



Tatneft Group

**IFRS CONSOLIDATED INTERIM CONDENSED
FINANCIAL STATEMENTS (UNAUDITED)**

31 MARCH 2021

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Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC Tatneft:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Tatneft and its subsidiaries (together – the “Group”) as at 31 March 2021 and the related consolidated interim condensed statements of profit or loss and other comprehensive income, change in equity and cash flows for the three-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, “Interim Financial Reporting”.

AO PricewaterhouseCoopers Audit

4 June 2021

Moscow, Russian Federation

M.E. Timchenko, certified auditor (licence No. 01-000267), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Tatneft

Record made in the Unified State Register of Legal Entities on 19 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

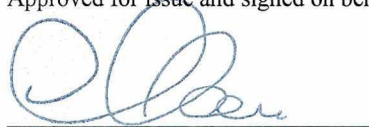
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Consolidated Interim Condensed Statement of Financial Position (Unaudited)

(In million of Russian Rubles)

	Note	31 March 2021	31 December 2020
Assets			
Cash and cash equivalents	4	61,004	40,105
Banking: Mandatory reserve deposits with the Bank of Russia		1,452	1,528
Short-term accounts receivable, net	5	91,980	83,734
Banking: Loans to customers	6	22,440	22,492
Other short-term financial assets	7	49,943	44,314
Inventories	8	55,537	44,988
Prepaid expenses and other current assets	9	21,419	20,075
Prepaid income tax		743	995
Banking: Non-current assets held for sale		815	764
Total current assets		305,333	258,995
Long-term accounts receivable, net	5	1,113	1,484
Banking: Loans to customers	6	79,475	79,163
Other long-term financial assets	7	79,771	70,605
Investments in associates and joint ventures		2,129	2,122
Property, plant and equipment, net	10	825,704	826,569
Right-of-use assets		11,646	12,185
Deferred income tax assets		2,433	2,218
Other long-term assets		9,947	10,100
Total non-current assets		1,012,218	1,004,446
Total assets		1,317,551	1,263,441
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	12	11,208	10,961
Accounts payable and accrued liabilities	13	71,442	83,893
Dividends payable	14	822	823
Banking: Due to banks and the Bank of Russia		10,133	13,659
Banking: Customer accounts		145,290	146,753
Banking: Other financial liabilities at fair value through profit or loss		2,799	1,764
Taxes payable	11	61,867	30,401
Income tax payable		3,801	2,905
Other short-term liabilities		443	352
Total current liabilities		307,805	291,511
Long-term debt, net of current portion	12	23,191	23,652
Banking: Due to banks and the Bank of Russia		1,980	1,551
Banking: Customer accounts		1,143	1,872
Decommissioning provision, net of current portion	10	48,461	55,372
Lease liabilities, net of current portion		10,086	10,679
Deferred income tax liability		35,789	33,343
Other long-term liabilities		13,979	13,871
Total non-current liabilities		134,629	140,340
Total liabilities		442,434	431,851
Shareholders' equity			
Preferred shares (authorised and issued at 31 March 2021 and at 31 December 2020 – 147,508,500 shares; nominal value at 31 March 2021 and at 31 December 2020 – RR 1.00)		746	746
Ordinary shares (authorised and issued at 31 March 2021 and at 31 December 2020 – 2,178,690,700 shares; nominal value at 31 March 2021 and at 31 December 2020 – RR 1.00)		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		1,871	2,186
Retained earnings		783,230	739,641
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 31 March 2021 and at 31 December 2020)		(10,359)	(10,359)
Total Group shareholders' equity		870,946	827,672
Non-controlling interest		4,171	3,918
Total shareholders' equity		875,117	831,590
Total liabilities and equity		1,317,551	1,263,441

Approved for issue and signed on behalf of the Board of Directors on 4 June 2021.


CEO Maganov N.U.



Chief Accountant Matveev O.M.

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

(In million of Russian Rubles)

	Note	Three months ended 31 March 2021	Three months ended 31 March 2020
Sales and other operating revenues on non-banking activities	17	257,832	198,284
Costs and other deductions on non-banking activities			
Operating expenses		(38,814)	(38,135)
Purchased crude oil and refined products		(28,820)	(21,875)
Exploration		(135)	(264)
Transportation		(8,621)	(10,045)
Selling, general and administrative		(15,493)	(13,243)
Depreciation, depletion and amortization	17	(10,409)	(8,313)
Impairment losses on financial assets net of reversal		(176)	334
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	(620)	(7,006)
Taxes other than income taxes	11	(96,703)	(67,879)
Maintenance of social infrastructure and transfer of social assets		(2,682)	(2,410)
Total costs and other deductions on non-banking activities		(202,473)	(168,836)
Loss on disposals of interests in subsidiaries and associates, net		-	(1)
Other operating (expense)/income, net		(895)	914
Operating profit on non-banking activities		54,464	30,361
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities			
Interest, fee and commission income	15	3,812	5,106
Interest, fee and commission expense	15	(1,787)	(2,875)
Net expense on creating provision for credit losses associated with debt financial assets	6	(178)	(1,161)
Operating expenses		(1,859)	(1,208)
Gain arising from dealing in foreign currencies, net		38	19
Other operating income, net		51	46
Total net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities		77	(73)
Other income/(expenses)			
Foreign exchange gain, net	16	1,429	5,207
Interest income on non-banking activities	16	1,365	189
Interest expense on non-banking activities, net of amounts capitalised	16	(1,583)	(2,192)
Share of results of associates and joint ventures, net		7	(162)
Total other income, net		1,218	3,042
Profit before income tax		55,759	33,330
Income tax			
Current income tax expense		(9,815)	(10,524)
Deferred income tax (expense)/benefit		(2,260)	1,975
Total income tax expense		(12,075)	(8,549)
Profit for the period		43,684	24,781

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

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

(In million of Russian Rubles)

