year and an assessment of the achievement of goals in the framework of the motivation program, etc.

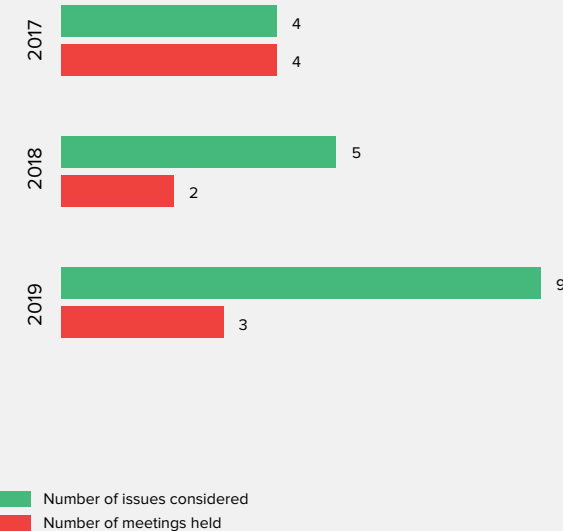
Activities of Committee in 2019

The meetings of the Committee were held in-person and in absentia in 2019. The meetings were attended by all members of the Committee. Committee member Sabirov R.K. took part in meetings in absentia by sending a written opinion on agenda items and decisions made.

9

NUMBER OF ISSUES CONSIDERED

NUMBER OF MEETINGS OF THE HR AND REMUNERATION COMMITTEE AND ISSUES CONSIDERED FOR THE PERIOD OF 2017-2019



KEY ISSUES CONSIDERED BY THE HR AND REMUNERATION COMMITTEE IN 2019

Topic

On salary increase in the current financial year.	1
Review of the effectiveness of external and internal human resource management consultations.	1
Strategic development of the functional area "HR Management" of TATNEFT Group	1
Key HR metrics.	1
Change in IT line of HR area.	1
Work-flow process the Committee's work for job evaluation.	1
Implementation of a satisfaction rating system at PJSC TATNEFT.	1
Updated information on projects progress in key functional areas.	1
Approval of the Committee meeting schedule and work plan for 2020.	1

PARTICIPATION IN HR AND REMUNERATION COMMITTEE MEETINGS IN 2019

Member	Participation	22.03	26.08	27.11
Steiner Rene Frederick	3/3	●	●	●
Sabirov Rinat Kasimovich	3/3	●	●	●
Levin Yuri Lvovich	3/3	●	●	●
Gerecs Laszlo	3/3	●	●	●

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 relationship 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. There were no changes in the composition of the Committee in 2019.

Members of the Committee have relevant knowledge and skills, 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.

CHAIRMAN



Nail Ulfatovich Maganov

General Director

Member of the Board of Directors of PJSC TATNEFT
Chairman of the Management Board of PJSC TATNEFT

COMMITTEE MEMBERS

Nurislam Zinatulovich Syubaev

Deputy General Director for Strategic Development, Member of the Board of Directors of PJSC TATNEFT, Member of the Management Board of PJSC TATNEFT

Vasili Aleksandrovich Mozgovoi

Assistant to the General Director for Corporate Finance of PJSC TATNEFT

Evgeny Aleksandrovich Tikhturov

Head of the Finance Department (until February 12, 2020), Member of the Management Board of PJSC TATNEFT (until February 28, 2020).

Natalia Evgenievna Dorpeko

Corporate Consultant to the General Director of PJSC TATNEFT

Damir Maratovich Gamirov

Acting Corporate Secretary – Deputy Head of the Office of the Corporate Secretary of PJSC TATNEFT

Rinat Kasimovich Sabirov

Member of the Board of Directors of PJSC TATNEFT
Assistant to the President of the Republic of Tatarstan
Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT

Nuriya Zufarovna Valeyeva

Head of Technical and Economic Information and Best Practices Department of PJSC TATNEFT

MAIN FUNCTIONS OF THE AUDIT COMMITTEE

Preparation of recommendations to the Board of Directors regarding the corporate practice issues:

- Securities policy;
- Dividend policy;
- Convening, preparing and conducting annual and extraordinary general meetings of shareholders;

- Amendments to the Articles of Association and other internal documents of the Company, the approval of which is within the competence of the general meeting of shareholders and the Board of Directors;
- Analysis and evaluation of the implementation of the Conflicts of Interest Management Policy of the Company;
- Monitoring system reliability and performance

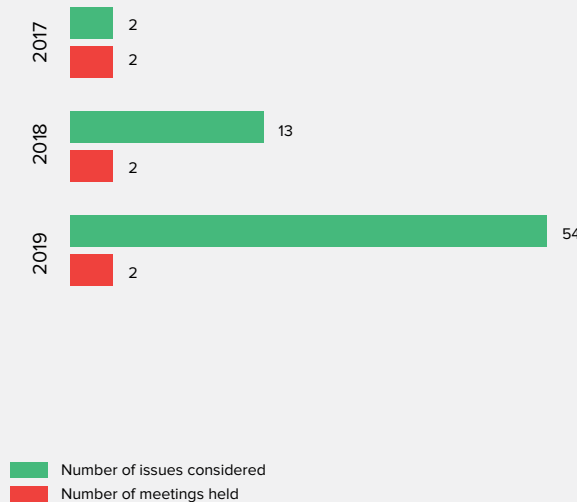
Activities of Committee in 2019

The Committee held two (2) joint attendance meetings, where the targets were set. During the year, the day-to-day work was carried out with the direct interaction of the Committee members with the Company's management in the form of meetings, business correspondence, joint drafting of event plans and internal documents with further submission to the Board of Directors through the Corporate Secretary's Office.

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NUMBER OF ISSUES CONSIDERED

NUMBER OF MEETINGS OF THE CORPORATE GOVERNANCE COMMITTEE AND ISSUES CONSIDERED FOR THE PERIOD OF 2017-2019



MAIN ISSUES CONSIDERED BY THE CORPORATE GOVERNANCE COMMITTEE IN 2019:

Topic	
Making amendments to the Company's internal documents	4
Self-assessment procedure of the members of the Board of Directors	2
Compliance with the investors' expectations for corporate ESG practice. Climate policy, carbon footprint reduction, favourable environment. Social investments	12
Involvement of the Company in the UN Global Compact and integrating the Sustainable Development Goals	7
Development of the management system of controlled companies	6
Improvement of the risk management and internal control	9
Compliance of the corporate practice to the Bank of Russia Code of Corporate Governance and international standards	11
Preparation for the general meeting of shareholders	3

PARTICIPATION IN THE MEETINGS OF THE CORPORATE GOVERNANCE COMMITTEE IN 2019

Maganov Nail Ulfatovich	2/2	●	●
Gamirov Damir Maratovich	2/2	●	●
Valeyeva Nuriya Zufarovna	2/2	●	●
Dorpeko Natalia Evgenievna	2/2	●	●
Mozgovoi Vasili Aleksandrovich	2/2	●	●
Sabirov Rinat Kasimovich	2/2	●	●
Syubaev Nurislam Zinatulovich	2/2	●	●
Tikhturov Evgeny Aleksandrovich	2/2	●	●
		04.04	26.04

GOVERNING BODIES

Sole Executive Body

GENERAL DIRECTOR



Nail Ulfatovich Maganov

Since November 2013 to present,
the General Director of TATNEFT

The PJSC TATNEFT operations are run under the leadership of the General Director who acts as the sole executive body. 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.

The General Director is the Chairman of the Management Board.

The Director General is guided by 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 decisions of the General meeting of shareholders and the Board of Directors.

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 effective use, addresses organizational issues 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.

In accordance with 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, 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;
- Industrial and environmental safety, labor protection and environmental protection;
- Capital construction;
- Economics and finance;
- Social development;
- Engagement with the Federal authorities of the Russian Federation, 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, fulfillment 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.

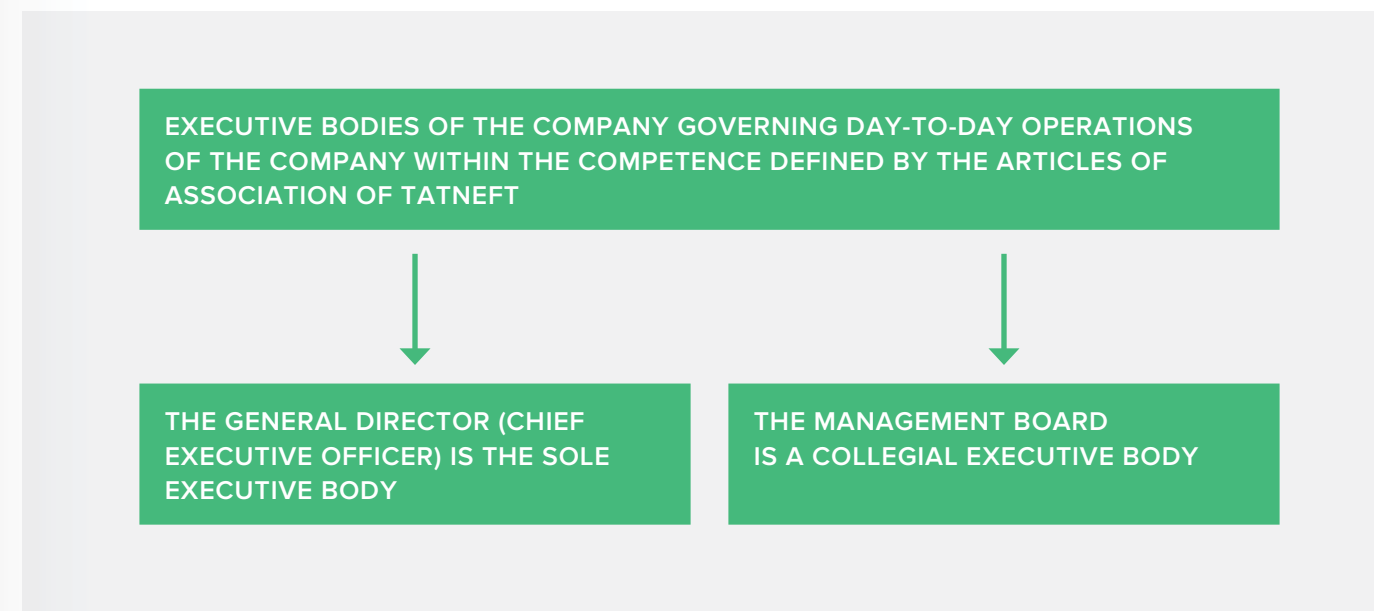
The distribution of duties and responsibilities between the General Director and Deputy General Directors is determined by the Company's internal organizational and administrative documents.

The Deputy General Directors manage the operations and bear responsibility for the relevant business streams.

GOVERNING BODIES

Management Board

The Management Board is a collegial executive body, which is in charge of day-to-day management of the TATNEFT Company, development and implementation of the overall development strategy of the Company's subsidiaries.



The Management Board is guided by 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 (approved as amended and restated by the decision of the annual general meeting of shareholders of PJSC TATNEFT on June 21, 2019) and the 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 rights and duties of the Management Board members are also determined by the contracts 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 membership is represented by the heads of the Company's core business streams and corporate areas. The Management Board consists of senior managers of the Company and its subsidiaries 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 schedule thereof.

The size of the Management Board is determined by the Board of Directors.

Composition of the Management Board of PJSC TATNEFT in 2019



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

- Born in 1958.
- In 1983, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From July 2000 to November 2013, First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of OJSC TATNEFT
- From November 2013 to present, General Director of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Chairman of the Board of Directors of PJSC Bank ZENIT
- Chairman of the Board of Directors of INKO-TEK LLC
- Member of the Board of Directors of PJSC Nizhnekamskneftekhim
- Member of the Board of Directors of OJSC Tatneftekhiminvest-holding
- Member of the Board of Directors of JSC Svyazinvestneftekhim
- Member of the Board of Directors of KHL 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
- General Partner, who is entrusted to run a business (without a power of attorney) of LP TATNEFT, Solid and Co
- Chairman of the Board of Directors of TATNEFT Charitable Fund.
- Deputy Chairman of the Supervisory Board of ANO Academy of Hockey AK BARS n.a. Y. I. MOISEEV

Share in the authorized capital of the Company, %	0,000176
Share of the Company's ordinary stocks owned by the person, %	none



Voskoboinikov
Vladlen Aleksandrovich

Member of the Management Board of PJSC TATNEFT until November 28, 2019
Head of the Consolidated Financial Statements Department of PJSC TATNEFT until November 1, 2019

- Born in 1965.
- In 1993, graduated from the Southern Alberta Institute of Technology in Calgary
- From 2005 to November 1, 2019, Head of the Consolidated Financial Statements Department of PJSC TATNEFT

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Glazkov
Nikolay Mikhailovich

Member of the Management Board of PJSC TATNEFT
Deputy General Director for Capital Construction of PJSC TATNEFT

- Born in 1960.
- In 1988, graduated from Kazan Institute of Engineering and Construction
- From 2008 to 2010, Head of the Capital Construction Department of OJSC TATNEFT
- From 2010 to present, Deputy General Director for Capital Construction of PJSC TATNEFT

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Ibragimov
Nail Gabdulbarievich

Member of the Board of Directors of PJSC TATNEFT until June 21, 2019
First Deputy General Director for Operations – Chief Engineer of PJSC TATNEFT
Member of the Management Board of PJSC TATNEFT until February 28, 2020

- Born in 1955.
- In 1977, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 2000 to February 18, 2020, First Deputy General Director for Operations – Chief Engineer of PJSC TATNEFT

Share in the authorized capital of the Company, %	0,019831
Share of the Company's ordinary stocks owned by the person, %	0,020873



Mukhamadeev Rustam Nabiullovich

Member of the Management Board of PJSC TATNEFT
Deputy General Director for Social Development of PJSC TATNEFT

- Born in 1952.
- In 1977, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 2001 to December 4, 2017, Deputy General Director for HR and Social Development of PJSC TATNEFT
- From December 4, 2017 to January 31, 2020, Deputy General Director for General Issues of PJSC TATNEFT
- From February 1, 2020 to present, Deputy General Director for Social Development of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Member of the Board of Directors of JSC IC Chulpan
- Chairman of the Governing Board of PEE Tatneft-School

Share in the authorized capital of the Company, %	0,004204
Share of the Company's ordinary stocks owned by the person, %	0,004264



Nurmukhametov Rafail Saitovich

Member of the Board of Directors of PJSC TATNEFT
Head of NGDU Leninogorskneft of PJSC TATNEFT
Member of the Management Board of PJSC TATNEFT until December 23, 2019

- Born in 1949.
- In 1974, graduated from Ufa Petroleum Institute.
- From January 30, 1998 to January 31, 2020, Head of NGDU Leninogorskneft

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Okhtin-Oil

Share in the authorized capital of the Company, %	0,010465
Share of the Company's ordinary stocks owned by the person, %	0,010107



Tikhturov Evgeny Aleksandrovich

Member of the Management Board of PJSC TATNEFT until February 28, 2020
Head of the Finance Department of PJSC TATNEFT
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT

- Born in 1960.
- In 1992, graduated from Moscow Institute of Management named after S. Ordzhonikidze
- From 1999 to February 12, 2020, Head of the Finance Department of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Chairman of the Board of Directors of JSC IC Chulpan
- Member of the Board of Directors of PJSC AK BARS Bank until June 20, 2019
- Member of the Board of Directors of PJSC Bank ZENIT
- Member of the Board of Directors of JSC Tatoiigas
- Member of the Board of Directors of CJSC Tatex
- Member of the Board of Directors of JSC Tatnefteprom-Zyuzeevneft
- Member of the Board of Directors of JSC Tatnefteprom
- Member of the Board of Directors of Tatneft Oil AG

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none



Syubaev Nurislam Zinatulovich

From June 21, 2019, Member of the Board of Directors of PJSC TATNEFT
Deputy General Director for Strategic Development of PJSC TATNEFT
Member of the Management Board of PJSC TATNEFT
Member of the Corporate Governance Committee of the Board of Directors of PJSC TATNEFT

- Born in 1960.
- In 1982, graduated from Moscow Institute of National Economy n.a. G.V. Plekhanov
- From 2001 to July 17, 2016, Head of Strategic Planning Department - Advisor to General Director for Foreign Economic Affairs and Financial/Banking Issues
- From July 18, 2016 to present, Deputy General Director for Strategic Development of PJSC TATNEFT

Participation in governing bodies of other organizations:

- Member of the Board of Directors of CJSC Kara Altyn Enterprise
- Member of the Board of Directors of Karbon-Oil LLC
- Member of the Board of Directors of JSC Aznakaevsky Neftemash plant
- Chairman of the Board of Directors of JSC IDELOIL
- Member of the Board of Directors of Blagodarov-Oil LLC
- Chairman of the Board of Directors of Zavod Elastic LLC
- Member of the Board of Directors of URS - Trading House LLC
- Member of the Board of Directors of PJSC Bank ZENIT
- Member of the Board of Directors of P-D Tatneft-Alabuga Fiberglass LLC
- Chairman of the Board of Directors of JSC National Non-Governmental Pension Fund
- Member of the Supervisory Board of Tatneft International Cooperatie U.A. (the Netherlands)
- Member of Self-regulating Organization - National Association of Non-State Pension Funds

Share in the authorized capital of the Company, %	none
Share of the Company's ordinary stocks owned by the person, %	none

DURATION OF WORK IN THE MANAGEMENT BOARD

0 person	2 persons	6 persons
less than a year	one to seven years	over seven years

AGE PROFILE OF THE MANAGEMENT BOARD MEMBERS

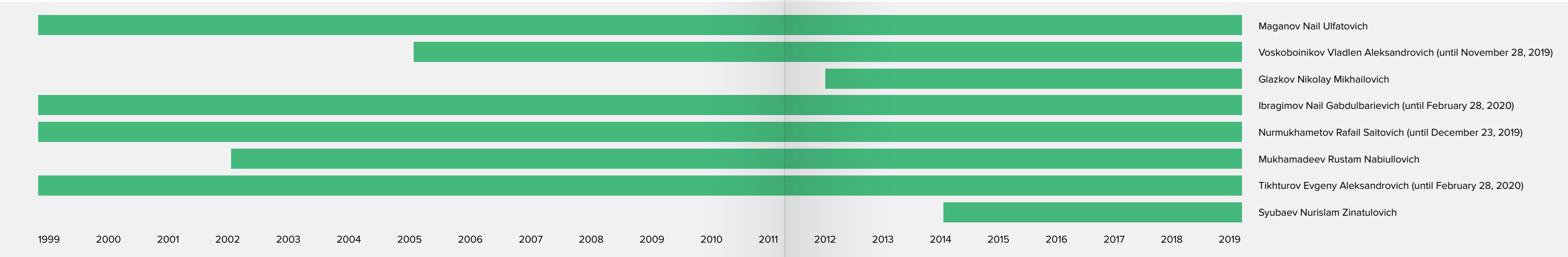
45–55 y. o.	56–65 y. o.	66+ y. o.
25%	50%	25%
2 persons	4 persons	2 persons

Changes in the Management Board membership

In 2019, there were the following changes in the Management Board’s membership: The powers of the following members of the Management Board were terminated: Vladlen Aleksandrovich Voskoboinikov due to the resignation mutually agreed by the Parties (Minutes of the Board of Directors No. 7 of 28.11.2019), Raphail Saitovich Nurmukhametov due to his retirement form service (Minutes of the Board of Directors No. 8 of 23.12.2019). In 2020, the powers of the Management Board members Yevgeny Aleksandrovich Tikhturov and Nail Gabdulbarievich Ibragimov (Minutes of the Board of Directors No. 10 dated 28.02.2020) were terminated due to their retirement from service.

All the members of the Management Board have relevant work experience in the Company, professional knowledge and high business reputation.

Duration of work in the Management Board of PJSC TATNEFT



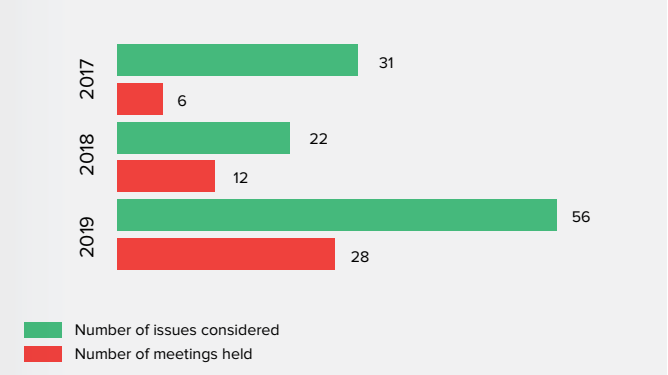
Participation of the Management Board members in meetings of the Management Board in 2019

Surname, name, patronymic											
Maganov Nail Ulfatovich	28/28	●	●	●	●	●	●	●	●	●	●
Voskoboinikov Vladlen Aleksandrovich	28/20	●	●	●	●	●	●	●	●	●	●
Glazkov Nikolay Mikhailovich	28/28	●	●	●	●	●	●	●	●	●	●
Mukhamadeev Rustam Nabiullovich	28/28	●	●	●	●	●	●	●	●	●	●
Tikhturov Evgeny Aleksandrovich	28/28	●	●	●	●	●	●	●	●	●	●
Syubaev Nurislam Zinatulovich	28/28	●	●	●	●	●	●	●	●	●	●
Ibragimov Nail Gabdulbarievich	28/27	●	●	●	●	●	●	●	●	●	●
Nurmukhametov Rafail Saitovich	28/28	●	●	●	●	●	●	●	●	●	●
		19.02	19.02	20.02	20.02	20.02	07.03	11.04	16.05	21.05	03.06
		extraordinary									

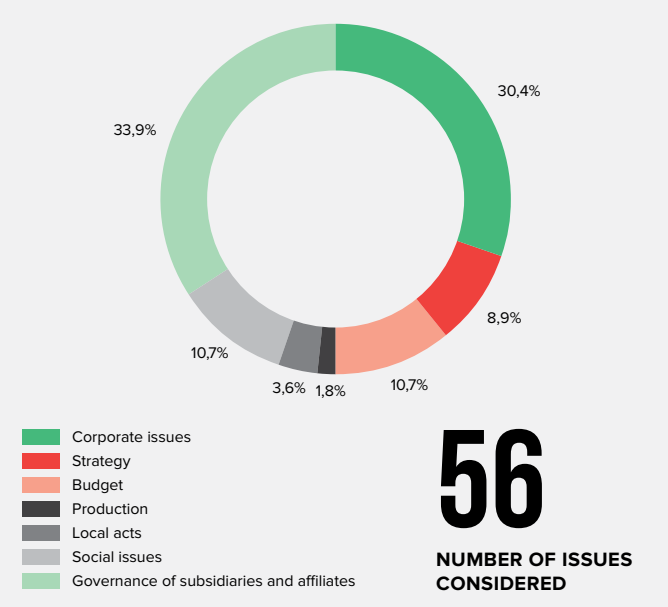
Activities of the Management Board in 2019

In 2019, the Management Board considered several production and corporate issues and made the appropriate decisions.

NUMBER OF MEETINGS OF THE MANAGEMENT BOARD FOR THE PERIOD OF 2017-2019



STRUCTURE OF ISSUES CONSIDERED BY THE MANAGEMENT BOARD IN 2019



●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
07.06	10.06	25.06	17.07	15.08	20.08	25.09	15.10	22.10	29.10	12.11	29.11	29.11	06.12	10.12	16.12	12.12	23.12	
extraordinary			extraordinary												extraordinary			

Remuneration of members of governing bodies

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 the 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 guidance 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 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.

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 PJSC TATNEFT Board of Directors' members 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 remuneration for the members of the Board of Directors is formed depending on fulfilment of the following key performance indicators:

- 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 performing the duties of the Chairman of the Committee of the Board of Directors;
- emuneration for performing the duties of the Chairman of the Committee of the Board of Directors.

In 2019, the total remuneration paid out to the members of the Company's Board of Directors amounted to 231 162 449,70 rubles, including the remuneration for participation in the work of the Management Board, salaries, bonuses and other types of remuneration. The compensations to members of the Company's Board of Directors amounted to 10 258 895,66 rubles.

Name of indicator	Rubles
Remuneration for participation in the work of the management body	115 558 159,00
Salary	16 595 433,38
Bonus	98 955 714,91
Commissions	0,00
Other types of remuneration	53 142,41
TOTAL	231 162 449,70
Compensation	10 258 895,66

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 its individual business units.

In 2019, the total remuneration paid out to the members of the Company's Management Board amounted to 214 854 636,56 rubles, including the remuneration for participation in the work of the Management Board, salaries, bonuses and other types of remuneration. The compensations to the members of the Company's Management Board amounted to 82 621,00 rubles

Name of indicator	Rubles
Remuneration for participation in the work of the management body	6 303 695,00
Salary	69 603 106,34
Bonus	122 311 250,40
Commissions	0,00
Other types of remuneration	16 636 584,82
TOTAL	214 854 636,56
Compensation	82 621,00

Note: The amount of the remuneration under the IFRS methodology is indicated in Note 26 «Related-party transactions» in the consolidated financial statements prepared in accordance with 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 the organization of efficient communications among 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, heads 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 keeping 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.

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.

CORPORATE SECRETARY

Damir Maratovich Gamirov

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 present, Deputy Head of the Office of the Corporate Secretary of PJSC TATNEFT

Share in the authorized capital of the Company, %	0,000028
Share of the Company's ordinary stocks owned by the person %	none

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 the 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 entities, and is carried out in accordance with a plan approved by the Board of Directors.

The scope areas of the internal audit in 2019:

- Current asset management.
- Procurement and standards of raw material balances of Tatneft-Neftekhim Management Company.
- Development of the regulations for sample audits in risk areas.
- Procurement management office of PJSC Bank ZENIT.
- Cost management of the super-viscous oil project.
- Crude oil metering by wells.
- Social asset management.
- Railway transportation of crude oil and petroleum products by Tatneft-Trans LLC.

When preparing the annual plan, the proposals received and risks identified 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, the system of internal control over the operational efficiency of processes, compliance with the legislation, property safety 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

Regulations 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 2019, 9 audits were conducted in accordance with the annual plan. In addition, on the instructions of the Company’s executive management, the internal audit department participated in unscheduled projects on various issues of financial and economic activity. Reports on the completed projects were sent to the Audit Committee and Executive Management of the Company. For all projects, the implementation of action plans is monitored.

The quality assessment of the internal audit function implemented by the Internal Audit Department of PJSC TATNEFT was successfully conducted. According to the results of the evaluation provided by the experts of CJSC Deloitte & Touche CIS, it was concluded that the management activities generally comply with the International Professional Standards of Internal Audit and the Code of Ethics of the Institute of Internal Auditors

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 2019 prepared in accordance with Russian and International Accounting Standards by the decision of the Annual General Meeting of Shareholders (Minutes No.29 dated June 25, 2019).

CONTROL INSPECTIONS

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Current Asset Management	- Analysis of warehouse inventories, measures for stock balances involvement. - Target indicators of current assets norms. Actual calculations of their achievement. - Management of receivables and payables. - Advance payments management.	- Conduct work with the inventory balance with the curators and customers. - Develop accounts payable management regulations. - Introduce tools to control the actual payment due dates regarding contractual obligations. - Update the Methodology for determining the indicators of accounts receivable turnover. - Expand the perimeter of corporate control in all major business areas (including Tire business). - The effect of eliminating these shortcomings may amount to RUB 200-300 million.	Activities are approved. Activities are being implemented.
Procurement and balance standards of raw materials of Tatneft-Neftekhim Management Company	- Results of the project "Development of the competitive procurement environment for the Tire complex of PJSC TATNEFT. - Optimum cost & quantity ratio of raw materials procured for the Tire manufacturing complex. - Efficiency of raw materials stock management.	- Monitor purchases of other tire companies using customs statistics. - Scientific & Technical Center Kama LLC, when carrying out test schedules for testing new types of raw materials and materials, must conduct a factor analysis of fulfillment of homologation deadlines, identification of delay causes and work on their reduction. - As part of the performance assessment, the Deputy Director of Logistics of Trading House KAMA for the reporting year must additionally establish a key performance indicator "The share of non-alternative purchases in the total volume of purchases of raw materials for the year". - Ensure a systematic approach to the analysis of the reasons for the occurrence of excess reserves of raw materials, determine the Tatneft-Neftekhim as a service responsible for performing a factor analysis of implementation of working capital standards based on the results of the next reporting period. - The effect of eliminating deficiencies can be up to RUB 250 million.	Activities are approved. Activities are being implemented.
Development of Regulations for sampling audits in risk areas	Consulting project. Objective of the project: - updating of Anti-Corruption Policy of the Company; - development of inspection regulations for risk areas and identification of indicators of negative events.	- Coordinate and approve the updated Anti-Corruption Policy and ensure the implementation of the anti-corruption activities described in the Anti-Corruption Policy. - According to the newly developed regulations, determine the responsible services for the audit and put the documents into action.	The Anti-Corruption Policy has been updated and transferred to the Economic Security, Information Protection, Civil Defense and Emergency Situations Department for approval by the Board of Directors of PJSC TATNEFT.
Procurement Department, Bank ZENIT PJSC	- Compliance with procurement procedures. - Compliance of procurement procedures with the best practices. - Ensuring transparency of the procurement process and creating conditions for competition. - Compliance of concluded contracts with procurement decisions. - Automation of the procurement process.	- The Bank's Internal Audit Service should include audits of the procurement process in annual plans. - Technical and commercial parts of offers must be submitted only through the electronic trading platform. - Include in the Regulations on contractual work the requirement of mandatory availability of justification (procurement decision) for concluding a contract. - To regulate the procedure for increasing volumes and changing the contract value without a new tender. - To strengthen control over compliance of the terms of the contract with the terms of the procurement decision. - The minimum effect of eliminating these shortcomings may be RUB 100-150 million.	Activities are approved. Activities are being implemented.
Cost Management of Super-Viscous Oil Production Project (SVO Project)	- Optimum procurement of materials, equipment and services by contractors under the turn-key construction contracts as part of SVO production project. - Compliance with scheduled construction deadlines of the infrastructure facilities in SVO fields. - Formation of the investment program for development of SVO fields.	- The contract template must include the terms for selection of subcontractors to perform works, services, including the obligation of contractors to conduct all tenders only with the use of the tender procedure of PJSC TATNEFT. - Approve schedules for works performance on the infrastructure facilities at the time of signing contracts. - Document all the cases of violation of contractual obligations by contractors as per the deadlines for construction and installation works and apply sanctions for violation of due dates of facilities construction. - Transfer of investment sources within the approved limits of the investment program and the calendar deadlines for implementation of the SVO project stage shall be carried out on the basis of a decision of the First Deputy General Director for Oil & Gas Exploration and Production in coordination with the Investment Department. - The effect of eliminating deficiencies can be up to RUB 180 million.	Activities are approved. Activities are being implemented.

Audited Item	Subject of Audit	Key Recommendations	Measures taken
Oil metering by wells	Oil metering process by wells (water cut data and data on the additional oil production resulting from well interventions)	- To develop and approve a methodology that excludes calculations of additional oil production from inefficient well interventions on injection wells. - The concerned departments must increase the number of inspections conducted, water cut data of well products (conduct monthly). In the event that, based on the results of inspections, it is revealed that there is a distortion of data on water cut of well products, apply disciplinary measures to employees who have committed violations. - Based on the results of data reliability checks on water cut of well products, analyze and develop action plans to prevent data distortion.	Activities are approved. Activities are being implemented.
Social assets management	- Centralization of the social assets management. - Cost optimization. - Quality of services and service provision. - Marketing, pricing policy. - Customer satisfaction, feedback and improvement.	- Set a strategic objective to make profitable certain areas of the Complex of Social facilities. - Reduce the structure of supported social assets based on the outlook analysis. - Establish the management accounting and monitoring of key performance indicators - Carry out factor analysis of changes in revenue and facility loading indicators. - Unify approaches to services pricing and loyalty programs, create a unified catalog of prices for services. - Develop sales channels, establish rates of commission fees of agencies taking into account their interest in promoting TATNEFT facilities. - Introduce customer-oriented thinking, begin practical implementation of quality management principles.	Activities are approved. Activities are being implemented.
Railway Transportation of crude oil and petroleum products by Tatneft-Trans LLC	- Supervision of financial and economic activities of TN-Trans LLC by curators. - Fulfillment of requirements on provision of railway operation and organization of railway trains traffic on private rail lines of TANECO JSC. - Coordination of TN-Trans and JSC TANECO services in the process of oil products shipment. - Fulfillment of industrial and workplace safety requirements by TN-Trans employees and their subcontractors.	- Organize the management accounting of reasons of railway wagons bunching on railway lines and identify the party guilty of excess downtime. - Analyze the option of shunting out of loaded wagons without shipping details for paid storage in sidings on public railways of Russian Railways JSC. - Bring the contractor agreements in line with the corporate requirements. - Organize the implementation of procedure requirements for testing staff knowledge of contractors on industrial and workplace safety.	Industrial safety & workplace safety activities are approved. Activities are being implemented. The action plan to address remaining issues is being developed.
Works with idle well stock	- Investments in well intervention services for idle wells. - Efficiency of using different well categories.	- Ensure the implementation of regulatory documents establishing the requirements for wells included in the environmental program. - When tripping a pump c/w packer (in production wells) and packer (in injection wells), according to the results of unsuccessful isolating works, consider the repair to be technologically unsuccessful and reflect this fact in the act of well acceptance after the repair. - Regulate the procedure for preventive maintenance on injection wells, taking into account a working agent, injection volume, operating time, category, condition and internal coating of the tubing.	Activities are approved. Activities are being implemented.

Revision Commission

On June 21, 2019, the following composition of the Revision Commission was elected at the Annual General Meeting of Shareholders of PJSC TATNEFT for the reporting corporate year:

CHAIRPERSON

Nazilya Rafisovna Farkhutdinova

- Year of birth: 1963
- In 1985, graduated from Kazan Financial and Economic Institute
- From 2010 to present, Deputy Director for Economics and Finance of TagraS-RemService LLC

MEMBERS OF THE REVISION COMMISSION

Liliya Rafaelovna Rakhimzyanova

- Year of birth: 1967
- In 1988, graduated from Kazan Financial and Economic Institute
- From 2010 to August 2012, Head of the Oil and Gas Production Section of the Hydrocarbons Department of the Ministry of Energy of the Republic of Tatarstan
- From August 2012, Head of the Oil Production and Refining Department of the Ministry of Industry and Trade of the Republic of Tatarstan

Azat Damirovich Galeev

- 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 the Investment Department at NGDU Aznakayevskneft 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 the Investment Projects Analysis Office of the Investment Department
- **since June 21, 2019

Ksenia Gennadievna Borzunova

- Year of birth: 1980
- In 2003, graduated from Kazan State Financial and Economic Institute
- From 2006 to present, Head of the Economics Department of the Ministry of Land and Property Relations of the Republic of Tatarstan

Venera Gibadullova Kuzmina

- Year of birth: 1946
- In 1972, graduated from Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin
- From 2002 to 2014, Economist at NIS OJSC TATNEFT
- From 2014 to present, Veteran of labor

Guzal Rafisovna Gilfanova

- 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

Salavat Galiaskarovich Zalyaev

- Year of birth: 1975
- In 1999, graduated from Moscow Military Institute of the Federal Border Service of the Russian Federation
- From 2002 to present, Leading Legal Counsel of the Corporate and Legal Section of the Legal Department in PJSC TATNEFT

Ravil Anasovich Sharifullin

- 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 the Control and Auditing Department of PJSC TATNEFT

Sariya Kashibulkhakova Yusupova

- Year of birth: 1965
- In 1986, graduated from Kazan Financial and Economic Institute
- From 1991, Deputy Head of the Economic Analysis Department of the Ministry of Finance of the Republic of Tatarstan

During the work of the Revision Commission of the Company in 2020, the reliability of the data contained in the annual accounting (financial) statements and the Annual Report of the Company for 2019, and the data contained in the Report on interested-party transactions concluded by PJSC TATNEFT in 2019. The findings of the Revision Commission are communicated to the Annual General Meeting of Shareholders.

Changes occurred in the composition of the Revision Commission

By the decision of the Annual General Meeting of Shareholders (Minutes No. 29 dated June 25, 2019), the powers of the member of the Revision Commission of PJSC Tatneft R.R.Gizatova were terminated, and A.D. Galeev was elected to the 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". 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.

Remuneration of the Revision Commission members

In 2019, the total amount of remuneration to the members of the Company's Revision Commission amounted to RUB 15 582 458,19, including remuneration for participation in the work of the Revision Commission, wages, bonuses and other types of remuneration. Compensation to the members of the Company's Revision Commission amounted to RUB 0.00.

Name of indicator	RUB
Remuneration for participation in the work of the control body	2 784 625,46
Salary	4 306 060,00
Awards	8 358 906,79
Other types of rewards	132 865,94
TOTAL	15 582 458,19
Compensation	0,00

Risk management and internal control

Risk management is the process carried out by the Board of Directors, CEO, Managing Board, management and other employees, affecting all the Company’s activities, starting from the development of its strategy, and is aimed at identifying events that may affect the Company and managing the risk associated with these events, as well as ensuring that risk appetite is not exceeded and that a reasonable guarantee for achieving the Company’s goals is provided.

