YEARS OF SUSTAINABLE DEVELOPMENT
AS A PUBLIC COMPANY

2019 ANNUAL REPORT
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.
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.

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.

In 2019, 20,824 publications with a reference to TATNEFT were released in federal mass media.

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.

- Highly effective organizational structure
- Best practice in governance forms and organization of business processes
- Highly qualified and competent personnel
- High-quality asset structure
- Building strong technological basis
- Digital integration in all production and management processes
- Proprietary research and engineering complex

- Strategic planning
- Efficient investment project management
- High operating effectiveness
- Gaining higher margin ratio in the value chain
- Commitment to the 17 UN Sustainable Development Goals
- Corporate social responsibility
- Keen sense of environmental responsibility
- Human life and health priority
- Strategic planning
- Efficient investment project management
- High operating effectiveness
- Gaining higher margin ratio in the value chain

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

- STRONG COMPETITIVE EDGE IN THE INDUSTRY
  Scenario planning with built-in protection from sharp oil price fluctuations and macroeconomic volatility.

- STRONG FINANCIAL RESILIENCE — FOCUS ON PROFIT MARGIN GROWTH
  Business growth and free cash flow planning with scenario planning variability.

- HIGH CORPORATE GOVERNANCE AND BUSINESS PLANNING STANDARDS
  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 Almetyevsk. 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 Nevo-Elokhovskoye, Bav尔斯koye, Bondyuzhskoye, Pervomaiskoye, Sabanchnikovskoye, Arkhangelskoye, and Ashalchinskoye oilfields. Outside Tatarstan, the exploration and production operations are conducted in the following areas: Nerets 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.

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

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.

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.
TATNEFT Group Main Business Divisions and Enterprises

**Upstream**
- Tatneft-Production
- NGDU Almetievneft
- NGDU Aznakaevskneft
- NGDU Bavlneft
- NGDU Jalilneft
- NGDU Yelhovneft
- NGDU Leninogorskneft
- NGDU Nurlatneft
- NGDU Príkamneft
- NGDU Yamashtneft

**Oil producing subsidiaries and affiliates**
- Tatneft-Samara LLC
- PJSC Kalmneftegas
- Tatneft – NAO LLC
- JSC KalmTatneft *
- CJSC Yamboil *
- New Oil Production Technologies LLC *

**Oil and gas refining and sales of crude oil and oil products**
- Crude Oil and Petroleum Products
- Sales Department
- Tatneft Oil Gas Processing Division
- Yelkhov Oil Refinery
- JSC TANECO
- JSC Nizhnekamskstekhuglerod
- Tatneft-ASZ Center LLC
- Tatneft-ASZ-Zapad LLC
- Tatneft-ASZ-Ukraine LLC
- Tatneft-ASZ-Tashkent LLC
- Tatneft-ASZ – Severo-Zapad LLC
- Tatneft-Trans LLC
- TatneftReprodukt LLC
- JV LLC TATNEFT-UNG*

**Support for core operations**
- Tatnefteasb Business Unit
- Tatar Geological Exploration Division
- Well Service Business Unit
- Construction Projects Implementation Department
- Bugulma Mechanical Plant
- UPTZH for PPD LLC
- Trade and Technical House of Tatneft LLC
- Tatneft-Nettekhimservis LLC
- Tatneft-URS LLC

**Information, research and technology, and organizational support**
- TatNIIPneft
- Technological Development Center
- Modeling Center
- Business Service Center
- STC Tatneft LLC (in Skolkovo)
- SPC Oil and Gas Technologies
- JSC Neftekhimproekt
- JSC TatNefteftamash
- TatNefteft LLC
- Processing Center LLC
- PEI CPE PTC-TATNEFT

**Petrochemical production**
- MC Tatneft-Neftekhim LLC
- PJSC Nizhnekamskstekhuglerod
- Nizhnekamskstekhuglerod
- JSC Nizhnekamsk Mechanical Plant
- Trading House KAMA LLC
- JSC Yarpolimermash-Tatneft
- Tatneft-Precomposite LLC
- JSC Tolyattisintez
- Tolyattkauchoch LLC

**Electric Grid Management Center**
- Nizhnekamsk HPP LLC
- Tatneft-Energosbyt LLC
- JSC Almetevsk Heating Networks

**Social sector**
- Social Asset Management Tatneft Charity Fund

**Banking sector**
- Bank ZENIT (PJSC) and its subsidiaries

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 Surgutneftegaz, 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.
Board of Directors Report on Company’s Development Performance by Core Business Streams

1,760 TRILLION RUBLES

Company’s Capitalization Year-End 2019

+78.7 BLN RUB VS 2018

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 12 months of 2019, amounting 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 -7 Neleus 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 3,323.3 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%.

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 19 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 indispensable 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!
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.

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)

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

Consolidated Assets of the Group

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Financial Performance

FREE CASH FLOW, BILLION RUB

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

5,1 BLN RUB
INCREASE OF FREE CASH FLOW

24,8%
RETURN ON AVERAGE CAPITAL EMPLOYED (ROACE)

Added Value

ADDED VALUE INCREASE, BLN RUB

679 BLN RUB
SHARE OF ADDED VALUE IN TOTAL OUTPUT, %

77%

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.

Added Value of TATNEFT Group in 2019

Taxes on TATNEFT Group, Rub bln

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

Excluding export duties, excise duties and insurance premiums.

Taxes included in non-bank transaction costs

62 26 40 42 42
2 4 6 2 2
182 19 97 194 209
Mining extraction tax (MET)
Corporate property tax
Profit tax expense
Others

2015 2016 2017 2018 2019
Consolidated Proceeds & EBITDA

**Consolidated Proceeds** in 2019:

932,3 BLN RUB

**Consolidated Proceeds from Non-Banking Activities, BLN RUB**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>155.6</td>
<td>174.4</td>
<td>200.8</td>
<td>214.8</td>
<td>328.4</td>
</tr>
</tbody>
</table>

**Revenue Growth as compared to 2018**: 2.4%

**Adjusted EBITDA, BLN RUB**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4,3%</td>
<td>4,3%</td>
<td>4,3%</td>
<td>4,3%</td>
<td>4,3%</td>
</tr>
</tbody>
</table>

Revenue distribution by segment

**Proceeds by Product, BLN RUB**

<table>
<thead>
<tr>
<th>Year</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>48.3%</td>
<td>48.3%</td>
<td>48.3%</td>
<td>48.3%</td>
<td>48.3%</td>
</tr>
</tbody>
</table>

**Proceeds by Segment (less inter-segment proceeds), BLN RUB**

<table>
<thead>
<tr>
<th>Segment</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>543.7</td>
<td>583.1</td>
<td>606.2</td>
<td>906.5</td>
<td>832.3</td>
</tr>
</tbody>
</table>
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

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.

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

698.0

+73%

2017

2019

DISTURBED LANDS, YOY HECTARES

104.0

-6%

2017

2019

GROSS AIR POLLUTANT EMISSIONS THOUS. TONNES

107.6

-4%

2017

2019

EFFECTIVE APG UTILIZATION RATE, %

96.2

+0.2%

2017

2019

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
Resource capacity

Current reserves replacement ratios (%)

<table>
<thead>
<tr>
<th></th>
<th>151.82%</th>
<th>152.19%</th>
<th>154.96%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil 1P</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil 2P</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil 3P</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1,381,4 MLN TOE

HYDROCARBON RESERVES FOR TATNEFT GROUP

INCLUDING

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: 113,928 thous. tonnes (oil and condensate) and 12,531 mln m3 (gas);
- 3C resources: 245,701 thous. tonnes (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.

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)

<table>
<thead>
<tr>
<th>Reserv</th>
<th>Rosneft</th>
<th>Lukoil</th>
<th>Gazprom Neft</th>
<th>Tatneft</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>20</td>
<td>12</td>
<td>15</td>
<td>30</td>
</tr>
</tbody>
</table>

2019 TOTAL INCREMENTAL OIL RESERVES FOR TATNEFT GROUP

45,15 MLN TONNES

Source: Data from companies
2019 Key operating performance

Oil and gas production

**OIL PRODUCTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Kbpd</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>273</td>
</tr>
<tr>
<td>2016</td>
<td>288</td>
</tr>
<tr>
<td>2017</td>
<td>289</td>
</tr>
<tr>
<td>2018</td>
<td>288</td>
</tr>
<tr>
<td>2019</td>
<td>275</td>
</tr>
</tbody>
</table>

**GAS PRODUCTION**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mln m3</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>959.3</td>
</tr>
<tr>
<td>2016</td>
<td>997.8</td>
</tr>
<tr>
<td>2017</td>
<td>945.3</td>
</tr>
<tr>
<td>2018</td>
<td>925.3</td>
</tr>
<tr>
<td>2019</td>
<td>1009.6</td>
</tr>
</tbody>
</table>

**OIL PRODUCTION OUTPUT**

581.5 Kbpd

**GAS PRODUCTION OUTPUT**

16.3 KBOE

Refining and product output

**OIL REFINING**

<table>
<thead>
<tr>
<th>Year</th>
<th>Kbpd</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>205</td>
</tr>
<tr>
<td>2016</td>
<td>210</td>
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<td>2017</td>
<td>203</td>
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<tr>
<td>2018</td>
<td>200</td>
</tr>
<tr>
<td>2019</td>
<td>206.7</td>
</tr>
</tbody>
</table>

**PETROLEUM PRODUCT OUTPUT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mln tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>9.34</td>
</tr>
<tr>
<td>2016</td>
<td>9.3</td>
</tr>
<tr>
<td>2017</td>
<td>9.2</td>
</tr>
<tr>
<td>2018</td>
<td>8.9</td>
</tr>
<tr>
<td>2019</td>
<td>10.3</td>
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</table>

**GAS PRODUCT OUTPUT**

<table>
<thead>
<tr>
<th>Year</th>
<th>Mln tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1.1</td>
</tr>
<tr>
<td>2016</td>
<td>1.2</td>
</tr>
<tr>
<td>2017</td>
<td>1.1</td>
</tr>
<tr>
<td>2018</td>
<td>1.2</td>
</tr>
<tr>
<td>2019</td>
<td>1.2</td>
</tr>
</tbody>
</table>

**PETROLEUM PRODUCT OUTPUT GROWTH**

15%

**FUEL OIL PRODUCTION**

0%

**GAS PRODUCT OUTPUT**

1.2 Mln tonnes

**OIL PRODUCTION OUTPUT**

29.8 Mln tonnes

**PETROLEUM PRODUCT OUTPUT**

10.3 Mln tonnes
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%.

Crude oil sales

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.

Petroleum product sales

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 (Novorossysk), 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.
Tire business

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

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

TIRE MARKET SHARES IN RUSSIA

- Passenger car tires
- Light truck tires
- Combined truck tires
- All steel truck tires

10,3 MLN TIRES MANUFACTURED IN 2019 r.

Key supply regions

50 COUNTRIES

SUPPLY DESTINATIONS

RUSSIAN FEDERATION

EUROPE

SOUTH AMERICA

NEAR ABROAD

RUSSIAN FEDERATION

Bulgaria

Italy

Greece

Romania

Serbia

EUROPE SOUTH AMERICA NEAR ABROAD

RAZON HOMOGENE "T&S"

CONTRACTORS IN WORLD

CONTRACTORS IN RUSSIA

COMMODITIES

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

COUNTRIES SUPPLY DESTINATIONS

2017 2018 2019

SALES MARKET

- Russian market
- Export market

24% 31% 36%

26% 69% 64%

24% 31% 36%
Fuel Filling Station Network

Petroleum product sales

- **2015**: 2,435
- **2016**: 2,575
- **2017**: 2,677
- **2018**: 3,455
- **2019**: 4,142

**Retail Petroleum Product Sales Growth**: 19.9%

**Average Daily Sales per Filling Station, TPD**:

- **2015**: 8
- **2016**: 10
- **2017**: 10
- **2018**: 10
- **2019**: 10

**Growth in Average Daily Sales per Station**: 8.8%

**Retail Business Network**: 802

**Including 111 Statoin**

- **Outside Russia**: 88
- **Including Statoin**: 111

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

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 KWH PER YEAR

ELECTRIC POWER SOLD IN 2019

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.

1,407 THOUS KW•H

ELECTRIC POWER GENERATED BY NIZHNEKAMSKAYA HPP LLC

3 418 876 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.
### 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.

#### 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 are 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.

#### 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 (74 billion rubles) and at the super-viscous oil fields (44.6 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.

#### 2019 CAPEX

**Investments in Oil Exploration and Production Projects**

40%

**Investments in Projects to Develop its Own Oil and Gas Processing and Petrochemicals with High Results to be Achieved**

43%

**Gains in Investment Project Efficiency for Conventional Oil Production Projects**

31%

**Investments to Expand the Resource Base and Oil Production Outside of the Republic of Tatarstan are Directed to Drilling of Production and Exploration Wells**

73%

**Total Investments TATNEFT Group Overall in 2019**

130 BLN RUB

**2019 CAPEX**

100 BLN RUB
Investment projects in 2019

Exploration and production

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 hydrocracking unit, catalytic reforming, xylene fractionation, and off-site facilities; the project was implemented to increase the capacity of the hydrocracking unit up to 115%; the base oil plant capacity was ramped up to 120 t.

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 0.74 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.

Oil and gas production

Strategically, the Company is focused on expanding its resource base and oil production outside of the Republic of Tatarstan. In 2019, 35.5 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.

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 2016, 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 Nizhnemaysk HPP and the Almetyevsk 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.
• 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.

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 Aslabaga 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 mesh(es). 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 product 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 hit 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 2020). 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 this project 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 №191 «On the state support for industrial enterprises implementing corporate programs to increase competitiveness».

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 Aslabaga 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 mesh(es). 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 product productivity and expand the range of product output, as well as automate management reporting.
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.

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.

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, projects and investment projects passports with consideration made to the continuous improvement process.

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, Sache, 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 (FCAS) 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.

Fund raising. Debt portfolio

The Company takes a conservative approach to lending structuring with the focus on minimalization 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.

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.

The Investment committees approved business investment programs, projects and investment projects passports with consideration made to the continuous improvement process.

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Credit ratings

CREDIT RATINGS AS OF 31.12.2019

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Level of long-term credit rating</th>
<th>Outlook on credit rating</th>
<th>Date of change (confirmation)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>Long-Term Credit Rating “BBB−”</td>
<td>Stable</td>
<td>21.05.2019</td>
</tr>
<tr>
<td>Moody’s</td>
<td>Long-Term Credit Rating “Ba1”</td>
<td>Stable</td>
<td>13.02.2019</td>
</tr>
<tr>
<td>RAEX (Expert RA)</td>
<td>Credit rating ruAAA per national scale for the Russian Federation</td>
<td>Stable</td>
<td>26.04.2019</td>
</tr>
</tbody>
</table>

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 Ba1, 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 Ba3 and the credit rating of the Republic of Tatarstan to B3. 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-06-05-2020

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/april15a

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.

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, HKE, 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.

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.

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)

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

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

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 uncontrollable 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 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 prominent 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 needs to minimize and subsequently to zero emissions. These ambitions will be determined by specific goals for the long term with intermediate target values.

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 respectively coordinates shaping of program actions with regard to the TATNEFT Group’s climate change policy and sustainable development.

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.

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 management. In September 2019, the Board of Directors formulated target values for reducing greenhouse gas emissions. The IPIECA industry standard is being integrated into the Company’s management. In September 2019, the Board of Directors formulated target values for reducing greenhouse gas emissions.

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).

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 anthropogenic one, throughout the entire value chain, including logistics and supply.

IN 2019, WE LAUNCH TWO SPECIAL TASK PROJECTS:

- Implementation of initiatives and actions of the Company on climate aspects. Greenhouse gas management and accounting program.
- Analysis and selection of effective methods for reducing greenhouse gas 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: 2018, ISO14064-3: 2019.

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 A-92, A-95, A-98, A-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 2005 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 operations, 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.

In October 2019, TATNEFT organized the 2nd Science and Innovation International Forum in Almetyevsk, 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.