Note	Three months ended 31 March 2021	Three months ended 31 March 2020
Other comprehensive (loss)/income net of income tax:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(162)	2,761
Loss on debt financial assets at fair value through other comprehensive income, net	(343)	(511)
Items that will not be reclassified to profit or loss:		
Gain/(loss) on equity financial assets at fair value through other comprehensive income, net	91	(140)
Other comprehensive (loss)/income	(414)	2,110
Total comprehensive income for the period	43,270	26,891
Profit/(loss) attributable to:		
- Group shareholders	43,589	25,252
- Non-controlling interest	95	(471)
	43,684	24,781
Total comprehensive income/(loss) attributable to:		
- Group shareholders	43,274	27,503
- Non-controlling interest	(4)	(612)
	43,270	26,891
Basic and diluted earnings per share (RR)		
Ordinary	19.37	11.22
Preferred	19.37	11.22
Weighted average shares outstanding (millions of shares)		
Ordinary	2,103	2,103
Preferred	148	148

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

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Consolidated Interim Condensed Statement of Change in Equity (Unaudited)
(In million of Russian Rubles)

	Attributable to Group shareholders							Non-controlling interest	Total equity		
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other comprehensive income, net			Retained earnings	Total shareholders' equity
Balance at 1 January 2020	2,250,562	11,767	84,437	(10,359)	(1,914)	1,092	1,895	658,614	745,532	6,598	752,130
Profit/(loss) for the three months	-	-	-	-	-	-	-	25,252	25,252	(471)	24,781
Other comprehensive income/(loss) for the three months	-	-	-	-	-	2,761	(510)	-	2,251	(141)	2,110
Total comprehensive income/(loss) for the three months	-	-	-	-	-	2,761	(510)	25,252	27,503	(612)	26,891
Balance at 31 March 2020	2,250,562	11,767	84,437	(10,359)	(1,914)	3,853	1,385	683,866	773,035	5,986	779,021
Balance at 1 January 2021	2,250,562	11,767	84,437	(10,359)	(2,511)	3,191	1,506	739,641	827,672	3,918	831,590
Profit for the three months	-	-	-	-	-	-	-	43,589	43,589	95	43,684
Other comprehensive loss for the three months	-	-	-	-	-	(162)	(153)	-	(315)	(99)	(414)
Total comprehensive (loss)/income for the three months	-	-	-	-	-	(162)	(153)	43,589	43,274	(4)	43,270
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	272	272
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(15)	(15)
Balance at 31 March 2021	2,250,562	11,767	84,437	(10,359)	(2,511)	3,029	1,353	783,230	870,946	4,171	875,117

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

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)

(In million of Russian Rubles)

	Note	Three months ended 31 March 2021	Three months ended 31 March 2020
Operating activities			
Profit for the period		43,684	24,781
Adjustments:			
Net interest, fee and commission and other operating (income)/expenses and (gains)/losses on banking activities		(77)	73
Depreciation, depletion and amortization	17	10,409	8,313
Income tax expense		12,075	8,549
Impairment losses on financial assets net of reversal		176	(334)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	620	7,006
Effects of foreign exchange		39	1,300
Share of results of associates and joint ventures, net		(7)	162
Interest income on non-banking activities	16	(1,365)	(189)
Interest expense on non-banking activities, net of amounts capitalised	16	1,583	2,192
Other		-	479
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(8,971)	15,507
Inventories		(10,543)	3,445
Prepaid expenses and other current assets		(33)	1,827
Securities at fair value through profit or loss		33	61
Accounts payable and accrued liabilities		(13,583)	2,493
Taxes payable		31,466	(6,321)
Net cash provided by non-banking operating activities before income tax and interest		65,506	69,344
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities		77	(73)
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets (Reversal of provision)/provision for losses on credit related commitments	6	178	1,161
Change in fair value of debt financial assets through profit or loss		(78)	53
Other		66	(111)
Other		(982)	(2,180)
Changes in operational working capital on banking activities, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		76	(68)
Due from banks		(4,134)	3,170
Banking loans to customers		(34)	(1,693)
Due to banks and the Bank of Russia		(3,460)	15,030
Banking customers accounts		(2,757)	(6,035)
Debt securities issued		218	(398)
Securities at fair value through profit or loss		1,571	4,165
Other financial liabilities at fair value through profit or loss		1,035	(2,242)
Net cash (used)/provided by banking operating activities before income tax		(8,224)	10,779
Income taxes paid		(8,667)	(5,898)
Interest paid on non-banking activities		(575)	(883)
Interest received on non-banking activities		1,336	189
Net cash provided by operating activities		49,376	73,531

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

TATNEFT**Consolidated Interim Condensed Statement of Cash Flows (Unaudited)**

(In million of Russian Rubles)

	Note	Three months ended 31 March 2021	Three months ended 31 March 2020
Investing activities			
Additions to property, plant and equipment		(17,412)	(24,690)
Proceeds from disposal of property, plant and equipment		135	190
Purchase of securities at fair value through other comprehensive income		(7,732)	(17,416)
Purchase of securities at amortised cost		-	(686)
Proceeds from disposal of securities at fair value through other comprehensive income		8,507	14,745
Proceeds from redemption of securities at amortised cost		6,296	2,784
Proceeds from sale/(purchase) of non-current assets held for sale		35	(19)
Proceeds from investments in associates and joint ventures		-	1
Proceeds from redemption of bank deposits		-	314
Placement of bank deposits		(19,500)	-
Proceeds from redemption of loans and notes receivable		1,575	859
Issuance of loans and notes receivable		(19)	(204)
Purchase of other non-current assets		(37)	(171)
Net cash used in investing activities		(28,152)	(24,293)
Financing activities			
Proceeds from issuance of debt from non-banking activities		3,091	102,420
Repayment of debt from non-banking activities		(3,598)	(82,894)
Repayment of principal portion of lease liabilities		(354)	(348)
Issuance of bonds		-	3,198
Redemption of bonds		-	(881)
Dividends paid to shareholders	14	(1)	(54,922)
Net cash used in financing activities		(862)	(33,427)
Net change in cash and cash equivalents		20,362	15,811
Effect of foreign exchange on cash and cash equivalents		537	1,777
Cash and cash equivalents at the beginning of the year	4	40,105	25,157
Cash and cash equivalents at the end of the period	4	61,004	42,745

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

Note 1: Organisation

PJSC Tatneft (the “Company”) and its controlled subsidiaries (jointly referred to as the “Group”) are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan (“Tatarstan”), a republic within the Russian Federation. The Group also engages in refining of crude oil and associated petroleum gas processing, marketing of crude oil and refined products as well as production and marketing of petrochemicals and banking activities.