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.

In 2019, the internal document «Company Policy of Risk Management and Internal Control» was developed (approved by the Board of Directors in 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 labor 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 labor protection, industrial safety, regulatory documents on environmental impact, as well as information and cyber security, personal data protection.

Risk management is aimed at identifying, assessing and monitoring all significant risks, as well as taking measures to reduce the level of risks that may have a negative impact on the current results of activities and long-term work.

The opportunities offered by the risk management process help the management to achieve profitability and efficiency targets, as well as to prevent irrational waste of resources.

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 being constantly improved to ensure prompt response to such processes.

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 help the management to achieve profitability and efficiency targets, as well as to prevent irrational waste of resources.

Risk management allows the management to effectively operate under conditions of uncertainty and associated risks and to use opportunities increasing the potential for the Company’s value growth.

The Company uses the three line protection model.

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. • 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 the RMICS performance and reliability.
Operational level of rmics management	• Director General of PJSC TATNEFT • Management Board of PJSC TATNEFT • Corporate Governance Committee of the Board of Directors, the Company’s Management • 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. • The Company’s employees	• Formation and maintenance of a control environment that contributes to the effective functioning of the RMICS. • 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. • Constant participation in the control environment of the RMICS, in the identification and assessment of risks, development and implementation of risk management measures, control procedures, and implementation of programs to improve the RMICS.
Independent monitoring and assessment of the RMICS effectiveness	• Revision Commission of JSC TATNEFT • The internal audit service of JSC TATNEFT	• Control of the financial and economic activities of the Company. • Provision of an independent assessment of the RMICS reliability and effectiveness at the corporate and business process level.

The key principle of the risk management system is a precautionary principle	The principal approach of the Company 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.
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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 the activities

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.

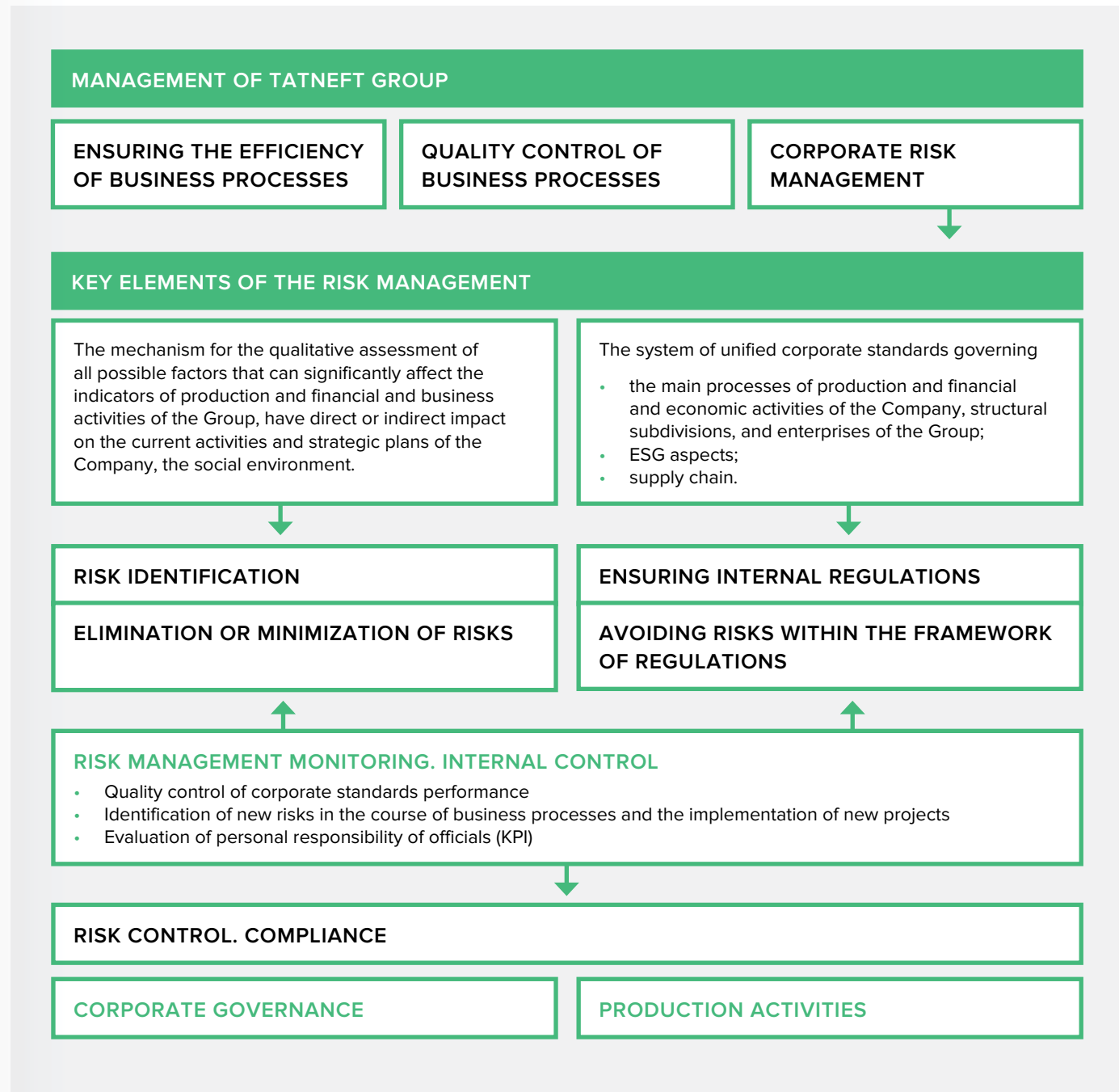
- External factors: market, industry, socio-economic, political, financial, market and other conditions of the Company and its subsidiaries and affiliates.
- Internal corporate factors: managerial, production, personnel, social, environmental and others.

The Company uses software forecasting 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.

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 and internal control 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 PROMPT 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 an effective financial reporting process, as well as compliance with laws and regulations, to avoid damage to the Company's reputation and related consequences.

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.

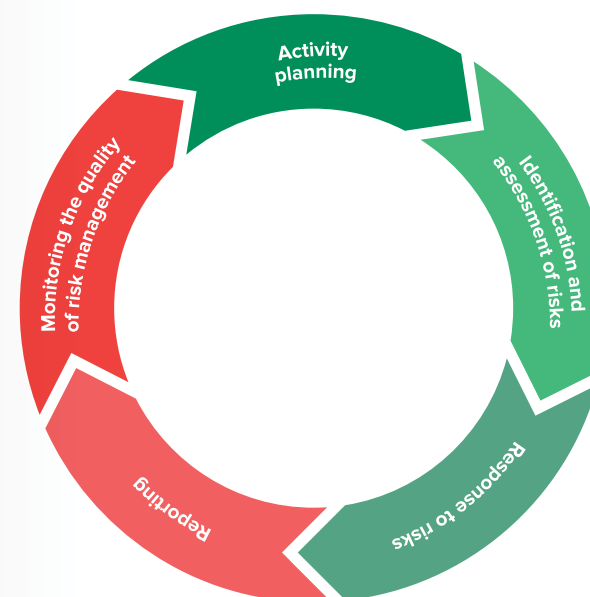
Risk management system infrastructure

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.

Protection of insider information procedures and regulations

PJSC TATNEFT, the securities of which are traded on organized markets not only in Russia but also in the UK, pays special attention to measures aimed at preventing and controlling inadmissibility of misuse of 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 of the Council “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 insider information within the Company;
- access to insider information;
- disclosure of 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 “On Market Abuse”, 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 international best practices, insiders who are not members of the Company’s governing 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. The Company’s website contains the Insider Calendar.

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.

D.M. Gamirov was appointed the Chairman of the Committee for Insider Information Protection by the Decision of the Committee (Minutes No. 1/2018 dated April 16, 2018).

The Insider Information Protection Committee

CHAIRMAN

Damir Maratovich Gamirov — Acting Corporate Secretary — Deputy Head of the Office of the Corporate Secretary, the responsible person for monitoring compliance with the Law on Countering the Misuse of Insider Information.

COMMITTEE MEMBERS

- **Alexey Petrovich Bepalov** — Head of the Corporate Technical Policy Department of PJSC TATNEFT
- **Petr Andreevich Glushkov** — Advisor to the General Director for International Legal Issues of PJSC TATNEFT
- **Vasili Aleksandrovich Mozgovoi** — Assistant to the Director General for Corporate Finance of PJSC TATNEFT
- **Ildar Asylgaraevich Rakhmatullin** — Head of the Internal Audit Department of PJSC TATNEFT
- **Rifdar Rifkatovich Khamadyarov** — Deputy Chairman of Trade-Union Committee of PJSC TATNEFT

The list of insiders of PJSC TATNEFT is updated upon inclusion or exclusion of insiders of the Company from it. As of December 31, 2018, the list of insiders of PJSC TATNEFT included 13 legal entities and 249 individuals. During 2019, 33 individuals were included in the list of insiders, eight individuals were excluded. Notifications on the inclusion of persons in the list/ on the exclusion of persons from the list of insiders of PJSC TATNEFT are timely sent to insiders of the Company. During 2019, 41 notifications were sent to Company insiders.

In accordance with the requests of the trade organizer (Moscow Exchange PJSC) to transfer the list of insiders to it, Tatneft in 2019 transferred 5 lists of insiders to the trade organizer as of the dates indicated in the requests.

Information policy

Information disclosure

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 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

Transparency of financial statements is one of the key elements of the corporate governance.

The Company has published the audited RAS annual accounting statements for 2018 on March 27, 2019, and audited IFRS consolidated annual financial statements for 2018 on March 29, 2019.

The Company has published the audited RAS annual accounting statements for 2019 on March 27, 2020, and audited IFRS consolidated annual financial statements for 2019 on March 31, 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 ITS ACTIVITY AND AVOIDS THE FORMAL APPROACH TO INFORMATION DISCLOSURE.

199

PRESS RELEASES
PUBLISHED ON
THE COMPANY
OFFICIAL SITE

115

MESSAGES DISCLOSED
IN INFORMATION AGENCY
«SCREEN»

NOTICE ON DISCLOSURE OF INFORMATION SUBJECT TO MANDATORY DISCLOSURE

	Content of the information disclosed in information agency Screen	Quantity
1	Notice of Disclosure of the List of Affiliated Entities Owned by the Joint Stock Company on the Web Site	4
2	Notice of Essential Fact "Holding the issuer's Board of Directors' Meeting (Supervisory Board) and its agenda"	15
3	Notice On the Access Procedure to the Information Contained in the Quarterly Statement.	4
4	Notice on the Essential Fact "Certain Decisions Made by the Issuer's Board of Directors (Supervisory Board)"	15
5	Notice on the Essential Fact "Convening and Holding the General Meeting of the Issuer's Participants (shareholders)"	3
6	Notice on the Essential Fact "The Date on Which Persons Entitled to Exercise the Rights on Issued Securities Are Determined"	6
7	Notification of a Essential fact on information forwarded or provided by the issuer to the relevant authority (relevant organization) of a foreign country, to foreign stock exchange and (or) other organizations in compliance with foreign law for the purpose of their disclosure or forwarding to foreign investors in connection with the placement or circulation of the issuer's securities outside the Russian Federation	2
8	Notice on Disclosure of the Annual Accounting Statement of the Joint Stock Company on The Web Site	1
9	Notice of the essential fact on the issuer's disclosure of consolidated financial statements as well as on providing an audit report prepared for such statements	1
10	Notice on the access procedure to the insider information contained in the issuer's document (disclosure of the Joint Stock Company's interim accounting report on the Web Site).	3
11	Notice on the issuer's disclosure on the Web Site of the interim (quarterly) consolidated financial statements prepared in compliance with the International Financial Reporting Standards	3
12	Notice On the Essential Fact "Other Notice"	1
13	Notice on the essential fact "Holding the general meeting of participants (shareholders) of the issuer and the decisions made"	3
14	Notice on the essential fact "Accrued Income on Equity Securities"	4
15	Notice on the Access Procedure to the Information Contained In the Annual Report	1
16	Notice on the Essential Fact "Rating Change or Rating Assignment to the Issuer by a Rating Agency Based on the Signed Agreement"	1
17	Notice on the essential fact "Paid Income on the Issuer's Equity Securities"	3
18	Notice on the essential fact "The Non-Arm's Length Transaction Completed by the Issuer"	1
20	Notice on the Essential Fact "Adopting a Decision About Restructuring by Organization Controlled by the Issuer Which is of the Vital Importance to the Issuer"	2
21	Notice of the Essential Fact "Making Entries Into the Unified Legal Entities State Register about Reorganization, Termination of Business or Liquidation of Organization that Controls the Issuer, Organization Under Control to the Issuer that is of a Major Importance to the Issuer or of an Entity That Provided Security for the Bonds of this Issuer"	4
22.	Notice of the Essential Fact "change in the share size of a member of the issuer's management body in the issuer's authorized capital	1
23	Notice of the Essential Fact "Changing (Adjusting) the Information Contained in a Previously Published News Feed"	1
24	Notice of the Essential Fact "Stages of the Issuer's Securities Issuance Procedure»:	
	• Making a decision on approval of the bond program;	1
	• Assignment of identification number to the stock exchange program or commercial bond program;	1
	• Assignment of identification number to the issuance (additional issuance).	1
25	Notice of the Essential Fact "acquisition by a joint-stock company of more than 20 percent of the voting shares of another joint-stock company"	1
26	Notice of the Essential Fact "Obtaining by the Issuer the Right to Dispose of a Certain Number of Votes Attributable to Voting Shares (Stakes) Constituting the Authorized Capital of Individual Organization	1
27	Notice of the Essential Fact "Information that, in the issuer's opinion, has a significant impact on the value of its equity securities"	2
28	Notice of the Essential Fact about approval of a document containing the terms of a separate issue of bonds placed under the bond program	1
29	Notification of the procedure to access insider information contained in the issuer's document	
	• The program of exchange-traded bonds (001P series of PJSC TATNEFT named after V.D. Shashin) for documentary interest-bearing and/or discounted non-convertible to the bearer with mandatory centralized storage	1
	• Prospectus of securities of PJSC TATNEFT named after V.D. Shashin. Identification number of the Program of exchange-traded bonds (001P series of PJSC TATNEFT named after V.D. Shashin 4-00161-A-001R-02E dated December 09, 2019) of documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage.	1
	• The terms of issuing exchange-traded bonds under the Program of exchange-traded bonds (of 001P series of PJSC TATNEFT named after V.D. Shashin) of documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage.	1
30	Publication of the Securities Program 4-00161-A-001R-02E of December 9, 2019, and the Bonds Program 4-00161-A-001R-02E of December 9, 2012	1

	Content of the information disclosed in information agency Screen	Quantity
	Publication of the Terms and Conditions of Issuing the Exchange-Traded Bonds (Series 001P of PJSC Tatneft V.D. Shashin.) under the Program of Exchange-Traded Bonds of Documentary Interest Bearing and/or Discount Non-Convertible to the Bearer with Mandatory Centralized Storage	1
31	Information on the placement (securities placement commencement and completion)	1
32	Notice of the Essential Fact "Inclusion of the Issuer's Equity Securities In the List of Securities Admitted to the Organized Trading by the Russian Securities Trade Market Operator.	1
33	Notice of the essential fact "Completion of the Securities Placement"	1
22	Publication of the 2018 annual consolidated financial reporting in accordance with IFRS.	1
23	Publication of the three-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	1
24	Publication of the six-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	1
25	Publication of the nine-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	1
26	Publication of the list of Affiliated Entities owned by PJCS Tatneft n.a. V.D. Shashin	4
27	Publication of Quarterly Report of PJCS Tatneft n.a. V.D. Shashin	4
28	Publication of Annual Report of PJCS Tatneft n.a. V.D. Shashin	1
29	Publication of the integrated report of PJSC TATNEFT named after V.D. Shashin	1
30	Articles of Association	1
31	Internal documents governing the activities of the Management and Control Bodies of the Company	5

INFORMATION ON VOLUNTARY DISCLOSURES

	Name	Quantity
1	Information on decisions made by the Board of Directors (in the form of a press release)	15
2	Presentations for investors - Forecast of operating results for 2018 and plans for 2019 - Review of IFRS results for 3Q / 9 months of 2018 - Operating activities, results of 2018, plans for 2019. - IFRS results for the 1st Q of 2019	3
3	IFRS messages (statements) (in the form of a press release)	4
4	Production performance of the Company (in the form of a press release)	11
5	Recommendations of the Board of Directors on the payment of dividends (in the form of a press release)	3
6	Announcement of the Annual General Meeting (in the form of a press release)	1
7	Announcement of the PJSC TATNEFT workers' collective conference	1
8	News (in the form of a press release)	155

Prevention and Regulation of potential Conflicts of Interest

The Board of Directors applies procedures aimed at preventing and managing conflicts of interest. The Company provides disclosure of information about conflicts of interest in case of their occurrence.

The Company follows the conviction that one of the most important conditions for sustainable development is the existence of internal corporate measures to counteract a conflict of interests, based on strict observance of the requirements of the legislation in this area and generally accepted international corporate practice.

The Company adheres to the following principles of:

- complete rejection of a conflict of interest;
- mandatory disclosure of information about real or potential conflict of interest;
- individuality of consideration and assessment of reputational risks for the Company in identifying each conflict of interest and its settlement;
- confidentiality of conflict of interest disclosure process and its settlement process;
- maintaining a balance of interests of the Company and the employee when resolving a conflict of interest;
- protection of an employee from prosecution in connection with a report of a conflict of interest that was timely disclosed by the employee and settled (prevented) by the Company, including the unlawful dismissal of the employee, infringement of the rights and legitimate interests of the employee in the performance of official duties.

The corporate governance system of the Company includes a set 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 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 Office of the Corporate Secretary 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 for taking all the necessary and possible measures for its full regulation, as well as creating conditions that preclude conflict in the future.

The Regulation on Settlement of Conflict of Interest establishes the procedure for identifying and resolving conflicts of interest arising from employees of the Company in the course of fulfilling their labor duties; the formation among the employees of the Company, subsidiaries and affiliates, shareholders, investors, counterparties, representatives of state and municipal bodies, other interested parties of a single representation on the merits of a conflict of interest. The Regulation applies to all persons who are employees of the Company, regardless of their position and functions, as well as to individuals on the basis of civil law contracts concluded with the Company, in cases where the respective duties are expressly fixed in agreements with them or directly derive from the law.

In 2019, the Company approved an internal document — the Regulation on Settlement of Conflict of Interest.

Shareholders

In order to prevent possible 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/official duties, including the objective decision-making within the framework of official duties, 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.

The Company has established the Conflict of Interest Settlement Commission, which is a permanent body. Also, conflict of interest settlement is included in the tasks of the Ethics and Corporate Culture Development Committee of the Company and Ethics Commissions in structural divisions.

Anti-corruption policy

Company policy against corruption and fraud. Approved documents

The Anti-corruption Policy Standard applies to all areas of the Company's activities.

The Company has enacted the Anti-corruption Policy adopted by the Board of Directors of PJSC TATNEFT in 2014 (Minutes No. 3 dated July 25, 2014). In addition, the appropriate corporate standard has been approved, setting out the basic principles aimed at preventing corruption.

In its 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.

Existence of the Company's public stance on anti-corruption

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 position in the field of anti-corruption is public.

Setting the responsibility for implementation of Company's anti-corruption policy

Responsibility for the implementation of the anti-corruption policy of the Company lies with the Economic Security, 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 organizations of TATNEFT Group.

Principles, rules, procedures aimed to prevent corruption in all aspects of the company activities

ANTI-CORRUPTION AND PROHIBITION OF CORRUPTION

The activities of the Company 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, 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.

PRINCIPLE OF DUE DILIGENCE

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.

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.

PROTECTING THE INTERESTS OF WORKERS

No sanctions can be applied to an employee for:

- refusal to participate in corruption activities, even if as a result of such refusal the Company incurred losses, lost profits, and commercial and / or competitive advantages were not obtained;
- bona fide reporting of alleged violations, facts of corruption, other abuses or insufficient effectiveness of existing control procedures.

If an employee of the Company or another person provides information that is knowingly false or is trying, using anti-corruption procedures, to obtain personal gain that is contrary to the interests of the Company or applicable law, then such a person may be held liable in accordance with the current legislation and local regulatory documents of the Company.

Responsibility

Responsibility for implementation of the Company’s Anti-corruption policy and combating corruption in all areas of the Company’s business is provided by the Economic Security, Information Protection, Civil Defense and Emergency Situations Department of PJSC TATNEFT.

All employees, regardless of their position, are liable under the current legislation of the Russian Federation for compliance with the principles and requirements of the Anti-Corruption Policy, as well as for actions (inaction) of their subordinates who violate these principles and requirements. Persons responsible for violations of the requirements of the Anti-Corruption Policy may be brought to disciplinary, administrative, civil or criminal liability on the initiative of the Company, law enforcement agencies or other persons in the manner and on the grounds provided for by the legislation of the Russian Federation, the Articles of Association of the Company, local regulations and employment contracts.

Results of the anti-corruption programs implementation for the period of 2017-2019

Continuous efforts to combat corruption in PJSC TATNEFT allowed to minimize corruption cases.

As a result of continuous activity to identify risks associated with corruption, 30% of divisions were selectively analyzed. No significant risks were identified.

Confirmed incidents of corruption and actions taken in 2019:

- Total number and nature of confirmed cases of corruption - 1;
- Total number of confirmed cases of dismissal or punishment of employees because of corruption - 2;
- Number of confirmed cases of non-renewal or termination of contracts with business partners due to violations related to corruption - 0;
- Information on legal cases related to corruption and initiated cases against the organization or its employees during the reporting period, as well as the outcome of such cases – a criminal case is being currently investigated in respect of two fuel station operators of Tatneft-AZS-Zapad LLC, which are suspected of application fraud using electronic means of payment (Article 159 of the Criminal Code of the Russian Federation). For both suspects the court has chosen a preventive measure in the form of a recognizance not to leave.

Employees of the Company, including employees of the Economic Security, Information Protection, Civil Defense and Emergencies Department, adhere to fundamental principles in the field of Human Rights. Human Rights Aspects Included in Company Personnel Development Programs.

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.

Informing and personnel training on anti-corruption methods

Informing using the Internet is carried out 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 counteracting involvement in corruption. Availability of the regulatory framework contributes to formation of employee behavior rules and counteracts their involvement in corrupt activities.

In 2019, 11 security officers were trained in programs that included areas for preventing and combating the corporate corruption.

Procurement and Logistics

Trading & Procurement Platform of Company

The Company’s trading and procurement platform provides a unified trading system for all the TATNEFT Group companies, service and contracting organizations, being the only free platform for participation in competitive procedures in the Russian Federation. The Company conducts electronic tenders in an open form on an anonymous description of the properties of the goods. This feature allows to create an active competitive environment during each purchase.

In order to control the procurement transparency on the trading platform, there is a module for controlling the timing and effectiveness of the procurement process in accordance with the regulated indicators, a supplier audit module, and a counterparty verification module until the contract conclusion stage. Optimization of the terms of competitive procedures was achieved with the transition to one-stage tenders.

Registered participants of the Trading and procurement platform — 45 thousand contractors (existing suppliers), of which 7.5 thousand suppliers were registered in 2019, and more than 8 thousand suppliers participated in tenders for the supply of goods. In 2019, 58 thousand competitive offers were received at the site.

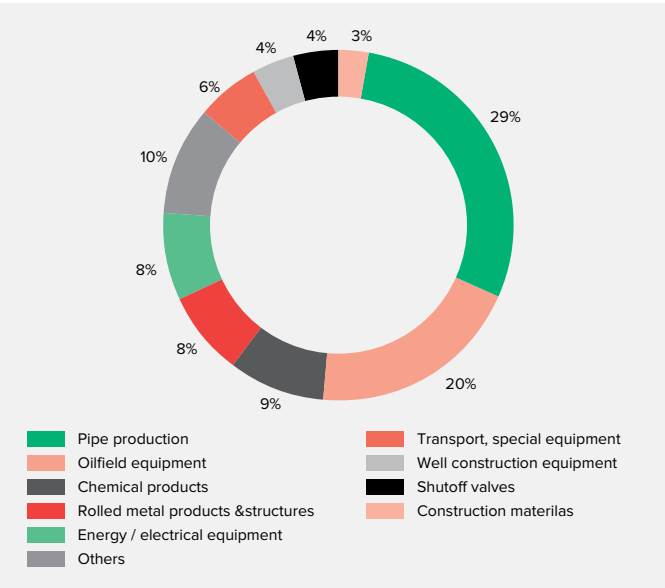
IN THE 10 YEARS SINCE ESTABLISHMENT OF THE TATNEFT TRADING & PROCUREMENT PLATFORM, THE OPERATORS HAVE CONDUCTED MORE THAN 117,000 ELECTRONIC TRADING PROCEDURES FOR OVER 150 PURCHASING ORGANIZATIONS, THE BUSINESS TURNOVER EXCEEDED RUB 460 BILLION.

Procurement activities

In 2019, the Company concluded 11,808 contracts and specifications with 1,041 suppliers for RUB 36.9 billion (excluding VAT). 48% of all the orders were placed at enterprises of the Republic of Tatarstan, import contracts amounted to 0.5%. The low proportion of import contracts indicates a firm reduction of the Company’s import dependence. The bulk of the procurement structure is a supply on price books: framework and long-term contracts. Today, there are more than 900 price books that cover about 150 thousand items and on which 81% of the total volume of purchases were purchased in 2019 (for 2018 - 78%).

As part of the improvement of the procurement system, the Company implements categorization tools for purchasing, delegating authority and personalizing responsibility. The Company created and published a library of technical requirements and conditions for goods; the parametric classifier is used to systematize the selection of analogues of goods from stocks in the Electronic Store. There is a mechanism of «reorder points» - the creation of stocks of goods at regularly consumed and critical positions. A process approach to the procedure for concluding contracts was introduced; an optimal framework was established for the time for concluding contracts with suppliers. To control contract work, the task setting tool is actively used in the Tatneft Corporate Social Network. Logistics of direct deliveries is developed from a supplier to a customer.

PROCUREMENT STRUCTURE



USE OF MATERIALS, TONNES

Carton Packaging Material	Wood Packaging Mateial	Total Packaging Wastes	Completely recycled waste from packaging materials
1,4	5,0	6,4	1,4

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, labor protection, quality of products and services, other issues, including those of corruption nature – Hotline.

Calls are received by an independent operator. All messages are checked.

There is an option of an electronic form submission on the Company's website at tatneft.ru/goryachaya-liniya with a choice of the message subject.

When sending a message on the hot line, you can choose to receive feedback.

The main topics of inquiries: labor issues and wages, tender procedures, proposals for improvement, requests for assistance to veterans and employees, signals of possible violations and abuses. Each inquiry was considered with adoption of appropriate measures, including those aimed at reducing the risks of violations in production and economic activity, as well as at increasing labor discipline and employee responsibility. Additional control measures have been introduced to prevent previously identified violations in the future.

HOTLINE INFORMATION SYSTEM

8 800 100 4112

tn@88001004112.ru

TELEPHONE

E-MAIL

Corporate cyber security policy

Provision of cyber security is a zone of increased attention of the top management of the Company.

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.

PLANS FOR 2020

- Updating the internal regulations on the Cyber security for TATNEFT Group
- Improving the Cyber risk control procedures
- Development of cyber security elements integration in the business processes

Corporate Cyber Security Operations Center

KEY ELEMENTS OF CYBER SECURITY			
Blockchain	Artificial intelligence and robotics	Biometrics	Internet of Things

Personal Data Protection

The Company ensures the protection of personal data 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.

Interaction with shareholders and investors

192,3 BLN
RUB

**GROUP'S SHAREHOLDER
RETURN IN 2019**



7 902

SECURITIES PUBLICATIONS
IN FEDERAL MASS MEDIA IN 2019

1 183

PUBLICATIONS ON COMPANY'S FINANCIAL
PERFORMANCE IN FEDERAL MASS MEDIA
IN 2019

by SCAN Interfax data

Shareholders’ equity

Shareholders’ capital of PJSC Tatneft is 2 326 199 200 rubles.

Securities of PJSC TATNEFT named after V.D. Shashin have been represented on the Russian and international stock markets for over 20 years including the Moscow and London stock exchange.

Ensuring the confidence for shareholders and investors in the efficiency of their investments, long-term and steady growth in shareholder value is a key aspect of the corporate practice of Tatneft Company.

The geography of shareholders covers the Russia (the major part of shareholders), North America, Europe and Asia. The Company’s shares are one of the most liquid and representative tools in the securities market.

Ordinary and preferred shares in the quotation list of the First level participate in trading of the PJCS Moscow Exchange. The 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 listed on the London Stock Exchange and are traded in the Xetra system of the Deutsche Börse group of companies

AS OF DECEMBER 31, 2019, 40,392 SHAREHOLDERS WERE REGISTERED IN THE REGISTER OF SHAREHOLDERS OF PJSC TATNEFT. OF THESE, THE LARGEST OWNERS (NOMINAL HOLDERS) OF SHARES IN THE COMPANY ARE:

N°	Full name of legal entity	Type of registered person	In % of the authorized capital	In % of voting (ordinary) shares
1.	Svyazinvestneftekhim Joint Stock Company	Owner, is in the nominal holding of Joint Stock Company, Central Depository of the Republic of Tatarstan	27,232389	29,071778
2.	The Bank of New York Mellon	Depository Programs Account is located in the central depository Non-bank Credit Organization, National Settlement Depository Joint Stock Company	22,740282	24,279916

The Company has no information on the existence of shares of ownership in excess of 5%, other than those disclosed in this table.

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	Certificated exchange-traded bonds in bearer form
Quantity issued, pcs	2 178 690 700	147 508 500	15 000 000
Par value of one (1) security (in rubles)	1 ruble	1 ruble	1 000 rubles
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 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 does not have any information about the possible acquisition by certain shareholders of the degree of control disproportionate to their participation in the authorized capital of the Company, including on the basis of shareholder agreements or by other means.

TOTAL NUMBER OF SHARES, OF THEM:2 326 199 200

ORDINARY SHARES

Total	2 178 690 700
In possession of foreign persons	605 300*
In possession of Russian persons	2 178 085 400

PREFERRED SHARES

Total	147 508 500
In possession of foreign persons	104 119*
In possession of Russian persons	147 404 381

* without ownership through Russian nominees

Investment potential of the securities

PJSC TATNEFT Securities have been circulating in the Russian and international stock markets for more than 20 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.

ADR

FTSE Russia IOB, MSCI Russia ADR / GDR Index, S & P / BNY Mellon Russia Select DR Index, MVIS Russia Index.

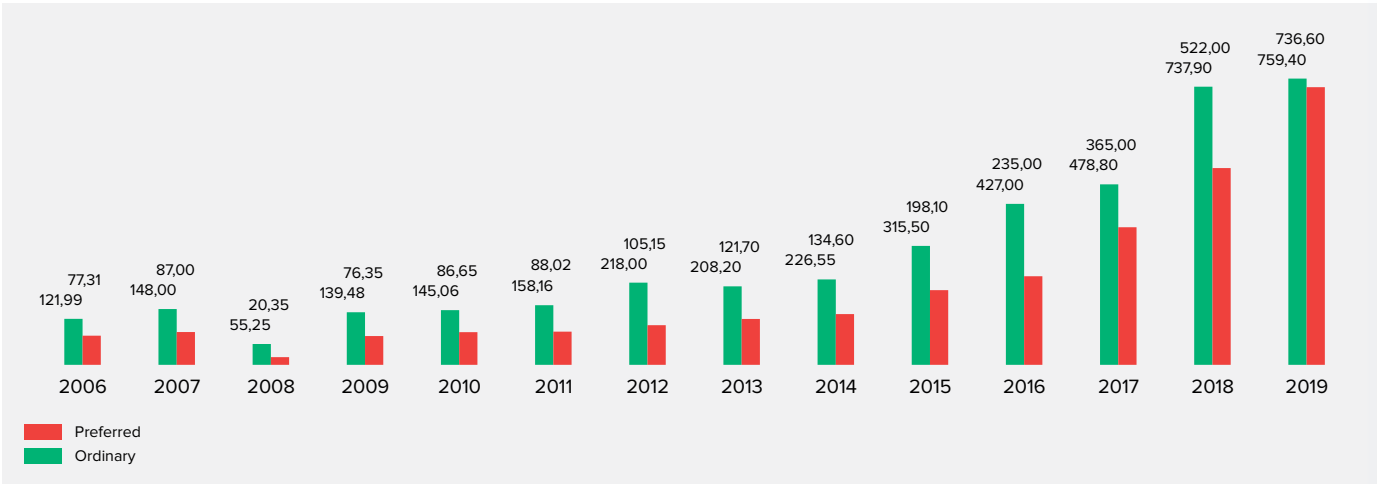
The total trading volume of ordinary shares during the main trading amounted to 307 176 855 623 rubles; the average daily volume - 1 218 955 776 rubles.

The volume of over-the-counter transactions with ordinary shares amounted to 34 712 149 462 rubles; the average daily turnover - 139 968 345 rubles.

The total trading volume of ordinary shares through the Moscow Exchange, taking into account over-the-counter transactions, amounted to 341 889 005 085 rubles.

The total trading volume of preferred shares during the main trading amounted to 75 129 332 299 rubles; the average daily volume - 298 132 271 rubles.

VALUE OF SHARES (PREFERRED, ORDINARY) OF PJSC TATNEFT FOR THE PERIOD OF 2006 THROUGH 2019



Closing price on the last day of the trading year

Dividend policy

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 01/30/2018). 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

The volume of over-the-counter transactions with preferred shares amounted to 21 473 696 650 rubles; the average daily turnover - 86 587 486 rubles.

The total trading volume of preferred shares through the Moscow Exchange, taking into account over-the-counter transactions, amounted to 96 603 028 949 rubles

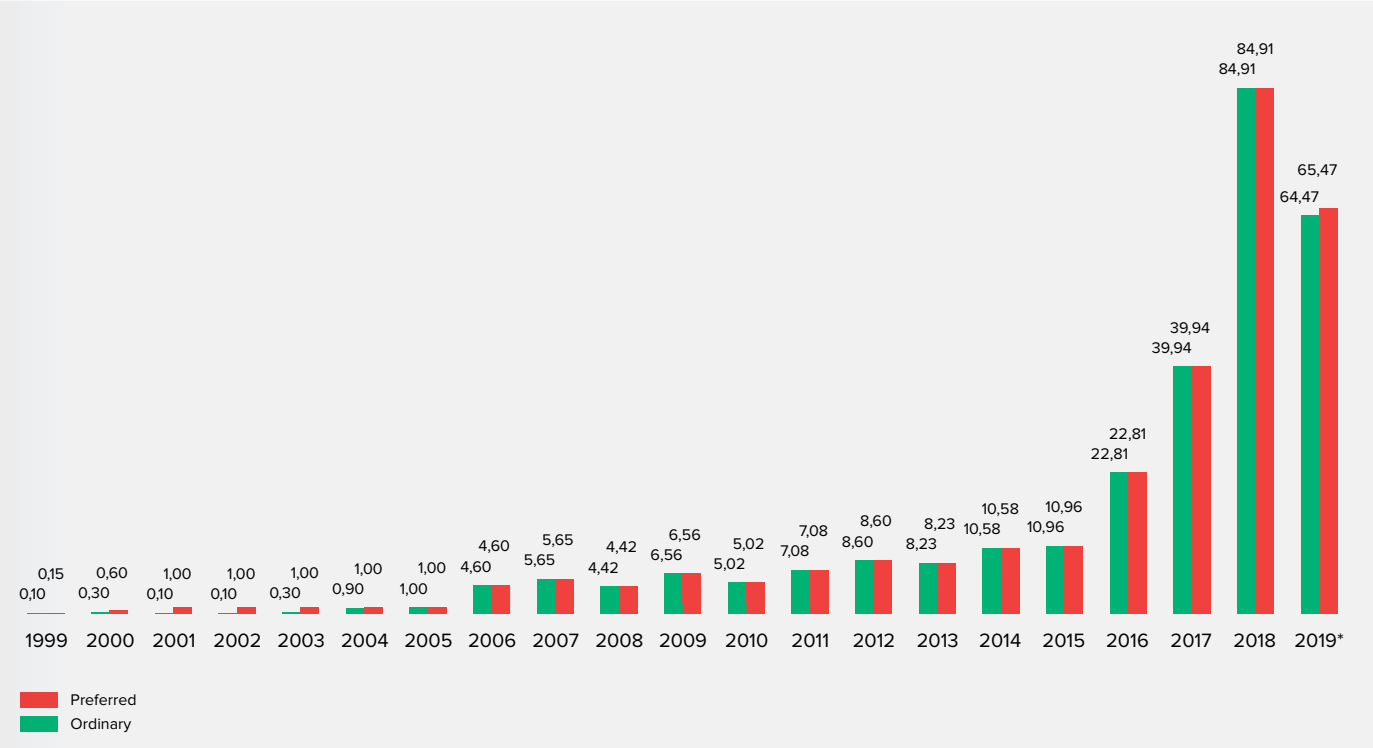
The volume of the main exchange trading on Tatneft's ADRs amounted to 2 765 099 469 US dollars (average daily turnover – 10 929 246,91 US dollars); including over-the-counter transactions and other transactions through the London Stock Exchange, the total trading volume amounted to 3 118 532 418 US dollars or 12 277 686,68 US dollars per day.