László Gerecs
Member of the Board of Directors of PJSC TATNEFT, Independent Director. Representative of the Corporate Governance Committee of the Board of Directors. For his involvement in the UN Global Compact and the secretariat of the Framework Convention on Climate Change (UNFCCC), embodied in the Paris Agreement.

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.”

REPORTING

Climate information is disclosed in the Annual Report on Sustainable Development. In 2020, an independent verification of greenhouse gas emissions is planned to be done by international experts.
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-Bastyrskiy, Tyanyachi-Tamaisky, Slepenozerovsky 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 Kanevskaie oil field (Zainsky District) was discovered within subsoil license TAT 02363 NE Cheremshano-Bastyrskaya 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 CH+C2 category reserves totaled 779/216 thousand tonnes (OOP/recoverable).

USINSKOYE OIL FIELD

The Usinskaia oil field (The Mylumovsky 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 the sediments of the Upper Devonian Pashyan horizon. The well tested oil with the flow rate of 12.5 tonnes per day. The initial reserves for the C1 category were estimated at 675/272 Ktonnes (OOP/recoverable).

MYUDOVSKOYE OIL FIELD

The Myudovskoye field (Nurlatsky, Aksubaevsky Districts) was discovered by prospecting well No. 1389, where the terrigenous Bolotinovskiy horizon produced oil with a flow rate at 2.5 tonnes per day. The C1+C2 category reserves amounted to 934/208 thousand tonnes (OOP/recoverable).

In 2019, the exploration operations 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.

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 exploration 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 0.999 million tonnes.

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.
Geological prospecting technologies

The Company systematically 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 and 2499285) the surveys are being completed at the Zapadno-Alexandrovsky, Izgorye, Gazykovskoye, Rubezhovskoye, and saturated 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 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. 204828 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 and approved 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 software was prepared for evaluating the software suite “The Domanic hydrocarbon probability determination method” (Patent for authorship No. A-580 in KAS “Edison”). The software project was filed to a federal government budgetary institutional - the Federal Institute for Industrial Property.

In parallel with the development of Neuroseis-Foreground methodology, currently, the staff of the Neuroseis 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 Gasusky and Tatarsky 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 technology 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. 2516216 of April 16, 2015) was implemented in 2019.

The electromagnetic georadar pulse sounding surveys were accomplished within the Karasymhevsky high of the Cheremshano-Bastyrskoye 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 Karasymhevsky high structure, that is confined to the terrigenous reservoirs of the Shashimskiy horizon of the Ufimian 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 fract 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 17 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 (TAMYR)

TATNEFT carries out drilling operations for small-size horizontal laterals with subsequent well stimulation using the TAMYR 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 coiled 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 stirring 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 settings.

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. The project results were decided to replicate this technology in wells after drilling.
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 81.5 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 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 Group applied lowering MET rates:
- for subsoil areas with over 80% depletion rates,
- for super-viscous oil with viscosity of 10 000 mPa*s 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.

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).

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**Improved efficiency, oil and gas production profitability control**

The Company strives to unlock the maximum potential of oil accumulations, efficiently utilise 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 17 billion rubles with a 14% over-fulfilment of the plan thanks to implementation of regulatory measures, optimization of the SAGD development process, and comprehensive optimization of workover processes.

**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).**
### 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 and six largest oil fields, namely: Romashkinskoye, Novo-Ashalchinskoye, Arkhangelskoye, Novo-Elkhovskoye, Sabanchinskoye, and Arkhangelskoye.

#### 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 593 wells and amounted to 329,000 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-I3009 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 PSJC TATNEFT Branch in Turkmenistan completed works 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 tonnes per day.

### Syria

There are no Russian personnel in Syria.

### Libya

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.

### Uzbekistan

As part of implementation of the Cooperation Agreement with JSC Uzkimeksanat and the Memorandum of cooperation with JSC Uzbekneft, the work has been organized to put in practice the decisions stipulated in the Minutes of meetings between PSJC TATNEFT, JSC Uzbekneft and JSC Uzkimeksanat. 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.

### Oil production outside the Republic of Tatarstan

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### Pilot test operations to identify and develop oil accumulations in the Domian 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 Domian deposits.

The operations were carried out in the wells of the NIDOUs Prikamennet, Jaliynet and Lininozorinskoyet. 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 geochronological 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 Domian low-permeable deposits as well. Drilling and completion of the well will continue in the first quarter of 2020.

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**Downstream**

The downstream business segment incorporates the production facilities of JSC TANECO (main oil refining output), TATNEFT-GAZPERERABOTKA 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.

**Oil conversion ratio in Europe**

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<th>Year</th>
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</table>

**Oil conversion ratio in the Russian Federation**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF</td>
<td>88%</td>
<td>89%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**Oil conversion ratio in Europe**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>75%</td>
<td>76%</td>
<td>75%</td>
</tr>
</tbody>
</table>

**Oil conversion ratio in the Russian Federation**

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>RF</td>
<td>88%</td>
<td>89%</td>
<td>88%</td>
</tr>
</tbody>
</table>

**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. Feedstock and product facility;
6. 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 processing facilities.

In 2019, the TANECO Complex oil refining capacity growth showed 15.5%.

**2019 TANECO Complex Main Product Slate**

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

**New product launch**

The AI-100 premium gasoline as per STO 78689379-32-2019 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.

TANECO COMPLEX OIL CONVERSION RATIO, %

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Virgin crude oil conversion ratio</td>
<td>99.27</td>
<td>99.05</td>
<td>98.98</td>
</tr>
</tbody>
</table>

TANECO COMPLEX REFINING OUTPUT, KTONNES

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum product output</td>
<td>8150</td>
<td>8134</td>
<td>8097</td>
</tr>
</tbody>
</table>

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.

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 (COPA) Euro-6 diesel engine as part of a joint project of Tatneft and Volkswagen group Rus “FOR THE CLEAN TODAY. FOR THE HEALTHY TOMORROW.”

**TANECO REFINERY CRUDE REFINING AND MAIN PRODUCT OUTPUT**

<table>
<thead>
<tr>
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<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Petroleum product output</td>
<td>8.7</td>
<td>8.6</td>
<td>8.6</td>
<td>8.6</td>
<td>8.6</td>
<td>8.7</td>
<td>8.7</td>
<td>8.6</td>
</tr>
</tbody>
</table>

**Main product slate**

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. Feedstock and product facility;
6. 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 hydrotreating unit at higher process utilization rate.

In 2019, the TANECO Complex oil refining capacity growth showed 15.5%.
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 hydrotreating 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 15.4 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.

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 gasoline 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.

In November 2019, the integrated reliability tests of the automated gasoline mixing system and commissioning of the heavy coker gasoline hydrotreating unit are underway. The vacuum distillation unit of the visbreaker came onstream in December.

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.

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.

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;
- benzene-containing fraction

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

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 435,245 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%.

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 Minnibaevskaya 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;
- Cascade 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 oilfields 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 Division’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, iso-pentane, 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 of 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 desulfurization 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 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 DPEC 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

Nizhnnekamskstekhuglerod

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-335, 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.

Nizhnnekamskstekhuglerod 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.

In addition, to reduce the air pollutant emissions and mitigate the environmental impact the cryogenic plant reconstruction project was in a full swing.

96,4% EFFECTIVE APG UTILIZATION RATE
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 - 681 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.

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 put 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.

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.

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

FUEL SALES THROUGH TATNEFT FILLING STATION NETWORK, KTONNES

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>685</td>
<td>711</td>
<td>802</td>
<td>685</td>
<td>711</td>
<td>802</td>
</tr>
<tr>
<td>Russian Federation</td>
<td>574</td>
<td>602</td>
<td>691</td>
<td>574</td>
<td>602</td>
<td>691</td>
</tr>
<tr>
<td>Ukraine</td>
<td>94</td>
<td>99</td>
<td>99</td>
<td>94</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Republic of Belarus</td>
<td>17</td>
<td>18</td>
<td>18</td>
<td>17</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Republic of Uzbekistan</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>-</td>
<td>-</td>
<td>2</td>
</tr>
</tbody>
</table>

RETAIL PETROLEUM PRODUCT SALES, KTONNES

<table>
<thead>
<tr>
<th>Sales of petroleum products through retail network</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average daily sales at operating filling stations, TPD per station</td>
<td>2017</td>
<td>2018</td>
<td>2019</td>
<td>8.0</td>
<td>9.1</td>
</tr>
</tbody>
</table>

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 of depots and refineries with installations for collecting and processing vapor-air mixtures. 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


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 – info@80001004112.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 (LCL “NIZGSS”), LLC Kama: The tire service enterprises include LLC UK Tatnaftekhim, JSC “NMZ”, JSC Yaropolimermash-Tatneft, LLC STC Kama, LLC Energoshineservice.

The KAMA Trading House LLC (LCL 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 Nizhnekamskshina.

Production capacities

PJSC NIZHNEKAMSKSHINA:
- passenger car and light truck tires;
- agricultural and industrial tires.

NIZHNEKAMSK ALL-STEEL TIRE PLANT LLC:
- all-steel truck tires;
- combine 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 bolts, 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 Nizhnekamskshina were transferred from LLC Tatneft-Neftehim to Tatneft-TANECO for improved specialization profile of the Tatneft Group’s business streams. The LLC Nizhnekamskshina 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 MAcbay were transferred to LLC MC Tatneft-Neftehim 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 transferred to LLC MC Tatneft-Neftehim to improve the management efficiency and effectiveness.

In the reporting year, 100% of shares of SIBUR Togliatti LLC (later renamed Tolyattikauchuk LLC) and 95% of shares of JSC Tolyattisintez were purchased from a third party of PJSC SIBUR Holding. The enterprises are located in Tolyatti, including the production of various types of synthetic rubber used for the 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. 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 signed an agreement to establish a joint venture on the basis of Birnichi Rezinotexnika Zavodi LLC (Republic of Uzbekistan) with the following ownership interests: PJSC TATNEFT – 51%, JSC UZKIMESANOAT – 49%. 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 Viotta 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.

Main types of tire commodities

<table>
<thead>
<tr>
<th>TIRE SUPPLY DIRECTIONS, MLN PCS.</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales market</td>
<td>13,1</td>
<td>13,6</td>
<td>10,0</td>
</tr>
<tr>
<td>Parts assemblage</td>
<td>0,7</td>
<td>0,6</td>
<td>0,6</td>
</tr>
<tr>
<td>Export</td>
<td>2,2</td>
<td>4,2</td>
<td>3,6</td>
</tr>
<tr>
<td>Total sales</td>
<td>13,1</td>
<td>13,6</td>
<td>10,0</td>
</tr>
</tbody>
</table>

Export

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.

After market

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.

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.

MAJOR CONSUMERS OF PARTS ASSEMBLAGE MARKET

TIRE MARKET SHARES IN RUSSIA

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.
3. Termination of participation in the legal entity due to the change of the legal entity's owner on 29.10.2019.
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.

The system of the internal regulatory documents ensures compliance with the requirements of regulatory documents (GOST, TU), as well as the requirements of UN Regulations No.30, 54, 106 and 17 (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.

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.to-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.

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 compliant 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, offshore equipment, anti-corrosion coatings, pressure vessels, process operating units for the gas and oil industry. The goods (equipment) are supplied to the Company’s production sites, as well as to the domestic market and for export.

In 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 TatnเหนIneftemash (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.

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, automotive, train-car building, and electrical industries.

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 similar emissions from construction of steel pipelines.

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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 kWh, including 1.41 billion kWh supplied to Nizhnekamsk HPP, and 0.124 billion kWh to the Almetyevsk Heating Networks.

In 2019, the heat energy was generated in the amount of 4 199 Gcal. 4% less of thermal energy supply was caused by 1.3°C higher average annual outdoor temperature from 2018 and 785 Gcal. In 2019, the heat energy was generated in the amount of 4 199 Gcal. 4% less of thermal energy supply was caused by 1.3°C higher average annual outdoor temperature from 2018 and 785 Gcal.

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.

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.

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.

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.

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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 0.25% - from solar power plants in the company's retail and sales network. In 2019, the total energy produced from RES was 1,858,830 thousand Gcal, 4.52% - electricity generation from solar power plants in the company's retail and sales network. In 2019, the total energy produced from RES was 1,858,830 thousand Gcal, 4.52% - electricity generation from small hydroelectric power plants at the Karabash water-storage basin, and 0.25% - from solar power plants in the company's retail and sales network. In 2019, the total energy produced from RES was 1,858,830 thousand Gcal, 4.52% - electricity generation from small hydroelectric power plants at the Karabash water-storage basin.

In order to improve rational energy consumption the Company advances its energy efficiency and energy saving management processes in all production activities through advanced innovative energy-efficient technologies and rational use of energy resources.
Macroeconomics and Competitive Environment

Company’s leadership indicators

Resources

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%

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; and
- direct or indirect discrimination of Russian FEC companies in foreign markets by changing regulations, in-cluding 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);
- swelling 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, and consump-tion will peak in the late 2030s.

The development of technologies also changes the power balance, reducing the margin of refiners and the need to modernize/refurbish capacities in the future.

The key influence on the Company’s operations in 2020 and the next few years will be exerted by new OPEC+ Agreement. A de-cesse 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 (exclunding condensate) by 2.5 million bar-rels/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 GC 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 base-its;
- 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 reach 85 million barrels per day.

The refining market is expected to recover after the oil market in 2020, which can significantly affect the balance of supply and demand, should include, first of all, de-velopment of the situation with the corona-virus pandemic, the rate of recovery of eco-nomic activity of countries in the world and the restoration of demand for liquid hydro-carbons, stabilization of oil production under the new OPEC + agreement.

On the horizon to 2035, consumption will grow by 15% (1.5 million barrels per day) ver-sus 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 intra-dued in the world, with an excess of 7 million barrels/day.

This will increase competition in the global market of petroleum products and between regions, create prerequisites for reducing the margin of refiners and the need to modernize/expansion capacities in the future.

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

New consumer preferences, technological progress and a new energy policy will in-creasingly 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.
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 imposed on Iran, fell by 20% in November 2019. The concentration of the sulfur content of marine fuel was allowed to be up to 3.5%.

The role of the Paris Agreement and the measures taken by its participants in reducing the impact on climate and reducing greenhouse gas emissions is significantly increasing. 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.

Climate aspects

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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 imposed on Iran, fell by 20% in November 2019. The concentration of the sulfur content of marine fuel was allowed to be up to 3.5%.

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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 level of 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 dutes 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 Druzbita 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 disruptions in the work of manufacturers and suppliers in China, the mass closure of factories 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 system in the field of marine safety and pollution control of the marine environment. In accordance with the IMO approved 0.5% limit on sulphur emissions for all vessels, which will come into force from 2020, the shipping industry has drastically stepped up its vessels with either exhaust gas cleaning systems (scrubbers) or switching to low-sulphur bunker fuel.

** Black Swan is an unlikely event (force majeure), which is impossible to predict, but which often entails large-scale consequences.
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 decreased by 8.4% compared to the previous year and amounted to 64 dollars per barrel.

The net price of Urals crude oil (after deduction 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.

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 advance (from March 10, 2020), so that they were proactive.

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%.

The steps of the Bank of Russia on the foreign exchange market in February-March 2020 consisted of curtailing volatility risks by canceling purchases of foreign currency by the Bank of Russia under the budget rule and then selling it.
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 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 GDP growth rate in 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 first 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 recover in 2021.

According to preliminary estimates, 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 - 19%. 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).
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 580 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) 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 (+8.8%) and amounted to 395.9 million tons or 56.9% of the total level for the country. The growth was due to the increase in production by Kondenskoye field (+1.2 million tons compared to the previous year), Gazprom Dobycha Urengoy (+11 million tons), RN-Nyaganneftegaz (+0.6 million tons) and at certain fields of Gazprom Neft, Zapadno-Chatylkinskoye (+0.5 million tons, Gazprom Neft), KhMAD: Novoportovskoye (+0.6 million tons, Gazprom Neft), RN-Nyaganneftegaz (+1.0 million tons) and at certain fields of Gazprom Neft, Zapadno-Chatylkinskoye (+0.5 million tons, Gazprom Neft), Russianneftegaz (+0.5 million tons, Rosneft).