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) effective 1 January 1994 (the “privatization date”) pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan. All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree of the President of the Russian Federation No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Company does not have an ultimate controlling party.

As at 31 March 2021 and 31 December 2020 the government of Tatarstan controls about 36% of the Company’s voting stock. Tatarstan also holds a “Golden Share”, a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and “major” and “interested party” transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group’s suppliers and contractors.

The Company is domiciled in the Russian Federation. The address of its registered office is Lenina St., 75, Almetyevsk, Republic of Tatarstan, Russian Federation.

Note 2: Basis of preparation

The consolidated interim condensed financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”. The consolidated interim condensed financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2020, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These unaudited consolidated interim condensed financial statements do not include all the information required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2020 audited consolidated financial statements, such as accounting policies and details of accounts which have not changed significantly in amount or composition. Management believes that the information in these consolidated interim condensed financial statement is sufficiently disclosed to not misleading users if are read in conjunction with the Group’s 2020 audited consolidated financial statements and the notes related thereto.

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Federal Accounting Standards of the Russian Federation, 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 interim financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS.

The accounting policies used in preparing these consolidated interim condensed financial statements were the same as those that applied to the consolidated financial statements for the previous financial year.

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the 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.

Note 2: Basis of preparation (continued)

Judgements that have the most significant effect on the amounts recognised in the consolidated interim condensed financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC “National Non-State Pension Fund”;
- Presentation of Revenue net of excise tax, including reverse excise;
- Sale and purchase of oil under counter oil supply agreement;
- Financial assets impairment;
- Financial assets classification;
- Financial instruments fair value estimation.

In preparing of these consolidated interim condensed financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

Presentation of Revenue net of excise tax, including reverse (negative) excise.

For the three months ended 31 March 2021 and 2020 the Group's revenue is presented net of excise taxes, including reverse (negative) excise on crude oil refined, gasoline and diesel fuel. For the three months ended 31 March 2021 and 2020 excise on refinery products amounted to RR 11,130 million and RR 8,856 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 10,480 million and RR 440 million recoverable respectively.

Operations for the sale and purchase of oil under contracts for counter oil deliveries.

For the three months ended 31 March 2021 and 2020 sales of crude oil under counter-delivery contracts in the amount of RR 40,887 and RR 12,832 million respectively are presented net in the consolidated interim condensed financial statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for exchange of products of similar quality.

Functional and Presentation Currency. The presentation currency of the Group is the Russian Ruble. Management has determined the functional currency for 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 a separate component of shareholders’ equity entitled foreign currency translation adjustments. 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 rate of exchange, as published by the Central Bank of Russian Federation (“Bank of Russia”), of the Russian Ruble (“RR”) to the US Dollar (“US \$”) at 31 March 2021 and 31 December 2020 was RR 75.70 and RR 73.88 to US \$, respectively. Average rate of exchange for the three months ended 31 March 2021 and 31 March 2020 were RR 74.34 and RR 66.38 per US \$, respectively.

Note 3: Adoption of new or revised standards and interpretations

The following amended standards became effective for the Group from 1 January 2021, but did not have any material impact on the Group:

- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- 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.

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the periods beginning on or after 1 April 2021 or later, and which the Group has not early adopted. The full list of such standards, interpretations and amendments to standards was disclosed in the consolidated financial statements as at and for the year ended 31 December 2020. The following amendments to existing standards have been issues since the Group published its last annual consolidated financial statements:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

The Group does not expect that these amendments will have any material impact on its consolidated financial statements.

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 March 2021	At 31 December 2020
Cash on hand and in banks	50,409	30,735
Term deposits with original maturity of less than three months	10,595	7,242
Due from banks	-	2,128
Total cash and cash equivalents	61,004	40,105

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 estimated fair value of cash and cash equivalents approximates their carrying value (Note 20).

Note 5: Accounts receivable

Short-term and long-term accounts receivable comprise the following:

	At 31 March 2021	At 31 December 2020
Short-term accounts receivable:		
Trade receivables	91,753	84,254
Other financial receivables	10,221	9,241
Other non-financial receivables	147	163
Less credit loss allowance	(10,141)	(9,924)
Total short-term accounts receivable	91,980	83,734
Long-term accounts receivable:		
Trade receivables	746	1,080
Other financial receivables	822	861
Less credit loss allowance	(455)	(457)
Total long-term accounts receivable	1,113	1,484
Total trade and other receivables	93,093	85,218

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 20).

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 6: Banking: Loans to customers

	At 31 March 2021	At 31 December 2020
Loans to legal entities	27,541	27,488
Loans to individuals	1,809	1,755
Short-term loans to customers measured at amortised cost before credit loss allowance	29,350	29,243
Credit loss allowance	(8,628)	(8,580)
Total short-term loans to customers measured at amortised cost	20,722	20,663
Short-term loans to legal entities measured at fair value through profit or loss	1,718	1,829
Total short-term loans to customers	22,440	22,492

	At 31 March 2021	At 31 December 2020
Loans to legal entities	36,823	37,986
Loans to individuals	47,173	45,607
Long-term loans to customers measured at amortised cost before credit loss allowance	83,996	83,593
Credit loss allowance	(4,736)	(4,645)
Total long-term loans to customers measured at amortised cost	79,260	78,948
Long-term loans to legal entities measured at fair value through profit or loss	215	215
Total long-term loans to customers	79,475	79,163

As at 31 March 2021 and 31 December 2020 the Bank ZENIT granted loans to 13 customers totalling RR 35,493 million and RR 37,808 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

Movements in the credit loss allowance during the year ended at 31 March 2021 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2021	(9,427)	(3,798)	(13,225)
Net provision for credit loss allowance during the period	(13)	(165)	(178)
Other changes	-	39	39
Credit loss allowance as at 31 March 2021	(9,440)	(3,924)	(13,364)