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.

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 dividend

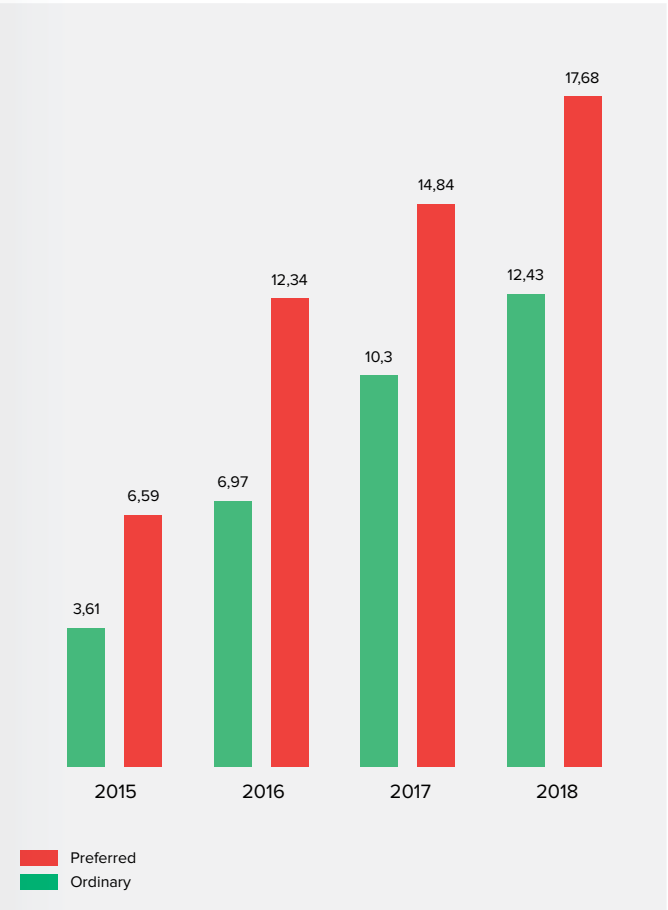
In June 2019, dividends were approved at the level of 100% of net profit according to IFRS (by 2018 year-end results), and according to the results of 6 and 9 months of 2019, the level of dividend payments amounted to 100% of net profit per RAS.

DIVIDENDS PER SHARE, RUB.



* with the dividends recommended for approval by the annual general shareholders' meeting

DIVIDEND YIELD ON SHARES FOR 2015 TO 2018 (PREFERRED, ORDINARY)



According to the 2019 year-end results, it was recommended to allocate 150 billion 118 million rubles to pay dividends which is 96,2% of the net profit obtained per RAS (with the rounding to two decimal places after the comma of the dividend per share). With that, the amount of dividends was secured by the amount of free cash flow across the Tatneft Group, which amounted to 152,8 billion rubles according to IFRS reporting.

As such, the amount of dividends is to amount:

- per 1 ordinary share for 2019 – 6 447% of the par value or 64,47 rubles per share, taking into account previously paid dividends;
- per 1 preferred share for 2019 – 6 547% of the par value or 65,47 rubles per share, taking into account previously paid dividends.

Considering the fact that according to the decision of the general meetings of shareholders, interim dividends in the amount of 149 billion 970 million rubles were allocated in accordance with the decision of the general meetings of shareholders based on the results of 6 and 9 months of 2019, the additional allocation of 2019 year-end dividends will amount to 147,5 million rubles.

The Company generates one of the highest levels of dividend yield.

HISTORY OF DIVIDEND PAYMENTS FOR THE LAST 5 ENDED FISCAL YEARS

Year (period)	for 2014	for 2015	for 2016	For 9 months of 2017	For the 4. Q 2017	For 2017 Total	for 6 months of 2018
Total amount of accrued dividends (billion rubles)	24,611	25,495	53,061	64,622	28,287	92,909	70,414
Total amount of dividends paid (billion rubles)	24,587	25,468	53,006	64,561	28,26	92,821	70,342
Ordinary shares (% of par value)	1058%	1096%	2281%	2778%	1216%	3994%	3027%
Ordinary shares (Dividends amount) (rubles)	10,58	10,96	22,81	27,78	12,16	39,94	30,27
Preferred shares (% of par value)	1058%	1096%	2281%	2778%	1216%	3994%	3027%
Preferred shares (Dividends amount) (rubles)	10,58	10,96	22,81	27,78	12,16	39,94	30,27
Dividends (% of net profit)	30%	30%	50,6%	75%	75%	75%	75%
Date of the decision to pay dividends	Annual General Meeting of Shareholders at the end of 2014, which was held on 26.06.2015, Minutes No. 22 dated 30.07.2015	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 Shareholders 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 Shareholders at the end of 2017, which was held on 22.06.2018, Minutes No. 26 dated 27.06.2018		Extraordinary General Meeting of Shareholders based on the results of 6 months of 2018, which was held on 28.09.2018, Minutes No. 27 dated 29.09.2018.
The date on which persons that have (had) the right to receive dividends are (were) determined	15.07.2015	08.07.2016	07.07.2017	23.12.2017	06.07.2018		12.10.2018
Date of actual payment	To nominal holder - 29.07.2015 To shareholders registered in the register of shareholders - 19.08.2015	To nominal holder - 22.07.2016 To shareholders registered in the register of shareholders - 12.08.2016	To nominal holder - 21.07.2017 To shareholders registered in the register of shareholders - 11.08.2017	To nominal holder - 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 - 10.08.2018		To nominal holder - 26.10.2018 To shareholders registered in the register of shareholders - 20.11.2018

Year (period)	for 9 months of 2018	For the 4. Q 2018	For 2018 Total	6 months 2019	9 months 2019	4 Q of 2019	For 2019 Total:*
Total amount of accrued dividends (billion rubles)	51,781	75,322	197,517	93,304	56,666		
Total amount of dividends paid (billion rubles)	51,725	75,247	197,314	93,206	56,612		
Ordinary shares (% of par value)	2226%	3238%	8491%	4011%	2436%	0%	6447%
Ordinary shares (Dividends amount) (rubles)	22,26	32,38	84,91	40,11	24,36	0	64,47
Preferred shares (% of par value)	2226%	3238%	8491%	4011%	2436%	100%	6547%
Preferred shares (Dividends amount) (rubles)	22,26	32,38	84,91	40,11	24,36	1,00	65,47
Dividends (% of net profit)	75%	100%	100%	100%	100%		
Date of the decision to pay dividends	Extraordinary General Meeting of Shareholders 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 Shareholders at the end of 2018, which was held on 21.06.2019, Minutes No. 29 dated 25.06.2019.		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 23.12.2 019.		Annual General Meeting of Shareholders at the end of 2019
The date on which persons that have (had) the right to receive dividends are (were) determined	09.01.2019	05.07.2019		27.09.2019	30.12.2019		30.06.2020
Date of actual payment	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		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		

* The PJSC TATNEFT Board of Directors (Minutes No. 12 dated 04/20/2020) made a decision to recommend to the General Meeting of Shareholders to:

- determine that the size of ordinary shares dividends by the 2019 year-end results is to amount to 0% of the par value of a share, excluding previously paid dividends by the results of the six and nine months of 2019 in the amount of 6447% of the par value of a share;

- pay dividends on preferred shares according to the results of 2019 in the amount of 100% of the par value of a share, excluding previously paid dividends according to the results of the six and nine months of 2019 in the amount of 6447% of the par value of a share.

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 shareholders or their heirs.

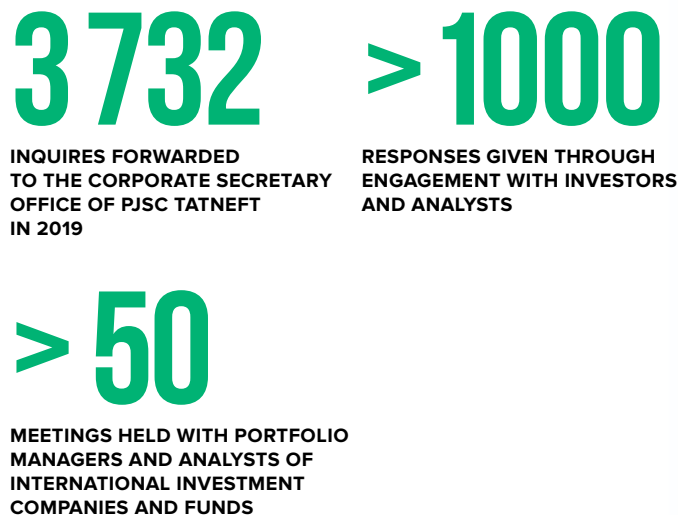
So, in 2019 - 2020, the Company sent more than 6.5 thousand letters to shareholders whose dividends were returned to the Company by the Russian Post due to their non-receipt by recipients more than 2 times, to the heirs of shareholders whose accounts were blocked on the basis of death certificates sent by notaries, to the shareholders Devon-Credit Bank the settlement accounts of which must be changed due to the reorganization of the bank.

Interaction with shareholders

The Company's interaction with shareholders and investors is based on availability of the responsible executives and key employees of the Company to communicate with shareholders, investors and analysts of the stock market, as well as consultants to institutional investors in voting, discussing development plans and results of the Company's operations.

The Company's interaction with shareholders and investors is provided through telephone conferences, group and individual meetings, including investment conferences, Company visits' and special trips (road shows) of the Company's authorized representatives to major international financial centers.

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.



STATISTICS OF THE SHAREHOLDERS' INQUIRIES IN 2016-2019

N°	Name	Number of inquiries			
		2016	2017	2018	2019
1.	Updating personal data	203	228	317	349
2.	Registration of inheritance rights	150	169	228	257
3.	Selling and redemption of shares	57	70	92	100
4.	Dividend payment	1 265	1 466	2 008	2496
5.	Providing certificate under 2-NDFL form	103	119	158	98
6.	Issues related to the General Meeting of Shareholders	43	50	71	168
7.	Inquiries of notary, court	61	69	96	61
8.	Other issues	83	96	131	203
	Total	1 965	2 266	3 101	3732

Interaction with institutional investors

PJSC TATNEFT shares are one of the most attractive investment instruments among the Russian issuers. The Company's international institutional shareholders are located in the main centers of business and financial activity, including New York, London, Frankfurt, and Singapore.

Meetings allow investors, analysts, representatives of international rating agencies to receive information on the strategic vector of the Company's development, production activities and financial resources management directly from the Company's management.

The Company actively interacts with institutional investors and stock market analysts. During 2019, more than 50 meetings were held with portfolio managers and analysts of investment companies and funds from many countries of the world. The meetings were held in one-on-one format with the support of investment banks or on their own initiative, as well as in the framework of investment conferences in which the Company participated in accordance with the plan of work with investors and analysts. In particular, in 2019, Tatneft representatives participated in ATON Oil Day conferences, the Moscow Exchange Exchange Forum, The Inside Track Sberbank CIB, the Renaissance Capital Annual Investment Conference, and VTB Russia Calling! and others. The Company quarterly after the publication of the consolidated financial statements under IFRS holds a conference call with investors and analysts to discuss the results of operations for the reporting period.

The Company has organized a special telephone line and email address for investors. A dialogue is regularly conducted with analysts of the "selling side" of investment companies and banks. In 2019, TATNEFT shares were covered (recommendations were given on actions on the stock market in relation to shares and a target price was determined) by more than 15 analysts of Russian and international investment companies and banks. In general, in the course of interaction with investors and analysts

STRUCTURE OF INVESTORS AND ANALYSTS QUESTIONS IN 2019: TOTAL NUMBER OF QUESTIONS - MORE THAN 1000

Topic of the question	%
Performance indicators and plans (production and refining)	5
Strategy of the Company and its implementation	15
Financial results	5
Refining profitability	10
Development of the TANECO complex	10
Investment program and its change	10
Dividends and dividend policy	20
Debt financing and plans to attract it	5
Participation in the banking business and work with distressed assets	5
Sustainable development (social policy, ecology and climate change mitigation, corporate governance)	10
Macroeconomic conditions and development of the industry as a whole.	5

during 2019, answers were provided on more than 1000 inquiries related to the Company. Most of the questions of investors and analysts were related to the Strategy of TATNEFT Group and its implementation, financial investment and dividend policy, development of the oil refining segment, prospects for the petrochemical sector, production and financial results, indicators and goals in the field of sustainable development (ESG). The opinions of investors and analysts obtained in the course of interaction with them are promptly brought to the attention of the responsible executive managers, discussed and taken into account when making decisions. The Board of Directors of the Company and the Audit Committee of the Board of Directors are constantly informed about work on the investor relations.

Most of the inquiries were answered during 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 opinions of investors and analysts regarding the activities of the Company, its Strategy and plans, investment and dividend policies on ESG and other topics are promptly brought to the attention of responsible managers, discussed and taken into account when making decisions.

The Company has organized the process of prompt preparation of answers to investor requests 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.

Comments received from investors are regularly reported to the executive management of the Company.

On a quarterly basis, the Company holds conference calls for investors with detailed coverage of performance results for the reporting period. During 2019, 4 presentations were prepared and published for shareholders, investors and analysts on the Company's website, including plans for 2019 and 2020, on the results of operations for the reporting periods:

- Presentation for investors (Forecast of operating results for 2018 and plans for 2019. Review of IFRS results for Q3/ 9 months of 2018), January 2019.
- Presentation for investors (Operating activities results of 2018, plans for 2019), April 2019.
- Presentation for investors (IFRS results for Q1 of 2019), July 2019.
- Presentation for investors (Forecast of operating results for 2019 and plans for 2020 Review of IFRS results for Q3/ 9 months of 2019), November 2019.

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

Tatneft pays special attention to preserving a favorable environment and reducing the impact on climate aspects, and attaches high importance to social factors. The basic principles for the Company are corporate responsibility and security.

A significant landmark of the Company is the UN Action Program «Transforming our World. The 2030 Agenda for Sustainable Development». Tatneft integrates 10 Principles and 17 Goals of sustainable development into its business model as a member of the United Nations Global Compact.

10 AND 17

PRINCIPLES AND GOALS OF SUSTAINABLE DEVELOPMENT

7000

PUBLICATIONS ON COMPANY'S
SUSTAINABLE DEVELOPMENT
ACTIVITIES IN MASS MEDIA IN 2019

by SCAN Interfax data



Management system in the field of sustainable development

The Company adheres to 10 Principles and 17 Goals of sustainable development of the UN Global Compact.

We have been continually improving our footprint performance related to our ongoing and projected operations, products and services that impact on the staff, public and the environment.



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 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.

FOCUS 2019

The Company continued to work on improving corporate governance, focusing on international best practices and principles of socially responsible investing (SOI).

FOCUS 2020

Formation of target values in the field of sustainable development.



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 areas of the Company's operation.

SUSTAINABLE DEVELOPMENT

25 YEARS OF
SUSTAINABLE
DEVELOPMENT



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.
- Strive to follow changing demands of consumers.
- Provision of reliable information about the Company's products
- Assistance in the social and economic development of the regions of the Company's operation.
- Support of local communities in the areas of presence.
- Development of human capital in the territories of the Company's operation.
- Solving 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.



ENVIRONMENTAL ASPECT

Compliance with the UN goals

- Environment protection.
- Use of recyclable materials.
- Use of environment-friendly energy sources.
- Energy saving.
- Waste treatment.
- Ensuring safe working conditions, protection of health of the personnel and the population living in the areas of the Company's operation.
- Reduction of man-caused impact on environment 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 complying with the potential of natural ecosystems for self-recovery.
- Increasing the level of industrial safety and labor protection, reducing injuries, accidents, occupational diseases.
- Reduction of man-caused impact 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.

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 is responsibly committed to 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, labour, freedom of association and protection of the right to organize and bargain collectively, as well as the Social Charter of the Russian Business

When carrying out 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, color, sex, age, language, religion, political or other beliefs, national or social origin, disability, property, class or 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 endeavours 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 living in the regions of the Company's operations, and takes all available measures to eliminate the consequences of such an impact, should it happen.

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 collective bargaining. The Company strives to prevent any adverse impact on human rights that is directly related to its activities, products or services, business relationships, as well as the preservation of the national and cultural identity of the peoples living in the regions of the Company's operation, and takes all available measures to eliminate the consequences of such impact, if it occurred.

MAIN AREAS OF MONITORING IN RELATION TO HUMAN RIGHTS ASPECTS:

- 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 industrial safety and labor protection measures;
- interaction with a trade union organization and monitoring the implementation of a Collective Agreement;
- analysis of feedback, including that within the scope of «hotline».

Responsibility to stakeholders

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 in order 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 2019.

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 about the price, product features and terms of the contract.

No cases of noncompliance with the regulatory requirements in respect of informing consumers about the features of products and services were registered in 2019.

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 2019, 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 relating to the provision and use of products.

Compensation for damage

The Company has clear mechanisms for resolving claims and disputes with consumers, as well as measures to prevent them.

All cases of receiving complaints from consumers are registered, the reasons are analyzed and, if objective claims are identified, 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 about 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 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 2019, there were no complaints regarding violations of consumer privacy and loss of consumer data.

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.

Industrial safety, labor protection and environment taking into account climate changes

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 areas of activity of Tatneft Group organizations, as well as preserving a favorable environment and reducing climate risks.

In 2019, the Company's Board of Directors adopted a new version of the Policy in the field of industrial safety, labor protection and environment, taking into account a climate change, based on the international best practices and a risk-based approach. The Company's guiding 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.

The Company aims to achieve leadership positions in ensuring accident-free production activities, safe working conditions for the Company's employees, as well as rational use of natural resources, minimizing the negative impact on environment and preserving a favorable environment for the present and future generations.

The Company implements international standards ISO 14001:2015 «Environmental Management System» and ISO 45001: 2018 «Occupational Health and Safety Management System».

To achieve this goal the Company undertakes the following obligations:

- Ensuring safe and healthy working conditions for employees in order to prevent injuries and deterioration of health.
- Improving the level of industrial safety, labor protection and environment, minimizing the risk of accidents at hazardous production facilities.
- Continuous improvement of performance indicators in the field of ensuring ISLPE.
- Ensuring control of potentially negative impacts on the environment, health and safety, industrial and environmental safety in the supply chain and implementation of appropriate measures to minimize/ eliminate such impacts.
- Implementation of effective measures for production control and audit of the implementation of current norms and rules of the ISLPE, emergency prevention based on the introduction of modern information technologies, methods of technical diagnostics and remote monitoring.

In order to improve management practices in addressing the climate change challenges it is planned to integrate the standards of system ISO14064-1: 2018; ISO 14064-2: 2019; ISO14064-3: 2019

Industrial safety and labor protection

The Company's key priority is to ensure life and work safety.

Systematic work is being carried out 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), which replaced the previous certification of workplaces according to working conditions in 2014. The SAWC procedure conducted during 2014-2019 covers all workplaces of Tatneft Group enterprises. Following the results of the special assessment, measures are being developed to improve working conditions in the workplaces.

The dynamics of the number of days of temporary incapacity for work as a result of industrial accidents at Tatneft Group for the period of 2017-2019 had a positive trend. Over the past three years, this indicator has decreased by 1.5 times.

In 2019, the Lost Time Injury Frequency Rate LTIFR (the number of cases of working time loss attributed to the total working time in the organization for the reporting year and normalized per 1 million people/ hour) for Tatneft Group was 0.26.

The systematic work of the Committee on ensuring occupational health and safety requirements and joint commissions on occupational health and safety, which include representatives of the employer and primary trade union organizations of enterprises, contributes to the positive solution of occupational health and safety issues. The committees develop a program of joint actions of the management and the trade union committee to improve occupational health and safety, prevent industrial injuries and occupational diseases. Members of the committees participate in the preparation of the Section «Occupational Health and Safety», the collective agreement and agreement on occupational health and safety, inform employees about the state of conditions and occupational health and safety in the workplace, the existing risk of health damage and due protection equipment, compensation and benefits for employees.

PRODUCTION CONTROL OVER COMPLIANCE WITH THE INDUSTRIAL SAFETY AND LABOR PROTECTION REQUIREMENTS FOR TATNEFT GROUP

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 health and safety, the Process Monitoring Committee, the Fire Safety Commission and the internal audit group of the integrated management system has been organized.

The Company aims to achieve leadership positions in ensuring accident-free production activities, safe working conditions for the Company's employees, as well as rational use of natural resources, minimizing the negative impact on environment and preserving a favorable environment for the present and future generations.

0,26

LOST TIME INJURY FREQUENCY RATE (LTIFR)

>1,3 RUB BILLION

WAS ALLOCATED FOR OCCUPATIONAL SAFETY MEASURES IN 2019

OCCUPATIONAL HEALTH AND SAFETY EXPENSES FOR TATNEFT GROUP, INCLUDING PER EMPLOYEE FOR THE PERIOD OF 2017-2019, RUB THOUSAND.

Year	Funds spent on occupational health and safety	Funds spent on occupational health and safety per 1 employee
2017	981 449,29	22,3
2018	1 060 052,66	23,9
2019	1 327 699,50	26,8

IDENTIFICATION AND SOLUTION OF SIGNIFICANT ISSUES OF PERSONNEL HEALTH

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.

Environment

The Company takes measures to prevent environmental pollution, reduce and prevent negative impacts on it, including 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, rational use of natural resources, and to minimize their losses.

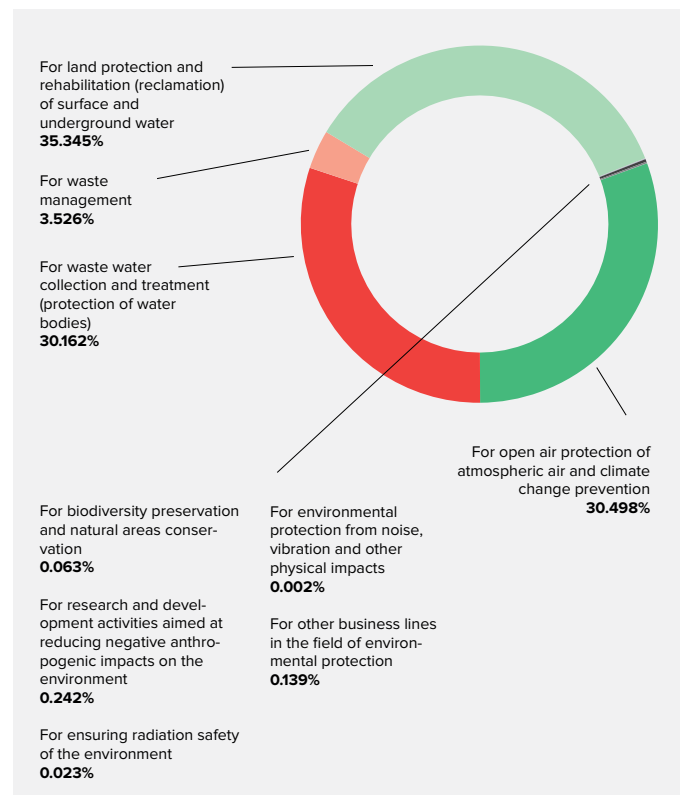
Production and investment planning include the identification of all significant impacts on the environment, including reduction of losses of oil, gas and products of oil and gas and the prevention of their entry into the environment; increasing efficiency of associated petroleum gas; reducing greenhouse 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 area.

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 major infrastructure projects.

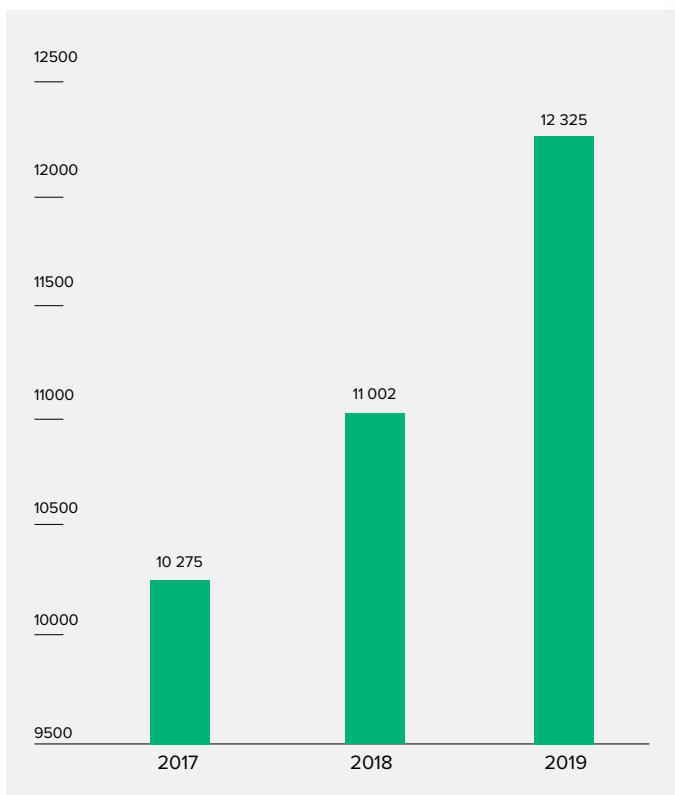
A necessary condition for effective performance in this area and in reducing production risks is greater involvement of employees and maintaining an open dialogue with stakeholders on the ISLPE issues.

In 2019, Tatneft Group enterprises continued their targeted systematic work in the field of improving the environmental safety of technological processes.

EXPENSES FOR THE ENVIRONMENTAL ACTIVITY IN ACCORDANCE WITH THE EUROPEAN CLASSIFICATION OF ENVIRONMENTAL ACTIVITIES (CEPA 2000)



EXPENSES FOR ENVIRONMENTAL PROTECTION IN TATNEFT GROUP FOR THE PERIOD OF 2017-2019, RUB MLN



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:

- construction and technical re-equipment of gas collection systems (flare facilities). Re-equipment of Tatneftegazpererabotka flare control system will reduce the company's annual emissions by 0.94 thousand tonnes.
- introduction of technology of light hydrocarbon vapor recovery (LHVR) allowed reducing carbon emissions by more than 4 times as compared with emissions in 1991. Currently, the facilities of PJSC TATNEFT operate 44 LHVR units. In 2019, the amount of carbon recovered by the LHVR units amounted to 31.1 thousand tonnes.

Rational use of associated petroleum gas

A significant share of emissions of pollutants into the air is accounted for by the business line «Exploration and Production» (71%), one of the main air protection measures of which is the rational use of associated petroleum gas (APG), reducing its flared volume.

For the period pf 2017-2019, Tatneft Group reduced the APG flared volume by 20%.

Due to the purposeful work to reduce APG flaring at flare facilities, in 2019, the level of APG use for Tatneft Group was 95.93%. This allowed reducing emissions of pollutants and greenhouse gases from APG flaring and dispersion.

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 the utilization of associated petroleum gas, as well as works on their technical re-equipment, reconstruction and modernization.

In 2019, more than 21 km of Tatneft gas pipelines were overhauled. Design and survey work on the object «Expansion of the Gas Collection Aystem of Yamashinsky and Tyugeyevsky Fields (GZNU-110, DNS-2S)» of Oil and Gas Production Department Yamashneft was completed. Construction and installation works are planned for 2020.

PJSC Tatneft is responsible for monitoring the efficiency of operation of gas treatment plants, their current and planned preventive repairs.



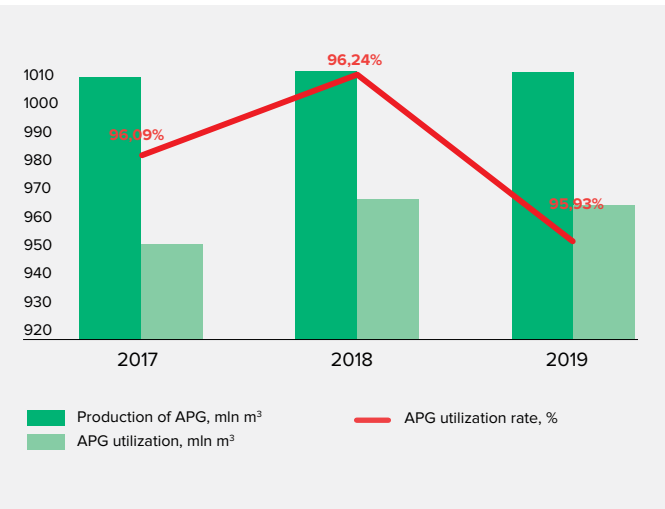
PJSC Tatneft has started creating a system for automatic monitoring of atmospheric air quality in its area of operation, identifying and eliminating sources of pollution. In 2019, automatic air quality control stations as well as a monitor for displaying information about the state of environment were installed in Almeteyevsk.

Over the period of 2017 through 2019, the TATNEFT Group had flared 20 % less of associated petroleum gas.

APG FLARED VOLUMES OF TATNEFT GROUP, MLN M³



DYNAMICS OF THE LEVEL OF APG UTILIZATION IN TATNEFT GROUP



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.

Since 2016 (base year), greenhouse gas emissions have been reduced by 5%. Only due to the high level of APG utilization, the Company prevents emissions into the atmosphere of about 3 mln tonnes of CO₂-equivalent greenhouse gas per year. Useful APG utilization is 96.4%.

IN 2019, THE COMPANY OPENED 2 TARGETED PROJECTS TO REDUCE THE CARBON FOOTPRINT:

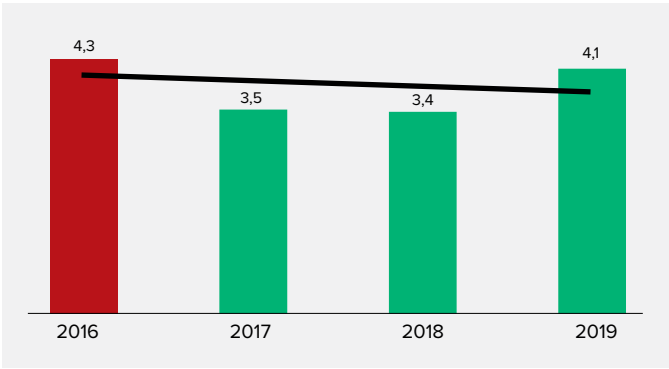
- Implementation of the Company's initiatives and actions on climate aspects. Greenhouse gas management and accounting processes.
- Analysis and selection of promising methods for reducing emissions, recovering and processing carbon dioxide.

Within the framework of these projects, it is planned to develop effective and promising technologies that are applicable in Tatneft Group to reduce greenhouse gas emissions, as well as to improve the system of accounting and management of climate aspects.

In 2019, the mass of direct greenhouse gas emissions of Tatneft Group amounted to 4.1 mln tonnes of CO₂-equivalent, which is 20% higher than in 2018 (3.4 mln tonnes of CO₂- equivalent). The growth of greenhouse gas emissions in 2019 is caused by the increased consumption of natural gas (steam generation) for the production of SVO, increase in the production of products of JSC TANECO, increase in the volume of fuel flared during the production process of Tatneft - Presskomposite, LLC.

* According to the recommendations of the "GHG Protocol Corporate Standard" for making a consistent comparison of emissions over time, the TATNEFT Group selected 2016 as the baseline for the earliest year for which reliable data are available.

DYNAMICS OF GREENHOUSE GAS (GHG) EMISSIONS OF TATNEFT GROUP, MLN M³ (CO₂-EQUIVALENT)



The dynamics of emissions by business lines shows that most of the emissions are accounted for by the business area «Energy». In 2019, emissions from the business line "Exploration and Production" increased by 1.5 times. The business line "Tire Business" managed to reduce its carbon footprint in 2019.

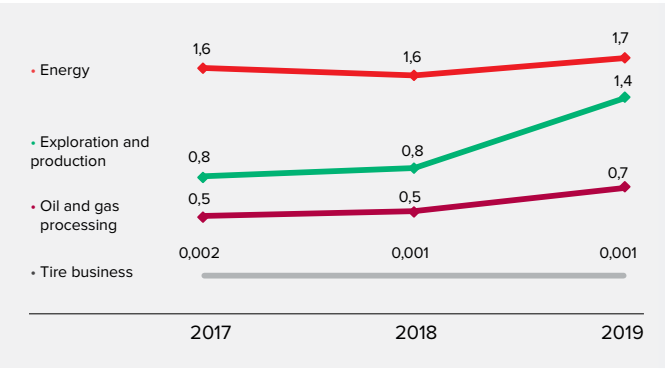
Of the total amount of Tatneft Group's greenhouse gas emissions, 99.79% is carbon dioxide. In addition, greenhouse gases such as methane (8.4 thousand tons) and nitrous oxide N₂O (0.002262 tons) are present in the emissions.

Tasks to reduce greenhouse gas emissions are consistently integrated into the Company's business processes. Currently, within the framework of the project «Formation of the Company's Sales Strategy», it is planned to assess the environmental impact, including anthropogenic, along the entire value chain of the product - at each stage of its life cycle (development, including laboratory, production, sales and consumption), including the assessment of impact by contractors and suppliers.

The Company directs significant efforts to the measures for preserving «clean water», «ecosystems» and ensuring «responsible consumption and production». Tatneft Group's enterprises are city-forming for many settlements in Tatarstan, so we have always understood our responsibility for the well-being of these cities. Our efforts ensure the implementation of the goal «Sustainable Cities and Settlements».

Compensatory measures are the most important elements in reducing climate risks. In order to create a favorable environment in the area of its operations and increase the absorption of greenhouse gases, Tatneft Group has been implementing a Lawning Program since 2000. During this period, about 11 mln saplings of trees and bushes were planted. In 2020, it is planned to plant more than 3 mln saplings.

DYNAMICS OF GREENHOUSE GAS EMISSIONS BUSINESS LINES-WISE, TONS



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 Federal law «On Subsoil» on the basis of contracts on 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, the mechanical wastewater treatment unit was re-equipped in Tolyattikauchuk, LLC in 2019; the biological treatment unit of system 1 was commissioned in JSC TANECO; technological standards for the content of pollutants in wastewater are observed; the territories of sites and places of wastewater discharge are kept in proper sanitary and ecological condition.

During 2019, a significant amount of work was performed to improve the reliability of pipelines for various purposes. Anti-corrosion pipes are used to ensure reliable operation of oilfield pipelines.

In order to protect land, surface and underground waters, PJSC Tatneft has completed overhaul of more than 93 km of oil pipelines for oil collection and treatment systems, and more than 80 km of water pipelines for the reservoir pressure maintenance (RPM) system using anti-corrosion pipes.

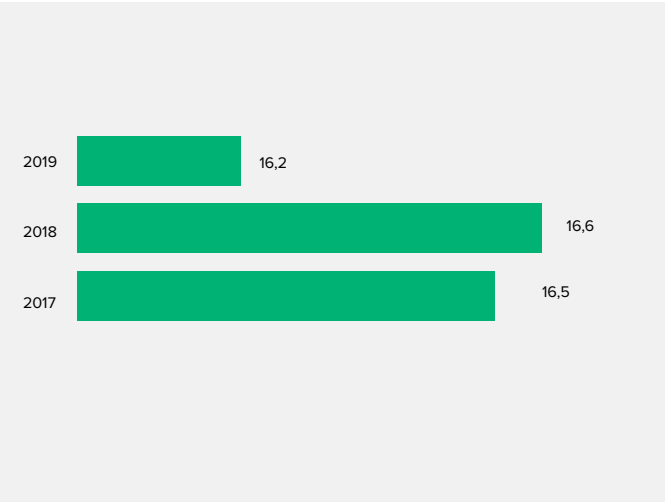
Emergencies prevention and recovery

The system of prevention and recovery of emergency caused by oil and petroleum spills, protection of the population and the environment from their harmful effects is carried out 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 from them, as well as a set of measures aimed at rapid response to this type of emergency.

Irreducible reserves of natural resources have been secured, including for the elimination of oil spills into water bodies, there are 2,298 meters of booms and 16 skimmers.

In order to prevent the pollution of surface watercourses (rivers) and water bodies (reservoirs) with oil, 512 stationary oil recovery structures (ORU), booms, and lagoons are maintained in working condition.

WATER DISPOSAL INTO SURFACE WATER BODIES, MLN M³



Land reclamation

In Tatneft Group, a comprehensive approach is applied to the reclamation of land 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 types of soils of industrial significance in 2019. Comprehensive field and laboratory studies on the comparative analysis of the effectiveness and environmental safety of new technologies for reclamation of oil-contaminated and saline lands were conducted. Based on the results of scientific research, a list of the most effective biotechnologies has been formed, using native strains in combination with nanosorbents (based on local agrominerals), as well as humic products.

The Company's standards for land reclamation affected during the construction and operation of oilfield facilities, loss of piping integrity, the use of biotechnologies and the preparation of reclamation projects have been updated.

Biodiversity conservation

The largest specially protected natural area of federal importance located in the region of Tatneft Group's activity is FSBI National Park Nizhnyaya Kama.

Tatneft Group does not have an irreversible impact on biodiversity. The main impacts on biodiversity are associated with the exploration, production, preparation, transportation and retail sale of petroleum products.