In 2019, Rosneft reversed the trend of falling production at the Samotlorinskoye 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 184.4 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.

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. Fil, named after Yu. Korchagin (+0.5 million tons, LUKOIL) and the development of oil fields of Samaraneftegaz in the Samara region (+0.5 million tons), LUKOL-Koms - in the Komi Republic (+0.3 million tons).

In the Orenburg region, Slavkovsko-Zarechnoye and Koshkinskoye (total +0.7 million tons), Slavkovsko-Zarechnoye (total +0.7 million tons), Slavkovsko-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, Slavneft-Krasnoyarskneftegaz) in Eastern Siberia and the Far East. Srednebotuobinskoye (+1.1 million tons, TAAS-Furjakhneftegazdobycha), the Eastern blocks of the Srednebotuobinskoye field (+0.7 million tons, Rosneftegaz) 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 delivery of low-quality oil from Russia via the Druzhba pipeline with a high content of organochlorine compounds 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 chlorines in the oil fraction, which boils to a temperature of 204°C (naphtha), 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.
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 ex-importers 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 refineries 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 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 feedstock 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) contributed to an increase in deliveries to the far abroad.

Last year, the export of Urals marine ship-ments significantly increased by (9.2 million tonnes) versus 2018, to (99.7 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 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 transpor-tation 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 Tatneft’s own refinery - shipments increased by 12 million tonnes or 3.2 %

The share of oil supplies to domestic market (to own production) increased to 47,1% in 2019.
Fuel consumption and vehicle fleet

GLOBAL PRIMARY CONSUMPTION OF ENERGY RESOURCES BY TYPES OF ENERGY

GASOLINE CONSUMPTION

DIESEL CONSUMPTION

Sources: REA, IHS Markit

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 DYNAMIC BY TYPES OF CONSUMPTED OIL PRODUCTS

Sources: ASM-Holding OJSC, Avtostat LLC, Help Portal "Calculator"

Sources: REA
Oil Products production and supply in Russian Federation

**Oil Refining and Production of Baseline Products in RF**

<table>
<thead>
<tr>
<th>Year</th>
<th>Oil refining in Russia, mln tonnes</th>
<th>Production of diesel fuel in the RF, Mln tonnes</th>
<th>Gasoline production in the RF, Mln tonnes</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>265.4</td>
<td>243.1</td>
<td>126.0</td>
</tr>
<tr>
<td>2013</td>
<td>272.0</td>
<td>249.4</td>
<td>131.8</td>
</tr>
<tr>
<td>2014</td>
<td>289.2</td>
<td>272.0</td>
<td>126.0</td>
</tr>
<tr>
<td>2015</td>
<td>282.9</td>
<td>264.9</td>
<td>126.0</td>
</tr>
<tr>
<td>2016</td>
<td>285.6</td>
<td>271.1</td>
<td>126.0</td>
</tr>
<tr>
<td>2017</td>
<td>279.3</td>
<td>271.1</td>
<td>126.0</td>
</tr>
<tr>
<td>2018</td>
<td>267.0</td>
<td>264.9</td>
<td>126.0</td>
</tr>
<tr>
<td>2019</td>
<td>265.2</td>
<td>271.1</td>
<td>126.0</td>
</tr>
</tbody>
</table>

In 2019, the volume of primary oil refining decreased by 0.6% or 1.8 million tons compared to 286.2 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 aroused interest to high-sulfur fuel oil as feedstock for refining at complex refineries, especially in the United States.

**Production and Export of Oil Products**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gasoline production in the RF, mln t</th>
<th>Gasoline export from the RF</th>
<th>Gasoline delivers to the domestic market in the RF</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>38.2</td>
<td>3.6</td>
<td>34.3</td>
</tr>
<tr>
<td>2013</td>
<td>38.7</td>
<td>4.3</td>
<td>34.3</td>
</tr>
<tr>
<td>2014</td>
<td>38.3</td>
<td>4.7</td>
<td>33.7</td>
</tr>
<tr>
<td>2015</td>
<td>39.2</td>
<td>4.0</td>
<td>35.2</td>
</tr>
<tr>
<td>2016</td>
<td>40.0</td>
<td>4.1</td>
<td>39.9</td>
</tr>
<tr>
<td>2017</td>
<td>39.5</td>
<td>3.8</td>
<td>35.7</td>
</tr>
<tr>
<td>2018</td>
<td>40.2</td>
<td>5.2</td>
<td>38.9</td>
</tr>
<tr>
<td>2019</td>
<td>38.2</td>
<td>3.6</td>
<td>34.3</td>
</tr>
</tbody>
</table>

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

**Key factors of industry growth in 2019**

- Prolongation of OPEC+ Agreement until the end of 2019;
- Approval of the program for the formation of common EU oil and petroleum product markets;
- Introduction of tax on additional income from hydrocarbon production from January 1, 2019;
- In order to complete the «tax maneuver», 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 Druzhba 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 «Seve» 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 com-merical development. The law applies primarily to HTR reserves in the Abalak, Khudam and Blazhenvs 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 De-crease 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 state-gic 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 is a member of the Russian National Committee of the World Petroleum Council on organizing and holding World Petroleum Congresses (NPC 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 Istanbul, 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.

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.

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;
- OECD Guidelines for Multinational Enterprises;
- Declarations of Fundamental Labour Rights and Principles of the International Labour Organization (ILO);
- Declarations of Principles of the right to organise and to bargain collectively;
- Declaration of Principles of the right to collective bargaining.
- Declaration on the right to collective bargaining.
- Declaration on the right to collective bargaining.
- Declaration on the right to collective bargaining.
- Declaration on the right to collective bargaining.

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 30 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, 1995 ETS No. 173);
- Anti-Corruption Charter of Russian Business community.

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.
Corporate Governance

1,24 TRILLION RUB

VALUE OF CONSOLIDATED ASSETS AS OF 31.12.2019

2,977
PUBLICATIONS ON THE COMPANY’S CORPORATE ACTIONS IN THE FEDERAL MEDIA IN 2019

4,191
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 a 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.
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 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%.

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.

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.

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.
Development of the Company in 2019

Despite external constraints, the Company succeeded in meeting the targets set for its development. The Company expanded its strategic planning taking into account issues related to safety, labor protection, and ESG. The Company constantly analyzed the development of the corporate governance system and ESG. The Company integrates the international standards covering the environmental and climate management of long-term trends in the hydrocarbon market and their impact on the development of the Company is carried out. The Board comprehensively reviews the Company’s planning and the Company’s Strategy and Planning, and the Company’s Sustainability Report for 2019.

Corporate Practice

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 Company’s Strategy and Planning, and the Company’s Sustainability Report for 2019.

Corporate Practice Efficiency

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 procedures 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.

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 officially granted the status of a participant in the UN Global Compact.

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 processes 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.

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 Governance Structure please refer to Pages 112–113

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

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

Governance of subsidiaries

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 procedures 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.

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

Development of Risk Management and Internal Control System

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 - an integrated approach to an internal control framework - COSO ERM, The Enterprise Risk Management Concept (COBIT) Integrated Models, Committee of Sponsoring Organizations of The Treadway Commission, ISO31000 International standards - Risk Management. Principles and guidelines, ISO31019 «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.
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 absent voters’ 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 enshrines observance of 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 held. In the Company’s regulatory legal acts, the procedure, etc., as well as express opinions and send questions about the agenda during the preparations for the General meeting of shareholders.

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.

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 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 (declaration) 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.

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.
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 receive votes that 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 Chairman 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 its 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 liquidation 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 non-arm’s length transactions and other transactions made between the Company and its 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 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 composition of the Board of Directors of the Company is based on the balance of key knowledge, skills and experience necessary for efficient work.

**Composition of the Board of Directors of PJSC TATNEFT**

**Minnikhanov Rustam Nurgalievich**  
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.  
- President of the Republic of Tatarstan since March 2010.

**Maganov Nail Ulfatovich**  
Executive Director  
General Director 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.

**Gaizatullin Radik Raufovich**  
Non-executive Director  
Member 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.

**Share in the authorized capital of the Company, %**  
- none

**Share of the Company’s ordinary stocks owned by the person, %**  
- none
Petroconsulting Ltd
Oman Branch Office in Muscat
Managing Director of MOL Oman,
Business University
Partner of BVM Capital Partners Ltd
International Relations
the Institute of World Economy and
Finance Institute
BARS (Public Joint Stock Company)
of Management Training
framework of the President’s Program
Technological University
postgraduate course of Kazan State
University

Tatarstan on development of crude oil
and gas fields, Professor of the Crude
Oil and Gas Geology Department of
Kazan (Volga Region) State University

Member of the Audit Committee of the
PJSC TATNEFT
Member of the HR and Remuneration
Committee 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
Member of the Audit 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.
- From 2000 till February 18, 2020 —
First Deputy General Director for
Operations – Chief Engineer of PJSC
TATNEFT.
- In 1975, graduated from Moscow
State University.

PARTICIPATION IN GOVERNMENT
OF ORGANIZATIONS:
- Independent Director (Member of
Reserves Estimation Committee), MOL
GROUP
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP
- Independent Director (Member of
Reserves Estimation Committee), MOL
GROUP
- Independent Director (Member of
Reserves Estimation Committee), MOL
GROUP
- Independent Director (Member of
Reserves Estimation Committee), MOL
GROUP

Share in the authorized capital
of the Company, %
0.019831
none
none
Share in the authorized capital
of the Company, %
0.020873
none
none
Share in the authorized capital
of the Company, %
0.020873
none
none
Share in the authorized capital
of the Company, %
0.047618
none
none
Share in the authorized capital
of the Company, %
0.050282
none
none
Share in the authorized capital
of the Company, %
none
nenone
none

Share of the Company’s ordinary
 stocks owned by the person, %
0.019831
none
none
Share of the Company’s ordinary
 stocks owned by the person, %
0.020873
none
none
Share of the Company’s ordinary
 stocks owned by the person, %
0.020873
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Share of the Company’s ordinary
 stocks owned by the person, %
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Share of the Company’s ordinary
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Share of the Company’s ordinary
 stocks owned by the person, %
none
none
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.
• 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.

Levin
Yuri Lvovich
Independent Director

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

• Born in 1953.
• In 1977, 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.

Muslimov
Renat Khalilullovich
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.

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

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

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.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.

Participation in governing bodies of
other organizations:
- Independent Advisor (Member of
Reserves Estimation Committee), MOL
GROUP.
Syubaev Nurislam Zinatulovich
Executive Director since June 21, 2019.
- Born in 1966.
- 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.

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 Development.
- 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 - Advisor to the Chairman of the Board of Directors of PJSC 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.

Takhaudtinov Shafagat Fakhrzovich
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.

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.
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 invites 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 on 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**

<table>
<thead>
<tr>
<th>NON-EXECUTIVE DIRECTORS</th>
<th>INDEPENDENT DIRECTORS</th>
<th>EXECUTIVE DIRECTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rustem Nurzaliyevich Makhmurov</td>
<td>Laszlo Gerecs</td>
<td>Nail Ulfatovich Maganov</td>
</tr>
<tr>
<td>Radik Reutovich Garautdinov</td>
<td>Yuri Lewovich Levitan</td>
<td>Nikolai Baburin</td>
</tr>
<tr>
<td>Renat Khaliullovich Musinov</td>
<td>Rene Frederick Steiner</td>
<td>Rais Salikhovich Khalimov</td>
</tr>
<tr>
<td>Rinat Kasimovich Sabirov</td>
<td></td>
<td>Rais Salikhovich Khisamov</td>
</tr>
<tr>
<td>Valery Yurievich Sorokin</td>
<td></td>
<td>Nail Ulfatovich Maganov</td>
</tr>
<tr>
<td>Shefagat Fakhrazovich Tatkhanov</td>
<td></td>
<td>Nail Ulfatovich Maganov</td>
</tr>
<tr>
<td>Aida Kiyamovich Khasanov</td>
<td></td>
<td>Nail Ulfatovich Maganov</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Share in the authorized capital of the Company, %</th>
<th>Share of the Company’s ordinary stocks owned by the person, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.021433</td>
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</tr>
<tr>
<td>0.023441</td>
<td>0.02468</td>
</tr>
<tr>
<td>0.02468</td>
<td>0.010707</td>
</tr>
<tr>
<td>0.010707</td>
<td>none</td>
</tr>
</tbody>
</table>
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.

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 presenta (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 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Levin Yuri Lvovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Gaizatullin Radik Raufovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Muslimov Renat Khaliullovich 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12 15/12
Saburov Ilshat Kurasovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Sorokin Valery Yurievich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Khamaev Azat Kiyamovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Khalimov Rustam Khamisovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15
Nurmukhametov Rafail Saitovich 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15 15/15

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.
- Reserve-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 scale 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.
- 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.
- Fulfillment of the TANECO Complex construction plan.

SOCIAL POLICY
- Social investments of the Company.
- The TATNEFT Charity Fund’s activities.
- Development of a unified management system for social programs and projects 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 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 2018 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.
- The Internal Audit Department performance for 2018 and the work plan of the Internal Audit Department for 2019.

2020 ANNUAL REPORT
25 YEARS OF SUSTAINABLE DEVELOPMENT

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 workflows operations; replication of digital twins technology at the TANECO hydrotreating 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 personal satisfaction assessment system in the TATNEFT Company. The key indicators cover the main aspects of employee satisfaction, including working conditions, social climate among the stuff, 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.
- 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 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.

Other issues.
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.

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.

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 are analyzed 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.

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.

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

DISTRIBUTION OF AVERAGE SCORES BY KEY COMPONENTS

<table>
<thead>
<tr>
<th>Component of Corporate Governance</th>
<th>Average Score</th>
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</thead>
<tbody>
<tr>
<td>Competence and Power of the Board of Directors</td>
<td>4.17</td>
</tr>
<tr>
<td>Composition of the Board of Directors</td>
<td>4.21</td>
</tr>
<tr>
<td>Committees of the Board of Directors</td>
<td>4.00</td>
</tr>
<tr>
<td>Work Procedure of the Board of Directors</td>
<td>4.24</td>
</tr>
<tr>
<td>Annual General Meeting of Shareholders</td>
<td>4.54</td>
</tr>
</tbody>
</table>

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

COMMITTEE MEMBERS

<table>
<thead>
<tr>
<th>Radik Raufovich Gaizatullin</th>
<th>Laszlo Gerecs</th>
<th>Rene Frederik Steiner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Member of the Board of Directors of PJSC TATNEFT</td>
<td>Member of the Board of Directors of PJSC TATNEFT</td>
<td>Member of the Board of Directors of PJSC TATNEFT</td>
</tr>
<tr>
<td>Non-executive Director</td>
<td>Independent Director</td>
<td>Independent Director</td>
</tr>
<tr>
<td>Minister of Finance of the Republic of Tatarstan</td>
<td>Managing Director of G Petroconsulting Ltd</td>
<td>Program Director of Direct Private Investments of FIDES Business Partner AG</td>
</tr>
<tr>
<td></td>
<td>Member of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT</td>
<td>Chairman of the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT</td>
</tr>
</tbody>
</table>

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 participation of external auditors.
- 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 transactions 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

<table>
<thead>
<tr>
<th>IN ABSENIA MEETING</th>
<th>IN-PERSON MEETING</th>
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</thead>
<tbody>
<tr>
<td>41</td>
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</tbody>
</table>

ISSUES WERE CONSIDERED

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tr>
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NUMBER OF MEETINGS OF THE AUDIT COMMITTEE AND ISSUES CONSIDERED FOR THE PERIOD OF 2017-2019

<table>
<thead>
<tr>
<th>Topic</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Review of the consolidated financial statements with participation of external auditors</td>
<td>12</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Issues related to the selection of external auditors and confirmation of the independence of external auditors</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Issues related to the work of the Internal Audit Department (IAD)</td>
<td>12</td>
<td>15</td>
<td>14</td>
</tr>
<tr>
<td>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</td>
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<td>4</td>
<td>3</td>
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<tr>
<td>Review of the MSCI Report on Risks in Accounting and Corporate Governance</td>
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<td>-</td>
<td>1</td>
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<tr>
<td>Issues on disclosure of information on financial condition of PJSC TATNEFT in annual report for 2018</td>
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<td>-</td>
<td>1</td>
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<tr>
<td>On assessment of the current condition of corporate governance of PJSC TATNEFT</td>
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<td>-</td>
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<tr>
<td>Other</td>
<td>8</td>
<td>10</td>
<td>14</td>
</tr>
</tbody>
</table>

PARTICIPATION IN AUDIT COMMITTEE MEETINGS IN 2019

Levin Yu L. | 7/7 | 7/7 | 7/7 |
Gerecs L. | 7/7 | 7/7 | 7/7 |
Steiner R. | 7/7 | 7/7 | 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.К. Sabirov). All members of the Committee have the relevant knowledge, competence, and experience for the tasks of the Committee.