Movements in the credit loss allowance during the year ended at 31 March 2020 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2020	(7,791)	(2,687)	(10,478)
Net provision for credit loss allowance during the period	(869)	(292)	(1,161)
Other changes	235	-	235
Credit loss allowance as at 31 March 2020	(8,425)	(2,979)	(11,404)

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 7: Other financial assets

Other short-term financial assets comprise the following:

	At 31 March 2021	At 31 December 2020
Financial assets measured at amortised cost		
Other loans (net of credit loss allowance of RR 3,587 million and RR 3,667 million as at 31 March 2021 and at 31 December 2020 respectively)	4,451	5,946
Bank deposits (net of credit loss allowance of RR 5,547 million as at 31 March 2021 and at 31 December 2020)	29,730	10,000
Due from banks	4,133	2,391
REPO with banks	-	1,551
Securities held by the Group (net of credit loss allowance of RR 13 million and RR 27 million as at 31 March 2021 and at 31 December 2020 respectively):	1,726	9,577
Russian government and municipal debt securities	29	12
Corporate debt securities	1,697	9,565
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 7 million and RR 9 million as at 31 March 2021 and at 31 December 2020 respectively):	4,119	4,517
Corporate debt securities	4,119	4,517
Financial assets measured at fair value through profit or loss		
Securities held by the Group:	4,696	5,744
Russian government and municipal debt securities	430	1,518
Corporate debt securities	4,012	3,995
Derivatives	254	231
Securities pledged under sale and repurchase agreements:	-	17
Russian government and municipal debt securities	-	17
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	1,088	1,441
Russian government and municipal debt securities	392	227
Corporate debt securities	474	1,012
Corporate shares	222	202
Securities pledged under sale and repurchase agreements:	-	3,130
Russian government and municipal debt securities	-	959
Corporate debt securities	-	2,171
Total short-term financial assets	49,943	44,314

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. Total rights in the amount of RR 3,855 million and RR 5,355 million were accounted as other loans in other short-term financial assets carried at amortised cost at 31 March 2021 and 31 December 2020 respectively.

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 7: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 31 March 2021	At 31 December 2020
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 318 million as at 31 March 2021 and at 31 December 2020)	-	-
Loans to employees (net of credit loss allowance of RR 1,753 million and RR 1,717 million as at 31 March 2021 and at 31 December 2020 respectively)	960	981
Other loans (net of credit loss allowance of RR 20,843 million and RR 20,896 million as at 31 March 2021 and at 31 December 2020 respectively)	2,608	2,618
Due from banks	4,114	-
Securities held by the Group (net of credit loss allowance of RR 103 million and of RR 92 million as at 31 March 2021 and at 31 December 2020):	22,330	19,814
Russian government and municipal debt securities	1,272	1,272
Corporate debt securities	21,058	18,542
Financial assets measured at fair value through profit or loss		
Other loans	5,079	5,079
Securities held by the Group:	267	342
Corporate debt securities	179	245
Corporate share	88	97
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	44,413	41,771
Russian government and municipal debt securities	14,498	11,627
Corporate shares	12,496	12,400
Corporate debt securities	4,439	4,764
Investment fund units	12,980	12,980
Total long-term financial assets	79,771	70,605

The fair value of financial assets and valuation techniques used are disclosed in Note 20.

Corporate bonds consist of Russian Ruble and US Dollar denominated bonds and Eurobonds issued by Russian banks and companies.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as "OFZ", Russian Federation Eurobonds and Bank of Russia bonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares measured at fair value include quoted and unquoted shares of Russian companies and banks. As at 31 March 2021 and 31 December 2020 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.

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 8: Inventories

	At 31 March 2021	At 31 December 2020
Materials and supplies	16,823	15,361
Crude oil	11,894	5,597
Refined oil products	15,438	14,370
Petrochemical supplies and finished products	8,751	7,226
Other finished products and goods	2,631	2,434
Total inventories	55,537	44,988

Note 9: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 31 March 2021	At 31 December 2020
Prepaid export duties	1,310	1,807
VAT recoverable	4,238	4,117
Advances	6,068	5,977
Prepaid transportation expenses	2,181	2,367
Excise	5,498	697
Other	2,124	5,110
Prepaid expenses and other current assets	21,419	20,075

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 10: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc- tion in progress	Total
Cost					
As at 31 December 2019	450,768	268,598	206,532	190,266	1,116,164
Additions	-	-	50	24,640	24,690
Disposals	(135)	(12)	(143)	(323)	(613)
Changes in Group structure	-	23	-	-	23
Transfers	5,709	2,272	(3,308)	(4,673)	-
Changes in decommissioning provision	(8,102)	-	-	-	(8,102)
As at 31 March 2020	448,240	270,881	203,131	209,910	1,132,162
Depreciation, depletion and amortisation, impairment					
As at 31 December 2019	189,560	53,706	79,610	24,391	347,267
Depreciation charge	3,376	1,786	2,915	-	8,077
Impairment	-	1,754	1,574	2,555	5,883
Disposals	(122)	(40)	(197)	-	(359)
Transfers	(147)	282	(143)	8	-
As at 31 March 2020	192,667	57,488	83,759	26,954	360,868
Net book value					
As at 31 December 2019	261,208	214,892	126,922	165,875	768,897
As at 31 March 2020	255,573	213,393	119,372	182,956	771,294
Cost					
As at 31 December 2020	474,112	294,356	220,109	229,416	1,217,993
Additions	-	-	-	19,054	19,054
Disposals	(86)	(142)	(1,017)	(672)	(1,917)
Changes in Group structure	-	2	-	-	2
Transfers	1,881	2,418	1,895	(6,194)	-
Changes in decommissioning provision	(7,788)	-	-	-	(7,788)
As at 31 March 2021	468,119	296,634	220,987	241,604	1,227,344
Depreciation, depletion and amortisation, impairment					
As at 31 December 2020	210,248	63,962	90,213	27,001	391,424
Depreciation charge	5,093	1,918	2,875	-	9,886
Impairment	-	-	-	640	640
Disposals	(44)	(43)	(223)	-	(310)
Transfers	224	(104)	(120)	-	-
As at 31 March 2021	215,521	65,733	92,745	27,641	401,640
Net book value					
As at 31 December 2020	263,864	230,394	129,896	202,415	826,569
As at 31 March 2021	252,598	230,901	128,242	213,963	825,704

For the three months ended 31 March 2021 the Group recognised an impairment of the exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan.