The Biodiversity Conservation Program is being implemented - it sets goals for the conservation of biodiversity in the territories of activity at a level that ensures their sustainable existence and inexhaustible use.

Personnel

Tatneft Group provides about 60 thousand jobs at 105 enterprises in the Russian Federation and abroad.

TATNEFT GROUP MAIN STAFF CATEGORIES AS OF 31.12.2019, PEOPLE

Managers	5 959
Specialists and clerical staff	16 367
Workers	37 434
TOTAL WORKFORCE:	59 760

TATNEFT GROUP HEADCOUNT AS OF 31.12.2019, BROKEN DOWN BY GENDER, PEOPLE

Men	32 527
Women	27 233
TOTAL:	59 760

TATNEFT GROUP STAFF BREAKDOWN BY COUNTRY AND GENDER AS OF 31.12.2019, PEOPLE

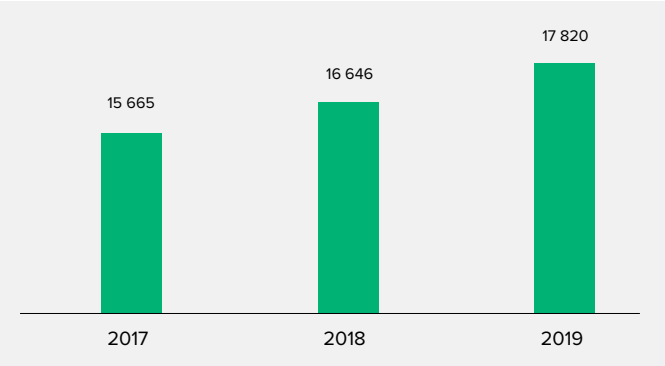
Russian Federation	men	55%
	women	45%
Canada	men	33%
	women	67%
China	men	100%
	women	-
Libya	men	100%
	women	-
Republic of Belarus	men	-
	women	100%
Republic of Kazakhstan	men	73%
	women	27%
Republic of Moldova	men	-
	women	100%
Republic of Turkmenistan	men	96%
	women	4%
Republic of Uzbekistan	men	80%
	women	20%
Ukraine	men	58%
	women	42%

Remuneration plan

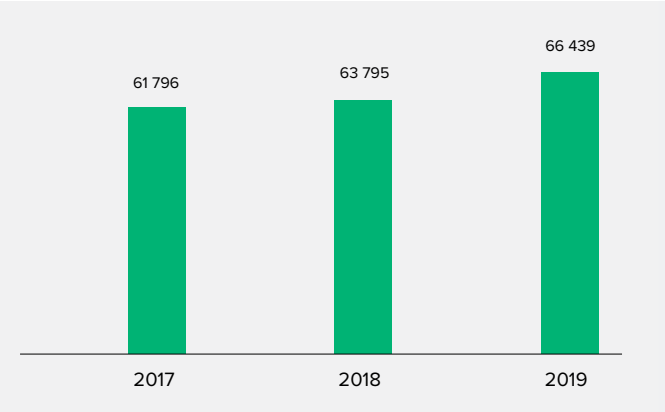
The Company considers remuneration as a part of an integrated system of financial and non-financial encouragement of personnel, which allows the Company to maintain high competitiveness by attracting and retaining qualified and motivated employees. The personnel basic income is formed from wages and 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.

Based on the outcome of 2019: the ratio of wage to the minimum consumer budget in the Republic of Tatarstan constituted 4.21, the ratio of the tariff rate (wage) of the first class with standard working conditions and the minimum wage for the RT (Minimum Wage Rate of the RT) constituted 1.29.

PAYROLL FUND OF EMPLOYEES OF PJSC TATNEFT



AVERAGE MONTHLY WAGE OF PJSC TATNEFT



The HR management policy is aimed at attracting and retaining responsible and professional employees. Career development, incentives and employee performance assessment are one of the key areas of the corporate personnel development system.

Currently, in order to ensure efficient 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 human resources 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 have been focused on.

Personnel certification

In accordance with the Company's Personnel Certification Standard, the executive personnel certification process under the Director General 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 2019, employees of 12 departments and services of the executive office of PJSC Tatneft – 199 employees - were certified.

The Certification Commission issued 138 recommendations aimed at improving skills, developing professional and corporate competencies, applying financial incentives of employees and developing career, organizing rotation, as well as updating organizational and administrative documents.

In 2019, the Company spent 214 273, 2 thousand rubles to train its personnel.

NUMBER OF EMPLOYEES WHO HAVE COMPLETED TRAINING, BROKEN DOWN BY CATEGORY OF EMPLOYEES AND BY GENDER, PERSONS

Employee category	Total	including men	including women
Managers	2 619	2 167	452
Specialists	7 000	2 801	4199
Officers	70	7	63
Workers	13 464	9 535	3929
Total	23 153	14 510	8643

Level of competence

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.

Taking into account the requirements, candidates for senior positions are evaluated in several stages:

- assessment of employees' qualifications,
- evaluation of the Key Performance Indicator (KPI) and Pro-activity (participation in projects) of the candidates
- professional interview with the company's experts,
- assessment of reliability,
- assessment of professionally important qualities.

In total, 509 persons passed a comprehensive assessment in 2019. Based on the results of the comprehensive assessment, the competence development specialists provide feedback to each candidate and assist them in developing Individual Development Plans (IDPs).

Formation of the personnel reserve

In 2019, work on the formation of the Company's personnel reserve was resumed 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 order to create and maintain the human resource potential of business assets in the context of structural transformations, in 2019, first of all, applications related to the personnel reserve for positions of line managers of the TOP-1000 level were processed.

In 2019, more than 30 corporate training programs were organized. Within the framework of the program for the development of the personnel reserve, the Corporate University conducts modular training «Leaders-300» under the target educational MBA program, «Leaders-100» under the Executive MBA program, «Leaders-1000». Much attention is paid by the Company's management to the development of unique (losing) competencies of employees for the implementation of promising projects

Corporate university

In 2019, 7,697 persons (intramural and extramural programs) were trained in 28 courses at the Corporate University. In addition, training was organized for 656 persons by external providers. As a result, the total training plan was exceeded by 71%.

In order to develop business administration competencies, managers are implementing: «EMBA Target Educational Program for Personnel Reserve «TOP 100», «MBA Target Educational Program for Personnel Reserve «TOP 300» and «Target Educational Program Leaders-1000». To date, more than 200 managers of various levels have been trained in these programs.

In 2019, more than 4,300 employees completed remote training. In 2020, it is planned to implement the Development of E-Learning System in TATNEFT Group project.

In 2019, 13 corporate professional standards were developed and implemented, and 2 professional standards are being updated. It is planned to develop 18 corporate professional standards for 2020-2021.

Work with youth

In 2019, the Youth Organization of Tatneft numbered 25,270 thousand young employees, of which 7,346 were employees of structural divisions, 7,212 were employees of subsidiaries, 10,712 were employees of oil service enterprises and organizations, etc. The share of young employees was 34% in structural divisions, 29% - in subsidiaries, and 32% - in oil service enterprises.

In 2019, the Youth Organization implemented a number of new initiatives aimed at increasing the efficiency of work with young people, reducing inefficient costs, and increasing the involvement of young people in scientific, creative, and innovatory work.

In July 2019, the first International Oil and Gas Youth Forum organized by the Ministry of Energy of the Russian Federation, PJSC Tatneft and the Youth Council of the oil and gas industry under the Ministry of Energy of Russia, was held. 250 persons - young managers and specialists of Russian and foreign fuel and energy enterprises, young scientists and experts, representatives of the authorities of the Russian Federation and the Republic of Tatarstan, young teachers, graduate students and students of Russian and foreign universities - took part in the Forum. The Company's Youth Committee took a direct part in the Forum.

Young employees of Tatneft Group participate actively in the Company's innovation processes, in 2019, young people submitted more than 3,000 innovation proposals and received more than 30 patents.

7 697 PERSONS
TRAINED

4 300 EMPLOYEES
REMOTE TRAINING

In 2019, 675 employees were evaluated using the 360-degree method. Large-scale work is underway to introduce a culture of self-learning organization. Currently, more than 50, 000 users, 27 courses have been launched in the virtual environment Mirapolis - the Single Platform for Employee Training and Development of Tatneft Group.

The global task was to form a progressive youth team to solve the urgent problems facing the fuel and energy complex of Russia and neighboring countries.

In 2019, Tatneft was awarded a diploma for efficient implementation of the youth policy at the enterprise in the competition for the best socially-oriented company in the oil and gas industry held by the Ministry of Energy of the Russian Federation. As part of the IX Saint Petersburg International Gas Forum, Tatneft was encouraged by a Gratitude Letter from the Federal Agency for Youth Affairs of the Russian Federation for assistance in the implementation of the state youth policy in the oil and gas industry. In addition, in 2019, the Youth Committee of PJSC Tatneft won the award «On One Wave» organized by the Ministry of Youth Affairs of the Republic of Tatarstan in the category «Team of the Year».

Work with veterans

One of the most important activities of a trade union organization of its elected body, is to work with non-working pensioners - members of the Trade Union. Today, the number of non-working pensioners is 47,326 persons.

Each enterprise has a Council of Veterans, and each primary trade union organization has a Commission for working with non-working pensioners.

An elaborated 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 of activity and their social protection.

According to the Articles of Association of the trade union organization, employees who dismiss at his/her own request due to the retirement and do not continue their work are registered in the primary trade union organization.

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, patriotic education of youth in workforces.

Tatneft Group does a lot in terms of social protection and improving the standard of living of pensioners. The work is performed jointly with the Trade Union Committee and the Council of Veterans. In 2019, a survey of the living conditions of veterans, identification of apartments and houses in need of repair, provision of financial assistance, allocation of sanatorium and health-resort vouchers, and organization of other necessary activities was organized.

According to the Collective Agreement, financial assistance is provided through Tatneft Charitable Foundation to:

- participants of the Second World War on Victory Day;
- widows;
- homefront workers.

As well as for all non-working pensioners:

- International Day of Older Persons;
- Day of Invalids;
- financial assistance on a personal application.

In addition, non-working pensioners, participants of a non-state fund, receive a pension for the period specified in the contracts after termination of employment.

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, gives communication with people of interest.

According to the Collective Agreement and the Regulations on financing cultural and sports events, funds from enterprises and trade unions have been allocated and efficiently used 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 the Director General of PJSC Tatneft, N.U. Maganov, «Active Longevity Centers» have been opened, which are equipped with modern simulators.

Pensioners are active participants in the creative competition «Talents' Festival» organized annually by Tatneft Trade Union Committee.

For the purpose of social protection of non-working pensioners, the Chairman of the Council of Veterans of the executive office of PJSC Tatneft was elected from the trade union organization as a member of the Commission for the preparation of a Collective Agreement.

Tatneft, a 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.



Collective agreement

The Company provides its employees with a package of social benefits and guarantees. Obligations for their provision are stated in the Collective Agreement annually concluded between PJSC Tatneft and the workforce and covering all employees and non-working pensioners of the Company.

The enterprises belonging to Tatneft Group have concluded their own Collective Agreements, which seek to comply with the Collective Agreement of PJSC Tatneft in terms of the content and amount of benefits and guarantees.

A Collective Agreement contains the mutual obligations of the employer and the Trade Union Committee in 12 sections. They reflect the tasks of efficient production management, organization of safe labor and its decent remuneration, social benefits for employees and support for non-working pensioners, and a section on guarantees of the trade union organization.

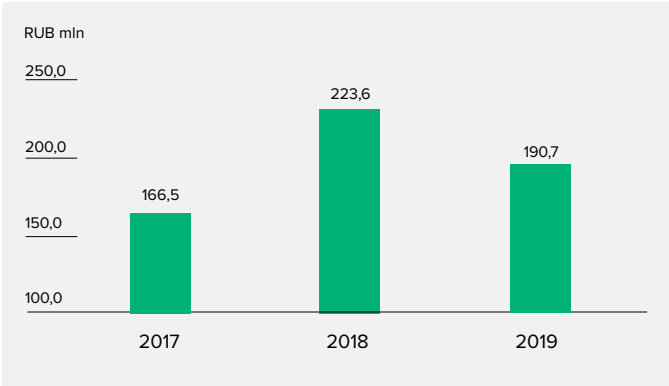
A separate section is dedicated to social benefits for young employees.

In order to monitor the implementation of collective agreements, the Chairman of the Trade Union Committee of Tatneft, his 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 collectives of workshops and teams. Based on the results of personal meetings, shop meetings of workforces and conferences at the enterprises of Tatneft, a set of proposals from employees on improving the Collective 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 Conciliative Commission of PJSC Tatneft on the development of a Collective Agreement. The Trade Union Committee of Tatneft took an active part in this work

A COLLECTIVE AGREEMENT PROVIDES:

- benefits and guarantees for employees;
- social protection of young workers;
- support for veterans and pensioners.

THE TOTAL AMOUNT OF SOCIAL PAYMENTS TO EMPLOYEES UNDER SECTIONS 6,7 OF THE COLLECTIVE AGREEMENT OF PJSC TATNEFT (EXCLUDING LUMP-SUM HOLIDAY PAYMENTS AND INTEREST-FREE LOANS TO YOUNG EMPLOYEES), RUB MLN



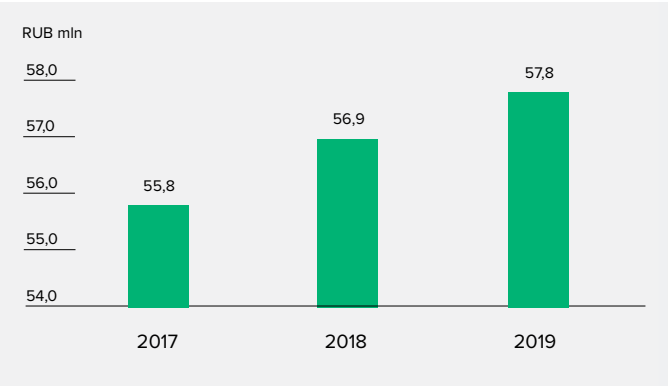
Source: CDU TEK

The increase in the amount of payments in 2018 was due to the amount of financial assistance provided to the management of PJSC Tatneft under the articles of the Collective Agreement: «Financial assistance to employees due to their retirement» and «Financial assistance in connection with any anniversary date».

Non-state pension provision program

One of the most important areas of the Company's social policy is a non-state pension provision 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 TOTAL AMOUNT OF SOCIAL PAYMENTS TO NON-WORKING PENSIONERS UNDER SECTIONS 6, 7 OF THE COLLECTIVE AGREEMENT OF PJSC TATNEFT, RUB MLN



The increase in the amount of social payments to non-working pensioners is due to the annual indexation of the amount of financial assistance under the Collective Agreement.

The number of employees of PJSC Tatneft participating in the corporate program of non-state provision is 8,409 persons. The actual expenses of PJSC Tatneft for non-state pension provision in 2019 amounted to RUB 86,541 thousand.

The number of pensioners of PJSC Tatneft receiving non-state pensions is 9,508 persons. In Tatneft Group - 17,135 persons.

Payments of non-state pension to pensioners of PJSC Tatneft through National NPF, JSC for 2019 amounted to RUB 349,195 thousand.

In accordance with the Collective Agreement of PJSC Tatneft, non-working pensioners who retired before the establishment of NNPF, JSC receive quarterly financial assistance. The total amount of financial assistance provided to non-working pensioners of PJSC Tatneft who retired before the creation of NNPF in 2019 amounted to RUB 19,430 thousand. The number of non-working pensioners of PJSC Tatneft receiving this financial assistance is 3.2 thousand persons.

Optional health insurance

Voluntary medical insurance programs aimed at preventing diseases and improving health of employees (vmi, health resort rehabilitation, vaccination, involvement in physical education and sports).

385,2 MLN RUB
TOTAL AMOUNT OF OPTIONAL HEALTH INSURANCE CONTRACTS

In accordance with Voluntary Medical Insurance Contracts, the total number of insured employees was 22,234 persons. The total amount of VMI agreements is RUB 385.2 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».

In order to reduce infectious diseases, annual seasonal immunoprophylaxis was conducted at the expense of the VMI funds. In 2019, employees of PJSC Tatneft were vaccinated against seasonal flu (3,910 persons were vaccinated) and tick-borne encephalitis (3,493 persons). A medical examination of employees of PJSC Tatneft was also conducted in order to detect cancer related diseases at an early stage.

The Company has 11 health care centers on its balance sheet. In 2019, 2,081 employees of structural divisions of PJSC Tatneft engaged in work with harmful and (or) dangerous production factors rested and improved in health care centers. 666 employees underwent sanatorium rehabilitation in the «Yuzhny Obyekt». 127 employees of Belokurikha Resort, JSC («Siberia», «Katun» and «Belokurikha») underwent sanatorium rehabilitation.

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.

High-tech medical care

Thanks to the significant organizational contribution of Tatneft, a Regional Medical Diagnostic Center of Tatneft Medical Unit (Almetyevsk) operates in the South-East of Tatarstan, providing high-tech medical care in cardiovascular surgery, traumatology and orthopedics, ophthalmology and urology. This is a large and modern multi-field Health Care Center, which has a highly qualified personnel potential 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 non-fluoroscopic 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 South-East of the Republic of Tatarstan in the fields of cardiovascular surgery, traumatology and orthopedics and neurosurgery, which are successfully implemented.

As part of the implementation of the state order on provision of high-tech medical care for residents of the South-East of the Republic of Tatarstan, funds in the amount of RUB 291.7 million were disbursed. The state order by the specialists of the Medical Unit was fulfilled in full.

For 2018, funds for the implementation of the state task to provide VMP for residents of the South-East 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 HTMC for residents of the South-East of the Republic of Tatarstan were allocated in the amount of RUB 328,9 million. For 2020, an application was submitted for the provision of HTMC for residents of the South-East of the Republic of Tatarstan in the amount of RUB 346.8 million, at the moment RUB 182.7 million have already been allocated.

Since the opening of the Regional Medical Diagnostic Center in 2008, 2,365 open heart surgeries, 21,378 coronary angiographies, 7,503 stenting of coronary arteries, 980 implantation of electrocardiostimulators, 842 radiofrequency ablation operations, more than 589 endoprosthesis replacements of large joints, as well as more than 8,878 microinvasive operations on the anterior and posterior eye segments have already been performed. New efficient 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 operations. To date, 96 such operations have been performed.

Organization of summer and winter holidays for employees' children in recreation camps

The Company has 11 children's recreation camps for 2,723 places located on the territory of the Company's activities, which meet modern requirements for comfortable living and recreation. In 2019, in accordance with the children's health program, 11,510 children had a rest in the Company's children's recreation camps during four shifts.

Much attention is paid to children's recreation programs, the purpose of which is the comprehensive development of a child. During the holidays, qualified teachers, trainers who conduct various informative and educational activities take care of children.

Housing policy

PJSC Tatneft is an active participant and main payer of the social mortgage housing construction program in the Republic of Tatarstan.

In 2019, 519 apartments with a total space of 31.7 thousand m2 at the amount of RUB 1,149.2 million were built and commissioned for the Company's employees.

The number of applicants in the oil region for housing under the social mortgage program as of January 1, 2020 constituted 4,646 persons.

Education Development Support

The Company pays great attention to the educational development by investing material, organizational and intellectual resources at all levels of the educational processes. The Company financed the reconstruction, repair and improvement of material and technical facilities of educational institutions in the South-East of Tatarstan: from kindergartens to universities. The Company supports 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 Almeteyevsk State Petroleum Institute (AGNI) 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 & 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, and also has a high potential for a scientific branch school, advanced training and supplementary education.

TATNEFT is an industrial partner of the AGNI and provides comprehensive support for the development of the Institute's material and technical facilities, organizational structure, and the improved professional competence of teaching staff. The leaders and specialists of the Company as part of the educational process share their professional knowledge and experience with students and graduate students, act as experts in their scientific works.

The scientific and educational activities of the Almeteyevsk State Petroleum Institute, along with traditional specialties, are connected with digital technologies for reservoir management and innovative mineral resources management. As part of the strategy implementation, the AGNI together with the Company developed the projects aimed at accelerating the modernization and improvement of educational programs, attracting and recruiting talented applicants, raising the level and volume of research and development activities, attracting and developing the key staff, developing the infrastructure and laboratory base.

Development of the Company's main activity region

The Company sets a high priority on the innovative growth of the territories of its presence on the basis of smart and environmentally friendly technologies.

The main region of the Company's activity is the South-East of the Republic of Tatarstan with the executive corporate center located in the city of Almeteyevsk. There are also a significant number of the Company's production facilities in close proximity to Almeteyevsk, including upstream operations. Almeteyevsk was assigned a role of the state-of-the-art fifth technological zone with advanced information technologies integrated into all spheres of life, including social infrastructure, medicine and education.

TATNEFT Public Council

The Company practices 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 effectiveness.

The Public Council is a collegial body with the participation of the top management of the Company and representatives of the public concerned - leaders of civil associations and trade unions, industry experts, media representatives, and the local population. The Public Council includes N.U. Maganov, General Director of PSJC TATNEFT.

The Public Council brings together the stakeholders to discuss topical issues and further work out appropriate decisions by the Company. The Company lays special emphasis on building inclusiveness of local people in the social policy of the Company.

Development projects of the TATNEFT Medical Treatment Facility and a new campus of the higher education institution of Almeteyevsk State Petroleum Institute were submitted for discussion.

The Public Council work in 2019-2020 has been devoted to socially important infrastructure projects of the Company in healthcare and education.

In the process of discussion the constructive proposals were developed taking into account the proposals received from participants in the public discussion.

Public councils enable the Company to get more precise information on the demand and expectations of the social environment, more efficiently distribute the corporate resources in implementation of the social policy, and also increase the stakeholders' awareness level about the activities of TATNEFT Group.

Annex



Annex 1

IFRS Consolidated Financial Statements and Independent Auditor's Report

31 December 2019

Independent 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 2019, and its consolidated financial performance and its 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 2019;
- 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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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") 12,600 million, which represents 5.0 % 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 94 % of the Group's absolute value of underlying profit before tax.

Key audit matter

- Business combinations
- 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 12,600 million
How we determined it	5.0 % 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 5.0 % 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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Business combinations

Refer to Note 29 to the consolidated financial statements

In the 4th quarter of 2019, the Group acquired 100 % of the charter capital of LLC Neste Saint-Petersburg (later renamed to LLC Tatneft-AZS-Severo-Zapad) from the third party Neste Oyj (Neste Corporation). LLC Neste Saint-Petersburg owns a premium retail chain of 75 petroleum stations, a tank farm of oil products and an office building in Saint-Petersburg. The acquired subsidiary will increase the Group's presence in the fuel and retail market of the North-West Federal district of Russia.

The purchase price was RR 9,139 million (net of cash received), cash consideration was fully paid in 2019.

In the 4th quarter of 2019, the Group also acquired 100 % of the charter capital of LLC SIBUR-Togliatti (later renamed to LLC Togliattikauchuk) and 100 % of the share capital of JSC Togliattisintez from the third party PJSC SIBUR Holding. The acquired subsidiaries form a petrochemical complex and contribute to the further development of the Group's petrochemical and tires business.

The purchase price was RR 11,378 million (net of cash received), cash consideration was fully paid in 2019.

As of 31 December 2019, the fair value measurement of the assets and liabilities of the acquired entities is preliminary and will be finalised within 12 months from the date of acquisition.

Preliminary fair value of the acquired net assets of LLC Neste Saint-Petersburg is RR 10,832 million, net assets of LLC SIBUR-Togliatti and JSC Togliattisintez is RR 12,801 million.

We focused on this matter due to significance of the acquired businesses for the Group's financial position.

We performed the following procedures to assess the appropriateness of valuation methods and methodology of accounting of acquired businesses used by the Group's management:

- examination of documents on acquisition of control over the subsidiaries, including purchase agreements, payment documents, other agreements with the sellers;
- analysis of key assumptions and input data used by the Group's management when performing a preliminary assessment of the fair values of acquired assets and liabilities;
- analysis of reasonableness and review of the mathematical accuracy of preliminary calculations of purchase price allocation of the assets and liabilities of the acquired entities;
- assessment of compliance with IFRS of the disclosures in the consolidated financial statements.



Key audit matter

How our audit addressed the key audit matter

Impairment of assets

Refer to Note 12 to the consolidated financial statements

As a result of assessment performed in 2019 the Group recognised net impairment losses and losses on disposal of certain property, plant and equipment and construction in progress in the amount of RR 30,875 million (line "Impairment losses and disposal of property, plant and equipment and other non-financial assets net of reversal" of the consolidated statement of profit or loss and other comprehensive income). Impairment losses are primarily related to the following:

- exploration and evaluation assets;
- social assets and construction in progress in respect of which no future economic benefits are expected.

We focused on this matter due to significance of impairment charges, estimates and judgements involved in the calculations.

We performed the following audit procedures to assess the appropriateness of valuation methods and calculations used in estimating recoverable values:

- examination, on a sample basis, 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;
- verification of the mathematical accuracy of discounted cash flow models (if applicable);
- analysis of collective labor agreements with respect to Group's social obligations to employees;
- assessment of compliance with IFRS of the disclosures in the consolidated financial statements.

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 2019 and years ended 31 December 2019 and 2018" (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 2019 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2020, 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 2019 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2020, 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, related safeguards.



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

AO PricewaterhouseCoopers Audit
31 March 2020
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

IFRS Consolidated Financial Statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (IN MILLIONS OF RUSSIAN RUBLES)

	Note	31 December 2019	31 December 2018
ASSETS			
Cash and cash equivalents	6	25,157	65,489
Banking: Mandatory reserve deposits with the Bank of Russia		1,572	1,875
Short-term accounts receivable, net	7	84,706	80,762
Banking: Loans to customers	8	33,880	53,797
Other short-term financial assets	9	27,713	32,901
Inventories	10	53,379	50,606
Prepaid expenses and other current assets	11	20,770	23,090
Prepaid income tax		4,838	852
Banking: Non-current assets held for sale		1,112	2,360
Total current assets		253,127	311,732
Long-term accounts receivable, net	7	7,861	2,930
Banking: Loans to customers	8	102,572	92,508
Other long-term financial assets	9	80,578	81,513
Investments in associates and joint ventures		774	637
Property, plant and equipment, net	12	768,735	701,922
Right-of-use assets	13	13,658	-
Deferred income tax assets	14	2,712	3,548
Other long-term assets		8,622	6,498
Total non-current assets		985,512	889,556
Total assets		1,238,639	1,201,288
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	15	19,592	11,953
Accounts payable and accrued liabilities	16	60,289	42,989
Dividends payable	20	55,865	50,711
Banking: Other financial liabilities at fair value through profit and loss		4,451	1,190
Banking: Due to banks and the Bank of Russia	17	20,293	13,765
Banking: Customer accounts	18	158,671	183,654

	Note	31 December 2019	31 December 2018
Taxes payable	14	37,465	38,771
Income tax payable		598	3,254
Other short-term liabilities		869	533
Total current liabilities		358,093	346,820
Long-term debt, net of current portion	15	21,657	3,084
Banking: Due to banks and the Bank of Russia	17	2,522	4,660
Banking: Customer accounts	18	1,381	682
Decommissioning provision, net of current portion	12	50,347	34,338
Lease liabilities, net of current portion	13	11,578	-
Deferred income tax liability	14	33,419	31,486
Other long-term liabilities	19	7,512	3,437
Total non-current liabilities		128,416	77,687
Total liabilities		486,509	424,507
SHAREHOLDERS' EQUITY			
Preferred shares (authorised and issued at 31 December 2019 and at 31 December 2018 – 147,508,500 shares; nominal value at 31 December 2019 and at 31 December 2018 – RR1.00)	20	746	746
Ordinary shares (authorised and issued at 31 December 2019 and at 31 December 2018 – 2,178,690,700 shares; nominal value at 31 December 2019 and at 31 December 2018 – RR1.00)	20	11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		1,073	1,804
Retained earnings		658,614	683,508
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 31 December 2019 and 75,483,000 at 31 December 2018, respectively)		(10,359)	(10,251)
Total Group shareholders' equity		745,532	771,265
Non-controlling interest		6,598	5,516
Total shareholders' equity		752,130	776,781
Total liabilities and equity		1,238,639	1,201,288

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**
(IN MILLIONS OF RUSSIAN RUBLES)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Sales and other operating revenues on non-banking activities, net	25	932,296	910,534
COSTS AND OTHER DEDUCTIONS ON NON-BANKING ACTIVITIES			
Operating expenses		(140,040)	(132,215)
Purchased crude oil and refined products		(58,112)	(76,080)
Exploration		(1,006)	(688)
Transportation		(37,356)	(36,952)
Selling, general and administrative		(52,637)	(49,700)
Depreciation, depletion and amortization	12,13,25	(35,165)	(30,520)
Impairment losses on financial assets net of reversal	7,9	(6,737)	(14,955)
Impairment losses and losses on disposal on property, plant and equipment and other non-financial assets net of reversal	12	(30,875)	(5,874)
Taxes other than income taxes	14	(307,654)	(293,162)
Maintenance of social infrastructure and transfer of social assets	12	(9,340)	(5,613)
Total costs and other deductions on non-banking activities		(678,922)	(645,759)
Loss on disposal of interests in subsidiaries and associates, net		(41)	(1,842)
Other operating gain, net		993	488
Operating profit on non-banking activities		254,326	263,421
NET INTEREST, FEE AND COMMISSION AND OTHER OPERATING INCOME/(EXPENSES) AND GAINS/(LOSSES) ON BANKING ACTIVITIES			
Interest, fee and commission income	23,24,25	22,584	23,259
Interest, fee and commission expense	23,24	(12,118)	(11,132)
Net expense on creating provision for credit losses associated with debt financial assets	8	(462)	(1,310)
Operating expenses		(9,871)	(10,019)
Gain/(loss) arising from dealing in foreign currencies, net		70	(205)
Other operating income/(expense), net		2,099	(36)
Total net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities		2,302	557
OTHER INCOME/(EXPENSES)			
Foreign exchange (loss)/gain, net	30	(207)	7,936
Interest income on non-banking activities	22	1,201	5,497
Interest expense on non-banking activities, net of amounts capitalised	22	(5,407)	(3,590)
Share of results of associates and joint ventures, net		127	(32)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Total other (expense)/income, net		(4,286)	9,811
Profit before income tax		252,342	273,789
INCOME TAX			
Current income tax expense		(57,626)	(58,015)
Deferred income tax expense		(1,898)	(4,226)
Income tax expense	14	(59,524)	(62,241)
Profit for the period		192,818	211,548
OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(509)	(76)
Gain on debt financial assets at fair value through other comprehensive income, net		170	44
Items that will not be reclassified to profit or loss:			
Gain/(loss) on equity financial assets at fair value through other comprehensive income, net		1,225	(150)
Actuarial (loss)/gain on employee benefit plans		(377)	334
Other comprehensive income		509	152
Total comprehensive income for the period		193,327	211,700
Profit/(loss) attributable to:			
Group shareholders		192,260	211,812
Non-controlling interest		558	(264)
		192,818	211,548
Total comprehensive income/(loss) attributable to:			
- Group shareholders		192,343	211,964
- Non-controlling interest		984	(264)
		193,327	211,700
Basic and diluted earnings per share (RR)			
Ordinary	20	85.43	94.11
Preferred		85.43	93.89
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				
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial (loss)/gain on employee benefit plans
Balance at 1 January 2018	2,250,716	11,767	84,437	(10,251)	(1,871)
Profit/(loss) for the year	-	-	-	-	-
Other comprehensive income/(loss) for the year	-	-	-	-	334
Total comprehensive income/(loss) for the year	-	-	-	-	334
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-
Dividends declared (Note 20)	-	-	-	-	-
Balance at 31 December 2018	2,250,716	11,767	84,437	(10,251)	(1,537)
Balance at 1 January 2019	2,250,716	11,767	84,437	(10,251)	(1,537)
Profit for the year	-	-	-	-	-
Other comprehensive (loss)/income for the year	-	-	-	-	(377)
Total comprehensive (loss)/income for the year	-	-	-	-	(377)
Treasury shares	(154)	-	-	(108)	-
- Additions	(156)	-	-	(109)	-
- Disposals	2	-	-	1	-
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-
Disposal of non-controlling interests in subsidiaries	-	-	-	-	-
Dividends declared (Note 20)	-	-	-	-	-
Disposal of equity financial assets at fair value through other comprehensive income	-	-	-	-	-
Balance at 31 December 2019	2,250,562	11,767	84,437	(10,359)	(1,914)

Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other compre-hensive income, net	Retained earnings	Total shareholders' equity	Non-con-trolling interest	Total equity
1,677	1,846	617,295	704,900	4,822	709,722
-	-	211,812	211,812	(264)	211,548
(76)	(106)	-	152	-	152
(76)	(106)	211,812	211,964	(264)	211,700
-	-	-	-	(48)	(48)
-	-	-	-	1,052	1,052
-	-	(145,599)	(145,599)	(46)	(145,645)
1,601	1,740	683,508	771,265	5,516	776,781
1,601	1,740	683,508	771,265	5,516	776,781
-	-	192,260	192,260	558	192,818
(509)	969	-	83	426	509
(509)	969	192,260	192,343	984	193,327
-	-	-	(108)	-	(108)
-	-	-	(109)	-	(109)
-	-	-	1	-	1
-	-	-	-	113	113
-	-	-	-	(14)	(14)
-	-	(217,968)	(217,968)	(1)	(217,969)
-	(814)	814	-	-	-
1,092	1,895	658,614	745,532	6,598	752,130

CONSOLIDATED STATEMENT OF CASH FLOWS
 (IN MILLIONS OF RUSSIAN RUBLES)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
OPERATING ACTIVITIES			
Profit for the year		192,818	211,548
Adjustments:			
Net interest, fee and commission and other operating income and gains on banking activities		(2,302)	(557)
Depreciation, depletion and amortization	12,13,25	35,165	30,520
Income tax expense	14	59,524	62,241
Impairment losses on financial assets net of reversal	7,9	6,737	14,955
Impairment losses and losses on disposal on property, plant and equipment and other non-financial assets net of reversal	12	30,875	5,874
Loss on disposals of interests in subsidiaries and associates, net		41	1,842
Effects of foreign exchange		23	1,445
Equity investments gain net of dividends received		(127)	32
Interest income on non-banking activities	22	(1,201)	(5,497)
Interest expense on non-banking activities, net of amounts capitalised	22	5,407	3,590
Other		(958)	807
Changes in operational working capital, excluding cash:			
Accounts receivable		(7,252)	(27,786)
Inventories		(1,462)	(11,015)
Prepaid expenses and other current assets		1,901	132
Securities at fair value through profit or loss		-	504
Accounts payable and accrued liabilities		13,909	4,011
Taxes payable		(1,603)	10,939
Net cash provided by non-banking operating activities before income tax and interest		331,495	303,585
Net interest, fee and commission and other operating income and gains on banking activities		2,302	557
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets	8	462	1,310
Reversal of provision for losses on credit related commitments		(84)	(551)
Change in fair value of financial assets through profit or loss		(1,148)	917
Other		(1,737)	165
Changes in operational working capital on banking activities, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		303	41
Due from banks		(6,393)	(589)
Banking loans to customers		5,542	(11,107)
Due to banks and the Bank of Russia		5,094	(16,149)
Customer accounts		(17,408)	18,413
Debt securities issued		(186)	(2,298)

	Note	Year ended 31 December 2019	Year ended 31 December 2018
Securities at fair value through profit or loss		(3,948)	4,989
Net cash used in banking operating activities before income tax		(17,201)	(4,302)
Income taxes paid		(64,268)	(58,150)
Interest paid on non-banking activities		(2,222)	(846)
Interest received on non-banking activities		1,002	5,396
Net cash provided by operating activities		248,806	245,683
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(95,994)	(97,945)
Proceeds from disposal of property, plant and equipment		1,678	1,693
Net cash outflow on acquisition of subsidiaries	29	(20,438)	(173)
Cash (outflow)/inflow from disposal of subsidiaries and associates, net of disposed cash		(10)	20
Purchase of securities at fair value through other comprehensive income		(48,186)	(35,086)
Purchase of securities at amortised cost		(1,263)	(20,965)
Proceeds from disposal of securities at fair value through other comprehensive income		48,724	36,574
Proceeds from redemption of securities at amortised cost		9,087	43,658
Proceeds from sale of non-current assets held for sale		1,118	170
Proceeds from investments in associates and joint ventures		-	10
Proceeds from redemption of bank deposits		27,198	21,314
Placement of bank deposits		(27,936)	(21,053)
Proceeds from redemption of loans and notes receivable	9	3,981	4,282
Issuance of loans and notes receivable	9	(642)	(24,068)
(Purchase)/proceeds from disposal of other non-current assets		(1,209)	73
Net cash used in investing activities		(103,892)	(91,496)
FINANCING ACTIVITIES			
Proceeds from issuance of debt from non-banking activities	30	115,346	25,920
Repayment of debt from non-banking activities	30	(107,212)	(49,466)
Repayment of principal portion of lease liabilities		(1,352)	-
Issuance of bonds	30	21,790	-
Redemption of bonds	30	(1,053)	(6,979)
Repayment of subordinated debt		(2,140)	(1,359)
Dividends paid to shareholders	20	(212,814)	(100,920)
Dividends paid to non-controlling shareholders	20	(1)	(46)
Proceeds from government grants	19	3,231	-
Net cash used in financing activities		(184,205)	(132,850)
Net change in cash and cash equivalents		(39,291)	21,337
Effect of foreign exchange on cash and cash equivalents		(1,041)	1,355
Cash and cash equivalents at the beginning of the year	6	65,489	42,797
Cash and cash equivalents at the end of the year	6	25,157	65,489

Notes to the Consolidated Financial Statements

Note 1

Organisation

PJSC Tatneft (the “Company”) and its 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 since October 2016, with the acquisition of controlling interest in PJSC Bank ZENIT, including its subsidiaries (jointly referred to as “Bank ZENIT”), the Group is also engaged in banking activities. See Note 28 for the information about the Group’s principal subsidiaries.