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

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 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.

COMMITTEE MEMBERS

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

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

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.

KEY ISSUES CONSIDERED BY THE HR AND REMUNERATION COMMITTEE IN 2019

<table>
<thead>
<tr>
<th>Topic</th>
<th>Number of issues considered</th>
<th>Number of meetings held</th>
</tr>
</thead>
<tbody>
<tr>
<td>On salary increase in the current financial year</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Review of the effectiveness of external and internal human resource management consultations</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Strategic development of the functional area “HR Management” of TATNEFT Group</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Key HR metrics</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Change in IT line of HR area</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Work-flow process the Committee’s work for job evaluation</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Implementation of a satisfaction rating system at PJSC TATNEFT</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Updated information on projects progress in key functional areas</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Approval of the Committee meeting schedule and work plan for 2020</td>
<td>1</td>
<td>4</td>
</tr>
</tbody>
</table>

PARTICIPATION IN HR AND REMUNERATION COMMITTEE MEETINGS IN 2019

| Rene Frederik Steiner | 3/3 |
| Rinat Kasimovich Sabirov | 3/3 |
| Yuri Lvovich Levin | 3/3 |
| Laszlo Gerecs | 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.

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.

Number of Meetings of the Corporate Governance Committee and Issues Considered for the Period of 2017-2019

<table>
<thead>
<tr>
<th>Year</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issues Considered</td>
<td>2</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>Meetings Held</td>
<td>2</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

Main issues considered by the Corporate Governance Committee in 2019:

- 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: 12
- Climate policy, carbon footprint reduction, favourable environment. Social involvements: 7
- Involvement of the Company in the UN Global Compact and integrating the Sustainable Development Goals: 6
- Development of the management system of controlled companies: 6
- Improvement of the risk management and internal control: 6
- 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

Committee Members

<table>
<thead>
<tr>
<th>Name</th>
<th>Role</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nuri Ismail Zatulovich Syubaev</td>
<td>Deputy General Director for Strategic Development. Member of the Board of Directors of PJSC TATNEFT. Member of the Management Board of PJSC TATNEFT</td>
</tr>
<tr>
<td>Vasili Aleksandrovich Mozgovoi</td>
<td>Assistant to the General Director for Corporate Finance of PJSC TATNEFT</td>
</tr>
<tr>
<td>Evgeny Aleksandrovich Tikhturov</td>
<td>Head of the Finance Department (until February 12, 2020). Member of the Management Board of PJSC TATNEFT (until February 28, 2020)</td>
</tr>
<tr>
<td>Natalia Evgenievna Dorpeko</td>
<td>Corporate Consultant to the General Director of PJSC TATNEFT</td>
</tr>
<tr>
<td>Rinat Kasimovich Sabirov</td>
<td>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</td>
</tr>
<tr>
<td>Nuriya Zufarova Valueva</td>
<td>Head of the Corporate Secretary of PJSC TATNEFT</td>
</tr>
</tbody>
</table>

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;
- Preparation of recommendations to the Board of Directors regarding the corporate practice issues:
**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.

The Deputy General Directors of PJSC TATNEFT manage the work and bear responsibility for the relevant business streams of the Company in accordance with the current legislation, the Articles of Association of PJSC TATNEFT and the Regulations on the General Director of PJSC TATNEFT, as well as the distribution of duties and responsibilities between the General Director and Deputy General Directors as 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.

**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.

Voskoboinikov Vladlen Aleksandrovich
Member of the Management Board of PJSC TATNEFT until November 1, 2019
- Head of the Consolidated Financial Statements Department of PJSC TATNEFT.
- 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.

Glazkov Nikolay Mikhailovich
Member of the Management Board of PJSC TATNEFT until June 21, 2019
- 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.

Ibragimov Nail Gabdulbarievich
Member of the Board of Directors of PJSC TATNEFT until February 28, 2020
- First Deputy General Director for Operations – Chief Engineer of PJSC TATNEFT.
- 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.

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 Nizhnekamskneftashkim
- Member of the Board of Directors of OJSC Tatneftkhimvnesot-holding
- Member of the Board of Directors of JSC Sovzavodneftneftashkim
- 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 AND Academy of Hockey AK BARS n.a. Y. I. MOISEEV
- 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 Syvazavodneftneftashkim
- 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 AND 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
Mukhamadeev
Rustam Nabiuillovich

Member of the Management Board
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.

Nurmukhametov
Rafail Saitovich

Member of the Board of Directors of PJSC TATNEFT
Head of NGDU Leninogorskneft of PJSC TATNEFT

- Born in 1949.
- In 1974, graduated from Ufa Petroleum Institute.

Tikhurov
Evgeny Aleksandrovich

Member of the Management Board of PJSC TATNEFT until December 23, 2019
Member of the Board of Directors of PJSC TATNEFT until February 28, 2020
Head of the Finance Department 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:
- Member of the Board of Directors of CJSC Okhtin-Oil.

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.

- 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 Azmakaevsk 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 Zaved 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.

Syubaev
Nurislam Zinatulovich

Share in the authorized capital of the Company, %
0.004204

Share of the Company’s ordinary stocks owned by the person, %
0.004264
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 Voskoboynikov 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 from 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.

Duration of work in the Management Board of PJSC TATNEFT

All the members of the Management Board have relevant work experience in the Company, professional knowledge and high business reputation.

Activities of the Management Board in 2019

In 2019, the Management Board considered several production and corporate issues and made the appropriate decisions.

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


Maganov Nail Ulfatovich (until November 28, 2019)
Voskoboynikov Vladlen Aleksandrovich (until November 28, 2019)
Glazkov Nikolay Mikhailovich (until February 28, 2020)
Mukhamadeev Rustam Nabiullovich (until December 23, 2019)
Tikhturov Evgeny Aleksandrovich (until February 28, 2020)
Syubaev Nurislam Zinatulovich (until June 23, 2020)
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.

Remuneration of the 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;
- remuneration 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 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 members of the Company’s Management Board amounted to 82 621.00 rubles.

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 members of the Company’s Management Board amounted to 82 621.00 rubles.

<table>
<thead>
<tr>
<th>Name of indicator</th>
<th>Rubles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for participation in the work of the management body</td>
<td>231 162 449,70</td>
</tr>
<tr>
<td>Salary</td>
<td>69 595 433,36</td>
</tr>
<tr>
<td>Bonus</td>
<td>98 955 714,91</td>
</tr>
<tr>
<td>Commissions</td>
<td>0,00</td>
</tr>
<tr>
<td>Other types of remuneration</td>
<td>53 182,41</td>
</tr>
<tr>
<td>TOTAL</td>
<td>231 162 449,70</td>
</tr>
<tr>
<td>Compensation</td>
<td>10 258 895,66</td>
</tr>
</tbody>
</table>

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.

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.
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**

- 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 exchange, 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 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. For all projects, the implementation of action plans is monitored.

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).
### Current Asset Management
- **Analysis of warehouse inventories, measures for stock balances involvement.**
- **Targeting of current assets norms.** Actual calculations of their achievement.
- **Management of receivables and payables.**
- **Advance payments management.**

<table>
<thead>
<tr>
<th>Audited Item</th>
<th>Subject of Audit</th>
<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Asset Management</td>
<td>- Conduct work with the inventory balance with the customers and suppliers.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Develop accounts payable management regulations.</td>
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<td></td>
<td>- Introduce tools to control the actual payment due dates regarding contractual obligations.</td>
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<td></td>
<td>- Update the Methodology for determining the indicators of accounts receivable turnover.</td>
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<td></td>
<td>- Expand the perimeter of corporate control in all major business areas (including Tire business).</td>
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<tr>
<td></td>
<td>- The effect of eliminating these shortcomings may amount to RUB 200-300 million.</td>
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</tbody>
</table>

### Procurement and balance standards of raw materials
- **Tatneft-Neftekhim Management Company**

<table>
<thead>
<tr>
<th>Audited Item</th>
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<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement and balance standards of raw materials</td>
<td>- Monitor purchases of tire companies using customs statistics.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Scientific &amp; 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.</td>
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<td></td>
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<tr>
<td></td>
<td>- 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”</td>
<td></td>
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<tr>
<td></td>
<td>- 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.</td>
<td></td>
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<td></td>
<td>- The effect of eliminating deficiencies can be up to RUB 250 million.</td>
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</tbody>
</table>

### 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 procurement regulations for risk areas and identification of indicators of negative events.

<table>
<thead>
<tr>
<th>Audited Item</th>
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<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of Regulations for sampling audits in risk areas</td>
<td>- Coordinate and approve the updated Anti-Corruption Policy and ensure the implementation of the anti-corruption activities described in the Anti-Corruption Policy.</td>
<td>Activities are approved. Activities are being implemented.</td>
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<tr>
<td></td>
<td>- According to the newly developed regulations, determine the responsibilities for the audit and put the documents into practice.</td>
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<tr>
<td></td>
<td>- 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 PJS C Tatneft.</td>
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</tbody>
</table>

### 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 contracts with procurement decisions.**
- **Automation of the procurement process.**

<table>
<thead>
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<th>Measures taken</th>
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</thead>
<tbody>
<tr>
<td>Procurement Department, Bank ZENIT PJSC</td>
<td>- The Bank’s Internal Audit Service should include audits of the procurement process in annual plans.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
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<tr>
<td></td>
<td>- Technical and commercial parts of offers must be submitted only through the electronic trading platform.</td>
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<td></td>
<td>- Include in the Regulations on contractual work the requirement of mandatory availability of justification (procurement decision) for concluding a contract.</td>
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<td></td>
<td>- To regulate the procedure for increasing volumes and changing the contract value without a new tender.</td>
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<td></td>
<td>- To strengthen control over compliance of the terms of the contract with the terms of the procurement decision.</td>
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<td></td>
<td>- The minimum effect of eliminating these shortcomings may be RUB 100-150 million.</td>
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<td></td>
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</tbody>
</table>

### Cost Management of Super-Viscous Oil Production Project (SVO Project)
- **Optimum procurement of materials, equipment and services by contractors under the key-construction contracts as part of SVO production project.**
- **Compliance with scheduled deadlines for the infrastructure facilities in SVO fields.**
- **Creation of the investment program for development of SVO fields.**

<table>
<thead>
<tr>
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<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost Management of Super-Viscous Oil Production Project (SVO Project)</td>
<td>- 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.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Approve schedules for works performance on the infrastructure facilities at the time of signing contracts.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- 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.</td>
<td></td>
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</tr>
<tr>
<td></td>
<td>- 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 &amp; Gas Exploration and Production in coordination with the Investment Department.</td>
<td></td>
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<tr>
<td></td>
<td>- The effect of eliminating deficiencies can be up to RUB 180 million.</td>
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</tbody>
</table>

### Oil metering by wells
- **Oil metering process by wells (water cut data and data on the additional oil production resulting from well interventions).**

<table>
<thead>
<tr>
<th>Audited Item</th>
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<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil metering by wells</td>
<td>- To develop and approve a methodology that excludes calculations of additional oil production from inefficient well interventions on injection wells.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- The concerned departments must increase the number of inspections conducted, water cut data of wells (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 out of wells products, apply disciplinary measures to employees who have committed violations.</td>
<td></td>
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<tr>
<td></td>
<td>- Based on the results of data reliability checks on water cut out of well products, analyze and develop action plans to prevent data falsification.</td>
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</tr>
</tbody>
</table>

### 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.**

<table>
<thead>
<tr>
<th>Audited Item</th>
<th>Subject of Audit</th>
<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social assets management</td>
<td>- Set a strategic objective to make profitable certain areas of the Complex of Social facilities.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
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<tr>
<td></td>
<td>- Reduce the structure of supported social assets based on the outlook analysis.</td>
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<tr>
<td></td>
<td>- Establish the management accounting and monitoring of key performance indicators.</td>
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<td></td>
<td>- Carry out factor analysis of changes in revenue and facility loading indicators.</td>
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<td></td>
<td>- Unify approaches to services pricing and loyalty programs, create a unified catalog of prices for services.</td>
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<td></td>
<td>- Develop sales channels, establish rates of commission fees of agencies taking into account their interest in promoting TATNEFT facilities.</td>
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<tr>
<td></td>
<td>- Introduce customer-oriented thinking, begin practical implementation of quality management principles.</td>
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</tbody>
</table>

### 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.**

<table>
<thead>
<tr>
<th>Audited Item</th>
<th>Subject of Audit</th>
<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Railway Transportation of crude oil and petroleum products by Tatneft-Trans LLC</td>
<td>- Organize the management accounting of revenues of railway wagons launching on railway lines and identify the party guilty of excess downtime.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Analyze the options of shutting out of loaded wagons without shipping data for paid storage in sidings on public railways of Russian Railways JSC.</td>
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<tr>
<td></td>
<td>- Bring the contractor agreements in line with the corporate requirements.</td>
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<tr>
<td></td>
<td>- Organize the implementation of procedure requirements for testing staff knowledge of contractors on industrial and workplace safety.</td>
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</tbody>
</table>

### Works with idle well stock
- **Investments in well intervention services for idle wells.**
- **Efficiency of using different well categories.**

<table>
<thead>
<tr>
<th>Audited Item</th>
<th>Subject of Audit</th>
<th>Key Recommendations</th>
<th>Measures taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>Works with idle well stock</td>
<td>- Ensure the implementation of regulatory documents establishing the requirements for wells included in the environmental program.</td>
<td>Activities are approved. Activities are being implemented.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- When pumping a pump (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.</td>
<td></td>
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<tr>
<td></td>
<td>- 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.</td>
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</tr>
</tbody>
</table>

### Corporate Governance

**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 TargaS-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 Galeyev
- 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 Jazilneft 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 2005, graduated from Kursk Financial and Economic Institute
- From 2013 to present, Deputy Head of the Management Department at PJSC TATNEFT
- From November 1, 2019 to December 1, 2019, Deputy Director of the Management Department of the Ministry of Land and Property Relations of the Republic of Tatarstan

Venera Gibadullovna Kuzmina
- Year of birth: 1946
- In 1972, graduated from the General Moscow Institute of Petrochemical and Gas Industry named after Academician IM 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

Salvat 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 Kashibulkhakovna 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. Galeyev was elected to the Revision Commission.

**Remuneration of the Revision Commission members**

<table>
<thead>
<tr>
<th>Name of indicator</th>
<th>RUB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remuneration for participation in the work of the control body</td>
<td>2,784,625,46</td>
</tr>
<tr>
<td>Awards</td>
<td>4,908,063,28</td>
</tr>
<tr>
<td>Other types of rewards</td>
<td>8,358,908,79</td>
</tr>
<tr>
<td>TOTAL</td>
<td>15,582,458,19</td>
</tr>
<tr>
<td>Compensation</td>
<td>0,00</td>
</tr>
</tbody>
</table>

**Remuneration Commission amounted to RUB 0.00. 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.
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.

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 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.

The Company uses the three line protection model.

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.

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- Timely and complete disclosure of information and protection of insider information.

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The Company uses the three line protection model.

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.

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.

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The Company uses the three line protection model.
In order to ensure the Company’s sustainable development, risk management is integrated into the decision-making mechanisms and management system in all areas of the activities.

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.

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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Risk management and internal control system

- Strategy and planning
- Compliance with legal requirements
- Corporate governance
- Safety and efficiency of assets
- Information technologies
- HSE 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

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Risk management and internal control principles

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.

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 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.

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 factors.
- 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.
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.


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 the UK as insider information and market manipulation.