Due to indications of possible impairment as at 31 March 2020 the Group conducted impairment testing for the main groups of assets. According to the accounting policy, individual assets were grouped for impairment purposes to the cash generating units at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of asset. For the three months ended 31 March 2020 the Group recognised an impairment of the following assets:

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 3,373 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 1,159 million, due to adverse conditions in the oil market affecting the current assessment of respective projects;
- other assets, including social assets, in the total amount of RR 1,351 million, which are not providing future economic benefits.

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 10: Property, plant and equipment (continued)

An impairment loss is included in the corresponding line of the consolidated interim condensed financial statement of profit or loss and other comprehensive income.

Decommissioning provisions

The following table summarizes changes in the Group's decommissioning provision for the year:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Balance at the beginning of period	55,373	50,474
Unwinding of discount	879	844
Expenses on current obligations	(2)	-
Changes in estimates	(7,788)	(8,102)
Balance at the end of period	48,462	43,216
Less: current portion of decommissioning provisions (Note 13)	(1)	(128)
Long-term balance at the end of period	48,461	43,088

For the three months ended 31 March 2021 and 2020 the Group recorded the change in the accounting estimates of the provision for oil and gas properties decommissioning due to the changes in discount rate.

Discount rates used for evaluation of decommissioning provision were as follows:

	At 31 March 2021	At 31 December 2020
Discount rate	7.09%	6.46%
Discount rate for superviscous oil	7.03%	5.92%

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 11: Taxes

The Group's effective income tax rate differs from the statutory tax rate primarily due to non-deductible expenses, including social expenses.

The Group is subject to a number of taxes other than income taxes, which are detailed as follows:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Mineral extraction tax	94,303	65,561
Property tax	1,949	1,925
Other	451	393
Total taxes other than income taxes	96,703	67,879

Taxes other than income taxes exclude the export duties paid on the sale of crude oil and refined products and excise taxes as the Group sales and other operating revenues are presented net of such export duties and excise taxes.

Taxes payable were as follows:

	At 31 March 2021	At 31 December 2020
Mineral extraction tax	38,650	17,500
Value Added Tax	12,717	4,983
Excise	3,646	3,198
Export duties	975	245
Property tax	3,565	1,826
Other	2,314	2,649
Total taxes payable	61,867	30,401

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 12: Debt

	At 31 March 2021	At 31 December 2020
Short-term debt		
Bonds issued	5,088	3,881
Subordinated debt	26	21
Debt securities issued	716	500
Russian Rubles credit facility	-	1,300
Other debt	2,307	2,286
Total short-term debt	8,137	7,988
Current portion of long-term debt	3,071	2,973
Total short-term debt, including current portion of long-term debt	11,208	10,961
Long-term debt		
Bonds issued	17,008	18,198
Debt securities issued	113	112
US \$75 million 2011 credit facility	522	495
US \$144.5 million 2011 credit facility	1,917	1,871
EUR 55 million 2013 credit facility	1,477	1,441
EUR 39.2 million 2020 credit tranche	3,484	2,848
RR 4,320 million 2020 credit tranche	88	-
Other debt	1,653	1,660
Total long-term debt	26,262	26,625
Less: current portion	(3,071)	(2,973)
Total long-term debt, net of current portion	23,191	23,652

Fair value of debt is presented in Note 20. Loans and borrowings from related parties are presented in Note 18.

Credit facilities. In November 2011, TANECO entered into a US \$75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US \$144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In May 2013, TANECO entered into a Euro 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. In accordance with credit facility terms repayment of the debt is performed in USD. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

In November 2020, OOO "NZGSh" entered into a two-tranche syndicated loan: RR 5,400 million and EUR 49 million (RR 4,320 million and EUR 39.2 million excluding intercompany amount) with quarterly repayments during ten years with the first repayment date on 28 March 2022. The loan was arranged by Bank ZENIT, Bank VBRR and Credit Bank of Moscow. Contract interest rate is preferential and for the tranche in Russian Rubles is key interest rate minus 4.5% per annum, for the tranche in Euro is EURIBOR per annum. The government subsidises the rate of 4.5% per annum if the borrower meets the conditions for the subsidy granting. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

Note 12: Debt (continued)

During three months ended 31 March 2021 the Group received short-term loans under the credit facility with the Russian bank in total amount of RR 1,900 million at rate 4.26% per annum. The debt was fully repaid to 31 March 2021.

During 2020, the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 210,150 million (for three months ended 31 March 2020 in amount of RR 101,960 million) at rates ranging from 4.39% to 6.74% per annum, most of which were repaid earlier. The debt at 31 December 2020 amounted to RR 1,300 million and was repaid in January 2021.

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 March 2021 and at 31 December 2020 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT amounted RR 7,096 million and RR 7,079 million respectively, that mature between 2022 and 2025. At 31 March 2021 and at 31 December 2020 the annual coupon rates on these securities range from 6.65% to 7.65%. 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. 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% per annum. In accordance with IFRS 9 if securities are loaned under an agreement to return them to the transferor, they are not derecognised because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised. Therefore, OFZ and the subordinated loan received from DIA are not recognised within assets and liabilities in the consolidated statement of financial position. These subordinated loans are accounted for in capital adequacy ratio calculation in accordance with Bank of Russia's Regulation No. 646-P.

Debt securities issued. At 31 March 2021 and 31 December 2020 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles. Maturity dates of these promissory notes vary from 2021 to 2028.

At 31 March 2021 and 31 December 2020 non-interest-bearing promissory notes of the aggregate nominal value of RR 264 million and of RR 101 million respectively were issued by Bank ZENIT for settlement purposes and mature primarily on demand.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 13: Accounts payable and accrued liabilities

	At 31 March 2021	At 31 December 2020
Trade payables	43,816	55,028
Current portion of lease liabilities	2,652	2,540
Other payables	2,602	2,623
Total financial liabilities within trade and other payables	49,070	60,191
Salaries and wages payable	7,832	8,414
Advances received from customers	9,275	11,175
Current portion of decommissioning provisions (Note 10)	1	1
Other accounts payable and accrued liabilities	5,264	4,112
Total non-financial liabilities	22,372	23,702
Accounts payable and accrued liabilities	71,442	83,893

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 20.