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 Group does not have an ultimate controlling party.

As at 31 December 2019 and 2018 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, Almetьевsk, 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) valua-

tion (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 policies

The key accounting policies used in preparing these consolidated financial statements are presented below. In addition to changes in accounting policies as a result of the transition to IFRS 16 “Leases” from January 1, 2019, as well as the reflection of changes in the Tax Code of the Russian Federation (“Tax Code”) in connection with the introduction of the reverse (“negative”) excise tax calculation, 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 (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 2019 and 31 December 2018 were RR 61.91 and RR 69.47 to US \$, respec-

tively. Average rates of exchange for the years ended 31 December 2019 and 31 December 2018 were RR 64.74 and RR 62.71 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 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 and 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 30.

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 MODE

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 30 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 30. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 30 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 30 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 and advances 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

Mineral extraction tax (MET) on crude oil is defined monthly as an amount of volume produced per fixed tax rate (RR 919 per ton in 2019 and 2018, respectively) adjusted depending on the monthly average market prices of the Urals blend and the RR/US \$ average exchange rate for the preceding month, taking into account the features of oil production. MET liabilities are lower for fields whose depletion rate exceeds 80% of their proved reserves as per the Russian classification of reserves and resources, as a result of using a reduction factor that depends on the level of depletion. The Company saves 3.5% at a field for each percent of depletion above the 80% threshold. In addition, lower MET is envisaged for small fields via application of a factor that characterises the volume of reserves. The amount of tax relief for depleted

and small fields is calculated using the base MET rate of RR 559 per tonne (in 2018 - RR 559 per tonne).

Furthermore, the reduced MET tax rate is applied to the production of highly viscous crude oil (with viscosity of 10,000 Megapascal second in reservoir conditions) and oil produced from Domanic productive sediments.

In addition, another relief in the form of a lower MET is available for production of highly viscous oil with viscosity in the range from 200 to 10,000 Megapascal second (in reservoir conditions). The saving in these circumstances is calculated using the base MET tax rate of RR 559 per tonne (in 2018 - RR 559 per tonne).

Furthermore, the reduced MET tax rate is applied in the Nenets Autonomous Okrug (in view of the calculation in relation to such oil of the tax on additional income from the extraction of hydrocarbons).

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

The Russian Government tax maneuver in the oil industry involves gradual reduction of crude oil and oil products export duty rates with a corresponding increase in crude oil mineral extraction and excise tax rates. To eliminate the negative effect of export duty reduction on refining margins, a reverse (“negative”) excise on refinery feedstock was introduced. To reduce domestic fuel prices sensitivity to international prices fluctuations “damper coefficient” component was included into the reverse (“negative”) excise tax calculation. Reverse (“negative”) excise is recognised as a reduction in excise tax expense deducted from sales and other operating revenues on non-banking activities in the statement of profit and loss and other comprehensive income and is presented in prepaid expenses and other current assets line in the statement of financial position.

VALUE ADDED TAX

Value added tax (VAT) at a standard rate of 20% (at 2018 – 18%) 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 costs 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, 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. Previously leases of equipment were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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 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.

DECOMMISSIONING PROVISIONS

The Group recognises a liability for the fair 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 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-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.

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;
- 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	
		At 31 December 2019	At 31 December 2018
	Change in		
Discount rate	+1%	(11,243)	(7,207)
	-1%	14,954	9,353

Information about decommissioning provision is presented in Note 12.

IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

At 31 December 2019 management assessed whether there is any indication of impairment of on-current assets. As the result the impairment of certain exploration and social assets was recognised (Note 12).

ACCOUNTING OF INVESTMENTS IN JSC “NATIONAL NON-STATE PENSION FUND”

As at 31 December 2019 and 2018 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 2019 and 2018 (refer to Note 9).

PRESENTATION OF REVENUE NET OF EXCISE TAX, INCLUDING REVERSE (NEGATIVE) EXCISE

For the years ended 31 December 2019 and 2018 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 2019 and 2018 excise on refinery products amounted to RR 38,900 million and RR 18,156 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 23,307 million for the year 2019 (2018: not applicable).

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 30.

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 30.

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 per 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.

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 30.

Note 5

Adoption of new or revised standards and interpretations

ADOPTION OF IFRS 16, LEASES

The Group decided to use the modified retrospective method when applying the standard from its mandatory adoption date of 1 January 2019, without restatement of comparatives and using certain simplifications allowed by the standard. Right-of-use assets were measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued expenses).

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The borrowing rate was determined by the information on possible borrowing rates offered by banks. The lessee's incremental borrowing rate applied to the lease liabilities on 31 December 2019 was ranged from 7.4% to 8.4% and from 10.5% to 10.8% on a 1 January 2019.

At 1 January 2019	
Total future minimum lease payments for non-cancellable operating leases	6,932
Future lease payments that are due in periods subject to lease extension options that are reasonably certain to be exercised	
Effect of discounting to present value	20,886
Total lease liabilities	(11,750)
Of which are:	16,068
Current lease liabilities	2,919
Non-current lease liabilities	13,149

The associated right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 1 January, 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Segment assets at 31 December 2019 increased as a result of the change in accounting policy. The following segments were affected by the change in policy:

At 31 December 2019	
ASSETS	
Exploration and production	11,323
Refining and marketing	314
Petrochemicals	1,422
Banking	516
Corporate and other	83
Total assets	13,658

Earnings per share for the year ended 31 December 2019 decreased by RR 0.25 as a result of the adoption of IFRS 16. Application of this Standard did not have an effect on retained earnings (or other component of equity) at the date of initial application.

PRACTICAL EXPEDIENTS APPLIED

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease, and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The following amended standards became effective for the Group from 1 January 2019, but did not have any material impact on the Group:

- IFRIC 23 Uncertainty over Income Tax Treatments (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019);
- Prepayment Features with Negative Compensation - Amendments to IFRS 9 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Long-term Interests in Associates and Joint Ventures - Amendments to IAS 28 (issued on 12 October 2017 and effective for annual periods beginning on or after 1 January 2019);
- Annual Improvements to IFRSs 2015-2017 cycle - amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23 (issued on 12 December 2017 and effective for annual periods beginning on or after 1 January 2019);
- Plan Amendment, Curtailment or Settlement - Amendments to IAS 19 (issued on 7 February 2018 and effective for annual periods beginning on or after 1 January 2019).

The following other new standards and interpretations are not expected to have any material impact on the Group's consolidated financial statements when adopted:

- 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 2021). 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 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). The amendments revise definition of a business.
- 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).The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved.
- 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).
- 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).

Note 6

Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 December 2019	At 31 December 2018
Cash on hand and in banks	24,730	42,340
Term deposits with original maturity of less than three months	350	22,078
Due from banks	77	1,071
Total cash and cash equivalents	25,157	65,489

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 30.

Note 7

Accounts receivable

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

	At 31 December 2019	At 31 December 2018
Short-term accounts receivable:		
Trade receivables	81,950	79,088
Other financial receivables	9,516	8,150
Other non-financial receivables	161	144
Less credit loss allowance	(6,921)	(6,620)
Total short-term accounts receivable	84,706	80,762
Long-term accounts receivable:		
Trade receivables	333	1,569
Other financial receivables	10,301	3,063
Less credit loss allowance	(2,773)	(1,702)
Total long-term accounts receivable	7,861	2,930
Total trade and other receivables	92,567	83,692

Fair value of short-term and long-term accounts receivable is presented in Note 30.

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

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table

below. The provision matrix is based on the number of days that an asset is past due, with a distribution to portfolios of receivables, homogeneous in terms of credit risk. In addition to the number of days that an asset is past due, types of products sold, geographical specificity of distributional channels and other factors were taken into account.

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

	At 31 December 2019			At 31 December 2018		
	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
TRADE RECEIVABLES						
- current	0.065%	75,614	(49)	0.197%	78,244	(157)
- less than 90 days overdue	0.92%	2,946	(27)	89.34%	798	(713)
- 91 to 180 days overdue	3.51%	969	(34)	0.59%	88	(1)
- over 180 days overdue	88.93%	2,754	(2,449)	89.68%	1,527	(1,369)
Total trade receivables (gross carrying amount)		82,283			80,657	
Credit loss allowance		(2,559)			(2,240)	
Total trade receivables (carrying amount)		79,724			78,417	
OTHER RECEIVABLES						
- current	0.254%	12,617	(32)	0.735%	5,168	(37)
- less than 90 days overdue	100%	12	(12)	100%	12	(12)
- 91 to 180 days overdue	100%	1	(1)	0%	-	-
- over 180 days overdue	98.65%	7,187	(7,090)	100%	6,033	(6,033)
Total other receivables (gross carrying amount)		19,817			11,213	
Credit loss allowance		(7,135)			(6,082)	
Total other receivables (carrying amount)		12,682			5,131	

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:

	2019		2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Expected credit loss allowance at 1 January	(2,240)	(6,082)	(1,676)	(2,419)
New originated or purchased	(319)	(1,095)	(734)	(3,635)
Other movements	-	53	-	(53)
Total credit loss allowance charge in profit or loss for the period	(319)	(1,042)	(734)	(3,688)
Write-offs	-	(11)	228	25
FX movements	-	-	(58)	-
Expected credit loss allowance at 31 December	(2,559)	(7,135)	(2,240)	(6,082)

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

	At 31 December 2019		At 31 December 2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
NOT PAST DUE				
International traders of crude oil, oil products and petrochemicals	23,349	-	21,373	-
Russian crude oil and oil products traders	1,501	-	8,252	-
Russian oil and petrochemicals refineries	22,603	-	14,160	-
Central and Eastern Europe refineries	15,249	-	15,910	-
Russian tire dealers and automotive manufacturers	3,430	-	4,732	-
Natural monopoly entity	1,634	-	5,170	-

	At 31 December 2019		At 31 December 2018	
	Trade receivables	Other receivables	Trade receivables	Other receivables
Russian construction companies	327	-	325	-
unrated	7,521	12,617	8,322	5,168
including related parties	1,003	435	2,697	369
Not past due	75,614	12,617	78,244	5,168
PAST DUE BUT NOT INDIVIDUALLY ASSESSED FOR CREDIT LOSS ALLOWANCE				
less than 90 days overdue	2,946	-	85	12
91 to 180 days overdue	969	-	88	-
over 180 days overdue	305	65	-	-
Total past due but not individually assessed for credit loss allowance	4,220	65	173	12
INDIVIDUALLY ASSESSED FOR CREDIT LOSS ALLOWANCE (GROSS)				
less than 90 days overdue	-	12	713	-
91 to 180 days overdue	-	1	-	-
over 180 days overdue	2,449	7,122	1,527	6,033
Total individually assessed for credit loss allowance	2,449	7,135	2,240	6,033
Less credit loss allowance	(2,559)	(7,135)	(2,240)	(6,082)
Total	79,724	12,682	78,417	5,131

Note 8

Banking: Loans to customers

	At 31 December 2019	At 31 December 2018
Loans to legal entities	92,147	106,538
Loans to individuals	41,836	39,935
Loans to customers measured at amortised cost before impairment	133,983	146,473
Credit loss allowance	(10,478)	(13,069)
Total loans to customers measured at amortised cost	123,505	133,404
Loans to customers measured at fair value through profit and loss	12,947	12,901
Total loans to customers	136,452	146,305
Less: long term loans at measured at fair value through profit and loss	(12,740)	(12,901)
Less: long term loans measured at amortised cost	(94,165)	(85,905)
Less: credit loss allowance for long term loans	4,333	6,298
Total short term loans to customers and current portion of long term loans to customers	33,880	53,797
Less: short term loans at measured at fair value through profit and loss	(207)	-
Total short term loans to customers and current portion of long term loans to customers measured at amortised cost	33,673	53,797

As at 31 December 2019 and 2018 the Group granted loans to 19 and 20 customers totalling RR 57,435 million and RR 51,743 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

As at 31 December 2019 and 2018, the total amount of pledged loans to legal entities is RR 783 million and RR 1,742 million and

loans to individuals is RR 4,425 million and RR 5,442 million respectively. The loans are pledged against the funds accounted within due to banks and the Bank of Russia.

The Group holds a portfolio of loans and advances 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 repayment 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 and advances were measured at fair value through profit and loss from the date of initial recognition.

Loans and advances to customers measured at fair value through profit and 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 and advances to customers.

The fair value of loans and advances to customers, including a breakdown by fair value hierarchy level, is disclosed in Note 30. Information on related party balances is disclosed in Note 26.

Movements in the credit loss allowance during the year ended 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/(provision) for credit loss allowance during the period	698	(1,160)	(462)
Reclassification in 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)

Movements in the credit loss allowance during the year ended 31 December 2018 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2018	(10,605)	(1,154)	(11,759)
Net provision for credit loss allowance during the period	(928)	(382)	(1,310)
Credit loss allowance as at 31 December 2018	(11,533)	(1,536)	(13,069)

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

	At 31 December 2019		At 31 December 2018	
	Gross book value	Share in customer loan portfolio, %	Gross book value	Share in customer loan portfolio, %
Trade	19,485	13.26%	28,943	18.16%
Manufacturing	29,191	19.87%	24,471	15.35%
Construction	15,908	10.83%	16,542	10.38%
Services	17,895	12.18%	22,877	14.35%
Food	633	0.43%	1,474	0.92%
Finance	10,173	6.92%	12,080	7.58%
Agriculture	1,041	0.71%	1,538	0.97%
Oil and gas	5,013	3.41%	2,533	1.59%
Individuals, including:	41,836	28.47%	39,936	25.06%
mortgage loans	22,843	15.55%	25,333	15.90%
consumer loans	14,202	9.67%	13,247	8.31%
car loans	4,178	2.84%	846	0.53%
plastic cards overdrafts	572	0.39%	479	0.30%
other	41	0.02%	31	0.02%
Other	5,755	3.92%	8,979	5.63%
Total loans to customers before credit loss allowance	146,930	100%	159,373	100%

Note 9

Other financial assets

Other short-term financial assets comprise the following as at 31 December 2019 and 31 December 2018:

	At 31 December 2019	At 31 December 2018
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Notes receivable (net of credit loss allowance of RR 240 million and 249 million as at 31 December 2019 and 31 December 2018 respectively)	112	136
Other loans (net of credit loss allowance of RR 3,615 million and 261 million as at 31 December 2019 and 31 December 2018 respectively)	227	3,220
Bank deposits (net of credit loss allowance of RR 5,547 million and 5,544 million as at 31 December 2019 and 31 December 2018 respectively)	659	11
Due from banks	1,222	997
REPO with banks	4,081	537
Securities held by the Group (net of credit loss allowance of RR 9 million and 47 million as at 31 December 2019 and 31 December 2018 respectively):	1,562	4,632
Russian government and municipal debt securities	30	675
Corporate debt securities	1,532	3,957
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 22 million and 37 million as at 31 December 2019 and 31 December 2018 respectively):	9,044	8,267
Russian government and municipal debt securities	2,609	2,272
Corporate debt securities	6,435	5,995

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

Due from banks	1,238	-
Securities held by the Group:	7,658	4,017
Russian government and municipal debt securities	460	287
Corporate debt securities	6,865	2,018
Corporate shares	165	186
Derivatives	168	1,526

FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Securities held by the Group:	1,910	11,084
Russian government and municipal debt securities	695	176
Corporate debt securities	1,000	10,719
Corporate shares	215	189
Total short-term financial assets	27,713	32,901

Other long-term financial assets comprise the following as at 31 December 2019 and 31 December 2018:

	At 31 December 2019	At 31 December 2018
FINANCIAL ASSETS MEASURED AT AMORTISED COST		
Notes receivable (net of credit loss allowance of RR 318 million as at 31 December 2019 and 31 December 2018)	-	320
Loans to employees (net of credit loss allowance of RR 1,804 million and 1,776 million as at 31 December 2019 and 31 December 2018 respectively)	928	1,046
Other loans (net of credit loss allowance of RR 22,392 million and 17,746 million as at 31 December 2019 and 31 December 2018 respectively)	21,281	25,450
Bank deposits	-	646
Due from banks	2,027	1,018
Securities held by the Group (net of credit loss allowance of RR 31 million and 138 million as at 31 December 2019 and 31 December 2018 respectively):	13,132	19,867
Russian government and municipal debt securities	1,272	2,301
Corporate debt securities	11,860	17,566
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS		
Other loans	-	117
Securities held by the Group:	293	757
Corporate debt securities	293	757
FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME		
Securities held by the Group:	42,917	32,292
Russian government and municipal debt securities	15,236	36
Corporate shares	12,440	12,317
Corporate debt securities	2,176	6,851
Investment fund units	13,065	13,088
Total long-term financial assets	80,578	81,513

The fair value of financial assets and valuation techniques used are disclosed in Note 30.

Corporate bonds consist of Russian Ruble and US Dollar de-nominated 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” and Russian Federation Eurobonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares at FVTPL include quoted and unquoted shares of Russian companies and banks. At 31 December 2019 and 31 December 2018 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 2019 the Group recognised an impairment losses on financial assets net of reversal in the amount of RR 6,737 million. These losses consist of expected credit loss allowance for accounts receivable in the amount of RR 1,361 million, other loans issued in the amount of RR 5,220 million and other financial assets in the amount of RR 156 million.

The following table discloses the changes in the credit loss allowance and gross carrying amount for other loans carried at amortised cost between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
OTHER LOANS								
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 the period:								
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 the period	-	302	(5,522)	(5,220)	(10)	(24,686)	21,704	(2,992)
Movements without impact on credit loss allowance charge for the period:								
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
At 1 January 2018	-	(232)	(8,827)	(9,059)	49	1,768	15,435	17,252
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	36	(36)	-	-	(195)	195	-
Net remeasurement of credit loss allowance within the same stage	-	(17)	(8,273)	(8,290)	-	-	-	-
New originated or purchased	-	(323)	(703)	(1,026)	34	22,407	751	23,192
Total movements with impact on credit loss allowance charge for the period	-	(304)	(9,012)	(9,316)	34	22,212	946	23,192
Movements without impact on credit loss allowance charge for the period:								
Disposals	-	6	1,296	1,302	-	(263)	(3,171)	(3,434)
Reclassification from other financial assets	-	(13)	(921)	(934)	-	2,500	7,167	9,667
At 31 December 2018	-	(543)	(17,464)	(18,007)	83	26,217	20,377	46,677

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 19,861 million and RR 21,506 million were accounted as other loans in other long-term financial assets carried at amortised cost at 31 December 2019 and 31 December 2018 respectively.

Note 10

Inventories

	At 31 December 2019	At 31 December 2018
Materials and supplies	18,916	17,640
Crude oil	9,905	12,003
Refined oil products	13,197	11,621
Petrochemical supplies and finished goods	11,361	9,342
Total inventories	53,379	50,606

Note 11

Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 31 December 2019	At 31 December 2018
Prepaid export duties	2,233	3,818
Value added tax	6,006	7,873
Advances	6,176	8,670
Prepaid transportation expenses	1,465	1,752
Reverse (negative) excise	1,942	-
Other	2,948	977
Prepaid expenses and other current assets	20,770	23,090

Note 12

Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
COST					
As at 31 December 2017	382,326	196,072	144,939	195,168	918,505
Additions	-	-	-	95,761	95,761
Disposals	(3,060)	(1,453)	(1,669)	(4,832)	(11,014)
Changes in Group structure	-	(726)	(679)	103	(1,302)
Transfers	24,377	26,969	14,938	(66,284)	-
Changes in decommissioning provision	(6,253)	-	-	-	(6,253)
As at 31 December 2018	397,390	220,862	157,529	219,916	995,697
DEPRECIATION, DEPLETION AND AMORTISATION					
As at 31 December 2017	168,356	33,764	64,925	-	267,045
Depreciation charge	14,363	6,783	9,999	-	31,145
Disposals	(2,156)	(454)	(982)	-	(3,592)
Changes in Group structure	-	(216)	(607)	-	(823)
Transfers	(1,204)	3,699	(2,495)	-	-
As at 31 December 2018	179,359	43,576	70,840	-	293,775

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
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NET BOOK VALUE

As at 31 December 2017	213,970	162,308	80,014	195,168	651,460
As at 31 December 2018	218,031	177,286	86,689	219,916	701,922

COST

As at 31 December 2018	397,390	220,862	157,529	219,916	995,697
Additions	415	-	-	100,094	100,509
Disposals	(6,266)	(1,506)	(3,369)	(1,353)	(12,494)
Changes in Group structure (Note 29)	-	10,356	7,631	1,231	19,218
Transfers	46,157	39,944	43,137	(129,238)	-
Changes in decommissioning provision	13,072	-	-	-	13,072
As at 31 December 2019	450,768	269,656	204,928	190,650	1,116,002

DEPRECIATION, DEPLETION AND AMORTISATION

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	215,950	125,318	166,259	768,735

Additions for years 2019 and 2018 years include construction of TANECO refinery complex and superviscous oil fields facilities.

Within construction in progress there are advances for construction of RR 14,862 million and RR 15,318 million at 31 December 2019 and 2018, 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 2019 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 2018	18,520
Additions	2,018
Reclassification to development assets	(642)
Charged to expense	(3,178)
At 31 December 2018	16,718
Additions	3,194
Reclassification to development assets	-
Charged to expense	(17,818)
At 31 December 2019	2,094

For the years ended 31 December 2019 and 2018, operating and investing cash flows used for exploration and evaluation activities amounted to RR 924 million and RR 688 million and RR 3,194 million and RR 2,018 million, respectively.

LIBYA

As a result of destabilisation of the political situation in Libya, in February 2011 the Group had to entirely suspend its operations in that country and evacuate all its Russian personnel. After improvement of the situation in the country, in early 2013 the Group returned its staff to Libya and began preparatory work. In May 2014, exploration was resumed in accordance with contractual obligations. Due to the deterioration of security situation in Libya in the second half of 2014 the Group had to suspend all of its operations and announced a force-majeure under the Exploration and Production Sharing Agreements, acknowledged by the National Oil Company, which is continuing as at the date of these consolidated financial statements. As at 31 December 2019 the Group recognised an impairment loss in the amount of RR 6,492 million related to exploration and evaluation assets associated with its operations in Libya, including RR 4,899 million recognised for the year ended 31 December 2019. The Group is constantly monitoring the security and political situation in Libya to assess the possibility of geological exploration, and plans to resume its operations once the conditions permit to do so.

ASSETS OUTSIDE THE REPUBLIC OF TATARSTAN

As at 31 December 2019 the Group recognised an impairment loss for certain other exploration and evaluation assets in the amount of RR 19,104 million, including RR 12,919 million for the year ended 31 December 2019, related mainly to the oilfields located in Nenets Autonomous District and Republic of Kalmykia. The Group recognised this impairment loss due to adverse conditions in the oil market affecting the current assessment of respective projects.

	2019	2018
Balance at the beginning of period	34,457	38,081
Unwinding of discount	3,015	2,936
New obligations	1,349	629
Release of existing obligations	(70)	(307)
Changes in estimates	11,723	(6,882)
Balance at the end of period	50,474	34,457
Less: current portion of decommissioning provisions (Note 16)	(127)	(119)
Long-term balance at the end of period	50,347	34,338

In 2019 and 2018 the Group recorded the change in estimate for oil and gas properties decommissioning primarily due to the change in discount rate and expected long-term inflation rate.

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

	At 31 December 2019	At 31 December 2018
Discount rate	6.69%	8.75%
Inflation rate	4.00%	4.21%

SOCIAL ASSETS

During the years ended 31 December 2019 and 2018 the Group transferred social assets with a net book value of RR 345 million and RR 21 million, respectively, to local authorities. At 31 December 2019 and 2018 the Group held social assets with a net book value net of impairment provision of RR 6,378 million and RR 9,232 million, respectively. The Group recognised an impairment loss on social assets not providing future economic benefits, in the amount of RR 7,208 million for the year ended 31 December 2019; no impairment loss on such assets was recognised for the year ended 31 December 2018.

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. The Group incurred social infrastructure expenses of RR 8,995 million and RR 5,592 million for the years ended 31 December 2019 and 2018, respectively, for maintenance that mainly relates to housing, schools and cultural buildings.

In 2019 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 30,875 million. These losses consist of impairment losses on property, plant and equipment in the amount of RR 29,240 million and other non-current assets in the amount of RR 360 million, losses on creation of provision for impairment of inventories in the amount of RR 320 million and losses on disposal of property, plant and equipment in the amount of RR 950 million.

DECOMMISSIONING PROVISIONS

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

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	-	(925)	(925)
Depreciation	(1,784)	(316)	(2,100)
Revaluation and modification	(896)	(215)	(1,111)
As at 31 December 2019	11,052	2,606	13,658

The reconciliation between undiscounted lease liabilities and their present value presented in the table below:

	At 31 December 2019
LEASE LIABILITIES	
Less than one year	3,024
Between one and five years	9,443
More than five years	11,078
Total undiscounted lease liabilities	23,545
Lease liabilities	14,191
Of which are:	
Current lease liabilities, presented in Accounts payable and accrued liabilities (Note 16)	2,613
Non-current lease liabilities	11,578

Note 14

Taxes

Income tax expense comprises the following:

Presented below is reconciliation between the provision for

	Year ended 31 December 2019	Year ended 31 December 2018
Current income tax expense	(57,626)	(58,015)
Deferred income tax expense	(1,898)	(4,226)
Income tax expense for the year	(59,524)	(62,241)

income taxes and taxes determined by applying the statutory tax rate 20% to income before income taxes:

	Year ended 31 December 2019	Year ended 31 December 2018
Profit before income tax	252,342	273,789
Theoretical income tax expense at statutory rate	(50,468)	(54,758)
Increase due to:		
Non-deductible expenses, net	(6,705)	(7,653)
Income tax withheld at source on dividends for treasury shares	(733)	(394)
Deferred income tax liability increase as a result of business combinations (Note 29)	(1,703)	-
Other	85	564
Income tax expense	(59,524)	(62,241)

At 31 December 2019 no deferred tax liabilities has been recognised for taxable temporary differences of RR 68,729 million (2018: RR 62,453 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 1,203 million (2018: RR 1,185 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 2019	At 31 December 2018
Tax loss carry forward	3,057	3,281
Decommissioning provision	7,318	6,868
Prepaid expenses and other current assets	189	278
Accounts receivable	425	230
Long-term loans and certificates of deposits	1,773	2,131
Long-term investments	366	395
Other	94	1,333
Deferred income tax assets	13,222	14,516
Property, plant and equipment	(41,908)	(39,602)
Inventories	(2,021)	(2,824)
Long-term investments	-	(15)
Other liabilities	-	(13)
Deferred income tax liabilities	(43,929)	(42,454)
Net deferred tax liability	(30,707)	(27,938)

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

	At 31 December	At 31 December 2018
Deferred income tax asset	2,712	3,548
Deferred income tax liability	(33,419)	(31,486)
Net deferred tax liability	(30,707)	(27,938)

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 2019, the Group had recognised deferred income tax assets of RR 3,057 million (RR 3,281 million at 31 December 2018) in respect of unused tax loss carry forwards of RR 15,285 million (RR 16,405 million at 31 December 2018). 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 2019	Year ended 31 December 2018
Mineral extraction tax	298,592	284,118
Property tax	7,320	6,680
Other	1,742	2,364
Total taxes other than income taxes	307,654	293,162

For mineral extraction tax for fields whose depletion rate exceeds a certain threshold the Group received a tax relief of RR 50.4 billion and RR 52.2 billion for the years ended 31 December 2019 and 2018, respectively.

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.

At 31 December 2019 and 2018 taxes payable were as follows:

	At 31 December 2019	At 31 December 2018
Mineral extraction tax	21,172	21,692
Value Added Tax	8,369	7,622
Excise	2,863	2,683
Export duties	425	2,493
Property tax	1,975	1,549
Other	2,661	2,732
Total taxes payable	37,465	38,771

Note 15

Debt

	At 31 December 2019	At 31 December 2018
SHORT-TERM DEBT		
Bonds issued	1,850	1,056
Subordinated debt	21	2,160
Debt securities issued	884	1,061
US \$75 million 2011 credit facility	816	1,397
US \$144.5 million 2011 credit facility	2,090	2,932
EUR 55 million 2013 credit facility	1,652	2,353
RR credit facilities	10,142	-
Other debt	938	994
Total short-term debt	18,393	11,953
Current portion of long-term debt	1,199	-
Total short-term debt, including current portion of long-term debt	19,592	11,953
LONG-TERM DEBT		
Bonds issued	20,007	-
Subordinated debt	1,266	1,420
Debt securities issued	39	69
Other debt	1,544	1,595
Total long-term debt	22,856	3,084
Less: current portion of long-term debt	(1,199)	-
Total long-term debt, net of current portion	21,657	3,084

Fair value of debt is presented in Note 30. Maturity and currency analysis of debt is presented in Note 30. Debt issued by related parties is presented in Note 26.

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.

During 2019, to cover cash gaps the Group received short-term loans under the existing credit facilities with PJSC Sberbank, JSC ALFA-BANK, PJSC Bank Otkrytie FC and PJSC MOSCOW CREDIT BANK in total amount of 113,200 million Rubles at rates ranging from 6.33% to 8.54%, which were repaid early. The short-term debt under these loans at the end of 2019 amounted to 10,142 million Rubles and was fully 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 2019 and 2018 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT in the aggregate amount of RR 6,857 million and RR 1,056 million, respectively, that mature between 2020 and 2025 and between 2019 and 2025, respectively. At 31 December 2019 and 2018 the annual coupon rates on these securities range from 7.0% to 8.85% (excluding bonds issued on emission BO-13 at amount RR 1 million and coupon rate 0.1%) and 7.5% to 8.0% respectively. 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 and 2018 subordinated debt is presented by one and two subordinated loans raised by Bank ZENIT respectively (excluding subordinated debt under the direct repurchase agreement with Deposit Insurance Agency (DIA), Note 30). At 31 December 2019 the subordinated loan bears interest at the rate of 8.9% and matures in 2024. At 31 December 2018 the subordinated loans bear interest at rates ranging from 6.5% to 9.5% and mature from 2019 to 2024.

Bank ZENIT is obliged to comply with eight financial covenants in relation to the subordinated loan maturing in December 2024. At 31 December 2019 and at 31 December 2018 Bank ZENIT was in compliance with these covenants, except one (Cost-to-income ratio). At 30 June 2019 Bank ZENIT did not comply with two covenants (Cost-to-income ratio and Liquid assets to Total assets). This violation does not entail claims for early repayment of the subordinated loan. Failure to comply with these covenants may result in a deterioration of the commercial terms of the loan in the event of failure to obtain a waiver from the lender. At 31 December 2018 the lender granted Bank ZENIT a waiver relating

this covenant. At 30 June 2019 the lender granted Bank ZENIT a waiver until 1 March 2020. Starting from 1 March 2020 Bank ZENIT pays a higher interest rate until the violation is rectified or a new waiver is received.

Information about subordinated loans received by Bank ZENIT from Deposit Insurance Agency (DIA) within the Russian Federation Government program for additional capitalisation of Russian banks is presented in Note 30.

DEBT SECURITIES ISSUED

At 31 December 2019 and 2018 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles and US Dollars. Maturity dates of these promissory notes vary from 2020 to 2028.

As at 31 December 2019 and 2018 non-interest-bearing promissory notes of the aggregate nominal value of RR 641 million and RR 469 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 2019	At 31 December 2018
Trade payables	36,150	25,728
Current portion of lease liabilities (Note 13)	2,613	-
Other payables	1,809	1,013
Total financial liabilities within trade and other payables	40,572	26,741
Salaries and wages payable	8,267	7,282
Advances received from customers	7,828	6,197
Current portion of decommissioning provisions (Note 12)	127	119
Other accounts payable and accrued liabilities	3,495	2,650
Total non-financial liabilities	19,717	16,248
Accounts payable and accrued liabilities	60,289	42,989

For the current reporting period revenue of RR 6,197 million was recognised in respect of contract obligations as of 1 January 2019 related to advances received.

For the previous reporting period revenue of RR 8,003 million was recognised in respect of contract obligations as of 1 January 2018 related to advances received.

The fair value of each class of financial liabilities included in short-term trade and other payables at 31 December 2019 and 2018 is presented in Note 30.

Note 17

Banking: Due to banks and the Bank of Russia

	At 31 December 2019	At 31 December 2018
Term deposits from other banks	5,364	4,073
Term deposits from the Bank of Russia	2,630	2,731
REPO	13,259	10,083
Correspondent accounts and other banks' overnight deposits	1,562	1,538
Total due to banks and the Bank of Russia	22,815	18,425
Less: long term due to banks and the Bank of Russia	(2,522)	(4,660)
Total short term of due to banks and the Bank of Russia	20,293	13,765

Within due to banks and the Bank of Russia at 31 December 2019 and 2018 there are RR 18,778 million and RR 16,523 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from three and four Russian banks respectively, which individually exceeded 5% of the Bank ZENIT equity.

As at 31 December 2019 and 31 December 2018 financial liabilities which are subject to offsetting include RR 13,260 million and RR 10,083 million of due to banks collateralised by securities, fair value of which is RR 14,446 million and RR 11,098 million respectively.

Note 18

Banking: Customer accounts

	At 31 December 2019	At 31 December 2018
STATE AND PUBLIC ORGANIZATIONS		
Current / settlement accounts	1,014	577
Term deposits	90	347
OTHER LEGAL ENTITIES		
Current / settlement accounts	16,986	22,385
Term deposits	22,653	37,679
INDIVIDUALS		
Current / settlement accounts	14,265	14,958
Term deposits	105,044	108,390
Total customer accounts	160,052	184,336
Less: long-term customer accounts	(1,381)	(682)
Total short-term customer accounts	158,671	183,654

Within customer accounts at 31 December 2019 and 2018 there are RR 38,557 million and RR 48,549 million of current/settlement accounts and term deposits from 12 and 19 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 2019		At 31 December 2018	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Individuals	119,309	74.54%	123,348	66.91%
Finance	9,292	5.81%	20,479	11.11%
Oil and gas	2,195	1.37%	3,659	1.99%
Trade	4,798	3.00%	8,097	4.39%
Services	12,331	7.70%	10,886	5.91%
Manufacturing	4,306	2.69%	5,801	3.15%
Construction	3,620	2.26%	4,741	2.57%
Other	4,201	2.63%	7,325	3.97%
Total customer accounts	160,052	100%	184,336	100%

Note 19

Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2019	At 31 December 2018
Pension liability	4,062	3,287
Government grants	3,231	-
Other long-term liabilities	219	150
Total other long-term liabilities	7,512	3,437

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 Tatneft Employees" 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

At the end of 2019, the Group received grants from the Republic of Tatarstan for the creation, modernization and reconstruction of energy facilities and infrastructure.

Note 20

Shareholders’ equity

AUTHORISED SHARE CAPITAL

At 31 December 2019 and 2018 the authorised, issued and paid share capital 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 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.

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

Amounts available for distribution to shareholders are based on the Company’s non-consolidated statutory accounts prepared in accordance with RAR, which differ significantly from IFRS (see Note 2). Russian legislation identifies the basis of distribution as the current period net profit calculated in accordance with RAR. However, this legislation and other statutory laws and regulations dealing with distribution rights are open to legal interpretation. For the years ended 31 December 2019 and 2018, the Company had a statutory current year profit of RR 156,046 million and RR 192,766 million, respectively.

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 (the “9 months 2018 Dividends”), 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. The 9 months 2018 Dividends are reported as dividends payable as at 31 December 2018 and were paid in the beginning of 2019.

In September 2018, the shareholders of the Company approved the payment of interim dividends for the six months ended 30 June 2018 in the amount of RR 30.27 per each preference and ordinary share. The dividends were paid in the fourth quarter of 2018.

In June 2018 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2017 in the amount of RR 39.94 per each preference and ordinary share, including previously paid interim dividends for the nine months ended 30 September 2017 in the amount of RR 27.78 per each preference and ordinary share. The dividends were paid in the third quarter of 2018.

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 2019	Year ended 31 December 2018
Profit attributable to Group shareholders	192,260	211,812
Ordinary share dividends	(203,682)	(136,057)
Preferred share dividends	(14,286)	(9,542)
Income available to ordinary and preferred shareholders, net of dividends	(25,708)	66,213
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	85.43	94,11
Preferred	85.43	93,89

Non-controlling interest. Non-controlling interest is adjusted by dividends declared and paid by the Group’s subsidiaries amount-

ing to RR 1 million and RR 46 million at 31 December 2019 and 2018, respectively.