D. Gamirov was appointed the Chairman of the Committee for Insider Information Protection by the Decision of the Committee (Minutes No. 5/2018 dated April 16, 2018).

The Insider Information Protection Committee

CHAIRMAN
Damar 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 Bespalov — 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
- Vaissi Alexandrovich Mozgovoi — Assistant to the Director General for Corporate Finance of PJSC TATNEFT
- Eldar Aygulgarievich Rakhmatulin — Head of the Internal Audit Department of PJSC TATNEFT
- Rifat Rikhtakov Khmadyarov — Deputy Chairman of Triada-Union Committee of PJSC TATNEFT

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 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.


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.
### NOTICE ON DISCLOSURE OF INFORMATION SUBJECT TO MANDATORY DISCLOSURE

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### INFORMATION ON VOLUNTARY DISCLOSURES

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**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:

- 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 employees 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 function and position, 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.

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**Executive bodies**

The Chief Executive Officer and members of the Management Board of the Company should refrain from taking actions that could lead to a 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:

- Regulation on the Organization of the Contractual Work in PJSC 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


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 activities 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

TATNEFT 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.

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 countering 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 / 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 the implementation of the requirements and decisions 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;
- 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.

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 countering involvement in corruption. Availability of the regulatory framework contributes to formation of employee behavior rules and counters 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.

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 10% 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 was 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 «register 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.

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 — 49 thousand contractors (existing suppliers), of which 7.5 thousand suppliers were registered in 2019, and more than 9 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 structure

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.

Use of materials, tonnes

<table>
<thead>
<tr>
<th>Material</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Packaging Material</td>
<td>25</td>
<td>5.0</td>
<td>8.4</td>
<td>14</td>
</tr>
<tr>
<td>Wood Packaging Material</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Packaging Wastes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completely recycled waste from packaging materials</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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.
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.

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.

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.

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-linia with a choice of the message subject.

When sending a message on the hot line, you can choose to receive feedback.

HOTLINE INFORMATION SYSTEM

8 800 100 4112  tn@88001004112.ru

TELEPHONE  E-MAIL

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

GROUP’S SHAREHOLDER RETURN IN 2019

192,3 BLN RUB

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 Oil and Gas Index, RTS Index, Moscow Exchange Index, Moscow Exchange blue chip index, MSCI Russia, MSCI Russia 10/40, MSCI Emerging Markets EMEA, MSCI Emerging Markets Quality Index.

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, 8 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.

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.
- Moscow Exchange blue chip index, MSCI Russia, MSCI Russia 10/40, MSCI Emerging Markets EMEA, MSCI Emerging Markets Quality Index.

Ordinary shares

- Moscow Exchange, TATN
- PJSC Moscow Exchange, TATNP
- PJSC Moscow Exchange, RU000A1018K1

ADRs

- FTSE Russia IBO, MSCI Russia ADR / GDR Index, S & P / BNY Mellon Russia Select DR Index, MVIS Russia Index.
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 distributed profit and maintaining a balance of short-term (income generation) and long-term (development of the Company) interests of shareholders.

The company adheres to a progressive dividend policy recognizing dividends as one of the key indicators of investment attractiveness for shareholders, and seeks to increase dividends based on the consistent growth of business profitability.

The company generates one of the highest levels of dividend yield.
**HISTORY OF DIVIDEND PAYMENTS FOR THE LAST 5 ENDED FISCAL YEARS**

<table>
<thead>
<tr>
<th>Year (period)</th>
<th>for 2014</th>
<th>for 2015</th>
<th>for 2016</th>
<th>for 9 months of 2017</th>
<th>for the 4. Q of 2017</th>
<th>for 2017 Total</th>
<th>for 6 months of 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total amount of accrued dividends (billion rubles)</td>
<td>24,671</td>
<td>25,455</td>
<td>53,005</td>
<td>64,623</td>
<td>28,287</td>
<td>93,908</td>
<td>70,494</td>
</tr>
<tr>
<td>Total amount of dividends paid (billion rubles)</td>
<td>24,587</td>
<td>25,468</td>
<td>53,005</td>
<td>64,561</td>
<td>28,262</td>
<td>92,821</td>
<td>70,324</td>
</tr>
<tr>
<td>Ordinary shares (% of par value)</td>
<td>105.8%</td>
<td>109.6%</td>
<td>229.8%</td>
<td>277.8%</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Preferred shares (% of par value)</td>
<td>10.58%</td>
<td>10.96%</td>
<td>22.81%</td>
<td>27.78%</td>
<td>121.6%</td>
<td>390.4%</td>
<td>302.3%</td>
</tr>
<tr>
<td>Dividends (% of net profit)</td>
<td>30%</td>
<td>30%</td>
<td>50.6%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
<td>75%</td>
</tr>
<tr>
<td>Date of decision to pay dividends</td>
<td>Annual General Meeting of Shareholders at the end of 2014, which was held on 25.06.2015, Minutes No. 22 dated 30.07.2015</td>
<td>Annual General Meeting of Shareholders at the end of 2015, which was held on 26.06.2016, Minutes No. 23 dated 29.06.2016</td>
<td>Annual General Meeting of Shareholders at the end of 2016, which was held on 23.06.2017, Minutes No. 24 dated 28.06.2017</td>
<td>Extraordinary General Meeting of Shareholders based on the results of 9 months of 2017, which took place on 12.06.2017, Minutes No. 25 dated 14.12.2017</td>
<td>Annual General Meeting of Shareholders at the end of 2017, which was held on 22.06.2018, Minutes No. 26 dated 27.06.2018</td>
<td>Extraordinary General Meeting of Shareholders based on the results of 9 months of 2018, which was held on 28.09.2018, Minutes No. 27 dated 29.09.2018</td>
<td>-</td>
</tr>
</tbody>
</table>

**Date of actual payment**


**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:**

- 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 months of 2019, which was held on 13.09.2019, Minutes No. 29 dated 25.06.2019.
- recommend to the General Meeting of Shareholders to:**

- 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 months of 2019, which was held on 13.09.2019, Minutes No. 29 dated 25.06.2019.
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;
- receive dividends declared by the Company in proportion to the number of shares owned by the shareholder;
- 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.

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 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.

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 employees of the Company to communicate with shareholders, making appropriate decisions.

In 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.

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.

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 period:

- Presentation for investors (Operating activities results of 2018, plans for 2019, April 2019).
- Presentation for investors (IFRS results for Q1 of 2019), July 2019.

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 mandatory disclosure and publication of any information that is material and may affect the value of the Company’s securities.

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.

### 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, the course of interaction with investors and analysts is English.

### Statistics of the Shareholders’ Inquiries in 2016-2019

<table>
<thead>
<tr>
<th>N°</th>
<th>Name of Inquiry</th>
<th>Number of Inquiries</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2016</td>
</tr>
<tr>
<td>1</td>
<td>Updating personal data</td>
<td>203</td>
</tr>
<tr>
<td>2</td>
<td>Registration of inheritance rights</td>
<td>150</td>
</tr>
<tr>
<td>3</td>
<td>Selling and redemption of shares</td>
<td>57</td>
</tr>
<tr>
<td>4</td>
<td>Dividend payment</td>
<td>1,285</td>
</tr>
<tr>
<td>5</td>
<td>Providing certificate under 2-NDFL form</td>
<td>103</td>
</tr>
<tr>
<td>6</td>
<td>Issues related to the General Meeting of Shareholders</td>
<td>43</td>
</tr>
<tr>
<td>7</td>
<td>Inquiries of rotary, court</td>
<td>61</td>
</tr>
<tr>
<td>8</td>
<td>Other issues</td>
<td>83</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>1,165</td>
</tr>
</tbody>
</table>

The key priority of the Company’s interaction with shareholders and the investment community as a whole is building a dialogue and effective feedback from investors and analysts, reviewing and discussing their opinions about the Company and its investment history by responsible managers, making appropriate decisions.

The main language of communication with investors and analysts is English.

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, the course of interaction with investors and analysts is English.

In 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 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 period:

- Presentation for investors (Operating activities results of 2018, plans for 2019, April 2019).
- Presentation for investors (IFRS results for Q1 of 2019), July 2019.

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, the course of interaction with investors and analysts is English.

In 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.

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 period:

- Presentation for investors (Operating activities results of 2018, plans for 2019, April 2019).
- Presentation for investors (IFRS results for Q1 of 2019), July 2019.
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.

7,000
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.

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 (SRI).

FOCUS 2020
Formation of target values in the field of sustainable development.

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.

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.

ENVIRONMENTAL ASPECT
Compliance with the UN goals
- Environment protection.
- Use of recyclable materials.
- Use of environment-friendly energy sources.
- Energy saving.
- 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.

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 reserves.
- Good working conditions.
- Development of effective corporate communication with all stakeholders.
- Implementation of best social practices.

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.

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.
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 responsible 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.

Responsibility to stakeholders

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».

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 comprehensive 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 2018, 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.

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.

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.

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 15 times.

In 2019, in 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 and the safety of the workforce, prevent industrial injuries and occupational diseases. Members of the Committee 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. The committees participate in the preparation of the Section «Occupational Health and Safety», the collective agreement and agreement on the positive solution of occupational health and safety issues. The committees also 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. The committees have the obligation to protect the health of employees, ensure safe working conditions for the workforce, participate in the development of health and safety management programs, monitor compliance with the requirements of industrial safety and labor protection in the workplace, inform employees about the state of working 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 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.


In 2018, the Company launched the ISLPE, emergency prevention based on the introduction of modern information technologies, methods of technical diagnostics and remote monitoring.

The systematic work of the Committee on ensuring occupational health and safety in the workplace. The Company implements international standards ISO 14001:2015 «Environmental Management System» and ISO 45001:2018 «Occupational Health and Safety Management System». 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.
**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 of 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 (BIA) 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.

**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 of 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 System of Yamashneft and Tyugeevsky Fields (SZN-110, DMS-29)» 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.

**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 Tatneftgaspererabotka 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.

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 Almetyevsk.

**SUSTAINABLE DEVELOPMENT**

**EXPENSES FOR THE ENVIRONMENTAL ACTIVITY IN ACCORDANCE WITH THE EUROPEAN CLASSIFICATION OF ENVIRONMENTAL ACTIVITIES (CEPA 2000)**

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>Production of APG, mln m³</td>
<td></td>
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<tr>
<td>APG utilization, t/m³</td>
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<tr>
<td>APG utilization rate, %</td>
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**EXPENSES FOR ENVIRONMENTAL PROTECTION IN TATNEFT GROUP FOR THE PERIOD OF 2017-2019, RUB MLN**

<table>
<thead>
<tr>
<th>Environmental Protection Area</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>For waste water treatment</td>
<td></td>
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<td></td>
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<tr>
<td>For the protection and utilization of surface and underground water</td>
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<td></td>
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<tr>
<td>For waste water treatment</td>
<td></td>
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<tr>
<td>For research and development activities aimed at reducing negative environmental impacts on the environment</td>
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<tr>
<td>For ensuring radiation safety of the environment</td>
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**EXPENSES FOR THE ENVIRONMENTAL ACTIVITY IN ACCORDANCE WITH THE EUROPEAN CLASSIFICATION OF ENVIRONMENTAL ACTIVITIES (CEPA 2000)**

<table>
<thead>
<tr>
<th>Activity Area</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
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<tbody>
<tr>
<td>For biodiversity protection and natural areas conserv.</td>
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<tr>
<td>For reducing negative environmental impacts on the environment</td>
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<tr>
<td>For ensuring radiation safety of the environment</td>
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</table>

**DYNAMICS OF THE LEVEL OF APG UTILIZATION IN TATNEFT GROUP**

<table>
<thead>
<tr>
<th>Year</th>
<th>APG utilization, t/m³</th>
<th>APG utilization rate, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td></td>
<td></td>
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<tr>
<td>2018</td>
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<tr>
<td>2019</td>
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</table>
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 per year.

IN 2019, THE COMPANY OPENED 2 TARGETED PROJECTS TO REDUCE THE CARBON FOOTPRINT:

- 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.

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 gas sources such as methane (8.4 thousand tons) and nitrous oxide (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 min saplings and bushes were planted. In 2020, it is planned to plant more than 3 min saplings.

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 system 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.

Emergency prevention and recovery
The system of prevention and recovery of emergency caused by oil and petrol-sensitive 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 barriers are maintained in working condition.

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 (PROCOPP) for 5 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 inexecutable use.
Personnel

Tatneft Group provides about 60 thousand jobs at 105 enterprises in the Russian Federation and abroad.

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.

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.

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.

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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 that were implemented, and 31 employees were certified.

In 2019, the Company spent 214,273,2 thousand rubles to train its personnel.

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 five 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-500». Much attention is paid by the Company’s management to the development of unique (losing) competencies of employees for the implementation of promising projects.

In 2019, the Company spent 214,273,2 thousand rubles to train its personnel.

Average monthly wage of PJSC Tatneft

Payroll fund of employees of PJSC Tatneft

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>16,645</td>
<td>16,646</td>
</tr>
<tr>
<td>2018</td>
<td>16,466</td>
<td>16,464</td>
</tr>
<tr>
<td>2019</td>
<td>17,820</td>
<td>17,820</td>
</tr>
</tbody>
</table>

Number of employees who have completed training, broken down by category of employees and by gender, persons

<table>
<thead>
<tr>
<th>Employee category</th>
<th>Total</th>
<th>Including men</th>
<th>Including women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managers</td>
<td>2,818</td>
<td>1,767</td>
<td>1,051</td>
</tr>
<tr>
<td>Specialists</td>
<td>7,050</td>
<td>1,801</td>
<td>1,099</td>
</tr>
<tr>
<td>Officers</td>
<td>70</td>
<td>7</td>
<td>63</td>
</tr>
<tr>
<td>Workers</td>
<td>12,464</td>
<td>9,535</td>
<td>2,929</td>
</tr>
<tr>
<td>Total</td>
<td>23,153</td>
<td>14,530</td>
<td>8,643</td>
</tr>
</tbody>
</table>
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 7%.

In order to develop business administration competencies, managers are implementing «EMBA Target Educational Program for Personal Reserve «TOP 100», «EMBA Target Educational Program for Personal Reserve «TOP 300» and «Top Talent 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 PJSC Tatneft and the Youth Council of the oil and gas industry held by the Ministry of Energy of the Russian Federation.

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 7%.

In order to develop business administration competencies, managers are implementing «EMBA Target Educational Program for Personal Reserve «TOP 100», «EMBA Target Educational Program for Personal Reserve «TOP 300» and «Top Talent 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.

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 Mirapoli - the Single Platform for Employee Training and Development of Tatneft Group.

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 workplaces.

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 pensioners, 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.

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».
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.

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 partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership.

The number of pensioners of PJSC Tatneft receiving non-state pensions is 9,508 persons. In Tatneft Group - 17,155 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).

In accordance with the Collective Agreement of PJSC Tatneft, employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership, in accordance with which the Company and its employees form a future corporate pension by joint efforts on a partnership.

The number of employees of PJSC Tatneft participating in the corporate program of non-state pension is 8,409 persons. The actual expenses of PJSC Tatneft for non-state pension provision in 2019 amounted to RUB 86,541 thousand.

The increase in the amount of payments in 2018 was due to the annual indexation of the amount of benefits and guarantees.

The Company provides organization and payment of medical and other services under 4 programs: «Outpatient Services», «Inpatient Services», «Rehabilitation Treatments» and «Comprehensive Medical Care».

In order to reduce infectious diseases, annual seasonal immunophrophylaxis 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 Balakurina Rosset, JSC («Siberia», «Katu» and «Balakurina») underwent sanatorium rehabilitation.

The preferential category of citizens of the Russian Federation, children and citizens who, if medically required, need rehabilitation are treated in the Company’s sanatoriums.

In 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, based on 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 workforce 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.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>203,0</td>
</tr>
<tr>
<td>2018</td>
<td>223,6</td>
</tr>
<tr>
<td>2019</td>
<td>223,6</td>
</tr>
</tbody>
</table>

Source: CBU/TK

The total amount of social payments to non-working pensioners under sections 6, 7 of the Collective Agreement of PJSC Tatneft, RUB mln

<table>
<thead>
<tr>
<th>Year</th>
<th>RUB mln</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>57,0</td>
</tr>
<tr>
<td>2018</td>
<td>55,9</td>
</tr>
<tr>
<td>2019</td>
<td>56,9</td>
</tr>
</tbody>
</table>

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.