Note 14: Dividends payable

In September 2020, the shareholders of the Company approved interim dividends for the six months ended 30 June 2020 in the amount of RR 9.94 per preference and ordinary share. Dividends were paid in the fourth quarter of 2020.

In June 2020, the shareholders of the Company approved dividends for the year ended 31 December 2019 in the amount of RR 1 per each preferred share, excluding the previously approved interim dividends for the six and nine months of 2019 in the amount of RR 64.47 per one preferred share. Dividends were paid in the third quarter of 2020.

In December 2019, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2019, in the amount of RR 64.47 per preference and ordinary share, 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. Dividends were paid in the beginning of 2020.

Note 15: Interest and commission income and expense on banking activities

	Three months ended 31 March 2021	Three months ended 31 March 2020
Interest income	3,009	4,065
Loans to customers	2,262	3,143
Other	747	922
Fee and commission income	803	1,041
Settlement transactions	510	671
Other	293	370
Total interest and commission income on banking activity	3,812	5,106
Interest expense	(1,474)	(2,366)
Term deposits	(1,112)	(1,769)
Other	(362)	(597)
Fee and commission expense	(313)	(509)
Settlement transactions	(275)	(478)
Other	(38)	(31)
Total interest and commission expense on banking activity	(1,787)	(2,875)

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 16: Other income and expenses

Interest income on non-banking activities comprises the following:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Interest income from financial assets measured at amortised cost	1,350	189
Unwinding of the present value discount of long-term financial assets	15	-
Total interest income on non-banking activities	1,365	189

Interest expense on non-banking activities comprises the following:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Bank loans	(50)	(457)
Bonds issued	(239)	(241)
Unwinding of the present value discount of decommissioning provision	(879)	(844)
Interest expense on lease obligations	(312)	(347)
Unwinding of the present value discount of long-term financial assets and liabilities	-	(18)
Long-term financial assets discount	(103)	(285)
Total interest expenses on non-banking activities	(1,583)	(2,192)

For the three months ended 31 March 2021 the Group recognised RR 4,725 million and RR 3,296 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the three months ended 31 March 2020: RR 11,125 million and RR 5,918 million, respectively).

Note 17: Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors and the Management Committee and for which discrete financial information is available.

Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

The Group's business activities are conducted predominantly through four main operating segments:

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments;
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations;
- Petrochemical products include production and sales of tires, technical carbon;
- Banking segment includes operations of Banking Group ZENIT.

Other sales include revenues from ancillary services provided by the specialised subdivisions and subsidiaries of the Group, such as sales of oilfield equipment, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income tax not including interest income, expense on non-banking activities, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Effective the current reporting period, the Group uses an export netback calculated based on average Urals quotes less export duty, freight and transportation costs to calculate the cost of its own oil for refining. The calculation based on the export netback, used by the Group to make operational decisions, meets the criteria of relevant and reliable information, changes of calculation approach made are disclosed retrospectively in the consolidated interim condensed financial statements. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the three months ended 31 March 2021, revenues of RR 37,995 million or 15% of the Group's total sales and operating revenues are derived from one external customer.

For the three months ended 31 March 2020, revenues of RR 28,301 million or 14% 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.

Group's Management does not believe the Group is dependent on any particular customer.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 17: Segment information (continued)

Segment sales and other operating revenues. Reportable operating segment sales and other operating revenues are stated in the following table:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Exploration and production		
Domestic own crude oil	48,836	37,703
CIS own crude oil	6,515	-
Non-CIS own crude oil	54,920	44,462
Other	622	1,313
Intersegment sales	61,920	39,232
Total exploration and production	172,813	122,710
Refining and marketing		
<i>Domestic sales</i>		
Refined products	69,575	51,122
Total Domestic sales	69,575	51,122
<i>CIS sales</i>		
Refined products	3,147	3,509
Total CIS sales ⁽¹⁾	3,147	3,509
<i>Non-CIS sales</i>		
Crude oil purchased for resale	2,579	968
Refined products	44,333	34,670
Total non-CIS sales ⁽²⁾	46,912	35,638
Other	3,282	3,357
Intersegment sales	429	678
Total refining and marketing	123,345	94,304
Petrochemicals		
Tires – domestic sales	8,719	6,669
Tires – CIS sales	2,360	2,161
Tires – non-CIS sales	1,417	806
Other	1,213	902
Intersegment sales	164	96
Total petrochemicals	13,873	10,634
Banking		
Interest income	3,009	4,065
Fee and commission income	803	1,041
Total banking	3,812	5,106
Total segment sales	313,843	232,754
Corporate and other sales	10,314	10,642
Elimination of intersegment sales	(62,513)	(40,006)
Total sales and other operating revenues	261,644	203,390

⁽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.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 17: Segment information (continued)

Segment earnings

	Three months ended 31 March 2021	Three months ended 31 March 2020
Segment earnings		
Exploration and production	51,968	29,324
Refining and marketing	10,680	10,792
Petrochemicals	1,645	(1,683)
Banking	(79)	(191)
Total segment earnings	64,214	38,242
Corporate and other	(9,673)	(7,954)
Other income, net	1,218	3,042
Profit before income tax	55,759	33,330

"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.

Segment assets

	At 31 March 2021	At 31 December 2020
Assets		
Exploration and production	373,671	364,843
Refining and marketing	515,774	507,860
Petrochemicals	39,516	35,230
Banking	198,001	209,273
Corporate and other	190,589	146,235
Total assets	1,317,551	1,263,441

As at 31 March 2021 corporate and other includes RR 63,116 million of property, plant and equipment, RR 24,454 million of securities measured at fair value through other comprehensive income, RR 10,944 million loans receivable, RR 39,591 million of bank deposits measured at amortised cost, RR 28,093 million of cash.

As at 31 December 2020 corporate and other includes RR 63,495 million of property, plant and equipment, RR 24,389 million of securities measured at fair value through other comprehensive income, RR 3,091 million of securities measured at amortised cost, RR 12,453 million loans receivable, RR 16,027 million of bank deposits measured at amortised cost, RR 181 million of cash.