Note 21

Employee benefit expenses

	Year ended 31 December 2019	Year ended 31 December 2018
Wages and salaries	41,045	39,079
Statutory insurance contributions	11,474	10,949
Pension costs – defined benefit plans	736	-
Other employee benefits	1,801	1,901
Total employee benefit expense	55,056	51,929

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 2019	Year ended 31 December 2018
Interest income from financial assets measured at amortised cost	1,128	5,225
Unwinding of the present value discount of long-term financial assets	73	272
Total interest income on non-banking activities	1,201	5,497

Interest expense on non-banking activities comprises the following:

	Year ended 31 December 2019	Year ended 31 December 2018
Bank loans	(755)	(593)
Unwinding of the present value discount of decommissioning provision	(3,015)	(2,936)
Interest expense on lease liabilities	(1,571)	-
Unwinding of the present value discount of long-term financial liabilities	(66)	(61)
Total interest expenses on non-banking activities	(5,407)	(3,590)

Note 23

Interest income and expense on banking activities

	Year ended 31 December 2019	Year ended 31 December 2018
INTEREST INCOME		
Loans to customers	14,216	15,518
Due from banks	313	436
Securities measured at amortised cost	1,737	2,286
Correspondent accounts	40	39
Securities measured at fair value through profit and loss	412	339
Securities measured at fair value through other comprehensive income	1,439	867
Total interest income on banking activities	18,157	19,485
INTEREST EXPENSE		
Term deposits of individuals	(5,889)	(5,082)
Term deposits of legal entities	(2,270)	(2,304)
Russian Ruble-denominated bonds issued	(182)	(616)
Expenses directly associated with deposit insurance (DIA)	(789)	-
Subordinated debt	(310)	(464)
Term placements of banks	(1,049)	(1,463)
Debt securities issued	(2)	(48)
Total interest expense on banking activities	(10,491)	(9,977)
Net interest income on banking activities	7,666	9,508

Note 24

Fee and commission income and expense on banking activities

	Year ended 31 December 2019	Year ended 31 December 2018
Settlement transactions	2,664	2,499
Cash transactions	488	501
Agency services	431	-
Operations with foreign currencies	331	392
Guarantees issued	235	234
Transactions with securities	71	37
Asset management	5	8
Other	202	103
Settlement transactions	(1,352)	(874)
Cash transactions	(158)	(164)
Transactions with securities	(29)	(34)
Operations with foreign currencies	(23)	(24)
Commission on guarantees received	(11)	(12)
Other	(54)	(47)
Total fee and commission expense on banking activities	(1,627)	(1,155)
Net fee and commission income on banking activities	2,800	2,619

Note 25

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 ten percent 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. 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 2019, revenues of RR 104,506 million or 11% of the Group's total sales and operating revenues are derived from one external customer.

For the year ended 31 December 2018, revenues of RR 98,183 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 and refining and marketing 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 2019	Year ended 31 December 2018
EXPLORATION AND PRODUCTION		
Domestic own crude oil	175,402	167,694
CIS own crude oil	26,818	28,395
Non-CIS own crude oil	255,602	270,966
Other	3,151	4,908
Intersegment sales	208,886	191,912
Total exploration and production	669,859	663,875
REFINING AND MARKETING		
Domestic sales		
Refined products	225,137	183,497
Total Domestic sales	225,137	183,497
CIS sales		
Refined products	14,866	20,565
Total CIS sales ¹	14,866	20,565
Non-CIS sales		
Crude oil purchased for resale	8,900	7,282
Refined products	138,496	150,960
Total non-CIS sales ²	147,396	158,242
Other	11,426	8,579
Intersegment sales	1,461	1,239
Total refining and marketing	400,286	372,122
PETROCHEMICALS		
Tires – domestic sales		
Tires – CIS sales	11,466	10,418
Tires – non-CIS sales	4,124	3,806
Petrochemical products and other	3,647	4,248
Intersegment sales	1,028	994
Total petrochemicals	49,601	52,782
BANKING		
Interest income	18,157	19,485
Fee and commission income	4,427	3,774
Total banking	22,584	23,259
Total segment sales	1,142,330	1,112,038
Corporate and other sales	23,925	15,900
Elimination of intersegment sales	(211,375)	(194,145)
Total sales and other operating revenues	954,880	933,793

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 2019	Year ended 31 December 2018
SEGMENT EARNINGS		
Exploration and production	241,891	267,320
Refining and marketing	59,407	33,867
Petrochemicals	1,345	3,634
Banking	1,279	269
Total segment earnings	303,922	305,090
Corporate and other	(47,294)	(41,112)
Other (expenses)/income	(4,286)	9,811
Profit before income tax	252,342	273,789

For the years ended 31 December 2019 and 2018 «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.

	At 31 December 2019	At 31 December 2018
ASSETS		
Exploration and production	384,022	368,991
Refining and marketing	450,191	406,407
Petrochemicals	34,324	32,923
Banking	232,101	252,854
Corporate and other	138,001	140,113
Total assets	1,238,639	1,201,288

SEGMENT ASSETS

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.

income, RR 27,799 million loans receivable, RR 49 million of debt securities measured at amortised cost, RR 22,378 million of bank deposits measured at amortised cost and RR 420 million of cash.

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

As at 31 December 2018 corporate and other includes RR 41,059 million of property, plant and equipment, RR 24,341 million of securities measured at fair value through other comprehensive

SEGMENT DEPRECIATION, DEPLETION AND AMORTISATION AND ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2019	Year ended 31 December 2018
DEPRECIATION, DEPLETION AND AMORTIZATION		
Exploration and production	22,037	15,797
Refining and marketing	9,885	11,595
Petrochemicals	1,538	1,687
Banking	349	326
Corporate and other	1,356	1,115
Total depreciation, depletion and amortization	35,165	30,520
ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT		
Exploration and production	57,708	39,361
Refining and marketing	48,609	41,235
Petrochemicals	2,264	1,731
Banking	665	596
Corporate and other	23,553	6,585
Total additions to property, plant and equipment	132,799	89,508

For the years ended 31 December 2019 and 2018 additions to property, plant and equipment of exploration and production segment were adjusted for changes in decommissioning provision. 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 29).

Note 26

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 2019	Year ended 31 December 2018
REVENUES AND INCOME		
Sales of refined products	21	14
Other sales	122	250
Interest income	57	302
COSTS AND EXPENSES		
Other services	844	905
Other purchases	501	579

	At 31 December 2019	At 31 December 2018
ASSETS		
Accounts receivable, net	231	148
Banking: Loans to customers	293	193
Other financial assets		
Securities measured at fair value through profit and loss	42	-
Notes receivable	-	249
Other loans receivable	51	51
Prepaid expenses and other current assets	268	276
Due from related parties short-term	885	917
Long-term accounts receivable	198	114
Banking: Loans to customers	50	-
Other financial assets		
Securities measured at fair value through other comprehensive income	4,070	5,249
Other loans receivable	978	912
Due from related parties long-term	5,296	6,275
LIABILITIES		
Accounts payable and accrued liabilities	(37)	(61)
Banking: Customer accounts	(910)	(1,668)
Due to related parties short-term	(947)	(1,729)

GOVERNMENT RELATED COMPANIES

For the years ended 31 December 2019 and 2018 the outstanding balances with Government related companies were as follows:

	At 31 December 2019	At 31 December 2018
ASSETS		
Cash and cash equivalents	10,044	16,810
Banking: Mandatory reserve deposits with the Bank of Russia	1,572	1,875
Accounts receivable	4,416	6,795
Banking: Loans to customers	6,563	7,496
Other financial assets		
Notes receivable	4	-
Bank deposits	310	-
Securities measured at fair value through other comprehensive income	505	10,209
Securities measured at amortised cost	3,325	8,349
Securities measured at fair value through profit and loss	3,915	1,679
Other loans receivable	41	40
Prepaid expenses and other current assets	3,185	5,067
Due from related parties short-term	33,880	58,320
Long-term accounts receivable	-	1,221
Banking: Loans to customers	4,994	500
Other financial assets		
Bank deposits	-	346
Securities measured at fair value through other comprehensive income	24,193	11,001
Securities measured at amortised cost	7,898	8,192
Other loans receivable	148	192
Advances for construction	14	1,430
Due from related parties long-term	37,247	22,882
LIABILITIES		
Accounts payable and accrued liabilities	(1,519)	(1,420)
Banking: Due to banks and the Bank of Russia	(2,445)	(100)
Banking: Customer accounts	(2,959)	(6,298)
Debt		
RR credit facilities	(10,142)	-
Other debt	(881)	(3,121)
Due to related parties short-term	(17,946)	(10,939)
Banking: Due to banks and the Bank of Russia	(2,763)	(2,631)
Government grants (Note 19)	(3,231)	-
Due to related parties long-term	(5,994)	(2,631)

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

	Year ended 31 December 2019	Year ended 31 December 2018
Sales of crude oil	-	1,132
Sales of refined products	30,662	20,965
Other sales	5,302	4,287
Interest income	2,852	4,988
Interest expense	764	1,019
Purchases of refined products	20,715	34,184
Purchases of electricity	18,479	16,691
Purchases of transportation services	26,987	23,831
Other services	5,830	4,485
Other purchases	2,366	3,822

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 (Note 9).

COMPENSATION TO 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 2019 and 2018 total remuneration, including pension cost, for key management personnel was RR 988 million and RR 1,089 million, respectively.

At 31 December 2019 and 2018 key management personnel customer accounts in Bank ZENIT amounted to RR 31,738 million and RR 31,290 million, respectively.

Note 27

Contingencies and commitments

OPERATING ENVIRONMENT OF THE GROUP

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. Tax, currency and customs legislation is 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. Firm oil prices, low unemployment and rising wages supported a modest growth of the economy in 2019.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management recognised provisions for impairment by considering the economic situation and outlook at the end of the reporting period.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. 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. Note 31 provides more information about changes in economic environment after reporting date.

CAPITAL COMMITMENTS

As at 31 December 2019 and 2018 the Group has outstanding capital commitments of approximately RR 46,804 million and RR 38,327 million, respectively, mainly for the construction of the TANECO refinery complex and superviscous oil fields facilities construction. These commitments are expected to be paid between 2020 and 2022.

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 December 2019	At 31 December 2018
Loan commitments	28,973	18,810
Guarantees issued	12,739	20,467
Import letters of credit	129	271
Less: allowance for credit related commitment impairment	(324)	(426)
Less: client funds held as security for guarantees issued	(19)	(29)
Less: client funds held as security for import letter of credit	(130)	(806)
Total credit related commitments	41,368	38,287

TAXATION

The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities. The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

In 2017, tax authorities completed inspections of the Company and its subsidiaries for the years ended December 31, 2013 and 2014. In 2019, tax authorities completed inspections of the Company and its subsidiaries for the years ended December 31, 2015, 2016, 2017. The available results of tax inspections, in particular, the income tax of the consolidated group of taxpayers of PJSC TATNEFT do not significantly affect 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 monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under

existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group. In addition, the Group is introducing and applying best health, safety and environmental protection practices and standards which might go beyond any existing and potential legal requirements in the Russian Federation.

LEGAL CONTINGENCIES

The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated financial statements.

SOCIAL COMMITMENTS

The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

TRANSPORTATION OF CRUDE OIL

The Group transports substantially all of the crude oil that it sells in export and local markets through trunk pipelines in Russia that are controlled by 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 28

Principal subsidiaries

Set out below are the Group's principal subsidiaries at 31 December 2019. 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 2019		At 31 December 2018	
		% 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
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 shin CMK	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	-

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 2019						
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
Year ended 31 December 2018						
Bank ZENIT	121,300	133,315	224,675	8,233	23,347	322
Nizhnekamskshina PJSC	1,576	3,783	6,567	-	20,368	237
Total	122,876	137,098	231,242	8,233	43,715	559

Note 29

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 9,139 million (net of cash on the acquired entity's balance sheet) and the 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 entity as a whole.

As at 31 December 2019 the fair value measurement of the assets and liabilities of LLC Neste Saint-Petersburg was not completed. The purchase price allocation of the assets and liabilities of the acquired entity will be completed within 12 months from the date of acquisition.

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

Preliminary fair value	
Cash and cash equivalents	1,693
Property, plant and equipment	8,680
Inventories	915
Other assets	620
Accounts payable	(900)
Other liabilities	(176)
Fair value of identifiable net assets of subsidiary	10,832
Total purchase consideration	10,832
Cash and cash equivalents of subsidiary acquired	(1,693)
Purchase price, net	9,139

The acquired subsidiary contributed revenue of RR 3,557 million and profit of RR 67 million to the Group for the period from the date of acquisition to 31 December 2019. If the acquisition had occurred on 1 January 2019, without taking into account any other acquisitions, the Group revenue for 2019 would have been RR 950,015 million, and the profit for 2019 would have been RR 193,741 million.

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.

As at 31 December 2019 the fair value measurement of the assets and liabilities of LLC SIBUR Togliatti and JSC Togliattisintez was not completed. The purchase price allocation of the assets and liabilities of the acquired entity will be completed within 12 months from the date of acquisition.

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

Preliminary fair value	
Cash and cash equivalents	1,502
Property, plant and equipment	10,452
Inventories	1,542
Other assets	664
Accounts payable	(790)
Other liabilities	(569)
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

The acquired subsidiaries contributed revenue of RR 4,016 million and loss of RR 122 million to the Group for the period from the date of acquisition to 31 December 2019. If the acquisition had occurred on 1 January 2019, without taking into account any other acquisitions, the Group revenue for 2019 would have been RR 944,050 million, and the profit for 2019 would have been RR 193,847 million.

Note 30

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 2019.

В таблице ниже представлен риск Группы в отношении изменения обменного курса валют по состоянию на 31 декабря 2018 г.:

	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	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

	Russian Ruble	US Dollar	Other	Total
FINANCIAL LIABILITIES				
Trade and other financial payables				
Trade payables	35,109	496	545	36,150
Dividend payable	55,865	-	-	55,865
Current portion of lease liabilities	2,613	-	-	2,613
Lease obligations, net of current portion	-	-	-	11 578
Other payables	1,764	45	-	1,809
Banking: Other finance 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

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2018.

	Russian Ruble	US Dollar	Other	Total
FINANCIAL ASSETS				
Cash and cash equivalents				
Cash on hand and in banks	25,249	14,353	2,738	42,340
Term deposits with original maturity of less than three months	22,078	-	-	22,078
Due from banks	29	657	385	1,071
Banking: Mandatory reserves with the Bank of Russia	1,875	-	-	1,875
Accounts receivable				
Trade receivables	42,750	35,299	368	78,417
Other financial receivables	5,130	1	-	5,131
	131,907	8,220	6,178	146,305
Other financial assets				
Bank deposits	310	347	-	657
Due from banks	168	428	1,419	2,015
REPO with banks	537	-	-	537
Notes receivable	456	-	-	456
Loans to employees	1,046	-	-	1,046
Other loans	28,517	270	-	28,787
Securities at FVTPL	3,149	1,625	-	4,774
Securities at FVOCI	38,773	4,603	-	43,376
Securities at AC	18,718	14,048	-	32,766
Total financial assets	320,692	79,851	11,088	411,631

	Russian Ruble	US Dollar	Other	Total
FINANCIAL LIABILITIES				
Trade and other financial payables				
Trade payables	25,727	1	-	25,728
Dividend payable	50,711	-	-	50,711
Other payables	933	80	-	1,013
Banking: Other finance liabilities FVPL	1,190	-	-	1,190
Debt				
Bonds issued	1,056	-	-	1,056
Subordinated debt	2,160	1,420	-	3,580
Debt securities issued	981	149	-	1,130
Credit facilities	-	6,682	-	6,682
Other debt	1,754	835	-	2,589
Banking: Due to banks and the Bank of Russia	15,212	3,087	126	18,425
Banking: Customer accounts	144,070	33,764	6,502	184,336
Other short-term liabilities	533	-	-	533
Total financial liabilities	244,327	46,018	6,628	296,973
Net balance sheet position	76,217	33,833	4,460	114,510

For the year ended 31 December 2019 the Group recognised RR 12,892 million and RR 13,099 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 2018: RR 21,483 million and RR 13,547 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 2019		Year ended 31 December 2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
US Dollar strengthening by 20%	7,007	5,606	6,767	5,413
US Dollar weakening by 20%	(7,007)	(5,606)	(6,767)	(5,413)

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-sensitive	Total
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
31 December 2018							
Total financial assets	73,319	41,463	20,961	92,419	54,469	129,000	411,631
Total financial liabilities	41,385	46,508	57,113	44,540	1,560	105,867	296,973
Net interest sensitivity gap	31,934	(5,045)	(36,152)	47,879	52,909	23,133	114,658

The table below summarises the effective average year end interest rates, by major currencies (US Dollars, Russian Rubles), for financial instruments outstanding as at 31 December 2019 and

2018. 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 2019		At 31 December 2018	
	Russian Ruble	US Dollar	Russian Ruble	US Dollar
FINANCIAL ASSETS				
Cash and cash equivalents				
Cash on hand and in banks	-	1.00%	6.26%	0.30%
Term deposits	7.21%	-	7.96%	-
Due from banks	4.41%	-	1.20%	-
Banking: Loans to customers	10.13%	4.60%	8.30%	6.60%
Other financial assets				
Bank deposits	13.00%	1.60%	13.00%	1.60%
Due from banks	4.41%	-	1.20%	-
REPO with banks	6.05%	-	8.21%	-
Notes receivable	0.10%	-	0.10%	-
Loans to employees	3.19%	-	3.19%	-
Other loans	9.22%	-	9.25%	-
Securities at FVTPL	7.11%	3.66%	5.56%	7.89%
Securities at FVOCI	8.67%	6.57%	7.76%	5.86%
Securities at AC	8.35%	6.57%	9.18%	6.11%

	At 31 December 2019		At 31 December 2018	
	Russian Ruble	US Dollar	Russian Ruble	US Dollar
FINANCIAL LIABILITIES				
Debt				
Bonds issued	6.89%	-	7.73%	-
Subordinated debt	0.00%	8.92%	6.50%	9.50%
Debt securities issued	5.00%	1.20%	2.92%	2.30%
Credit facilities	6.47%	4.19%	-	4.18%
Other debt	4.57%	0.01%	5.24%	2.91%
Banking: Other financial liabilities at fair value through profit and loss	7.46%	-	7.90%	-
Banking: Due to banks and the Bank of Russia	6.41%	1.60%	7.58%	2.00%
Banking: Customer accounts	6.00%	2.30%	5.46%	2.80%

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

	Year ended 31 December 2019		Year ended 31 December 2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Increase by 100 basis points	(273)	(218)	(1,147)	(917)
Decrease by 100 basis points	273	218	1,147	917

c) Financial instruments price risk

Financial instruments price risk is the risk that movements in market prices resulting from factors associated with an issuer of financial instruments (specific risk) and general changes in the market prices of financial instruments (general risk) will affect the fair value or future cash flows of a financial instrument and, as a result, the Group's profitability.

Financial instruments price risk for financial instruments held within the Group's financial assets at fair value through profit or loss is managed: (a) through maintaining a diversified structure of portfolios; and (b) by setting position limits (i.e. limits restricting the total amount of an investment or maximum mismatch between respective assets and liabilities) as well as stop-loss and call-level limits, in addition to these, the Group sets limits on a

maximum duration of debt financial instruments. When necessary the Group establishes margin and collateral requirements.

Financial instruments price risk is managed primarily through daily mark-to-market procedures, sensitivity analysis and control of limits established for various types of financial instruments.

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

VaR estimates in respect of financial assets at fair value through profit or loss and available-for-sale financial assets as at 31 December 2019 and 2018 are as follows:

	Year ended 31 December 2019		Year ended 31 December 2018	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Fixed income securities price risk	301	240	104	83
Equity securities price risk	6	5	12	10
Total price risk	307	245	116	93

CREDIT RISK

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

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

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

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

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

period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, 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 credit-worthiness 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
Credit committee	Not limited*
Credit committee on small and medium-sized business borrowers	400
Credit committee on retail lending	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 policies 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 4 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 external international rating agencies		Description
		S&P \ Fitch	Moody's	
I	<0.36%	«AAA»...«BBB-»	«Aaa»...«Baa3»	Minimal credit risk
II	[0.36%; 1.51%)	«BB+»...«BB-»	«Ba1»...«Ba3»	Low credit risk
III	[1.51%; 7.51%)	«B+»...«B-»	«B1»...«B3»	Medium credit risk
IV	[7.51%; 100%)	«CCC»...«C»	«Caa1»...«C»	High credit risk
V	100.00%	«D»	«D»	Default assets

The Group does not enter into transactions with an initial rating of III or IV.

In order to monitor the credit risk, responsible employees of credit departments prepare regular reports based on a structured analysis of the Client's business and financial performance. Management obtains and analyses all information about significant risks related to customers with deteriorating creditworthiness.

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:

- maintaining constant contact and holding regular risk-focused discussions (meetings) with the borrower by business managers;
- 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);
- compulsory comprehensive annual review of the risk limit established for the Client in order to re-approve, increase or reduce it (in case of negative trends in the borrower's activity, in its sector, in the economy as a whole, etc.);
- 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;

- portfolio analysis showing trends in levels of default, concentrations, diversifications by borrowers or groups of borrowers, products, industries, countries, etc.

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 www.zenit.ru/rus/about_bank/disclosure/financial-statements/

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 as at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these financial assets.

At 31 December 2019

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
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

На 31 декабря 2018

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
CASH ON HAND AND CASH IN BANKS					
Investment grade rating	31,721	-	-	-	31,721
Non-investment grade rating	4,030	-	-	-	4,030
Unrated	6,589	-	-	-	6,589
Gross carrying amount	42,340	-	-	-	42,340
Credit loss allowance	-	-	-	-	-
Carrying amount	42,340	-	-	-	42,340
TERM DEPOSITS WITH ORIGINAL MATURITY OF LESS THAN THREE MONTHS					
Investment grade rating	6,468	-	-	-	6,468
Non-investment grade rating	15,610	-	-	-	15,610
Unrated	-	-	-	-	-
Gross carrying amount	22,078	-	-	-	22,078
Credit loss allowance	-	-	-	-	-
Carrying amount	22,078	-	-	-	22,078
DUE FROM BANKS					
Investment grade rating	-	-	-	-	-
Non-investment grade rating	1,071	-	-	-	1,071
Unrated	-	-	-	-	-
Gross carrying amount	1,071	-	-	-	1,071
Credit loss allowance	-	-	-	-	-
Carrying amount	1,071	-	-	-	1,071
BANKING: MANDATORY RESERVE DEPOSITS WITH THE BANK OF RUSSIA					
Investment grade rating	1,875	-	-	-	1,875
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	1,875	-	-	-	1,875
Credit loss allowance	-	-	-	-	-
Carrying amount	1,875	-	-	-	1,875

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 as at 31 December 2019 and 2018 also represents the Group's maximum exposure to credit risk on these financial assets.

At 31 December 2019

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	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	7 158	4 551	35 806	-	47 515
Gross carrying amount	7 158	4 551	35 806	-	47 515
Credit loss allowance	-	(3 322)	(22 685)	-	(26 007)
Carrying amount	7 158	1 229	13 121	-	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

At 31 December 2019

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
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
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

At 31 December 2018

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
NOTES RECEIVABLE					
Investment grade rating	-	-	-	-	
Non-investment grade rating	-	-	-	-	
Unrated	-	456	566	-	1,022
Gross carrying amount	-	456	566	-	1,022
Credit loss allowance	-	-	(566)	-	(566)
Carrying amount	-	456	-	-	456

OTHER LOANS

Investment grade rating	-	-	-	-	-
Non-investment grade rating	-	-	-	-	-
Unrated	83	26,217	20,377	-	46,677
Gross carrying amount	83	26,217	20,377	-	46,677
Credit loss allowance	-	(543)	(17,464)	-	(18,007)
Carrying amount	83	25,674	2,913	-	28,670

LOANS TO EMPLOYEES

Investment grade rating	-	-	-	-	
Non-investment grade rating	-	-	-	-	
Unrated	-	-	2,822	-	2,822
Gross carrying amount	-	-	2,822	-	2,822
Credit loss allowance	-	-	(1,776)	-	(1,776)
Carrying amount	-	-	1,046	-	1,046

BANK DEPOSITS

Investment grade rating	346	-	-	-	346
Non-investment grade rating	-	-	-	-	
Unrated	311	-	5,544	-	5,855
Gross carrying amount	657	-	5,544	-	6,201
Credit loss allowance	-	-	(5,544)	-	(5,544)
Carrying amount	657	-	-	-	657

At 31 December 2018

	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	POCI	Total
DUE FROM BANKS					
Investment grade rating	333	-	-	-	333
Non-investment grade rating	1,599	-	-	-	1,599
Unrated	83	-	-	-	83
Gross carrying amount	2,015	-	-	-	2,015
Credit loss allowance	-	-	-	-	-
Carrying amount	2,015	-	-	-	2,015

REPO WITH BANKS

Investment grade rating	537	-	-	-	537
Non-investment grade rating	-	-	-	-	-
Unrated	-	-	-	-	-
Gross carrying amount	537	-	-	-	537
Credit loss allowance	-	-	-	-	-
Carrying amount	537	-	-	-	537

DEBT SECURITIES MEASURED AT AMORTISED COST

Investment grade rating	32,938	3	-	-	32,941
Non-investment grade rating	35	10	-	-	45
Unrated	-	1	-	-	1
Gross carrying amount	32,973	14	-	-	32,987
Credit loss allowance	(221)	-	-	-	(221)
Carrying amount	32,752	14	-	-	32,766

DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Investment grade rating	15,662	-	-	-	15,662
Non-investment grade rating	1,677	-	-	-	1,677
Unrated	478	89	-	-	567
Gross carrying amount	17,817	89	-	-	17,906
Credit loss allowance	(124)	-	-	-	(124)
Carrying amount	17,693	89	-	-	17,782

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 2019 and 2018 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 as at 31 December 2019 and 2018:

	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 27)	36,114	5,725	-	41,839
Total	311,885	75,137	11,608	398,630

	At 31 December 2018			
	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
FINANCIAL LIABILITIES				
Trade and other financial payables				
Trade payables	25,728	-	-	25,728
Dividend payable	50,711	-	-	50,711
Other payables	1,013	-	-	1,013
Banking: Other financial liabilities at fair value through profit and loss	1,190	-	-	1,190
Debt				
Bonds issued	945	59	193	1,197
Subordinated debt	2,498	1,966	2,125	6,589
Debt securities issued	1,051	76	4	1,131
Credit facilities	6,682	-	-	6,682
Other debt	964	1,625	-	2,589
Banking: Due to banks and the Bank of Russia	15,386	4,660	-	20,046
Banking: Customer accounts	170,869	38,753	8	209,630
Other short-term liabilities	533	-	-	533
Credit related commitments (Note 27)	38,929	-	-	38,929
Total	316,499	47,139	2,330	365,968

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 2019			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit and loss	-	-	12,947	12,947
Securities measured at fair value through profit and 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

	At 31 December 2019			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit and loss	-	-	13,043	13,043
Securities measured at fair value through profit and loss	2,320	2,265	189	4,774
Other loans measured at fair value through profit and loss	-	-	117	117
Securities measured at fair value through other comprehensive income	18,056	9,227	16,092	43,375
Investment property	-	-	918	918
Banking: Other financial liabilities measured at fair value through profit and loss	(1,190)	-	-	(1,190)
Total	19,186	11,492	30,359	61,037

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 2019 и 2018:

	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	Уровень 2, Уровень 3	Рыночная цена аналогичных инвестиций на открытом рынке, метод чистых активов сравнительный (рыночный) подход/ Использование публично доступной информации, сопоставимых рыночных цен/ Дисконтированные денежные потоки, скорректированные на кредитный риск
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	Уровень 3	Дисконтированные денежные потоки, скорректированные на кредитный риск
Banking: Due from banks	Level 2	Quoted prices for similar investments in active markets adjusted at credit risk
Other loans at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the years ended 31 December 2019 and 2018.

There have been no transfers between Level 1, Level 2 and Level 3 during 2019 and 2018 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 2019				At 31 December 2018			
	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	6,365	18,365	-	24,730	5,451	36,889	-	42,340
Term deposits	-	350	-	350	-	22,078	-	22,078
Due from banks	-	77	-	77	-	1,071	-	1,071
Banking: Mandatory reserve deposits with the Bank of Russia	1,572	-	-	1,572	1,875	-	-	1,875
Accounts receivable								
Trade receivables	-	-	79,724	79,724	-	-	78,417	78,417
Other financial receivables	-	1,176	11,506	12,682	-	596	4,535	5,131
Banking: Loans to customers measured at amortised cost	-	-	122,842	123,505	-	-	133,404	133,404
Other financial assets								
Bank deposits	-	659	-	659	-	657	-	657
Due from banks	-	3,283	-	3,249	-	2,015	-	2,015
REPO with banks	-	4,081	-	4,081	-	537	-	537
Notes receivable	-	-	112	112	-	-	456	456
Loans to employees	-	-	928	928	-	-	1,046	1,046
Other loans measured at amortised cost	-	-	21,508	21,508	-	-	28,670	28,670
Securities measured at amortised cost	24,777	-	-	23,738	31,276	1,490	-	32,766
Total financial assets	32,714	27,991	236,620	296,915	38,602	65,333	246,528	350,463

	At 31 December 2019				At 31 December 2018			
	Fair value			Carrying value	Fair value			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
LIABILITIES								
Trade and other financial payables								
Trade payables	-	350	35,800	36,150	-	272	25,456	25,728
Dividend payable	-	-	55,865	55,865	-	-	50,711	50,711
Current portion of lease liabilities	-	-	2,613	2,613	-	-	-	-
Other payables	-	332	1,477	1,809	-	500	513	1,013
Non-current lease liabilities	-	-	11,578	11,578	-	-	-	-
Debt								
Bonds issued	20,032	1,825	-	21,857	1,056	-	-	1,056
Subordinated debt	-	1,287	-	1,287	-	3,580	-	3,580
Debt securities issued	-	923	-	923	-	1,130	-	1,130
Credit facilities	-	-	14,700	14,700	-	-	6,682	6,682
Other debt	-	-	2,482	2,482	-	-	2,589	2,589
Banking: Due to banks and the Bank of Russia	1,527	21,288	-	22,815	1,526	16,899	-	18,425
Banking: Customer accounts	-	156,578	-	160,052	-	182,970	-	182,970
Other short-term liabilities	-	-	-	-	-	-	533	533
Total financial liabilities	21,559	182,583	124,515	332,131	2,582	205,351	86,484	294,417

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	Total
At 31 December 2017	31,150	7,742	4,492	43,384
Cash flow movement, including:				
Proceeds from issuance of debt	25,920	-	-	25,920
Repayment of debt	(49,466)	-	-	(49,466)
Redemption of bonds	-	(6,979)	(1,359)	(8,338)
Interest paid	-	(602)	-	(602)
Foreign exchange adjustments	1,012	-	(19)	993
Interest accrued	654	614	466	1,734
Other non-cash flows	-	281	-	281
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	-	(1,053)	(2,140)	(3,193)
Interest paid	(2,222)	(119)	(286)	(2,627)
Foreign exchange adjustments	713	-	(160)	553
Interest accrual	755	182	310	1,247
Other non-cash flows	532	1	(17)	516
At 31 December 2019	17,182	21,857	1,287	40,326

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 2019 was RR 745,532 million (2018: RR 771,265 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 2019	Year ended 31 December 2018
Consolidated total borrowings excluding borrowings of Bank ZENIT:	32 182	9 271
Bonds issued	15 000	-
Credit facilities	14 700	6 682
Other debt	2 482	2 589
Consolidated shareholders' equity	745,532	771,265
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders' equity)	4.3%	1.2%

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 2019 and 2018.

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. 395-P.

Note 31

Subsequent events

In the first quarter of 2020 the Group borrowed RR 101,960 million in total from Russian banks at the current market rates under existing credit facilities. The Group repaid RR 72,320 million of these loans by the date of this report.

Since the end of 2019, the spread of a new coronavirus, called COVID-19, which can cause serious consequences leading to human death, has begun. At the end of 2019, the World Health Organization reported a limited number of cases of COVID-19 infection, but on January 31, 2020 declared a public health emergency of international concern, and on March 13, 2020, announced a pandemic due to the rapid spread of COVID-19 in Europe and other regions. The measures taken around the world to combat the spread of COVID-19 result in limitation of business activity, which affects the demand for energy resources and other products of the Group, as well as the need for protective measures aimed at preventing the spread of infection. In addition, in March 2020, no agreement was reached on the OPEC+ limitation of crude oil production and the existing arrangement expires on April 1, 2020, which leads to the possibility of an increase in the supply of crude oil and refined products in the market from producing countries. Against the backdrop of these events, there has been a significant drop in stock markets, commodity prices fell, in particular, crude oil prices declined significantly, the Russian Ruble weakened against the US dollar and the Euro, and the lending rates for many companies in the emerging markets increased. While this is still an evolving situation at the time of issuing these consolidated financial statements, it appears that the impact on the global economy and uncertainty regarding further economic growth may negatively affect the financial position and financial results of the Group in the future.

Management is closely monitoring the situation and implements measures to reduce the negative impact of these events on the Group, while the excess of supply over demand and the associated decrease in world oil prices will directly affect the revenues of the Group and other financial results if prices do not recover within the near term. Management considers the reduction in oil demand due to the outbreak of COVID-19 coronavirus infection to be a non-adjusting event after the reporting period.

Annex 2

Financial Statements under the Russian Accounting Standards

Independent Auditor's Report



Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC TATNEFT named after V.D. Shashin:

Our opinion

In our opinion, the enclosed accounting statements present fairly, in all material respects, the financial position of PJSC TATNEFT named after V.D. Shashin (hereinafter referred to as the "Company") as of December 31, 2019, as well as its financial results and cash flows for the year ended on that date, in compliance with the accounting rules established in the Russian Federation.

Subject of audit

We have audited the Company's accounting statements, which include:

- Balance Sheet as of December 31, 2019;
- Profit & Loss Statement for the year then ended;
- Statement of Changes in Equity for the year then ended;
- Statement of Cash Flows for the year ended on that date;
- Notes to the Balance Sheet and Profit & Loss Statement.

Basis for our opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the accounting 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 in respect of the Company, in accordance with the Code of Ethics for Professional Accountants developed by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Code of Professional Ethics for Auditors and Auditors & Audit Organizations Independence Rules, applicable to our audit of the accounting statements in the Russia Federation. We have fulfilled our other ethical obligations in accordance with these requirements and the IESBA Code.

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Our auditing approach

Overview

Materiality	Materiality at the level of the Company's accounting statements in total: Russian Rubles 11,600 million (RUB mln), which represents 5% of the adjusted profit before tax, excluding one-time effects from impairment of exploration assets, financial investments, account receivables for loans issued and other noncurrent assets related to oil and gas exploration activities.
Key audit matters	- Changes in accounting policies as regards to recognition of changes in evaluation of liabilities related to decommissioning fixed assets and restoring natural resources - Provision for impairment of assets

When planning the audit, we determined the materiality and assessed the risks of material misstatements in the accounting statements. In particular, we analyzed, in which areas the management made subjective judgments, for example, with respect to 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.

We defined the scope of the audit in such a way, that we could perform the works sufficient to express our opinion on the accounting statements as a whole, taking into account the Company's structure, accounting processes and controls used by the Company, as well as the specifics of the industry, in which the Company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the accounting statements are free from material misstatement. Misstatements may arise due to fraud or error. Misstatements are considered material if they could reasonably be expected to affect, individually or collectively, the economic decisions of users made on the basis of these accounting statements.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including for materiality at the level of the Company's accounting statements as a whole, as indicated in the table below. Using these values and taking into account qualitative factors, we determined the scope of our audit, as well as the nature, timing, and scope of our audit procedures, and evaluated the impact of misstatements (those individual and taken in aggregate), if any, on the accounting statements as a whole.



Materiality at the level of the overall Company's accounting statements	RUB 11,600 million
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How we determined it	5% of adjusted profit before tax
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Rationale for the materiality benchmark applied	We decided to use profit before tax as a base indicator to determine the level of materiality because we believe that this base indicator is most often considered by the users to assess the Company's activities results and, furthermore, is a generally accepted base indicator. The use of adjusted profit before tax provides a more stable basis for determining the level of materiality, since it reduces the effect of volatility (which can be significant) caused by factors of a one-time nature, such as impairment losses on exploration assets, financial investments, receivables, and other non-current assets, associated with oil and gas exploration activities provides a more stable basis for determining the level of materiality, taking into account, mainly, basic profitability of the Group's operations.
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We established materiality at the level of 5%, which falls within the range of acceptable quantitative thresholds of materiality applicable to profit-driven companies in this industry sector and corresponds to the approach used in the previous year.