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.

In order to reduce infectious diseases, annual seasonal immunophrophylaxis 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 Balakurina Rosset, JSC («Siberia», «Katu» and «Balakurina») underwent sanatorium rehabilitation.

The preferential category of citizens of the Russian Federation, children and citizens who, if medically required, need rehabilitation are treated in the Company’s sanatoriums.

In 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.
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 348.8 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 electrophysiological catheters, 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, 11,516 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 317 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.

**SAEED PAKHOMOV, General Director of PJSC TATNEFT.**

**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 PJSC 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 Almetyevsk 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
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.
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 Astakovo, 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 makes 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.
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 accounting processes and controls, and the industry in which the Group operates.

We identified the following significant reporting units where we performed full-scope audit procedures: PJSC Tatneft (parent holding company, located in Almetyevsk), JSC TANECO (oil refinery 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.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an 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 Almetyevsk), JSC TANECO (oil refinery 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.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than 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.
### CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
(IN MILLIONS OF RUSSIAN RUBLES)

<table>
<thead>
<tr>
<th>Note</th>
<th>31 December 2019</th>
<th>31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>6</td>
<td>25,157</td>
</tr>
<tr>
<td>Banking: Mandatory reserve deposits with the Bank of Russia</td>
<td>7</td>
<td>1,572</td>
</tr>
<tr>
<td>Short-term accounts receivable, net</td>
<td>8</td>
<td>84,706</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>9</td>
<td>33,880</td>
</tr>
<tr>
<td>Other short-term financial assets</td>
<td>9</td>
<td>2,773</td>
</tr>
<tr>
<td>Inventories</td>
<td>10</td>
<td>53,379</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>11</td>
<td>20,770</td>
</tr>
<tr>
<td>Prepaid income tax</td>
<td>12</td>
<td>4,838</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>13</td>
<td>1,112</td>
</tr>
<tr>
<td>Total current assets</td>
<td>253,127</td>
<td>311,732</td>
</tr>
<tr>
<td>Long-term accounts receivable, net</td>
<td>7</td>
<td>7,880</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>8</td>
<td>102,572</td>
</tr>
<tr>
<td>Other long-term financial assets</td>
<td>9</td>
<td>83,578</td>
</tr>
<tr>
<td>Investments in associates and joint ventures</td>
<td>12</td>
<td>774</td>
</tr>
<tr>
<td>Property, plant and equipment, net</td>
<td>12</td>
<td>768,735</td>
</tr>
<tr>
<td>Right-of-use assets</td>
<td>13</td>
<td>13,658</td>
</tr>
<tr>
<td>Deferred income tax assets</td>
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<td>2,771</td>
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<tr>
<td>Other long-term assets</td>
<td>15</td>
<td>8,622</td>
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<tr>
<td>Total non-current assets</td>
<td>985,512</td>
<td>889,556</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>1,238,639</td>
<td>1,201,288</td>
</tr>
<tr>
<td><strong>LIABILITIES AND SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes payable</td>
<td>14</td>
<td>27,465</td>
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<tr>
<td>Income tax payable</td>
<td>15</td>
<td>996</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>16</td>
<td>889</td>
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<tr>
<td>Total current liabilities</td>
<td></td>
<td>358,093</td>
</tr>
<tr>
<td>Long-term debt, net of current portion</td>
<td>17</td>
<td>21,657</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>18</td>
<td>2,522</td>
</tr>
<tr>
<td>Banking: Customer accounts</td>
<td>19</td>
<td>1,381</td>
</tr>
<tr>
<td>Decommissioning provision, net of current portion</td>
<td>19</td>
<td>50,347</td>
</tr>
<tr>
<td>Lease liabilities, net of current portion</td>
<td>20</td>
<td>7,512</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>20</td>
<td>31,486</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>20</td>
<td>5,512</td>
</tr>
<tr>
<td>Total non-current liabilities</td>
<td></td>
<td>128,416</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td>486,509</td>
<td>424,507</td>
</tr>
<tr>
<td><strong>SHAREHOLDERS’ EQUITY</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Preferred shares (authorized 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)</td>
<td>20</td>
<td>746</td>
</tr>
<tr>
<td>Ordinary shares (authorized 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)</td>
<td>20</td>
<td>11,021</td>
</tr>
<tr>
<td>Additional paid-in capital</td>
<td></td>
<td>84,437</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td></td>
<td>1,073</td>
</tr>
<tr>
<td>Retained earnings</td>
<td></td>
<td>658,854</td>
</tr>
<tr>
<td>Loss: Ordinary shares held in treasury, at cost (75,636,725 shares at 31 December 2019 and 75,483,000 at 31 December 2018, respectively)</td>
<td></td>
<td>10,353</td>
</tr>
<tr>
<td><strong>Total Group shareholders’ equity</strong></td>
<td></td>
<td>745,532</td>
</tr>
<tr>
<td><strong>Non-controlling interest</strong></td>
<td></td>
<td>752,130</td>
</tr>
<tr>
<td><strong>Total shareholders’ equity</strong></td>
<td></td>
<td>1,238,639</td>
</tr>
<tr>
<td><strong>Total liabilities and equity</strong></td>
<td></td>
<td>1,238,639</td>
</tr>
</tbody>
</table>
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (IN MILLIONS OF RUSSIAN RUBLES)

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and other operating revenues on non-banking activities, net</td>
<td>25</td>
<td>932,296</td>
</tr>
</tbody>
</table>

COSTS AND OTHER DEDUCTIONS ON NON-BANKING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating expenses</td>
<td>(140,040)</td>
<td>(132,215)</td>
</tr>
<tr>
<td>Purchased crude oil and refined products</td>
<td>(58,152)</td>
<td>(76,286)</td>
</tr>
<tr>
<td>Exploration</td>
<td>(1,006)</td>
<td>(688)</td>
</tr>
<tr>
<td>Transportation</td>
<td>(37,356)</td>
<td>(38,252)</td>
</tr>
<tr>
<td>Selling, general and administrative</td>
<td>(52,637)</td>
<td>(49,700)</td>
</tr>
<tr>
<td>Depreciation, depletion and amortization</td>
<td>(30,365)</td>
<td>(30,522)</td>
</tr>
<tr>
<td>Impairment losses on financial assets, net of reversal</td>
<td>(6,757)</td>
<td>(4,955)</td>
</tr>
<tr>
<td>Impairment losses and losses on disposal of property, plant and equipment and other non-financial assets, net of reversal</td>
<td>(30,875)</td>
<td>(5,874)</td>
</tr>
<tr>
<td>Taxes other than income taxes</td>
<td>(9,340)</td>
<td>(5,613)</td>
</tr>
<tr>
<td>Maintenance of social infrastructure and transfer of social assets</td>
<td>(3,340)</td>
<td>(5,815)</td>
</tr>
<tr>
<td>Total costs and other deductions on non-banking activities</td>
<td>(678,922)</td>
<td>(645,759)</td>
</tr>
<tr>
<td>Loss on disposal of interests in subsidiaries and associates, net</td>
<td>(49)</td>
<td>(1,842)</td>
</tr>
<tr>
<td>Operating profit, net</td>
<td>993</td>
<td>488</td>
</tr>
<tr>
<td>Operating profit on non-banking activities</td>
<td>254,826</td>
<td>262,421</td>
</tr>
</tbody>
</table>

NET INTEREST, FEE AND COMMISSION AND OTHER OPERATING INCOME/(EXPENSES) AND GAINS/(LOSSES) ON BANKING ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest, fee and commission income</td>
<td>23,245</td>
<td>23,259</td>
</tr>
<tr>
<td>Interest, fee and commission expense</td>
<td>23,24</td>
<td>(12,118)</td>
</tr>
<tr>
<td>Net expense on creating provision for credit losses associated with debt financial assets</td>
<td>462</td>
<td>(1,330)</td>
</tr>
<tr>
<td>Operating expenses</td>
<td>(8,871)</td>
<td>(10,019)</td>
</tr>
<tr>
<td>Gain/(loss) arising from dealing in foreign currencies, net</td>
<td>70</td>
<td>(205)</td>
</tr>
<tr>
<td>Other operating income/(expense), net</td>
<td>2,099</td>
<td>(31)</td>
</tr>
<tr>
<td>Total net interest, fee and commission and other operating income/(expense) and gains/(losses) on banking activities</td>
<td>2,302</td>
<td>557</td>
</tr>
</tbody>
</table>

OTHER INCOME/(EXPENSES)

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foreign exchange loss/gain, net</td>
<td>30</td>
<td>(207)</td>
</tr>
<tr>
<td>Interest income on non-banking activities</td>
<td>22</td>
<td>1,201</td>
</tr>
<tr>
<td>Interest expense on non-banking activities, net of amounts capitalised</td>
<td>22</td>
<td>(5,407)</td>
</tr>
<tr>
<td>Share of results of associates and joint ventures, net</td>
<td>127</td>
<td>(32)</td>
</tr>
</tbody>
</table>

Note Y ear ended 31 December 2019 | Year ended 31 December 2018 |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total other (expense)/income, net</td>
<td>(4,286)</td>
<td>9,811</td>
</tr>
<tr>
<td>Profit before income tax</td>
<td>202,342</td>
<td>273,789</td>
</tr>
</tbody>
</table>

INCOME TAX

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td>(5,762)</td>
<td>(5,819)</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>(1,816)</td>
<td>(4,226)</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(14)</td>
<td>(62,24)</td>
</tr>
<tr>
<td>Profit for the period</td>
<td>192,896</td>
<td>215,548</td>
</tr>
</tbody>
</table>

OTHER COMPREHENSIVE INCOME/(LOSS) NET OF INCOME TAX

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Items that may be reclassified subsequently to profit or loss:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign currency translation adjustments</td>
<td>(509)</td>
<td>(76)</td>
</tr>
<tr>
<td>Gain on debt financial assets at fair value through other comprehensive income, net</td>
<td>(225)</td>
<td>(510)</td>
</tr>
<tr>
<td>Actuarial (loss)/gain on employee benefit plans</td>
<td>(377)</td>
<td>334</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>509</td>
<td>152</td>
</tr>
<tr>
<td>Total comprehensive income for the period</td>
<td>193,327</td>
<td>211,700</td>
</tr>
<tr>
<td>Profit/(loss) attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Group shareholders</td>
<td>192,840</td>
<td>211,812</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>558</td>
<td>(264)</td>
</tr>
<tr>
<td>Total comprehensive income attributable to: Group shareholders</td>
<td>192,840</td>
<td>211,812</td>
</tr>
<tr>
<td>Non-controlling interest</td>
<td>558</td>
<td>(264)</td>
</tr>
<tr>
<td>Total comprehensive income attributable to: Group shareholders</td>
<td>192,343</td>
<td>210,964</td>
</tr>
<tr>
<td>Basic and diluted earnings per share (RR)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary</td>
<td>85.43</td>
<td>93.89</td>
</tr>
<tr>
<td>Preferred</td>
<td>85.43</td>
<td>93.89</td>
</tr>
<tr>
<td>Weighted average shares outstanding (millions of shares)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary</td>
<td>20</td>
<td>2,393</td>
</tr>
<tr>
<td>Preferred</td>
<td>146</td>
<td>146</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(IN MILLIONS OF RUSSIAN RUBLES)

### Attributable to Group shareholders

<table>
<thead>
<tr>
<th>Number of shares (thousands)</th>
<th>Share capital</th>
<th>Additional paid-in capital</th>
<th>Treasury shares</th>
<th>Actuarial (loss)/gain on employee benefit plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2,250,716</td>
<td>11,767</td>
<td>84,437</td>
<td>(10,359)</td>
</tr>
</tbody>
</table>

### Balance at 1 January 2018

<table>
<thead>
<tr>
<th></th>
<th>1,677</th>
<th>1,846</th>
<th>617,295</th>
<th>704,900</th>
<th>4,822</th>
<th>709,722</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit/(loss) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of non-controlling interest in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of non-controlling interest in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends declared (Note 20)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December 2018</td>
<td>1,601</td>
<td>1,740</td>
<td>683,508</td>
<td>771,265</td>
<td>5,516</td>
<td>776,781</td>
</tr>
</tbody>
</table>

### Balance at 1 January 2019

<table>
<thead>
<tr>
<th></th>
<th>1,601</th>
<th>1,740</th>
<th>683,508</th>
<th>771,265</th>
<th>5,516</th>
<th>776,781</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other comprehensive income/(loss) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income/(loss) for the year</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Acquisition of non-controlling interest in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of non-controlling interests in subsidiaries</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Dividends declared (Note 20)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Balance at 31 December 2019</td>
<td>1,092</td>
<td>1,895</td>
<td>658,614</td>
<td>745,532</td>
<td>6,598</td>
<td>762,130</td>
</tr>
</tbody>
</table>
## CONSOLIDATED STATEMENT OF CASH FLOWS

**(IN MILLIONS OF RUSSIAN RUBLES)**

<table>
<thead>
<tr>
<th>Note</th>
<th>Operating Activities</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Profit for the year</td>
<td>192,818</td>
<td>211,548</td>
</tr>
<tr>
<td></td>
<td>Adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Net interest, fee and commission and other operating income and gains on banking activities</td>
<td>(2,302)</td>
<td>(557)</td>
</tr>
<tr>
<td></td>
<td>Depreciation, depletion and amortization</td>
<td>12,135</td>
<td>30,520</td>
</tr>
<tr>
<td></td>
<td>Income tax expense</td>
<td>14</td>
<td>820</td>
</tr>
<tr>
<td></td>
<td>Impairment losses on financial assets net of reversal</td>
<td>7,9</td>
<td>14,955</td>
</tr>
<tr>
<td></td>
<td>Impairment losses and losses on disposal of property, plant and equipment and other non-financial assets net of reversal</td>
<td>12</td>
<td>5,874</td>
</tr>
<tr>
<td></td>
<td>Loss on disposals of interests in subsidiaries and associates, net</td>
<td>49</td>
<td>1,642</td>
</tr>
<tr>
<td></td>
<td>Effects of foreign exchange</td>
<td>23</td>
<td>1,646</td>
</tr>
<tr>
<td></td>
<td>Equity investments gain net of dividends received</td>
<td>(52)</td>
<td>32</td>
</tr>
<tr>
<td></td>
<td>Interest income on non-banking activities</td>
<td>22</td>
<td>5,493</td>
</tr>
<tr>
<td></td>
<td>Interest expense on non-banking activities, net of amounts capitalised</td>
<td>32</td>
<td>3,500</td>
</tr>
<tr>
<td></td>
<td>Other</td>
<td>(958)</td>
<td>807</td>
</tr>
<tr>
<td></td>
<td>Changes in operational working capital, excluding cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accounts receivable</td>
<td>(7,252)</td>
<td>(27,768)</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>(5,442)</td>
<td>(11,015)</td>
</tr>
<tr>
<td></td>
<td>Prepaid expenses and other current assets</td>
<td>1,961</td>
<td>152</td>
</tr>
<tr>
<td></td>
<td>Securities at fair value through profit or loss</td>
<td>(1,894)</td>
<td>1,534</td>
</tr>
<tr>
<td></td>
<td>Accounts payable and accrued liabilities</td>
<td>13,909</td>
<td>4,693</td>
</tr>
<tr>
<td></td>
<td>Taxes payable</td>
<td>(5,692)</td>
<td>10,939</td>
</tr>
<tr>
<td></td>
<td>Net cash provided by non-banking operating activities before income tax and interest</td>
<td>331,495</td>
<td>303,585</td>
</tr>
<tr>
<td></td>
<td>Net interest, fee and commission and other operating income and gains on banking activities</td>
<td>2,302</td>
<td>557</td>
</tr>
<tr>
<td></td>
<td>Changes in operational working capital on banking activities, excluding cash:</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Accounts receivable</td>
<td>303</td>
<td>46</td>
</tr>
<tr>
<td></td>
<td>Due from banks</td>
<td>(5,319)</td>
<td>(569)</td>
</tr>
<tr>
<td></td>
<td>Banking loans to customers</td>
<td>5,542</td>
<td>(15,107)</td>
</tr>
<tr>
<td></td>
<td>Due to banks and the Bank of Russia</td>
<td>5,954</td>
<td>(15,346)</td>
</tr>
<tr>
<td></td>
<td>Customers accounts</td>
<td>(7,646)</td>
<td>16,471</td>
</tr>
<tr>
<td></td>
<td>Debt securities issued</td>
<td>(985)</td>
<td>(2,298)</td>
</tr>
</tbody>
</table>