The Group's assets and operations are primarily located and conducted in the Russian Federation.

In respect to the banking segment the Group has a certain concentration of funding sources. Within due to banks and the Bank of Russia as at 31 March 2021 and 31 December 2020 there are RR 9,305 million and RR 13,526 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from two and three Russian banks respectively, which individually exceeded 5% of the Bank ZENIT equity. Within customer accounts as at 31 March 2021 and 31 December 2020 there are RR 48,882 million and RR 58,607 million of current/settlement accounts and term deposits from 22 and 23 customers respectively, which individually exceeded 5% of the Bank ZENIT equity.

Note 17: Segment information (continued)**Segment depreciation, depletion and amortisation and additions to property, plant and equipment**

	Three months ended 31 March 2021	Three months ended 31 March 2020
Depreciation, depletion and amortization		
Exploration and production	5,734	4,540
Refining and marketing	3,533	2,587
Petrochemicals	249	372
Banking	106	91
Corporate and other	787	723
Total depreciation, depletion and amortization	10,409	8,313
Additions to property, plant and equipment		
Exploration and production	2,216	8,863
Refining and marketing	13,500	12,022
Petrochemicals	1,606	1,341
Banking	162	261
Corporate and other	1,572	2,226
Total additions to property, plant and equipment	19,056	24,713

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions (Note 10).

Note 18: 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:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Revenues and income		
Sales of refined products	5	5
Other sales	28	42
Interest income	11	7
Costs and expenses		
Other services	-	153
Other purchases	81	109

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 18: Related party transactions (continued)

The outstanding balances with associates, joint ventures and other related parties were as follows:

	At 31 March 2021	At 31 December 2020
Assets		
Accounts receivable, net	44	132
Banking: Loans to customers	25	73
Other financial assets		
Securities measured at fair value through profit or loss	-	29
Other loans receivable	379	357
Prepaid expenses and other current assets	-	204
Due from related parties short-term	448	795
Long-term accounts receivable	109	71
Other financial assets		
Securities measured at fair value through other comprehensive income	3,856	3,890
Other loans receivable	1,063	1,002
Due from related parties long-term	5,028	4,963
Liabilities		
Accounts payable and accrued liabilities	(59)	(69)
Banking: Customer accounts	(1,146)	(779)
Due to related parties short-term	(1,205)	(848)

At 31 March 2021 and at 31 December 2020 key management personnel customer accounts in Bank ZENIT amounted to RR 26,656 million and RR 29,328 million, respectively.

Government related companies

The amounts of transactions for each period with Government related companies are as follows:

	Three months ended 31 March 2021	Three months ended 31 March 2020
Sales of refined products	4,026	5,164
Other sales	1,273	1,352
Interest income	693	772
Interest expense	21	323
Purchases of refined products and natural gas	6,605	7,034
Purchases of electricity	4,546	4,921
Purchases of transportation and compounding services	7,960	6,974
Other services	1,154	1,421
Other purchases	148	93

Other services and other purchases related with government includes deductions to the State Housing Fund of the President of the Republic of Tatarstan under the program of housing construction on social mortgage in the Republic of Tatarstan, the purchase of petrochemical products, as well as some other services.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

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Note 18: Related party transactions (continued)

The outstanding balances with Government related companies were as follows:

	At 31 March 2021	At 31 December 2020
Assets		
Cash and cash equivalents	42,434	14,007
Banking: Mandatory reserve deposits with the Bank of Russia	1,452	1,528
Accounts receivable	2,507	2,102
Banking: Loans to customers	311	-
Other financial assets		
Securities measured at fair value through other comprehensive income	42	3,023
Securities measured at amortised cost	1,094	7,480
Securities measured at fair value through profit or loss	3,262	4,095
Other loans	41	41
Prepaid expenses and other current assets	3,156	4,441
Due from related parties short-term	54,299	36,717
Banking: Loans to customers	5,285	5,228
Other financial assets		
Securities measured at fair value through other comprehensive income	24,701	22,294
Securities measured at amortised cost	12,250	8,803
Other loans	93	104
Advances for construction	1	16
Due from related parties long-term	42,330	36,445
Liabilities		
Accounts payable and accrued liabilities	(1,345)	(1,744)
Banking: Due to banks and the Bank of Russia	(544)	(570)
Banking: Customer accounts	(162)	(161)
Debt		
Debt securities issued	(306)	(46)
Other debt	(1,855)	(1,835)
Due to related parties short-term	(4,212)	(4,356)
Banking: Due to banks and the Bank of Russia	(1,980)	(1,551)
Other debt	(85)	(102)
Government grants	(8,321)	(8,327)
Due to related parties long-term	(10,386)	(9,980)

Note 19: Contingencies and commitments**Operating Environment of the Group**

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices and subject to significant negative impact of continuous decrease in crude oil prices.

In March 2020 the World Health Organization announced a pandemic due to the rapid spread of COVID-19. The measures taken around the world to combat the spread of COVID-19 resulted in limitation of business activity, which caused significant decrease in world demand for energy resources. The expiration of prior arrangement of OPEC+ on April 1, 2020 raised the risks of substantial oversupply of crude oil and refined products in the market. These events led to significant drop in stock markets, fall in crude oil prices, the Russian Ruble weakened against the US dollar and the Euro. In April 2020, the OPEC + countries reached a new agreement, under which the Russian Federation assumed obligations to reduce oil production in the period from May 1, 2020 to April 30, 2022. In accordance with the agreements reached, the Group began to fulfill its obligations to reduce oil production. Despite the new production restrictions agreed by OPEC+, the recovery in oil prices may take a long time and may be accompanied by a significant reduction in oil production. In April 2021, the OPEC + countries agreed to remove some of the restrictions and gradually increase oil production. Despite the new OPEC + agreement, the recovery in oil prices and oil production may be delayed. These events can have a significant impact on the operations, financial position and financial results of the Group in the future, the consequences of which are difficult to predict. Management created provisions for impairment considering the economic situation and prospects at the end of the reporting period (Note 10).