Key audit matters

Key audit matters are those matters, which according to our professional judgment, were of the most significant in our audit of the annual accounting statements for the current period. These matters were addressed in the context of our audit of the accounting 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

Change in accounting policy with respect to reflecting changes in the evaluation of estimated liabilities for liquidation of fixed assets and restoration of natural resources

Refer to Note II, III, IV.20 (text part) to the Balance Sheet and the Profit & Loss Statement.

The Company's accounting statements recognise estimated liabilities for liquidation of fixed assets related to exploration, development and production in the end of their life and restoration of natural resources (i.e. *Asset Retirement Obligations* hereinafter referred to as "ARO").

ARO are evaluated annually by the management and involves the use of various estimates and judgments of the management due to the complexity inherent in estimating future costs. The amount of estimated liabilities is significant for the balance sheet of the Company, as of December 31, 2019 it amounted to RUB 50,490 million, for December 31, 2018 – RUB 34,471 million, at 31 December 2017 - RUB 38,092 million (lines 1430 and 1540 "Estimated liabilities" of the Balance Sheet).

We paid considerable attention to the issue of ARO evaluation, given the materiality of these liabilities and, especially, in connection with the ARO increase by RUB 16,019 million during 2019, which affected the financial results and the value of the Company's assets for the year and as of the end of 2019. This increase was due to several multidirectional factors, the most significant of which was the revision of the assumptions used in the calculation, in particular, of the discount rate. Other changes are mainly related to ARO creation for newly introduced facilities of fixed assets.

Expenses of RUB 3,017 million from the discount accrual due to the increase in the present value of ARO are reflected in the statement of financial results in line 2330 "Interest payable".

We performed the following procedures in relation to calculation models for the ARO valuation:

- Verification of the arithmetic accuracy of calculations and the completeness of the data used, such as a list of objects to be decommissioned, the cost of conservation and liquidation of wells, the number of wells and other fixed assets, the cost of reclamation and the area of land, the field decommissioning period (discount period);
- Analysis of the validity of the assumptions used in the ARO calculations, such as both the inflation rate and discount rate.

Our procedures for verifying the reasonableness of the cost values used by the management to evaluate ARO of well liquidation costs, other fixed assets and soil recultivation included discussions with the Company's technical specialists of the list and works order procedure for carrying out liquidation and reclamation works, reconciliation with standard estimates of the Company for liquidation of fixed assets, as well as comparison with the prices of the contractors' proposals.

The most significant effect on the change in the ARO value during 2019 was the change in the discount rate used to estimate the future cost of decommissioning fixed assets. We compared the discount rate applied by the management of the Company with the level of profitability of government securities, the maturity of which is comparable with the expected deadline of fulfillment of provisions for decommissioning fixed assets and restoring natural resources.



Key audit matter

How our audit addressed the key audit matter

Increase in assets amounting to RUB 8,011 million, and decrease in the additional paid-in capital regarding revaluation of non-current assets on fixed assets facilities valued at current (replacement) value by RUB 4,214 million, are recognised in the balance sheet and the statement of financial results according to lines 1190 "Other non-current assets" and 1340 "Revaluation of non-current assets", respectively.

Starting from January 1, 2019, the Company reflects ARO changes because of changes in basic assumptions in the manner prescribed by requirements (IAS) 37 "Estimated Liabilities, Contingent Liabilities and Contingent Assets" and IFRIC 1 "Changes in Existing Decommissioning, Restoration and Similar Obligations".

The right to create an accounting policy taking into account the requirements of the International Financial Reporting Standards by organizations which disclose consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS) is provided for by the accounting regulations 1/2008 "Accounting policies of the organization."

The Company believes that the transition from the accounting model for changes in the basic assumptions through "Other income" and Other expenses" indicators of the financial results statement to the accounting model stipulated by IFRS provides users with more relevant and reliable information on the Company's performance results, which helps to reduce volatility of financial results and avoid multidirectional effects on the Company's net profit as a result of changes in basic assumptions, and also contributes to greater comparability of indicators of accounting (financial) statements of the Company with indicators of the consolidated financial statements of the Group.

We analyzed the adjusted accounting registers of the Company's ARO for comparable periods. Our procedures related to the Company's change in the accounting policy and recalculation of the effect of ARO changes on the balance sheet and statement of financial results included the following:

- Analysis of the validity of the Company's judgments made in relation to changes in accounting policies;
- Validation and relevance testing the methodology used by the Company for adoption of the new model of accounting for ARO changes in accordance with IFRS;
- Data verification of the recalculated ARO registers for compliance with the selected transition methodology, as well as the mathematical accuracy of the calculations;
- Receipt and analysis of the written statements by the management of the Company regarding changes in the accounting policies in terms of ARO and its impact on the accounting (financial) statements.

In addition, we checked the compliance of the information disclosed in Sections 11, 111 and IV of the Notes to the Balance sheet and the Statement of financial results with the requirements for the presentation and disclosure of information of accounting regulation 1/2008 "Accounting policies of the organization" and accounting provisions 4/99 "Accounting statements of the organization."



Key audit matter	How our audit addressed the key audit matter
In connection with the retrospective application of the new accounting policy, comparable indicators of accounting (financial) statements have been changed. The impact of changes in accounting policies on the indicators of the accounting (financial) statements of the Company is disclosed in detail in Section III of the Notes to the Balance sheet and Profit & Loss statement. We paid considerable attention to the change in the accounting policy of the Company in relation to ARO, since the process of switching to another methodology of liabilities accounting is complicated, and this change in accounting policy has a significant impact on the accounting (financial) statements of the Company.	
	Provision for assets impairment <i>Refer to Note IV.15 (text part) to the Balance Sheet and the Profit & Loss Statement.</i> According to the results of December 31, 2019 valuation, the Company created provisions for bad debts, impairment financial investments and assets related to oil and gas exploration in the amount of RUB 14,863 million, RUB 11,206 million and RUB 15 182 million. (in 2018 - RUB 16,881 million, RUB 150 million and RUB 591 million, respectively) reflected in line 2350 “Other expenses” of the report on financial results for the following assets: - tangible and intangible exploratory assets for the search and exploration of oil and gas fields, as well as the costs of exploration as part of other non-current assets;



Key audit matter	How our audit addressed the key audit matter
carrying out search and exploration of oil and gas fields. - other interest-free loans granted to subsidiaries. In terms of exploration assets, exploration expenses and debts of subsidiaries and affiliates engaged in the search and exploration of oil and gas, the Company analyzes the feasibility studies for each of the fields. The company also analyzes discounted expected cash flow models of subsidiaries. In accordance with Accounting Regulation 24/2011, “Accounting for Expenditures for Development of Natural Resources”, if there are signs of impairment, the Company reviews assets for impairment and takes into account changes in value due to impairment in accordance with International Financial Reporting Standards (IAS) 36 Impairment of Assets, (IFRS) 6 Exploration and Evaluation of Mineral Resources. In accordance with the Provision on Accounting and Reporting in the Russian Federation approved by Order of the Ministry of Finance of the Russian Federation No. 34n dated July 29, 1998, in order to identify doubtful receivables, the Company analyzes information on each debtor’s solvency, obtains experts’ opinions on market values of property provided as collateral under loan agreements (where possible) and analyzes the models of discounted expected cash flows, requests other relevant information, based on which the Company can assess probability of failure to repay debts within the terms established by contracts. The analysis revealed the need to recognize impairment reserves in connection with adverse conditions in the oil market that affect the current assessment of relevant projects. We paid special attention to this matter due to significance of impairment provisions, as well as significance of judgements and estimates involved in the calculations.	• Analysis of critical assumptions used by the management of the Company in assessing the current market value of the property and rights of claim provided as collateral under loan agreements; • Verification of mathematical accuracy of models expected funds; • Verification of the correctness of determining the recoverable amount of assets and calculating the amount of accrued impairment We evaluated the macroeconomic assumptions used by the management, which include, for example, hydrocarbons price forecasts, comparing them with the consensus forecast of investment banks. Our procedures for verifying the reasonableness of the value of production costs used by management included a discussion with the Company's technical specialists on the composition of the relevant costs, sources of information for their forecasting and reconciliation with these sources. We also performed an assessment of compliance with RAS requirements for the disclosure of information in accounting statements.



Other information

The management shall be responsible for the other information. The other information comprises the Company's Annual Report 2019 and the Issuer's Quarterly Report Q1 2020 (but excludes the accounting statements and our audit report on these accounting statements), which are expected to be provided to us after the date of this audit report.

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

In connection with our audit of the accounting statements, our responsibility is to read the above-mentioned other information upon its provision and, in doing so, consider whether the other information is materially inconsistent with the accounting statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we conclude that the Company's Annual Report 2019 and the Issuer's Quarterly Report Q1 2020 contain material misstatements, we are required to communicate the matter to those persons charged for corporate governance.

Responsibility for accounting statements of the management and persons responsible for corporate governance

The management is responsible for the preparation and fair presentation of these accounting statements in accordance with the accounting rules established in the Russian Federation and for such internal control system as the management determines appropriate to enable the preparation of accounting statements that are free from material misstatement, whether due to fraud or error.

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

The persons responsible for corporate governance are responsible for the supervision of the preparation of the Company's accounting statements.



Auditor's responsibilities for the audit of accounting statements

Our objective is to obtain reasonable assurance about whether the accounting statements are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that represents our opinion. Reasonable assurance is a high degree of assurance, but it is not a guarantee that the audit conducted in accordance with ISAs will always detect material misstatements, if any. Misstatements may result from fraud or errors and they are considered material if they could reasonably be expected to affect, individually or collectively, economic decisions of users made on the basis of these accounting statements.

Within the scope of the audit conducted in accordance with ISA, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides, we perform the following:

- Identify and assess the risks of material misstatement of accounting statements, due to fraud or error; design and perform audit procedures to respond to those risks; obtain audit evidence that is sufficient and appropriate to provide the grounds for our opinion. The risk of failure to detect a material misstatement resulting from fraud is higher than the risk of failure to detect a material misstatement resulting from an error, since fraud may involve collusion, forgery, intentional omissions, misrepresentation, or circumventing the internal control system;
- Obtain insight of the internal control system relevant to the audit in order to develop audit procedures appropriate to the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- Assess the appropriateness of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by the management;
- Conclude on the appropriateness of the application by the management of the going concern assumption and, on the grounds of the audit evidence obtained, conclude on the existence of a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we come to the conclusion that a material uncertainty exists, we must draw attention in our audit report to the appropriate disclosures in the accounting statements or, if such disclosures are inadequate, modify our opinion. Our conclusions are based on the audit evidence obtained prior to the date of our audit report. However, future events or conditions may lead to the Company losing its ability to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the accounting statements, including disclosures, and whether the accounting statements present the underlying transactions and events in a manner ensuring their fair presentation.

We share information with persons responsible for corporate governance by communicating to them, inter alia, the information about the planned scope and timing of the audit as well as major comments on the audit results, including on significant deficiencies in the internal control system, identified by us in the course of the audit.

2019 PJSC Tatneft Financial Statements Balance Sheet Report



We also provide the persons responsible for corporate governance with a statement that we have complied with all relevant ethical requirements for independence and have informed these persons about all relationships, as well as on other matters that can reasonably be considered to have an influence on the auditor’s independence and, where necessary, about the relevant precautions.

Among the issues, which we have communicated to the parties responsible for corporate governance, we identify the issues that were the most significant for the audit of the accounting statements for the current period and, therefore, were key audit matters. We describe these matters in our audit report, except in cases where public disclosure of information about these issues is prohibited by law or regulation, or when, in very rare cases, we come to the conclusion that information about an issue should not be presented in our report, as it can be reasonably assumed that the negative consequences of the disclosure of such information will exceed the socially significant benefit from its disclosure.

Maksim Evgenievich Timchenko is the Head of the Assignment, which resulted in the issuance of this auditor report of an independent auditor

March 27, 2019
Moscow, Russian Federation



M.E. Timchenko, Head of the Assignment (Qualification Certificate No. 01-000267),
Joint Stock Company PricewaterhouseCoopers Audit

Audited entity:
Public Joint Stock Company TATNEFT
named after V.D. Shashin

Registered by the Ministry of Finance of the Republic of
Tatarstan under No. 632 on January 21, 1994

Record made in the Unified State Register of Legal Entities
on July 18, 2002, under State Registration Number
1021601623702

Taxpayer Identification Number 1644003838

75 Lenin Str., Almet'yevsk, 423450,
Republic of Tatarstan, Russian Federation

Independent auditor
Joint Stock Company "PricewaterhouseCoopers Audit"

Registered by the Government Agency Moscow Registration Chamber
on February 28, 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on August
22, 2002, under State Registration Number: 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory Organization of Auditors Association
"Sodruzhestvo"

Primary Registration Number of Entry in the Register of Auditors and
Audit Organizations: 12006020338

BALANCE SHEET REPORT
(RUB '000)

Notes	ASSETS	Line Code	As of 31.12.2019	As of 31.12.2018	As of 31.12.2017
I. NON-CURRENT ASSETS					
VI-2, 8	Intangible assets	1110	1 854 480	1 519 494	882 443
VI-2, 8	Research and development results	1120	1 144 240	939 972	792 200
VI-3, 8	Intangible development assets	1130	82 200	4 265 212	4 320 885
VI-3, 8	Tangible development assets	1140	624 333	2 292 250	2 561 503
VI-1, 7,8	Fixed assets	1150	266 569 521	256 510 046	233 442 786
VI-1	including capital investments in progress	1151	107 760 624	115 195 430	100 782 153
VI-8	advances issued for the acquisition and construction of fixed assets	1152	14 856 513	8 920 829	4 760 324
VI-1, 8	Income-bearing investments in tangible assets	1160	392 259	4 323 952	4 199 156
VI-5	Financial investments	1170	99 328 503	92 381 756	92 578 452
	Deferred tax assets	1180	-	-	-
VI-4	Other non-current assets	1190	25 777 779	26 959 839	42 820 400
VI-4	including asset retirement obligations	1191	25 211 401	17 053 844	21 027 007
	Total for Section I	1100	395 773 315	389 192 521	381 597 825
II. CURRENT ASSETS					
VI-7	Inventories	1210	41 210 116	65 781 674	48 115 981
VI-7	including raw materials and supplies	1211	6 465 505	12 085 489	9 873 466
VI-7	work in progress costs	1212	2 199 449	1 518 853	971 862
VI-7	finished products and goods for resale	1213	26 352 269	27 274 632	24 839 505
VI-7	goods shipped	1214	5 519 803	22 724 492	7 669 809
VI-7	other inventories and expenses	1215	673 090	2 178 208	4 761 339
	Value added tax on acquired valuables	1220	1 902 349	3 617 822	3 919 516
VI-8	Receivables	1230	373 794 549	332 674 500	267 690 805
VI-8	including noncurrent nondelinquent accounts receivable (that are due beyond 12 months after the reporting date)	1231	242 747 758	203 639 972	163 426 232
VI-8	including buyers and customers	1232	48 655	104 673	718 656

Balance sheet report, RUB '000 (continuation)

Notes	ASSETS	Line Code	As of 31.12.2019	As of 31.12.2018	As of 31.12.2017
VI-8	advances paid	1233	66 350	98 572	205 258
VI-8	other debtors	1234	242 632 753	203 436 727	162 502 318
VI-8	including current nondelinquent accounts receivable (that are due in the next 12 months after the reporting date)	1235	131 046 791	129 034 528	104 264 573
VI-8	including buyers and customers	1236	71 570 267	77 536 010	61 981 366
VI-8	advances paid	1237	3 721 492	3 266 296	5 373 018
VI-8	other debtors	1238	55 755 032	48 232 222	36 910 189
VI-5	Financial investments (except for cash equivalents)	1240	545 117	3 340 306	28 418 509
VI-6	Cash and cash equivalents	1250	1 723 345	28 850 530	10 866 389
	Other current assets	1260	1 595 321	5 097 762	1 735 899
	Total for Section II	1200	420 770 797	439 362 594	360 747 099
	Balance (assets)	1600	816 544 112	828 555 115	742 344 924
III. CAPITAL AND RESERVES					
VI-10	Authorized capital (contributed capital, authorized fund, contributions of partners)	1310	2 326 199	2 326 199	2 326 199
	Shares repurchased	1320	-	-	-
VI-10	Revaluation of non-current assets	1340	13 389 408	17 477 427	13 665 476
VI-10	Additional capital (without revaluation)	1350	298 820	328 409	318 908
VI-10	Reserve capital	1360	116 310	116 310	116 310
	Retained profit (uncovered loss)	1370	556 625 941	625 404 234	582 990 845
	Total for Section III	1300	572 756 678	645 652 579	599 417 738
IV. LONG-TERM LIABILITIES					
VI-11	Borrowings	1410	15 370 000	370 000	370 000
	Deferred tax liabilities	1420	2 177 796	8 048 172	8 278 850
VI-20	Estimated liabilities	1430	50 360 737	34 346 312	38 026 536
	Other liabilities	1450	-	-	-
	Total for Section IV	1400	67 908 533	42 764 484	46 675 386
V. SHORT-TERM LIABILITIES					
VI-11	Borrowings	1510	32 893 591	16 036 104	32 212 379
VI-9	Payables	1520	140 151 901	121 654 847	61 779 884
VI-9	including suppliers and contractors	1521	34 404 264	22 081 257	17 057 659
VI-9	debt in respect of insurance premiums	1522	710 227	594 348	172 200
VI-9	taxes and duties payable	1523	28 211 874	32 121 047	25 945 577
VI-9	advances received	1524	8 515 291	5 095 325	6 957 711
VI-9	dividends or profit due to shareholders (owners)	1525	57 522 608	52 222 838	6 031 506
VI-9	Other creditors	1526	10 787 637	9 540 032	5 615 231
	Deferred revenues	1530	251 966	238 436	136 631
VI-20	Estimated liabilities	1540	2 581 443	2 208 665	2 122 906
	Other liabilities	1550	-	-	-
	Total for Section V	1500	175 878 901	140 138 052	96 251 800
	Balance	1700	816 544 112	828 555 115	742 344 924

2019 PROFIT AND LOSS STATEMENT

Notes	Line Item	Line Code	For 12 months of 2019	For 12 months of 2018
2019	Revenue	2110	827 026 695	793 237 174
VI-14	Cost of sales	2120	(505 680 797)	(473 760 104)
	Gross profit (loss)	2100	321 345 898	319 477 070
VI-14	Selling expenses	2210	(46 078 486)	(46 274 869)
VI-14	Administrative expenses	2220	(9 885 505)	(8 022 792)
VI-14	Mineral exploration and evaluation expenses	2230	(260 092)	(40 291)
	Profit (loss) on sales	2200	265 121 815	265 139 118
	Income from shareholdings	2310	4 751 697	2 931 884
	Interest receivable	2320	1 234 120	5 073 049
	Interest payable	2330	(3 261 408)	(3 094 329)
VI-15	Other income	2340	60 085 765	58 616 522
VI-15	Other expenses	2350	(124 843 535)	(80 732 987)
	Profit (loss) before taxation	2300	203 088 454	247 933 257
VI-12	Current income tax	2410	(54 568 624)	(55 494 136)
VI-12	including permanent tax liabilities (assets)	2421	(8 080 557)	(5 676 807)
VI-12	Changes in deferred tax liabilities	2430	5 870 376	230 677
	Changes in deferred tax assets	2450	-	-
	Other	2460	61 774	77 890
	Income tax redistribution within the consolidated group of taxpayers	2465	1 594 066	17 946
	Net profit (loss)	2400	156 046 046	192 765 634
VI-1	Surplus on revaluation of fixed assets not included in net profit (loss) for the period	2510	(3 665 536)	3 899 319
	Result from other operations not included in net profit (loss) for the period	2520	(29 589)	9 501
	Total profit / loss for the period	2500	152 350 921	196 674 454
VI-19	For reference only Basic earnings (loss) per share, RUB	2900	67,26	82,73
	Diluted earnings (loss) per share	2910	-	-

Significant Aspects of Accounting Policies and Presentation of Information in the Financial Statements

BASIC APPROACHES TO PREPARING THE ANNUAL FINANCIAL STATEMENTS

The Company keeps its accounting records as per the Federal Law N 402-FZ of December 6, 2011 "On Accounting", and the Regulations for Accounting and Reporting in the Russian Federation approved by Order of the Ministry of Finance of the Russian Federation No. 34n dated July 29, 1998, the current Russian Accounting Standards (RAS), as well as the accounting policy of the Company. The financial statements of the Company for 2019 were prepared in accordance with the above Law, the regulations and the accounting policy. The annual financial statements for 2019 were prepared as per the forms developed and approved by the Company in accordance with the Order of the Ministry of Finance of the Russian Federation dated 02.07.2010 No. 66n «On Accounting Forms of Organizations». The reporting financials statements are presented in thousands of rubles.

FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES

The foreign currency denominated assets and liabilities are recognized in the accounting records in accordance with the RAS 3/2006 «Accounting for Foreign Currency Denominated Assets and Liabilities», approved by Order of the Ministry of Finance of the Russian Federation No. 154n dated November 27, 2006.

The exchange rate difference is recorded in the accounting records and reporting in that reporting period which the payment due date pertains to or which the financial statements have been prepared for.

The exchange difference arising from the translation of the foreign currency denominated assets and liabilities of an entity used for carrying out its business operations outside of the Russian Federations into rubles is recognized in the additional paid-in capital of the entity.

The exchange rate difference for the rest of the transaction is recognized in the profit and loss account as other income and expenses. The foreign exchange gains and losses are recorded in the Profit and Loss Report, netted under the lines «Other Income» or «Other Expenses».

When accounting for business transactions made in foreign currencies, the official exchange rate of the foreign currency to ruble, which was in effect on the day of the transaction, was applied. Cash in foreign currency accounts at banks and cash on hand, financial deposits (except for stocks) and funds in settlements in foreign currency (except for funds received and issued for advances and front payments, deposits) are reflected in the accounting statements in amounts calculated on the basis of the official exchange rates in effect at the reporting date. The exchange rates amounted RUB 61,9057 per USD as at 31 December 2019 (as at 31 December 2018 – RUB 69,4706, as at 31 December 2017 – RUB 57,6002), and RUB 69,3406 per Euro (as at 31 December 2018 – RUB 79,4605, as at 31 December 2017 – RUB 68,8668).

INTANGIBLE ASSETS

Intangible assets include computer software programs; databases; inventions; utility models; trademarks and service marks; licenses for mineral geological exploration and production; licenses for mineral production, mineral prospecting, appraisal and exploration costs (transferred from the intangible prospecting assets after the commercial viability of oil production at the field has been confirmed).

Intangible assets are recognized for accounting purposes at their historical cost in the reporting period when the documents are received confirming the Company's rights to the result of intellectual activity or a means of individualization, regardless of the use of intangible assets to produce goods, perform works or render services for management needs.

The value of intangibles is repaid by a straight-line method of depreciation at the rates determined based on their estimated useful life.

No depreciation is charged for intangible assets with an indefinite useful life.

Depreciation is charged by accumulating the corresponding amounts on a separate account. Intangible asset depreciation charge is recognized in the accounting period which they pertain to, and it is accrued regardless of the company's performance results in the reporting period.

The useful life of intangible assets is annually verified for the purpose of clarification. If the duration period is substantially changed (by more than twenty percent) within which the asset is intended to be used, its useful life period should be updated. The resulting adjustments are reflected in the accounting records and reporting as changes in estimates.

Intangible assets of homogeneous groups at fair market value are not revaluated.

RESEARCH, DEVELOPMENT, AND ENGINEERING COSTS

Research, development, and engineering costs are included in the amount of actual expenditure incurred

to perform these operations.

The research, development, and engineering costs that yielded positive results and started to be deployed in the operations are written off as normal business expenses beginning from the month following the month in which the results obtained in carrying out the above mentioned activities to produce goods (perform works or render services) or for the company's managerial needs are started to be used in a real life.

The costs associated with each performed research, development, and engineering activity with positive result yielded are written off evenly on a straight-line basis over the useful life of the R&D deliverables (which should not exceed five (5) years).

The costs associated with the research, development, and engineering activities resulted in a failure are expensed to the financial result in other expenses account in the reporting period.

PROSPECTING ASSETS

The Company recognizes the prospecting costs in tangible prospecting assets including as follows:

- costs for the acquisition and construction of prospecting, exploratory and early production wells and other oilfield facilities;
- costs for buying and installing the equipment for prospecting, exploration and early production wells.
- The Company recognizes the prospecting costs in intangible prospecting assets including as follows:
- costs for acquisition of licenses for geological study of the subsurface, licenses for geological study and production of minerals;
- costs for minerals prospecting, appraisal and exploration: costs for geological, geochemical and geophysical surveys, costs for acquisition of geological information related to the subsurface from third parties including government agencies and costs for drilling of stratigraphic test wells, parametric and structural wells.

Tangible prospecting assets are depreciated on a straight-line basis over their useful lives.

Depreciation charges for the tangible prospecting assets are included in the cost of mineral prospecting, appraisal and exploration for relevant subsurface areas.

Intangible prospecting assets in the form of licenses for geological study of the subsurface are depreciated on a straight-line basis over the period of validity of the respective licenses. Depreciation charges for the above mentioned assets are included

in the cost of mineral prospecting, appraisal and exploration for relevant subsurface areas.

Expenditures incurred for the purpose of acquiring the licenses for geological study and production of minerals, as well as costs for prospecting, appraisal and exploration of minerals, are not subject to depreciation until the commercial feasibility of oil production within the relevant licensed area of mineral resources is confirmed and the order to bring the field into commercial development is approved.

The commercial feasibility of oil production is considered substantiated at the time of approval of the reservoir management plan for the field within the licensed subsurface area of mineral resources.

The Company runs impairment testing for its prospecting assets on a yearly basis as of December 31 as well as in case of their derecognition when the commercial feasibility of oil production has been substantiated within the licensed subsurface area.

For the purpose of testing the assets for impairment, these assets are grouped by the mineral subsurface areas specified in the licenses.

The prospecting asset impairment loss is recognized in the profit and loss report in the line of «Other expenses». In addition, the Company applies a reversal of impairment loss to prospecting assets.

The Company derecognizes prospecting assets in relation to a certain licensed subsurface area of mineral resources when the commercial feasibility of oil production is substantiated within the relevant licensed subsurface area or the prospects of mineral resources production in this area have no chance of success.

When the commercial feasibility of oil production is substantiated within the licensed subsurface area the Company reclassifies its prospecting assets as follows:

- tangible prospecting assets included in fixed assets at their depreciated book value;
- intangible prospecting assets included in intangible assets at their depreciated book value.

FIXED ASSETS

Fixed assets include land plots, buildings, plants, machinery, equipment, vehicles and other relevant facilities with their service life of more than 12 months and worth more than 40,000 rubles.

The Company runs revaluation of its fixed assets (industrial purpose buildings, plants and constructions such as the pipelines, machinery and equipment (except information technology equipment)) at the current (replacement) cost once a year (as at the end of the reporting year).

The fixed assets that were commissioned before January 1, 2002 are depreciated based on uniform depreciation rates approved by Decree of the USSR Council of Ministers dated October 22, 1990, No. 1072 "On Uniform Depreciation Rates of Fixed Assets of the USSR National Economy" and those commissioned after January 1, 2002 – at the rates calculated on the basis of useful life determined according to the classification of fixed assets included in the depreciation groups, approved by the Decree of the Government of the Russian Federation No. 1 dated January 1, 2002, except for fixed assets acquired for lease, as well as

those included in the production and technological complex for generating electrical energy by low-grade steam turbines and aircraft, the useful life of which is determined on the basis of the lease period and the planned period of their operation according to the reports of a special committee.

Depreciation is calculated on a straight-line basis.

Group of fixed assets	Useful lives of facilities (number of years)*	
	Before 01.01.2002	After 01.01.2002
Buildings	25-50	8-31
Facilities, including:	10-25	2,5-31
Wells	10-15	6-14
Machinery and equipment	5-15	1-26

* CThe useful lives of fixed assets acquired for leasing, as well as those included in the production and technological complex for generating electric power by low-grade steam turbines and aircraft, may differ from the useful life value indicated in the table above.

No depreciation is charged for land plots and sites for the use of natural resources.

The historical value of fixed assets at which they were included in the accounting records can be changed in the cases of further construction, further equipping, renovation, modernization, partial retirement and revaluation of the fixed assets.

Renovation costs of fixed assets are included at actual costs and are reflected in the reporting period in which they were incurred.

The “Capital expenditures in progress” line includes the costs of construction and installation works, acquisition of buildings, plants and equipment (including equipment requiring assembly) and other tangible durable assets, materials for the construction of fixed assets, and other capital works and expenses. This line reflects the cost of capital facilities before they are commissioned or decided to be sold, after which these assets are transferred into fixed assets, income-yielding investments in tangible assets or other non-current assets.

Fixed assets intended for lease are reflected in the “Income yielding investments into tangible assets” line.

OTHER NON-CURRENT ASSETS

Other non-current assets include asset retirement obligations, costs of implementing the exploration and production sharing agreement, and construction-in-progress items to be disposed of upon the decision of the management.

FINANCIAL INVESTMENTS

Financial investments are recognized for accounting purposes at historical cost.

Financial investments defining the current market value are reflected in the financial statements as of the end of the reporting year at current market value by adjusting their valuation as at the previous reporting date.

Financial investments for which the current market value cannot be measured are recorded in the financial statements as of the reporting date at historical cost less less the amount of the provision made for their impairment. A provision for impairment of financial investments is created for the amount of the difference between the carrying value and their estimated value, if the im-

pairment testing results confirm a sustained significant decrease in the value of these financial investments.

Financial investments are recorded as current assets if their anticipated holding period does not exceed twelve (12) months after the reporting date. Other financial investments are recorded as non-current assets.

Depending on the nature of financial investments and the procedure for their acquisition and use, the accounting unit of financial investments may be a contribution to the authorized capital, a loan agreement, bank deposit agreement, a block of securities issue, etc.

When the financial investments for which the current market value cannot be determined, their value is formed on the basis of the valuation determined:

- at the historical value of the first-time purchased financial assets (FIFO method) upon disposal of shares or bonds;
- at historical value of each accounting unit of financial investments upon disposal of promissory notes.

When the financial investments for which the current market value can be determined, their value is determined by the company on the basis of the last valuation.

Gains and losses from the disposal of financial investments are recognized in the profit and loss statement as part of other income and expenses.

MATERIALS AND SUPPLIES INVENTORIES

The “Raw materials and supplies” line of the balance sheet reflects feedstocks, basic and auxiliary materials, purchased semi-finished products and components, fuel, packaging materials, spare parts, construction and other materials.

The materials and supplies inventories also include assets that meet the conditions necessary for them to be recognized as fixed assets valued at no more than RUB 40 000 per unit.

The materials and supplies inventories are recognized in the amount of the actual costs of their acquisition, except for value added tax and other recoverable taxes (except as provided for by the legislation of the Russian Federation). Inventories are disposed of at average cost.

The materials and supplies inventories that are obsolete, wholly or partially have lost their original quality, or whose current market value has decreased, are reflected in the balance sheet less the inventory reserve.

The raw materials and supplies transferred to processing on an as-needed basis continue to be accounted for in raw materials and supplies of the Company separately. Every month, the raw materials and supplies that have passed through all processing stages are recognized as part of finished products.

FINISHED PRODUCTS, GOODS AND SALES EXPENSES

Finished products are recorded in the balance sheet based on actual direct costing of production excluding administrative expenses

When shipping crude oil, petroleum products and gas products, the valuation is carried out based on the average cost method for each group of products.

Sales expenses are written off to the Company’s profit and loss account without their distribution between sold and unsold products.

GOODS SHIPPED

The «goods shipped» balance sheet item reflects the shipped products with no ownership title that has been passed to the buyers.

This line also shows immovable property that has been transferred to the buyer under the acceptance and transfer act before the state registration of the ownership title transfer.

OTHER INVENTORY AND COSTS

The Other inventories and costs line includes expenses associated with super viscous oil production that were incurred before commencement of production. These costs are written off evenly over the period of oil production at the relevant oil field development site, but not for more than two (2) years, starting from the first day of the month following the month oil production starts.

RECEIVABLES

Trade receivable (recognized in the accounts receivable) is determined on the basis of the prices established by contracts concluded between the Company and its buyers (customers) taking into account all discounts (markups). Non-recoverable debt is written off from the balance sheet as it is recognized as such.

Accounts receivable, which are overdue or would be most likely outstanding as stipulated by the contract terms as well as not secured by respective guarantees, are shown after deduction of accrued provisions for doubtful debts. The provision is set up for each doubtful debt (depending on the financial condition (solvency) of the debtor and an estimated recoverability of debt in whole or in part) on the basis of the receivables inventory made for the last day of the reporting quarter.

Income and expenses incurred in the formation and recovery of the doubtful debts provision within one financial year are reflected in the profit and loss statement minimized in “Other income” or “Other expenses.”

Advance payments issued and received are presented in the balance sheet less the value added tax (from the amount of advance payments) to be deducted (paid) in accordance with tax legislation.

CASH AND CASH EQUIVALENTS

As per RAS 23/2011 “Statement of Cash Flows” approved by Order of the Ministry of Finance of Russia No. 11n dated February 2, 2011, cash equivalents include highly liquid investments that can easily be converted into the known in advance amount of cash and are subject to an insignificant risk of changes in value.

The Company qualifies bank deposits placed for a maximum period of three (3) months as cash equivalents.

In the Statement of Cash Flows:

- balances of cash and cash equivalents in foreign currency at the beginning and at the end of the reporting period are expressed in rubles in the amount which is determined in accordance with RAS 3/2006 “Accounting for Assets and Liabilities Denominated in Foreign Currencies” approved by Order of the Ministry of Finance of Russia No. 154n dated November 27, 2006. Differences arising from the translation of the compa-

ny’s cash flows and balances of cash and cash equivalents in foreign currency at the exchange rates on different dates are reflected in the statement of cash flows as the effects of changes in foreign exchange rates against the ruble;

- indirect taxes (VAT and excise duties) in the proceeds from buyers and customers, payments to suppliers and contractors, and payments to the budget system of the Russian Federation or refunds therefrom are recognized as balanced result in the other income (payments) from the current operations in the line “Other income” (“Other payments”);
- proceeds from compensation for refundable (negative) excise tax on crude oil and negative excise tax on motor gasoline and diesel fuel are reflected in a separate sub-line in the line «Other income»;
- proceeds from the sale of products and goods include customs duties;
- interest-free loans granted to subsidiaries and affiliates are mainly related to the capital investment financing, and therefore, based on the principle of rationality, the movement of all loans issued to subsidiaries and affiliates is reflected in cash flows from investment activities.

Cash flows are reflected in the statement of cash flows on a net basis in the following cases:

- cash inflows coming from certain entities provide for relevant cash outflows going to other entities (cash flows of the commission buyer or agent in connection with the performance of commission or agency services (except for payment for services themselves); income from the counterparty against the reimbursement of utility payments and making these payments in leasing and other similar relationships, etc.);
- cash flows are characterized by quick return, large amounts and short payback periods (purchase and resale of financial investments, short-term investments (up to three months) using the proceeds from borrowed funds, cash flows on loans received by the Company from subsidiaries – participants of the Treasury system, etc.);
- cash flows on short-term deposits (more than three months but less than one year) that are classified as financial investments. Cash flows on deposits are disclosed in Note 5 “Financial Investments” in the Notes to the balance sheet report and profit and loss statement.

AUTHORIZED CAPITAL, ADDITIONAL PAID-IN CAPITAL AND RESERVE CAPITAL

The authorized capital is reflected in the amount of the par value of ordinary and preferred shares.

Additional paid-in capital of the Company include foreign currency to ruble translation differences of the assets and liabilities denominated in foreign currencies of an entity used to carry out its operating activities outside the Russian Federation. In addition, the «Revaluation of non-current assets» line shows the amount of additional valuation less subsequent writedowns of fixed assets as a result of revaluation, attributed to the additional paid-in capital. The amount of additional valuation when an item of property, plant and equipment is disposed of is transferred from the additional paid-in capital to the Company’s retained earnings.

In accordance with the legislation, the Company has created a Reserve Fund in the amount of five (5%) percent of the authorized capital, formed out of the Company’s net profit. The Reserve fund is intended to cover losses of the Company, repay bonds and buy back the Company’s shares in the event that there are no other assets available.

ESTIMATED LIABILITIES

The Company recognizes an estimated liability to pay year-end performance-based remuneration. The amount of monthly deductions for the estimated liability is determined based on the monthly percentage of deductions and the actual amount of labor costs. The percentage of deductions for the estimated liability is calculated on the basis of the ratio of the annual planned amount of year-end performance-based remuneration expenses to the planned amount of labor costs.

The Company also recognises in its accounting records the estimated liability for vacations not used by employees.

The amount of the estimated liability for unused vacation is determined based on the total number of days of unused vacation for each employee, average daily earnings and insurance contributions accrued for this amount.

The actual amount of vacation pay (including the amount of unused vacation compensation) accrued to the employee in the accounting records is attributed to the recognized amount of the estimated liability to pay for unused vacation.

As at the last day of each quarter, an inventory of the estimated liability to pay for unused vacations is done which results in making adjustments to the amount of the estimated liability.