## INVESTING ACTIVITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Additions to property, plant and equipment</td>
<td>(35,094)</td>
</tr>
<tr>
<td></td>
<td>Proceeds from disposal of property, plant and equipment</td>
<td>1,678</td>
</tr>
<tr>
<td></td>
<td>Net cash outflow on acquisition of subsidiaries</td>
<td>29</td>
</tr>
<tr>
<td></td>
<td>Cash (outflow)/inflow from disposal of subsidiaries and associates, net of disposed cash</td>
<td>(19)</td>
</tr>
<tr>
<td></td>
<td>Purchase of securities at fair value through other comprehensive income</td>
<td>(48,185)</td>
</tr>
<tr>
<td></td>
<td>Purchase of securities at amortised cost</td>
<td>(1,268)</td>
</tr>
<tr>
<td></td>
<td>Proceeds from disposal of securities at fair value through other comprehensive income</td>
<td>49,724</td>
</tr>
<tr>
<td></td>
<td>Proceeds from redemption of securities at amortised cost</td>
<td>9,067</td>
</tr>
<tr>
<td></td>
<td>Proceeds from sale of non-current assets held for sale</td>
<td>1,198</td>
</tr>
<tr>
<td></td>
<td>Proceeds from investments in associates and joint ventures</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Proceeds from redemption of bank deposits</td>
<td>27,198</td>
</tr>
<tr>
<td></td>
<td>Placement of bank deposits</td>
<td>(27,936)</td>
</tr>
<tr>
<td></td>
<td>Proceeds from redemption of loans and notes receivable</td>
<td>9</td>
</tr>
<tr>
<td></td>
<td>Issuance of loans and notes receivable</td>
<td>(642)</td>
</tr>
<tr>
<td></td>
<td>(Purchase)/proceeds from disposal of other non-current assets</td>
<td>3,218</td>
</tr>
<tr>
<td></td>
<td>Net cash used in investing activities</td>
<td>(103,892)</td>
</tr>
</tbody>
</table>

## FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Note</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Proceeds from issuance of debt from non-banking activities</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Repayment of debt from non-banking activities</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Issuance of bonds</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Redemption of bonds</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Repayment of subordinated debt</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>Dividends paid to shareholders</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Dividends paid to non-controlling shareholders</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Proceeds from government grants</td>
<td>19</td>
</tr>
<tr>
<td></td>
<td>Net cash used in financing activities</td>
<td>(184,205)</td>
</tr>
<tr>
<td></td>
<td>Net change in cash and cash equivalents</td>
<td>(39,291)</td>
</tr>
<tr>
<td></td>
<td>Effect of foreign exchange on cash and cash equivalents</td>
<td>(1,047)</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents at the beginning of the year</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Cash and cash equivalents at the end of the year</td>
<td>6</td>
</tr>
</tbody>
</table>

## CONSOLIDATED STATEMENT OF CASH FLOWS

**Note**

<table>
<thead>
<tr>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities at fair value through profit or loss</td>
<td>(3,948)</td>
</tr>
<tr>
<td>Net cash used in banking operating activities before income tax</td>
<td>(17,201)</td>
</tr>
<tr>
<td>Income taxes paid</td>
<td>(94,263)</td>
</tr>
<tr>
<td>Interest paid on non-banking activities</td>
<td>(2,222)</td>
</tr>
<tr>
<td>Interest received on non-banking activities</td>
<td>1,002</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>248,806</td>
</tr>
</tbody>
</table>
Notes to the Consolidated Financial Statements

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 exerts 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.

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 (“FVPL”) and at fair value through other comprehensive income (“FVOCI”).

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 refocusing of earnings, cash flows and other disclosures in the Tax Code of the Russian Federation the “Tax Code”) in connection with the introduction of the “negative” or “reverse 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”.

Noteworthy Interests

CONSOLIDATION

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct the 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 cesse.

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 values 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 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 and 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.

ASSOCIATES AND JOINT VENTURES

Associates and joint ventures are entities over which the Group has significant influence (directly or indirectly), but not control. They are accounted for using the equity method of accounting, after considering involvement with the entity and measuring the Group’s share of the entity’s equity at each reporting date. Joint ventures are accounted for using the equity method of accounting where the Group’s share of other comprehensive income is recognised in other comprehensive income and presented separately. 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. The Group’s share of other comprehensive income recognised in other comprehensive income and presented separately.

The official rates of exchange, as published by the Central Bank of the Russian Federation (“the Bank of Russia”), of the Russian Ruble (“R”) to the US Dollar (“US $”) on 31 December 2019 and 31 December 2018 were R61.91 and R69.47 to US $, respectively. Average rates of exchange for the years ended 31 December 2019 and 31 December 2018 were RR 64.74 and RR 62.67 per US $, respectively.

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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...
MEASUREMENT TERMS

and amortised discount or premium (including fees deferred at

the date of the assessment. Factors of sited by the Group in determining the business model include

the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest entities and the next interest payment 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 original 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 con-

Actuarial assumptions

both the contractual cash flows and the cash flows arising from the sale of mortgage pass-through securities (if any) that the Group has the ability to 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 (a port-

FAIR VALUE MEASUREMENTS – 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 instruments with embedded derivatives are considered as part of the business model when determining their business model if their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contract con-

financial instruments are initially recorded at fair value as-

The Group assesses whether the cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contract con-

FINANCIAL INSTRUMENTS – Initial RECOGNITION

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value allowed 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 where a revaluation allowance has been set up. Fair value of financial instruments is based on observable inputs. The amount of the revaluation allowance is recognised in OCI as gains less losses on disposals of available-for-sale financial instruments.

All purchases and sales of financial assets that require deliv-

FINANCIAL INSTRUMENTS – INITIAL RECOGNITION

Financing instruments are initially recorded at fair value with revaluation adjustments being reflected through OCI, if any. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded where a revaluation allowance has been set up. Fair value of financial instruments is based on observable inputs. The amount of the revaluation allowance is recognised in OCI as gains less losses on disposals of available-for-sale financial instruments.

All purchases and sales of financial assets that require deliv-

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 instruments with embedded derivatives are considered as part of the business model when determining their business model if their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contract con-

FAIR VALUE MEASUREMENTS – 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 instruments with embedded derivatives are considered as part of the business model when determining their business model if their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contract con-

FINANCIAL INSTRUMENTS – RECLASSIFICATION

Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The recategorisation becomes effective and takes place at 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 rec-

The Group applies a three stage model for impairment, based on changes in credit quality since initial recogni-

three-stage model for impairment, based on changes in credit quality since initial recogni-

The Group assesses whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial

The Group sometimes renegotiates or otherwise modifies the contractual terms of its financial assets. The Group assesses whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial and whether the modification of contractual cash flows is substantial

The Group sometimes renegotiates or otherwise modifies the contractual terms of its financial assets. The Group assesses whether the modification of contractual cash flows is substantial
If an exchange of debt instruments or modification of terms is 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 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 in order to make the originally agreed payments, the Group compares the original and revised expected cash flows to whether the rights and risks of the new asset are different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified cash flows using 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.

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, which is to be effectively withdrawn at any time without prior notice. Cash equivalents include highly liquid short-term investments that can be converted to a 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. Cash equivalents include: (a) call money and other 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 counterparties. 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 of the modified liability.

L O A N S A N D A D V A N C E S T O C U S T O M E R S

Loans and advances to customers are recorded 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 counterparties. 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 of the modified liability.

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 and are designated as such at initial recognition. Securities are carried at amortised cost at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for the purpose of capital preservation and cannot be reclassified at FVTPL in order to significantly reduce an accounting mismatch. The Group issues commitments to provide loans 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 such payments when due. 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 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 securities, advances and loans in the consolidated financial statements of the Group and are classified as ‘Due from other banks’ in the balance sheet. Such sale and repurchase agreements are not derecognised. Securities sold under repo agreements are presented as other financial assets carried at FVOCI. 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 counterparty, are recorded as “Due from other banks” or “Banking loans and advances to customers”, as appropriate. The difference between the sale price and the repurchase price is presented in the income statement as part of other comprehensive income. The Group reports the earnings and dividend income collected by the counterparty, that is considered as interest revenue and received over the life of repo agreements using the effective interest method.
BONDS ISSUED are actively marketed for sale at a reasonable price; (d) the sale is met: (a) the assets are available for immediate sale in their within twelve months after the end of the reporting period. Non-current assets are classified in the statement of financial NON-CURRENT ASSETS CLASSIFIED AS Group purchases its own debt, it is removed from the consolidat- which the customer can sell at a discount in the over-the-counter Subordinated debt can only be paid in the event of a liquidation retirement of debt. CUSTOMER ACCOUNTS Customer accounts are non-derivative liabilities to individuals, state 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 realisable 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 expenditure incurred in bringing an item or product to its existing condition and condition. PREPAID EXPENSES Prepaid expenses include advances for purchases of goods, trade and other receivables are recognised initially at fair value initially at 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 con- tinent of impairment 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. REVISE EXCISE ON CRUDE OIL REFINED OIL FUELS SOLD ON DOMESTIC MARKET The Russian government tax maneuver in the oil industry involves gradual reduction of crude oil and oil products export duties 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 (“neg- ative”) excise on refined feedstock was introduced. To reduce distortions resulting from international price fluctuations “damper coefficient” component was included into the reverse (“negative”) excise. Reverse (“negative”) excise is recognised as a reduction in excise tax deduced from sales and other 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 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 ad- vance 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 ex- ported goods are subject to 0% VAT rate upon the submission of commercial documents to the tax authorities. VAT related to sales and purchases is recognised in the Con- solidated Statements of Financial Position on a gross basis and disclosed separately within Prepaid expenses and other 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, exploring and evaluating new properties are expensed as costs of drilling and equipping productive wells and related production facilities are capitalised. Other exploration expenses, including geological and geophys- ical expenses and the costs of carrying and retaining unde- veloped 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 depend- ing determination of whether proved reserves have been found. Exploration and evaluation costs are subject to technical, com- mercial and management review as well as review for impairment at least once a year to determine whether it is feasible to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured and written off. If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of respective exploration and evaluation assets, is classified as development assets. How- ever, 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 plus accumulated depreciation, deple- tion, amortization and impairment. Proved oil and gas properties include the initial estimate of the costs of damaging and removing the item and restorating the site on which it is located. The cost of maintenance, repairs and re- placement 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 equip- ment are accounted for within Construction in progress. Non-current assets, including proved oil and gas properties at a field level, are reviewed for impairment in accordance with IAS 36 Impairment of assets, which requires non-current as- sets with recorded values that are not expected to be recovered through future cash flows and are not recoverable at a value which is less than 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 accounted for had the impairment not been recognised. Non-current assets committed by management for disposal within one year, and meet the other criteria for held for sale, are
From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding lease liability on the date 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 reporting 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 (excluding the initial direct costs incurred at lease 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 retains the significant risk of economic benefits from use of the identified asset, and the lease term.

The term used to measure a liability and an asset in the form of a right to use an asset is 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 lessees are exercisable only by the Group and not by the respective lessee. 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 cost of disposal). Costs of unproved oil and gas properties 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 properties using the units of production method for each field based upon proved developed oil and gas reserves, except for the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for the separation of decommissioning costs from the cost of the relevant 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 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 life of employees.

The Group recognises a liability for the fair value of legally required and/or constructive decommissioning provisions associated with the retirement of all or part of the Group’s oil and gas assets related to: well bores and related equipment and operating plant and equipment. 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 Group resources at the time of remeasurement.

The Group capitalises the associated decommissioning costs as part of the carrying amount of the non-current assets. Changes in obligation (revised estimates as a result of new rules 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 in the carrying amount of the related 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 resulting decommissioning costs are expected to be lower in the future. 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 fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

The Group recognises a liability for the fair value of legally required and/or constructive decommissioning provisions associated with the retirement of all or part of the Group’s oil and gas assets related to: well bores and related equipment and operating plant and equipment.
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 and 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 payable are included in the tax expense 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 statement 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 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 shareholder’s 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 and 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 shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributable to equity holders is reduced by the amount of dividends declared in the period in relation to the preference 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 to the extent that the consideration is unconditional and the Group is able to measure the revenue with reasonable reliability. Revenue is measured at the transaction price.

Deferred income is recognised as revenue when the conditions of recognition are met. Revenue is recognised only to the extent that management determines that revenue is probable. Revenue is measured at the transaction price.

The Group’s business activities include sales of crude oil and refined products, sales of petrochemical raw materials. Revenues are recognised at a point in time when control over the products has transferred and revenue can be measured. This is the point in time that the consideration is unconditional and the Group is able to measure revenue with reasonable reliability. Revenue is measured at the transaction price.

Deferred revenue is recognised as revenue when the conditions of recognition are met. Revenue is recognised only to the extent that management determines that revenue is probable. Revenue is measured at the transaction price.

Interest income is calculated using the effective interest method. This method is the point in time that the consideration is unconditional and the Group is able to measure revenue with reasonable reliability. Revenue is measured at the transaction price.

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Deferred revenue is recognised as revenue when the conditions of recognition are met. Revenue is recognised only to the extent that management determines that revenue is probable. Revenue is measured at the transaction price.

Interest income is calculated using the effective interest method. This method is the point in time that the consideration is unconditional and the Group is able to measure revenue with reasonable reliability. Revenue is measured at the transaction price.
amortization charged and, consequently, the carrying amounts of oil and gas assets. It is expected, however, that in the normal course of business the diversity of the Group’s portfolio will limit the effect of such reversals. The outcome of adjustments for plans for exploration or appraisal activity may result in the relat-
ed capitalised exploration drilling costs being written off in the profit and loss for the year.

USEFUL LIFE OF PROPERTY, PLANT AND EQUIPMENT
Depreciation is recorded in the income statement and past experience, management believes hydrocarbon production licences will be extended past their current expiration dates at insignificant addi-
tional 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 eco-
nomic benefit to the Group and the estimated residual value.

DECOMMISSIONING PROVISIONS
Management makes provision for the future costs of decom-
missioning oil and gas assets. Estimating future decommissioning costs is complex and requires management to make estimates and judg-
ments with respect to renewal 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 costs associated with removal obligations that will occur many years in the future.

ACCOUNTING OF INVESTMENTS IN JSC “NATIONAL NON-
STATE PENSION FUND”
As at 31 December 2019 and 2018 the Group has 74.46% of the shares of JSC “National Non-Government Pension Fund” (the Group does not exercise either control or significant influence over the Group’s operating assets are located, and is also required to make estimates and judgments with respect to renewal obligations that will occur many years in the future.

Note 12.

The 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 “op-
erating leases” under the principles of IAS 17 Leases. These les-
libraries were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate at the end of 31 December 2018 was ranged from 7.4% to 8.4% and from 10.5% to 10.8% on a 1 January 2019.
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:

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>At 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>11,323</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>314</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>1,422</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>314</td>
</tr>
<tr>
<td>Total assets</td>
<td>13,658</td>
</tr>
</tbody>
</table>

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 a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.
- 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 exclusion of 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 2016-2017 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 2018 and effective for annual periods beginning on or after a date to be determined by the IASB);
- IFRIC 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2020); IFRIC 17 replaces IFRS 4, which has given companies discretion 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. IFRIC 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). The amendments revise definition of a business;
- Definition of material - 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;
- 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 2021).