Tax, currency and customs legislation are sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The future economic development of the Russian Federation depends on external factors and internal measures taken by the government and changes in the tax, legal and regulatory framework.

Continued uncertainty regarding further economic growth, volatility in the financial markets, lower global oil prices, reduced oil production, as well as other risks, could have a significant negative impact on the financial and corporate sectors of the Russian economy in the future. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Capital commitments. As at 31 March 2021 and at 31 December 2020 the Group has approximate outstanding capital commitments of RR 72,326 million and RR 71,829 million, respectively, mainly for the construction of the TANECO refinery complex, drilling and construction of wells, superviscous oil fields facilities construction and tire business development project. These commitments are expected to be paid between 2021 and 2025.

Management believes the Group's current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities (Note 12).

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.

Note 19: Contingencies and commitments (continued)

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 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 March 2021	At 31 December 2020
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	25,964	34,249
Guarantees issued	12,552	12,928
Letters of credit	351	185
Less: allowance for credit related commitment	(340)	(406)
Less: commitments collateralised by cash deposits under guarantees issued	(6)	(6)
Less: commitments collateralised by cash deposits under letters of credit	(347)	(182)
Total credit related commitments	38,174	46,768

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.

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. The Group has reviewed its exposure to climate related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Group as at 31 March 2021. Under existing legislation, 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 interim condensed financial statements.

Note 19: Contingencies and commitments (continued)

Social commitments. The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

Transportation of crude oil. The Group transports substantially all of the crude oil that it sells in export and local markets through trunk pipelines in Russia that are controlled by PJSC Transneft, the state-owned monopoly owner and operator of Russia's trunk crude oil pipelines. The Group's crude oil is blended in the Transneft pipeline system with other crude oil of varying qualities to produce an export blend commonly referred to as Urals. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme or the impact of it on the Group's business is not currently determinable.

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 20: 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 March 2021			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit or loss	-	-	1,933	1,933
Securities measured at fair value through profit or loss	3,443	1,342	178	4,963
Other loans measured at fair value through profit or loss	-	-	5,079	5,079
Securities measured at fair value through other comprehensive income	19,334	9,992	16,175	45,501
Investment property	-	-	1,088	1,088
Banking: Other financial liabilities measured at fair value through profit or loss	(2,704)	(95)	-	(2,799)
Total	20,073	11,239	24,453	55,765

	At 31 December 2020			
	Fair value			Carrying value
	Level 1	Level 2	Level 3	
Banking: Loans to customers measured at fair value through profit or loss	-	-	2,044	2,044
Securities measured at fair value through profit or loss	4,064	1,793	246	6,103
Other loans measured at fair value through profit or loss	-	-	5,079	5,079
Securities measured at fair value through other comprehensive income	20,304	9,865	16,173	46,342
Investment property	-	-	1,229	1,229
Banking: Other financial liabilities measured at fair value through profit or loss	(1,691)	(73)	-	(1,764)
Total	22,677	11,585	24,771	59,033

TATNEFT**Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)**

(In million of Russian Rubles)

Note 20: Fair values (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 March 2021 and 31 December 2020:

	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 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
Other loans measured 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
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects
Banking: Other financial liabilities at FVTPL	Level 2	Discounted cash flow models adjusted at credit risk

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the three months ended 31 March 2021 and year ended 31 December 2020. There have been no transfers between Level 1, Level 2 and Level 3 during the period.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 20: Fair values (continued)
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 March 2021				At 31 December 2020			
	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	4,457	45,952	-	50,409	5,141	25,594	-	30,735
Term deposits	-	10,595	-	10,595	-	7,242	-	7,242
Due from banks	-	-	-	-	-	2,128	-	2,128
Banking: Mandatory reserve deposits with the Bank of Russia	1,452	-	-	1,452	1,528	-	-	1,528
Accounts receivable								
Trade receivables	-	-	86,815	86,815	-	-	79,872	79,872
Other financial receivables	-	713	5,418	6,131	-	681	4,502	5,183
Banking: Loans to customers measured at amortised cost	-	-	101,768	99,982	-	-	100,230	99,611
Other financial assets								
Bank deposits	-	29,730	-	29,730	-	10,000	-	10,000
Due from banks	-	8,341	-	8,247	-	2,460	-	2,391
REPO with banks	-	-	-	-	-	1,551	-	1,551
Loans to employees	-	-	960	960	-	-	981	981
Other loans measured at amortised cost	-	-	7,059	7,059	-	-	8,564	8,564
Securities measured at amortised cost	21,818	7,120	-	28,175	25,675	9,455	-	33,908
Total financial assets	27,727	102,451	202,020	329,555	32,344	59,111	194,149	283,694
Liabilities								
Trade and other financial payables								
Trade payables	-	-	43,816	43,816	-	-	55,028	55,028
Dividend payable	-	-	822	822	-	-	823	823
Current portion of lease liabilities	-	-	2,652	2,652	-	-	2,540	2,540
Other payables	-	-	2,602	2,602	-	-	2,623	2,623
Non-current lease liabilities	-	-	10,086	10,086	-	-	10,679	10,679
Debt								
Bonds issued	15,000	7,148	-	22,096	15,000	7,189	-	22,079
Subordinated debt	-	26	-	26	-	21	-	21
Debt securities issued	-	823	-	829	-	610	-	612
Credit facilities	-	-	7,488	7,488	-	-	7,955	7,955
Other debt	-	-	3,960	3,960	-	-	3,946	3,946
Banking: Due to banks and the Bank of Russia	205	11,798	-	12,113	273	14,802	-	15,210
Banking: Customer accounts	-	51,006	94,754	146,433	-	148,307	-	148,625
Total financial liabilities	15,205	70,801	166,180	252,923	15,273	170,929	83,594	270,141

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.

Note 21: Subsequent events

In April 2021 the Board of Directors recommended to approve dividends on the preference and ordinary shares for the year ended 31 December 2020 in the amount of RR 22.24 per each preference and ordinary share with the consideration of earlier paid interim dividends for the six months ended 30 June 2020 in the amount of RR 9.94 per each preference and ordinary share and proposed to hold the annual shareholders meeting of the Company on 25 June 2021 in the form of absentee voting.