In accordance with the requirements of the regulations (Federal Law No. 2395-1 “On Subsoil” No. 7-FZ “On Environmental Protection”, etc.), the terms of license agreements for the right to use the subsoil, the Company recognizes in the accounting records and financial statements the estimated provisions for decommissioning liabilities of fixed assets, as well as commitments for remediation of lands in the fields after completion of the oil and gas production.

Estimated liabilities are formed for all immovable oil and gas assets. Estimated decommissioning and restoration liabilities are calculated by groups of oil fields. The estimated liability is recorded at the present (discounted) cost.

In order to calculate the estimated liability as of December 31, 2019, the Company used the following key assumptions: discount rate – 6,69% (as of December 31, 2018 – 8,75%), inflation rate – 4,0% (as of December 31, 2018 – 4,21%), discount period – from 14 to 32 years depending on the field (as of December 31, 2018 – from 15 to 31 years).

Accrued estimated liabilities at initial recognition, as well as the newly commissioned fixed assets are included in the “Other non-current assets” line.

Depreciation of assets on decommissioning liabilities is accrued on a monthly basis in proportion to the oil production output. The amount of monthly depreciation is determined for each group of oil fields and Oil & Gas Production Divisions (NGDUs) based on the amount of oil produced during the current month and the amount of assets on the decommissioning liabilities attributable to one (1) tonne of oil reserves for a group of oil fields at the end of the previous reporting period.

The discount that accrued with increase in the present value as the estimated liability matures is reflected in the profit and loss statement in the «Interest payable» line.

Adjustment of estimated liabilities for decommissioning of fixed assets and restoration of natural resources due to revision of key

calculation parameters (such as forecast inflation rate, discounted rate, discounted period) is recorded according to the procedure set out in the Section III of the Notes.

LOANS AND CREDITS

As per RAS 15/2008 “Accounting of Expenses on loans and credits” approved by Order of the Ministry of Finance of Russia No. 107n dated October 6, 2008, the principal amount of the loan (credit) received from the lender is accounted for in accordance with the terms of the loan agreement (credit agreement) in the amount of actually received monetary assets or in the cost estimate of other items stipulated by the contract.

Indebtedness with regard to the received loans and credits, and outstanding bonds, as well as accrued interest are reflected in the balance sheet in the “Borrowings” line.

Loan and credit indebtedness, as well as accrued interest is subdivided in the accounting into short-term indebtedness (with repayment period that does not exceed 12 months under the contract terms) and long-term indebtedness (with repayment period that exceeds 12 months under the contract terms).

The long-term indebtedness is transferred to short-term indebtedness at the moment when there are 365 days left before repayment of the principal amount.

Interest on received loans and credits is recognized as other expenses of that period in which they are accrued, except for the part to be included in the value of the investment asset.

Expenses on received loans and credits directly attributable to the acquisition and/or construction of the investment asset are included in the value of this asset and are repaid through depreciation.

Inclusion of expenses on received loans and credits in the original value of the investment asset is terminated on the first day of the month following the month of termination of the acquisition, construction and (or) manufacturing of the investment asset, or the start of using the investment asset.

REVENUE RECOGNITION

Revenue from the sale of goods and products (performance of work, provision of services) is recognized as the title to the product is transferred to customers (performance of work, provision of services to customers). Revenues are reflected in the accounting statements less value added tax, excise duties and customs fees.

Other income includes income which is not included in the revenue: revenue from the sale of fixed assets, construction in progress assets and other assets, foreign currency, income from changes in estimates of decommissioning of fixed assets and restoration of natural resources, exchange differences, and other similar income.

EXPENSES

Administrative expenses include the Headquarter Office expenses. At the end of the month the indicated expenses are fully written off to the debit of account 90 “Sales”, i.e. are fully recognized in the reporting period without distribution to the balances of work in progress and finished products.

From January 1, 2019, the Company gets a refund for the «returnable (negative) excise tax» on crude oil and negative excise

tax on motor gasoline and diesel fuel. This excise tax is accounted for as a decrease in the cost of sales of the reporting period, in the line «Cost of sales» of the Statement of profit and loss.

Other expenses include expenses which are not related to the manufacture and sales of products, completion of work, rendering of services, purchase and sale of goods.

PROFIT TAX ACCOUNTING

The Company has been a responsible member of the consolidated group of taxpayers (hereinafter referred to as the “CGT”) from January 1, 2012. As of the date of the agreement, the CGT included four members. Since 2016, the list of CGT participants has been expanded to five members.

The Company independently generates the accounting information on income tax as per RAS 18/02 “Corporate Profit Tax Accounting” approved by Order of the Ministry of Finance of Russia dated November 19, 2002 No. 114n. In this regard, the temporary and permanent differences are determined by the Company based on its revenues and expenses included in the tax base in accordance with the norms of the Tax Code of the Russian Federation. The amount of the current income tax is determined on the basis of the Company’s accounting information and reflected in the profit and loss statement in line 2410 “Current income tax”. The difference between the amount of the current income tax calculated by the Company for inclusion in the consolidated tax base of the CGT and the amount of funds due and payable by the Company based on the terms of the contract on CGT establishment in the profit and loss statement, is reflected in line 2465 “Adjusted tax on profit for the consolidated group of taxpayers” and included in the determination of net income (loss) of the Company without participating in generating profit (loss) before taxation.

The outstanding amount of CGT income tax on the CGT as a whole, to be paid by the Company as a responsible CTG member to the budget, is reflected in the Company’s balance sheet in line 1523 “Taxes and fees payable.”

The overpaid amounts of CGT income tax to the budget is reflected in the balance sheet in line 1238 “Other debtors.”

The outstanding amount upon settlements with the CGT members on CGT income tax (interim payment) is reflected in the balance sheet separately in the items of the current assets in line 1238 “Other debtors” and short-term liabilities in line 1526 “Other creditors” of the balance sheet, respectively.

The Company as a responsible CGT member reflects the income tax assessment and payments to the members under the contract on CGT establishment with account 78 “Settlements with CGT members.”

When preparing financial statements, the balanced (net) amounts of deferred tax asset and deferred tax liability are reflected in the balance sheet.

CORRECTION OF ERRORS IN ACCOUNTING RECORDS AND FINANCIAL REPORTING

An error identified in accounting records and financial statements is recognized to be significant if the ratio of the error to the numerical indicator of the relevant group of balance sheet items of the Company, or item of the profit and loss statement of the Company for the reporting period is a minimum of five percent. In all other cases, the error is considered insignificant.

Annex 3

Report on Non-Arm’s Length Transactions Made by PJSC Tatneft n.a. V.D.Shashin in 2019

This Report presents a list of transactions made by PJSC TATNEFT named after V.D.Shashin (hereinafter referred to as the Company, PJSC TATNEFT) in 2019 that are recognized as non-arm’s length transactions in accordance with Federal Law № 208-FZ of 26.12.1995 «On Joint-Stock Companies».

The parties listed in this Report are recognized as being interested in making transactions as at the date of transactions.

List of Non-arm’s Length Transactions Made by the Company in 2019

Counterparty	Non-arm's length party	Transaction approval or ratification date	Governance body of the Company which made the transaction approval decision	Essential transaction terms
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	28.01.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: distribution transformer substation (Title 124/39). Transaction value: 916 037 270 rubles 32 kopecks. Transaction date: 21.11.2018.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	28.01.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: feedstock depot of the aromatics production (Title 028/1). Transaction value: 799 049 864 rubles 04 kopecks. Transaction date: 21.11.2018.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	13.02.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: conclusion of the supplementary agreement to the agency contract with JSC TANECO. Scope of contract: increase in the amount. Transaction value: 8 333 333 334 rubles 00 kopecks. Transaction date: 06.02.2019.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	21.06.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: CDU-6 plant (Plant 1007, Section 1102). Transaction value: 12 066 448 537 rubles 22 kopecks. Transaction date: 18.06.2019.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	21.06.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: vacuum distillation unit of the visbreaker stable cracked residue (Title 012, Section 3510). Transaction value: 4 642 642 706 rubles 43 kopecks. Transaction date: 18.06.2019.

Counterparty	Non-arm's length party	Transaction approval or ratification date	Governance body of the Company which made the transaction approval decision	Essential transaction terms
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	19.07.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: sulfolane extractive distillation unit (Title 011, Section 2500). Transaction value: 1 204 847 976 rubles 85 kopecks. Transaction date: 01.08.2019.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	19.07.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: processing units control center of deep conversion refinery (Title 092). Transaction value: 681 108 862 rubles 06 kopecks. Transaction date: 01.11.2019.
LLC Nizhnekamsk CHP	PJSC TATNEFT n.a. V.D. Shashin as a controller of LLC Nizhnekamsk CHP	30.09.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: alienation of PJSC TATNEFT n.a. V.D. Shashin as the additional contribution to the authorized capital of the "NIZHNEKAMSK CHP". Transaction value: 3 919 454 700 rubles 00 kopecks. Transaction date: 19.11.2019
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	28.11.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: water unit No. 3 (Title 176/2, Section 7660). Transaction value: 1 688 699 000 rubles 00 kopecks. Transaction date: 12.11.2019.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	28.11.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: heavy coker gasoil hydrotreatment unit (Title 008, Section 4200). Transaction value: 8 782 698 608 rubles 94 kopecks. Transaction date: 01.12.2019.
TANECO Joint Stock Company	PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO	23.12.2019	Board of Directors of PJSC TATNEFT n.a. V.D.Shashin	Subject matter of the transaction: purchase and sale of immovable property. Immovable property: loading dock section with a floating botaport (Title 160). Transaction value: 694 026 387 rubles 17 kopecks. Transaction date: 06.12.2019

EXPLANATORY NOTES

The present report is to be published by the Company pursuant to the Articles 52 and 81 of the Federal Law No. 208-FZ of 26.12.1995 «On Joint-Stock Companies».

The report is to be included in the materials to be distributed among the persons entitled to participate the Company’s annual general meeting of shareholders for information purposes.

The report on PJSC TATNEFT’s non-arm’s length transactions carried out in 2019 is to be signed by the General Director of

the Company and is subject to approval by the Board of Directors during preparation for the annual general meeting of shareholders. The accuracy and validity of

the information presented in the report is to be verified by the Company’s Auditing Committee.

MAJOR TRANSACTIONS IN THE REPORTING YEAR

In 2019, the Company carried out no transactions that the Federal Law on Joint-Stock Companies No 208-FZ of 26/12/1995 would treat as major transactions.

Annex 4

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 2019 and the end of the corporate year (June 2019/June 2020)

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](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 18, 2020. (Minutes No. 4-z dated May 18, 2020) as part of the 2019 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 2019.

The Company’s corporate governance model and practice is set out in the Corporate Governance Section of this Report.

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	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 favourable 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.	1. The Company’s internal document approved by the General meeting of shareholders and regulating the procedures for holding the General meeting is publicly available. 2. The Company provides an accessible means of communication with the Company, such as a hotline, e-mail or Internet forum to allows 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.	1. 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. 2. The notification indicates the venue of the meeting and the documents to be presented permitting access to the premises. 3. 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.	1. 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. 2. 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. 3. 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	- 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. - 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. - 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	
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.	- The Company has developed its dividend policy that has been approved by the Board of Directors and disclosed. - 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.	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	
1.2.3.	The Company does not allow deterioration of dividend rights of its existing shareholders.	- In the reporting period, the Company did not take any actions that would lead to deterioration of dividend rights of its existing shareholders. - 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.	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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	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.	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. The Company regularly considers various ways of using the financial instrument of quasi-treasury shares. This instrument is currently planned to be worked out thoroughly.
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.	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	
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.	- 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. - 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 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 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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	
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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	- 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. - 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. - 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.	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.	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.	- The Board of Directors is chaired by an independent director, or one of the independent directors is appointed as a senior independent director. - 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 2019, 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.

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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.	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.	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.	- 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. - 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. - 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.	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.	- 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. - 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.	- 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. - The Company has a formal onboarding program for newly elected members of the Board of Directors.	☒ full compliance ☐ partial compliance ☐ noncompliance	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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	
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	
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).

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 Committee has been formed in the Company Corporate Governance

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	- The Committees of the Board of Directors are headed by independent directors. - 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 interpretation 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.	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.	- 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. - 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	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) within the next three-year period.
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.	- The Company has adopted and disclosed an internal document — the Regulation on Corporate Secretary. - 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 be vested with powers and resources required to perform his/her tasks.	The Board of Directors approves the appointment, removal from office and additional fee of the corporate secretary.	☒ full compliance ☐ partial compliance ☐ noncompliance	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 AID 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 SYSTEM OF REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 employees' personal (individual) contributions 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 procedures that ensure 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	
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 (or options or other derivative 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 an 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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 ☐ 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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	- In the reporting period, the Company didn't refuse to satisfy the shareholders' requests for information, or such refusals were justified. - 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	
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.	- 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. - 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	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	

Item No.	Corporate Governance Principle	Compliance Assessment Criteria Corporate Governance Principle	Status of compliance with the corporate governance principle	Explanations for deviations from the criteria for assessing compliance with the corporate governance principle
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.	- 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. - 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.	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.	- 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. - 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. - 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 5

Principal risks

Risk description	Company's risk management practice
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 the period of up to 2030, formed on the basis of a detailed analysis of the combination of all key factors, which may affect the development of the Company and the achievement of the planned results. Decisions of the Company's management bodies related to the strategic and current planning and operational activities are based on all available information related to possible development scenarios and tend to consider all reasonably foreseeable variations and assumptions used in such planning. The Company has a high-quality assets structure and a high-tech foundation, which it is continuously improving in accordance with production goals, including the development of import-substituting technologies and equipment. The Company has a stable management platform for implementation of the Strategy and adjusts its plans as and when required. The Company's investments are protected by the relevant Risk Control Map. The Company implements a policy of vertical integration and diversification, which allows to significantly reduce (eliminate) strategic risks, including critical risks through redistribution of resources and commodity flows.
COUNTRY AND FOREIGN POLICY RISKS	
The Company is registered in the Russian Federation, where a significant part 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.	The Company adheres to the opinion that the situation in the region of principal activities and location of key assets of the Group as a whole is stable.
At the same time, a number of international organizations, commercial, nongovernmental organizations publish their country ratings based risks, including political ones. In such ratings, the Russian Federation may be classified as a country with increased risks that investors should take into account when investing their funds in the country's economy and securities of Russian issuers, such as the Company.	Rating agencies assess the creditworthiness of a country using their own methodologies. During 2018, the credit ratings of the Russian Federation assigned by such international agencies as Standard & Poor's, Moody's, and Fitch were at BBB-, Baa3(was increased in February 2019), and BBB (was increased in August 2019), respectively. These credit ratings are used by investors to assess the risks associated with investing in assets in the Russian Federation.
U.S. and EU sanctions Since 2014, the United States, the European Union, and a number of other countries have consistently imposed sanctions on the Russian Federation, including sectoral sanctions affecting the activities of individual companies in the energy and other sectors of the Russian economy. These sanctions, including their unpredictability, increase the country risk of 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 to strengthen the sanction regime against the Russian Federation), which might have a selective impact on the Company's highly potential projects. To reduce the risks related to the availability of technologies and equipment subject to sanctions, the Company consistently implements the program of import substitution and development of its own technologies with the localization of equipment production in the Russian Federation and the engagement of advanced industry research centers.
FINANCIAL RISKS	
Company's activities are exposed to various financial risks: market risks (including currency, interest rate, and price risks), credit risks, and the liquidity risk.	The Company's financial risk management policy is focuses on risk measurement, assessment, and monitoring procedures as well as on the selection of appropriate risk management techniques.
For details on financial risks, including those related to the banking segment within TATNEFT Group, see the IFRS Consolidated Financial Statements, Note 28: Financial Risk Management.	
CHANGES IN LEGISLATION AND REGULATORY ENVIRONMENT	
The Company's performance may be significantly impacted by changes in the applicable legislation, such as: - tax legislation (in terms of changes in taxation procedure and tax rates both for legal entities and for companies whose activities are related to production and sale of gas and liquid hydrocarbons); - currency legislation (in terms of regulation of export-import operations and borrowing activities); - customs regulation (in terms of regulating the export of liquid hydrocarbons and their processed products); - subsoil use licensing	The Company conducts continuous monitoring of changes taking place in legislation, evaluates and forecasts the extent of their impact on the activities of the Group entities. The Company participates on a regular basis in working groups to develop draft laws in various areas of legislation that meet the requirements of the Company's interests, evaluates consequences of such changes and accounts for in its plans.

Risk description	Company's risk management practice
LITIGATION RISKS	
The company may be involved as a defendant or plaintiff in multiple legal proceedings that arise out of normal business activities.	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 significant litigation, and the risks associated are negligible
INDUSTRY RISKS	
Oil price risk, oil and petroleum products demand risk Business efficiency and profitability largely depend on oil and oil products price as well as on the demand for oil and oil products. Recently, oil and oil product prices have shown significant volatility due to multiple factors.	The Company performs continuous monitoring and analysis on the dynamics of prices and demand for oil and oil products. The Company's model of strategic and current planning provides for appropriate 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 the event of a significant price difference between domestic and international markets, demand for crude oil and oil products, and the ability to reduce or rebalance capital and operating costs in order to fulfill its obligations in the event of a sharp decline in oil, gas, and oil product prices. The Company analyzes the risks of prices and demand for oil and oil products based on modeling various scenarios. In terms of demand for oil and oil products, the Company believes that the alternative energy will be able to replace significantly oil and oil 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 oil products will continue to grow (largely due to the emerging markets). Therefore, the Company does not expect any significant negative changes in the industry in terms of the demand structure. Any short-term risks related to changes in oil and oil products prices that could affect the financial performance of the Company are disclosed in the financial (accounting) statements.
COVID-19 Since the end of 2019, the spread of a new coronavirus infection started which was called COVID-19, and can cause serious consequences leading to death. As of the end of 2019, the World Health Organization reported a limited number of cases of COVID-19 infection but in January 31, 2020 declared a public health emergency, and on March 13, 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 need to limit business activity which affects the demand for energy resources and other products of the Group, as well as to the need for preventive measures aimed at preventing the spread of infection. Amid the spread of COVID-19, there has been a significant drop in stock markets, decline in commodity prices, in particular, significant drop in oil prices, and the Russian ruble weakening against the US dollar and Euro. Despite the fact that, at the time of releasing this report, the situation is still progressing, it appears that a negative impact on the global economy and the uncertainty regarding further economic growth may negatively affect the issuer's financial position and financial results going forward.	The management of PJSC TATNEFT closely monitors the situation and implements steps to reduce the negative impact of these events on the company, with that the excess of demand over supply and the associated reduction in global oil prices will directly affect the revenue and other financial indicators if prices do not recover.
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 process. Enhanced oil recovery requires extra costs which is very crucial for the Company. In the future, as fields go depleted, the role of ad hoc approach for enhanced oil recovery will be growing. The Company has launched a development of a new area - petrochemical industry business. 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 productive and affordable technologies, including information technologies.	The Company pays special attention to development and application of cutting-edge technologies in all areas of its business being one of the innovative leaders in Russia, 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 based on 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 plans to implement a series of IT projects by 2021, which will increase the efficiency of business processes.

Risk description	Company's risk management practice
Transportation As the majority of oil production regions in Russia are located far from the main oil and oil product markets, oil companies are dependent on the maturity of transport infrastructure, securing its continuous functioning as well as on opportunity to access them. The Company transports a significant part of the crude oil, which it sells in foreign and domestic markets, via the network of major pipelines under contracts with PJSC Transneft and its subsidiary structures. A significant part of the oil transported via the pipeline is headed to seaports to be transported by sea. Russian sea terminals have certain limitations due to geographic location, weather conditions, and throughout capacity. Within Russia, oil products are transported mainly by rail road. 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 government, the above companies belong to the natural monopolies sector, their tariff policy is governed by the government authorities to ensure a balance of the interests of the government and of 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, size of shipment, 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 monitors closely the development and maintenance of the transport infrastructure required to deliver oil and oil products to buyers, as well as it monitors the tariff policy, and participates actively in the relevant industrial discussions and initiatives. The company has a large tank farm for storing commercial stocks of oil and oil products which can be also used during extraordinary disruptions in the operation of the transport infrastructure.
Industry risks of production 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, health and potentially may cause fine sanctions, etc. The Company's activities lead to greenhouse gas emissions both during production process and consumption of its products	The Company has developed a comprehensive program aimed at mitigating negative situations associated with industry production and environmental risks. The Company continuously implements new technical and organizational activities to minimize the impact of such risks. Also, the Company provides liability insurance for several facilities. The Company is committed to becoming a leader in industrial, labor, and environmental safety of production, minimizing the impact on the environment, including the impact on the climate. Comprehensive actions in this area have resulted in the reduced 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 of international standards ISO 14001-2015 and ISO 45001:2018. The Company shares global climate change concerns and the "Climate Care" Strategic Global Partnership initiative, the UN Global Compact and the secretariat of the United Nations Framework Convention on Climate Change (UNFCCC), as enshrined in the Paris Climate Agreement. The company consistently and comprehensively adheres to initiatives related to the climate aspects and reduction of greenhouse gas emissions, and also takes an active part in the discussion and implementation of steps relating to regulation of greenhouse gas emissions at the national and international levels. In order to ensure reduction of greenhouse gas emissions and carbon footprint reduction, the Company provides management decisions on the development of a corporate system for accounting and managing greenhouse gas emissions, plans target values to reduce total greenhouse gas emissions and takes relevant measures to ensure meeting these target values. In its long-term strategic planning, the Company is considering the possibility of scenarios for transition of the global energy system to decarbonization, expansion of low-carbon fuels use and, in general, to a low-carbon global infrastructure.

Risk description	Company's risk management practice
RISK OF DAMAGE TO BUSINESS REPUTATION (REPUTATIONAL RISK) RELATED TO THE QUALITY OF PRODUCTS AND SERVICES	
Perception of Company's products consumers regarding the quality of its products and services impacts the amount of 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 a competitive advantage of the Company based on the quality control system, high level services as well as by raising consumers' information awareness. While interacting with consumers of products and services, the Company adheres to the UN guidelines for protection of consumers' 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 governing 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 in order to identify opportunities for improvement and takes a set of measures to minimize any negative impact of the products and services provided on the environment. Protection of consumer health and safety 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 adheres to a high level of quality and safety standards. Information sharing The Company consistently updates its customers and counterparties about 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 in place to promptly respond to complaints and claims received via the hotline in order 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 comply with the legislation of the Russian Federation.
GEOGRAPHICAL AND NATURE-RELATED ASPECTS	
Geographical and natural features of the region of the Company's principal activities are not characterized by factors that can have a significant adverse impact on the normal production activities and plans implementation. At the same time, there is a potential risk of the impact of these aspects on the production and economic activities of the Company.	When planning its activities, the Company takes into account the geographical, including climatic, features of the operation region. In the event of negative 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, to reduce the impact of such situations on the life, health, and safety of employees and residents living in operation regions as well as on the production activities of the Company. There are monitoring procedures in place in which 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 carries out its operations about the possibility of such consequences.

Annex 6

Register of the mandatorily disclosed information by PJSC Tatneft in 2019

N°	Content of Notice	Disclosure date
1.	Notice of Disclosure of the List of Affiliated Entities Owned by the Joint Stock Company on the Web Site.	10.01.2019, 01.04.2019, 01.07.2019, 02.10.2019
2.	Notice of Essential Fact "Holding the issuer's Board of Directors' Meeting (Supervisory Board) and its agenda"	21.01.2019, 06.02.2019, 20.02.2019, 15.03.2019, 19.04.2019, 14.05.2019, 13.06.2019, 12.07.2019, 29.07.2019, 19.08.2019, 23.09.2019, 17.10.2019, 05.11.2019, 21.11.2019,16.12.2019
3.	Notice On the Access Procedure to the Information Contained in the Quarterly Statement.	07.02.2019, 14.05.2019, 09.08.2019, 12.11.2019
4.	Notice on the Essential Fact "Certain Decisions Made by the Issuer's Board of Directors (Supervisory Board)"	28.01.2019, 13.02.2019, 27.02.2019, 23.03.2019, 26.04.2019, 22.05.2019, 21.06.2019, 19.07.2019, 05.08.2019, 26.08.2019, 30.09.2019, 24.10.2019, 14.11.2019, 28.11.2019, 23.12.2019
5.	Notice on the Essential Fact "Convening and Holding the General Meeting of the Issuer's Participants (shareholders)"	27.02.2019, 05.08.2019, 13.11.2019
6.	Notice on the Essential Fact "The Date on Which Persons Entitled to Exercise the Rights on Issued Securities Are Determined"	27.02.2019, 05.08.2019, 25.06.2019, 16.09.2019, 13.11.2019,23.12.2019
7.	Notification of a Essential fact on information forwarded or provided by the issuer to the relevant authority (relevant organization) of a foreign country, to foreign stock exchange and (or) other organizations in compliance with foreign law for the purpose of their disclosure or forwarding to foreign investors in connection with the placement or circulation of the issuer's securities outside the Russian Federation	23.01.2019, 28.06.2019
8.	Notice on Disclosure of the Annual Accounting Statement of the Joint Stock Company on The Web Site	27.03.2019
9.	Notice of the essential fact on the issuer's disclosure of consolidated financial statements as well as on providing an audit report prepared for such statements	29.03.2019
10.	Notice on the access procedure to the insider information contained in the issuer's document (disclosure of the Joint Stock Company's interim accounting report on the Web Site).	30.04.2019, 30.07.2019, 30.10.2019
11.	Notice on the issuer's disclosure on the Web Site of the interim (quarterly) consolidated financial statements prepared in compliance with the International Financial Reporting Standards	07.06.2019, 28.08.2019, 29.11.2019
12.	Notice On the Essential Fact "Other Notice"	07.05.2019
13.	Notice on the essential fact "Holding the general meeting of participants (shareholders) of the issuer and the decisions made"	25.06.2019, 16.09.2019,23.12.2019
14.	Notice on the essential fact "Accrued Income on Equity Securities"	25.06.2019, 16.09.2019,17.12.2019, 23.12.2019
15.	Notice on the Access Procedure to the Information Contained In the Annual Report	25.06.20198
16.	Notice on the Essential Fact "Rating Change or Rating Assignment to the Issuer by a Rating Agency Based on the Signed Agreement"	13.02.2019
17.	Notice on the essential fact "Paid Income on the Issuer's Equity Securities"	13.02.2019, 09.08.2019, 01.11.2019
18.	Notice on the essential fact "The Non-Arm's Length Transaction Completed by the Issuer"	18.06.2019
19.	Notice on the Essential Fact "Adopting a Decision About Restructuring by Organization Controlled by the Issuer Which is of the Vital Importance to the Issuer"	11.09.2019 (Bank ZENIT), 11.09.2019 (Bank "Devon-Credit")
20.	Notice of the Essential Fact "Making Entries Into the Unified Legal Entities State Register about Reorganization, Termination of Business or Liquidation of Organization that Controls the Issuer, Organization Under Control to the Issuer That is of a Major Importance to the Issuer or of an Entity That Provided Security for the Bonds of this Issuer"	18.09.2019, 15.11.2019 (Банк ЗЕНИТ), 18.09.2019, 15.11.2019 (Bank "Devon-Credit")
21.	Notice of the Essential Fact "change in the share size of a member of the issuer's management body in the issuer's authorized capital"	01.10.2019
22.	Notice of the Essential Fact "Changing (Adjusting) the Information Contained in a Previously Published News Feed"	03.10.2019

N°	Content of Notice	Disclosure date
23.	Notice of the Essential Fact “Stages of the Issuer’s Securities Issuance Procedure”:	
	- Making a decision on approval of the bond program;	24.10.2019
	- Assignment of identification number to the stock exchange program or commercial bond program;	09.12.2019
	- assignment of identification number to the issuance (additional issuance)	20.12.2019
24.	Notice of the Essential Fact “acquisition by a joint-stock company of more than 20 percent of the voting shares of another joint-stock company”	05.11.2019
25.	Notice of the Essential Fact “Obtaining by the Issuer the Right to Dispose of a Certain Number of Votes Attributable to Voting Shares (Stakes) Constituting the Authorized Capital of Individual Organization	05.11.2019
26.	Notice of the Essential Fact “Information that, in the issuer’s opinion, has a significant impact on the value of its equity securities”	11.12.2019 (2 notices)
27.	Notice of the Essential Fact about approval of a document containing the terms of a separate issue of bonds placed under the bond program	13.12.2019
28.	Notification of the procedure to access insider information contained in the issuer’s document	
	- The program of exchange-traded bonds (001P series of PJSC TATNEFT named after V.D. Shashin) for documentary interest-bearing and/or discounted non-convertible to the bearer with mandatory centralized storage	13.12.2019
	- Prospectus of securities of PJSC TATNEFT named after V.D. Shashin. Identification number of the Program of exchange-traded bonds (001P series of PJSC TATNEFT named after V.D. Shashin 4-00161-A-001R-02E dated December 09, 2019) of documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage.	
	- The terms of issuing exchange-traded bonds under the Program of exchange-traded bonds (of 001P series of PJSC TATNEFT named after V.D. Shashin) of documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage.	23.12.2019
29.	- Publication of the Securities Program 4-00161-A-001R-02E of December 9, 2019, and the Bonds Program 4-00161-A-001R-02E of December 9, 2012	13.12.2019
	- Publication of the Terms and Conditions of Issuing the Exchange-Traded Bonds (Series 001P of PJSC Tatneft V.D. Shashin.) under the Program of Exchange-Traded Bonds of Documentary Interest Bearing and/or Discount Non-Convertible to the Bearer with Mandatory Centralized Storage	23.12.2019
30.	Information on the placement (securities placement commencement and completion)	17.12.2019
31.	Notice of the Essential Fact “Inclusion of the Issuer’s Equity Securities In the List of Securities Admitted to the Organized Trading by the Russian Securities Trade Market Operator.	20.12.2019
32.	Notice of the essential fact “Completion of the Securities Placement”	24.12.2019
BY INTERNATIONAL STANDARDS (IN THE FORM OF PRESS RELEASES AND PUBLICATION OF STATEMENTS ACCORDING TO THE LONDON STOCK EXCHANGE RULES)		
1.	Publication of the 2018 annual consolidated financial reporting in accordance with IFRS.	29.03.2019
2.	Publication of the three-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	07.06.2019
3.	Publication of the six-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	28.08.2019
4.	Publication of the nine-months 2019 consolidated interim concise financial reporting in accordance with IFRS (non-audited).	30.11.2019

Annex 7

On the Annual Report and the underlying regulatory documents constituting the framework for this annual report

The Annual Report of TATNEFT Company (this report) is prepared for the period from January 1 to December 31, 2019, and includes the operating results of the Company and its subsidiaries, collectively referred to as TATNEFT Group (Group). The designations of "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 2019, 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.

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 the Public Joint-Stock Company TATNEFT for 2019 was tentatively approved by the PJSC TATNEFT Board of Directors, Minutes No. 4-z of May 18, 2020.

The reliability of the data presented in the Annual Report is confirmed by the Revision Commission.

Unless otherwise indicated, the figures given in this report are indicated in Russian Rubles.

The report contains links to web-site TATNEFT.com, individual documents and resources for the convenience of readers.

This report is available at TATNEFT.com 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.

The Annual Report of the Company is compiled in accordance with the requirements of the following documents:

- 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”;
- 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;
- Bank of Russia Regulations N660-P of November 16, 2018 «On General Meetings of Shareholders»;
- The Corporate Governance Code recommended for the use by the Letter of the Bank of Russia No.06-52/2463 dated April 10, 2014;
- 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;
- 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:

- United Nations Global Compact Principles;
- Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises;
- SDG Compass;
- UN Guiding Principles on Business and Human Rights;
- Tripartite Declaration of the International Labour Organization (ILO) 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; 10) 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.

This report contains forward-looking statements regarding the financial condition, operating and performance results of TATNEFT Group. 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

Public Joint Stock Company TATNEFT named after V.D. Shashin throughout the text of the Report is referred to as PJSC TATNEFT, TATNEFT, the Company

BIA	Business Idea Auction
ABS	Automated Banking System
AGFS	Autogas Fueling Station
ASPI	Almetyevsk State Petroleum Institute
AB	Anode Bed
FFS	Fuel Filling Station
AIS	Automated Information System
JSC	Joint Stock Company
BBY	BVMB Basin Water Management Board
ZBG	ZENIT Banking Group
BMZ	Bugulma Mechanical Plant (a structural subdivision of TATNEFT)
VOIR	All-Russian Society of Inventors and Innovators VEB Vnesheconombank
FEA	Foreign Economic Activity
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 Formation Hydraulic Fracturing F&L Fuel & Lubricants
HEI	Hydraulic Engineering Installations
RBS	Remote Banking Services
CC	Community Center
BPS	Booster Pumping Station
CHC	Children’s Holiday Camp
CYSS	Children’s and Youth Sports School
UBS	Unified Biometric System
EU	European Union
UIAS	Unified Identification and Authentication System
UNECE	United Nations Economic Commission for Europe
RCT	Reinforced Concrete Tank
CJSC	Closed Joint Stock Company
IB	Investment Business
DPI	Discounted Profitability Index

IS	Information System
IT	Information Technology
CB	Corporate Business
CIS	Corporate Information System PPS Pad Pumping Station
KFU	Kazan (Volga Region) Federal University
CSR	Corporate Social Responsibility
HRS	Horse-racing School
CDW	Corporate Data Warehouse
MGPP	Minnibayevo Gas Processing Plant
MICEX	Moscow Interbank Currency Exchange
IPS	International Payment Systems
MPP	Metal-Plastic Pipes
MTBR	Mean Time Between Repair
SME	Small and Medium Enterprises
EOR	Enhanced Oil Recovery
MPP	Multiphase Pump
EMERCOM	of Russia The Ministry of the Russian Federation for Civil Defense, Emergencies, and Elimination of Consequences of Natural Disasters NGDU Oil and Gas Field Operating Division (a structural subdivision of TATNEFT)
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
NPCS	National Payment Card System
STC	Science and Technology Center PCC Petrochemical Complex
LLC	Limited Liability Company
NCA	Nature Conservation Area
PO	Pilot Operations
PDC	Production Dual Completion
P&IDC	Production and Injection Dual Completion IDC Injection Dual Completion

DC	Dual Completion
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 RB Retail Business
VSST	Vertical Stainless Steel Tank
RIA	Result of Intellectual Activities
SCS	Settlement and Cash Services
RYSO	Regional Youth Social Organization
RT	the Republic of Tatarstan
RF	the Russian Federation
REC	Russian Export Center
SVO	Super Viscous Oil
CPS	Cathodic Protection Station
CGS	Corporate Governance Standard
SES	Secondary Education School
EDMS	Electronic Document Management System
TH	Trading House
TTH	Trade Technical House
TS	Technical Specifications
FEC	Fuel and 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
PWSU	Initial Water Separation Unit
PFTF	for RPM Process Fluid Treatment Facility for Reservoir Pressure Maintenance (a subsidiary of TATNEFT)
SRU	Sulfur Recovery Unit
UTNGP	TATNEFTEGAZPERERABOTKA Division (structural subdivision of TATNEFT)

Ind	Individuals
PRF	Payroll Fund
AS-tires	All-Steel Tires
PSC	Processing and Storage Center
PTC	Personnel Training Center
CDH	Central District Hospital
NPV	Net Present Value NFI Net Fee Income
NII	Net Interest Income
NGL	Natural Gas Liquids
EIC	Electrical Insulating Connection
EXIAR	Export Insurance Agency of Russia
ECU	Electronic Corporate University
AUM (Assets Under Management)	Assets Under Management
APEX (capital expenditure)	Capital expenses, one-time costs for the acquisition of physical assets for the business
CIR	The indicator that characterizes the degree of risk of a bank is defined as the amount of created reserves for credit losses (risk) divided by the size of the loan portfolio. (Cost/Income Ratio) An indicator that reflects the business efficiency. Calculated as the ratio of expenses (operating expenses) of the bank for the reporting period and operating profit (operating income) and expressed as a percentage.
COR (Cost of Risk)	The indicator, which characterizes the degree of risk of the bank, is defined as the amount of provisions for credit losses (risk) divided by the loan portfolio amount.
CRM	Customer Relationship Management E-Commerce (Electronic Commerce) RAROC PRIVATE BANKING (Risk-Adjusted Return on Capital) Risk-adjusted return on capital of the bank.
ROE	(Return on Equity) Return on authorized capital of the bank. Calculated as the ratio of profit of the bank after tax as of the reporting date and the average value of the balance sheet capital for the relevant period
OPEX (operational expenditure)	Operating expenses incurred by the company in the course of its day-to-day continuous operations to ensure its functioning
PB	private banking
TCO (Total Cost of Ownership)	Total cost of IT-systems ownership



Contact information

Holding Company “Public Joint Stock Company TATNEFT named after V.D. Shashin (hereinafter referred to as the Company) 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 jointstock 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)”. The Company was established in June 1994 for an indefinite period. The Company was registered with the Republic of Tatarstan Ministry of Finance (Registration No. 632 dated January 21, 1994). The Company’s activity is focused on a profit-making goal.

PUBLIC JOINT STOCK COMPANY TATNEFT

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