Cash and cash equivalents comprise the following:

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash on hand and in banks</td>
<td>24,730</td>
</tr>
<tr>
<td>Term deposits with original maturity of less than three months</td>
<td>350</td>
</tr>
<tr>
<td>Due from banks</td>
<td>77</td>
</tr>
<tr>
<td>Total cash and cash equivalents</td>
<td>25,157</td>
</tr>
</tbody>
</table>

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.

Accounts receivable

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

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>81,950</td>
</tr>
<tr>
<td>Other financial receivables</td>
<td>9,516</td>
</tr>
<tr>
<td>Other non-financial receivables</td>
<td>161</td>
</tr>
<tr>
<td>Less credit loss allowance</td>
<td>(6,921)</td>
</tr>
<tr>
<td>Total short-term accounts receivable</td>
<td>84,706</td>
</tr>
<tr>
<td>Long-term accounts receivable:</td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>333</td>
</tr>
<tr>
<td>Other financial receivables</td>
<td>10,301</td>
</tr>
<tr>
<td>Less credit loss allowance</td>
<td>(2,773)</td>
</tr>
<tr>
<td>Total long-term accounts receivable</td>
<td>7,881</td>
</tr>
<tr>
<td>Total trade and other receivables</td>
<td>92,587</td>
</tr>
</tbody>
</table>

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, homogenous 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:
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:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected credit loss allowance at 1 January</td>
<td>(2,240)</td>
<td>(6,082)</td>
</tr>
<tr>
<td>New originated or purchased</td>
<td>(219)</td>
<td>(1,019)</td>
</tr>
<tr>
<td>Other movements</td>
<td>-53</td>
<td>-63</td>
</tr>
<tr>
<td>Total credit loss allowance change in profit or loss for the period</td>
<td>(2,240)</td>
<td>(6,082)</td>
</tr>
<tr>
<td>Write-offs</td>
<td>-11</td>
<td>228</td>
</tr>
<tr>
<td>P&amp;L movements</td>
<td>-1</td>
<td>-</td>
</tr>
<tr>
<td>Expected credit loss allowance at 31 December</td>
<td>(2,240)</td>
<td>(6,082)</td>
</tr>
</tbody>
</table>

Analysis by credit quality of trade and other receivables is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade receivables</td>
<td>123,505</td>
<td>133,404</td>
</tr>
<tr>
<td>Other receivables</td>
<td>136,452</td>
<td>146,305</td>
</tr>
<tr>
<td>Total loans to customers</td>
<td>259,957</td>
<td>279,709</td>
</tr>
<tr>
<td>Total short term loans to customers and current portion of long term loans to customers</td>
<td>33,880</td>
<td>53,797</td>
</tr>
</tbody>
</table>
| 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 SPPR requirement for measured at amortised cost classification under IFRS 9. Dominant features that
Movements in the credit loss allowance during the year ended 31 December 2019 are as follows:

<table>
<thead>
<tr>
<th>Loans to legal entities</th>
<th>Loans to individuals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit loss allowance as at 1 January 2019</td>
<td>(11,533)</td>
<td>(1,536)</td>
</tr>
<tr>
<td>Net reversal/(provision) for credit loss allowance during the period</td>
<td>698</td>
<td>-</td>
</tr>
<tr>
<td>Reclassification in the credit loss allowance for other long-term loans</td>
<td>2,780</td>
<td>9</td>
</tr>
<tr>
<td>Other changes</td>
<td>264</td>
<td>9</td>
</tr>
<tr>
<td>Credit loss allowance as at 31 December 2019</td>
<td>(7,791)</td>
<td>(2,687)</td>
</tr>
</tbody>
</table>

Movements in the credit loss allowance during the year ended 31 December 2018 are as follows:

<table>
<thead>
<tr>
<th>Loans to legal entities</th>
<th>Loans to individuals</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit loss allowance as at 1 January 2018</td>
<td>(10,605)</td>
<td>(1,154)</td>
</tr>
<tr>
<td>Net provision for credit loss allowance during the period</td>
<td>(928)</td>
<td>(382)</td>
</tr>
<tr>
<td>Credit loss allowance as at 31 December 2018</td>
<td>(11,533)</td>
<td>(1,536)</td>
</tr>
</tbody>
</table>

Risk concentrations by customer industry within the customer loan portfolio are as follows:

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross book value</td>
<td>Share in customer loan portfolio, %</td>
</tr>
<tr>
<td>Trade</td>
<td>19,485</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>29,191</td>
</tr>
<tr>
<td>Construction</td>
<td>15,908</td>
</tr>
<tr>
<td>Services</td>
<td>11,995</td>
</tr>
<tr>
<td>Food</td>
<td>633</td>
</tr>
<tr>
<td>Finance</td>
<td>10,173</td>
</tr>
<tr>
<td>Agriculture</td>
<td>1,041</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>5,013</td>
</tr>
<tr>
<td>Individuals, including:</td>
<td></td>
</tr>
<tr>
<td>mortgage loans</td>
<td>22,843</td>
</tr>
<tr>
<td>consumer loans</td>
<td>14,202</td>
</tr>
<tr>
<td>car loans</td>
<td>4,178</td>
</tr>
<tr>
<td>plastic cards overdrafts</td>
<td>572</td>
</tr>
<tr>
<td>Other</td>
<td>41</td>
</tr>
<tr>
<td>Other</td>
<td>5,755</td>
</tr>
<tr>
<td>Total loans to customers before credit loss allowance</td>
<td>149,350</td>
</tr>
</tbody>
</table>
The fair value of financial assets and valuation techniques used are disclosed in Note 30.

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” and Russian 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 corporate companies. At 31 December 2019 and 31 December 2018 respectively.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount of 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.

### FINANCIAL ASSETS MEASURED AT AMORTISED COST

<table>
<thead>
<tr>
<th>Description</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>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)</td>
<td>- 426</td>
<td>- 1,046</td>
</tr>
<tr>
<td>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)</td>
<td>21,281</td>
<td>25,450</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>- 345</td>
<td>- 445</td>
</tr>
<tr>
<td>Due from banks</td>
<td>2,027</td>
<td>1,018</td>
</tr>
<tr>
<td>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)</td>
<td>13,132</td>
<td>19,867</td>
</tr>
<tr>
<td>Russian government and municipal debt securities</td>
<td>1,272</td>
<td>2,301</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>11,860</td>
<td>17,556</td>
</tr>
<tr>
<td><strong>Total movements with impact on credit loss allowance charge for the period</strong></td>
<td>- 320</td>
<td>- 23,021</td>
</tr>
</tbody>
</table>

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT AND LOSS

<table>
<thead>
<tr>
<th>Description</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other loans</td>
<td>- 345</td>
<td>- 445</td>
</tr>
<tr>
<td>Securities held by the Group</td>
<td>293</td>
<td>717</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>293</td>
<td>717</td>
</tr>
<tr>
<td><strong>Total movements with impact on credit loss allowance charge for the period</strong></td>
<td>-</td>
<td>623</td>
</tr>
</tbody>
</table>

### FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Securities held by the Group</td>
<td>42,297</td>
<td>32,292</td>
</tr>
<tr>
<td>Russian government and municipal debt securities</td>
<td>- 19,230</td>
<td>30</td>
</tr>
<tr>
<td>Corporate shares</td>
<td>12,440</td>
<td>12,317</td>
</tr>
<tr>
<td>Corporate debt securities</td>
<td>2,176</td>
<td>6,851</td>
</tr>
<tr>
<td>Investment fund units</td>
<td>13,065</td>
<td>13,088</td>
</tr>
<tr>
<td><strong>Total long-term financial assets</strong></td>
<td>80,578</td>
<td>81,513</td>
</tr>
</tbody>
</table>

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 21,505 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

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials and supplies</td>
<td>18,916</td>
<td>17,640</td>
</tr>
<tr>
<td>Crude oil</td>
<td>9,305</td>
<td>12,020</td>
</tr>
<tr>
<td>Refined oil products</td>
<td>13,197</td>
<td>11,621</td>
</tr>
<tr>
<td>Petrochemical supplies and finished goods</td>
<td>11,361</td>
<td>9,342</td>
</tr>
<tr>
<td>Total inventories</td>
<td>53,379</td>
<td>50,506</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2018</th>
<th>Additions</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions for years 2019 and 2018 years include construction of TANECO refinery complex and superviscous oil fields facilities.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note 11

Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

<table>
<thead>
<tr>
<th></th>
<th>At 1 January 2018</th>
<th>Additions</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepaid export duties</td>
<td>2,233</td>
<td>3,818</td>
<td></td>
</tr>
<tr>
<td>Value added tax</td>
<td>6,006</td>
<td>7,873</td>
<td></td>
</tr>
<tr>
<td>Advances</td>
<td>8,176</td>
<td>8,670</td>
<td></td>
</tr>
<tr>
<td>Prepaid transportation expenses</td>
<td>1,465</td>
<td>1,752</td>
<td></td>
</tr>
<tr>
<td>Reverse (negative) reserve</td>
<td>1,042</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>2,548</td>
<td>977</td>
<td></td>
</tr>
</tbody>
</table>

Note 12

Property, plant and equipment

<table>
<thead>
<tr>
<th>Oil and gas properties</th>
<th>Buildings and constructions</th>
<th>Machinery and equipment</th>
<th>Construction in progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>397,390</td>
<td>229,862</td>
<td>157,529</td>
</tr>
</tbody>
</table>

DEPRECIATION, DEPLETION AND AMORTISATION

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2018</th>
<th>Additions</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions</td>
<td>415</td>
<td>100,094</td>
<td>100,509</td>
</tr>
<tr>
<td>Disposals</td>
<td>(6,268)</td>
<td>(3,369)</td>
<td>(3,369)</td>
</tr>
<tr>
<td>Changes in Group structure</td>
<td>(2,353)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers</td>
<td>13,072</td>
<td>269,856</td>
<td>204,928</td>
</tr>
</tbody>
</table>

As at 31 December 2019 450,768 269,856 204,928 190,850 1,116,002

Net book value

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2018</th>
<th>Additions</th>
<th>2018</th>
</tr>
</thead>
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As at 31 December 2019 450,768 269,856 204,928 190,850 1,116,002

Additions for years 2019 and 2018 years include construction of TANECO refinery complex and superviscous oil fields facilities.

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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.

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DEPRECIATION, DEPLETION AND AMORTISATION

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<td></td>
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As at 31 December 2019 450,768 269,856 204,928 190,850 1,116,002

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<td>(3,369)</td>
</tr>
<tr>
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<td>(2,353)</td>
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</tr>
<tr>
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</tr>
</tbody>
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Additions for years 2019 and 2018 years include construction of TANECO refinery complex and superviscous oil fields facilities.

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Changes in the net book value of exploration and evaluation assets are presented below:
For the years ended 31 December 2019 and 2018, operating and investing cash flows used for exploration and evaluation activities amounted to RR 524 million and RR 468 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 recorded 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 offfields 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.

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 of 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:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of period</td>
<td>34,457</td>
</tr>
<tr>
<td>Unamortization of discount</td>
<td>3,295</td>
</tr>
<tr>
<td>New obligations</td>
<td>1,349</td>
</tr>
<tr>
<td>Release of existing obligations</td>
<td>(71)</td>
</tr>
<tr>
<td>Changes in estimates</td>
<td>11,723</td>
</tr>
<tr>
<td>Balance at the end of period</td>
<td>34,347</td>
</tr>
<tr>
<td>Less: current portion of decommissioning provisions (Note 16)</td>
<td>(22)</td>
</tr>
<tr>
<td>Long-term balance at the end of period</td>
<td>34,325</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discount rate</td>
<td>6.69%</td>
</tr>
<tr>
<td>Inflation rate</td>
<td>4.03%</td>
</tr>
</tbody>
</table>

Note 13
Right-of-use assets and lease liabilities

Starting from January 1, 2019, a lease is recognised as a right-of-use asset and a lease liability on the date the asset becomes available for use by the Group.

Right-of-use assets comprise the following:

<table>
<thead>
<tr>
<th>As at 1 January 2019</th>
<th>Service equipment</th>
<th>Other assets</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>13,654</td>
<td>2,414</td>
<td>16,068</td>
</tr>
<tr>
<td>Additions</td>
<td>78</td>
<td>164</td>
<td>242</td>
</tr>
<tr>
<td>Disposals</td>
<td>-</td>
<td>(925)</td>
<td>(925)</td>
</tr>
<tr>
<td>Depreciation</td>
<td>(1,784)</td>
<td>(19)</td>
<td>(1,799)</td>
</tr>
<tr>
<td>Amortisation and modification</td>
<td>(496)</td>
<td>(15)</td>
<td>(511)</td>
</tr>
<tr>
<td>As at 31 December 2019</td>
<td>11,052</td>
<td>2,606</td>
<td>13,658</td>
</tr>
</tbody>
</table>

The reconciliation between undiscounted lease liabilities and their present value presented in the table below:

<table>
<thead>
<tr>
<th>As at 31 December 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease liabilities</td>
</tr>
<tr>
<td>Of which:</td>
</tr>
<tr>
<td>Current lease liabilities, presented in Accounts payable and accrued liabilities (Note 16)</td>
</tr>
<tr>
<td>Non-current lease liabilities</td>
</tr>
</tbody>
</table>

Note 14
Taxes

Income tax expense comprises the following:

<table>
<thead>
<tr>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current income tax expense</td>
<td>(57,626)</td>
</tr>
<tr>
<td>Deferred income tax expense</td>
<td>(1,898)</td>
</tr>
<tr>
<td>Income tax expense for the year</td>
<td>(59,524)</td>
</tr>
</tbody>
</table>
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:

### Deferred income taxes

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:

#### Deferred income tax balances

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min. extraction tax</td>
<td>298,592</td>
</tr>
<tr>
<td>Property tax</td>
<td>7,260</td>
</tr>
<tr>
<td>Other</td>
<td>1,742</td>
</tr>
<tr>
<td><strong>Total taxes other than income taxes</strong></td>
<td><strong>293,264</strong></td>
</tr>
</tbody>
</table>

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.

### Consolidated financial statements

At 31 December 2019 and 2018 taxes payable were as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Min. extraction tax</td>
<td>21,372</td>
</tr>
<tr>
<td>Value added tax</td>
<td>8,369</td>
</tr>
<tr>
<td>Excise</td>
<td>2,863</td>
</tr>
<tr>
<td>Other</td>
<td>2,681</td>
</tr>
<tr>
<td><strong>Total taxes payable</strong></td>
<td><strong>37,665</strong></td>
</tr>
</tbody>
</table>

### Year ended 31 December 2019

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax loss carry forward</td>
<td>3,057</td>
</tr>
<tr>
<td>Decommissioning provision</td>
<td>7,318</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>189</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>425</td>
</tr>
<tr>
<td>Long-term loans and certificates of deposits</td>
<td>1,773</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>366</td>
</tr>
<tr>
<td>Other</td>
<td>94</td>
</tr>
<tr>
<td><strong>Deferred income tax assets</strong></td>
<td><strong>13,222</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(41,908)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(3,209)</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>(179)</td>
</tr>
<tr>
<td><strong>Deferred income tax liabilities</strong></td>
<td>(43,929)</td>
</tr>
<tr>
<td><strong>Net deferred tax liability</strong></td>
<td>(30,707)</td>
</tr>
</tbody>
</table>

### Year ended 31 December 2018

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax loss carry forward</td>
<td>3,281</td>
</tr>
<tr>
<td>Decommissioning provision</td>
<td>6,680</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>278</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>230</td>
</tr>
<tr>
<td>Long-term loans and certificates of deposits</td>
<td>2,131</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>395</td>
</tr>
<tr>
<td>Other</td>
<td>1,333</td>
</tr>
<tr>
<td><strong>Deferred income tax assets</strong></td>
<td><strong>14,516</strong></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(39,602)</td>
</tr>
<tr>
<td>Inventories</td>
<td>(3,824)</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>(493)</td>
</tr>
<tr>
<td><strong>Deferred income tax liabilities</strong></td>
<td>(42,454)</td>
</tr>
<tr>
<td><strong>Net deferred tax liability</strong></td>
<td>(27,938)</td>
</tr>
</tbody>
</table>

Deferred income taxes are reflected in the consolidated statement of financial position as follows:

<table>
<thead>
<tr>
<th>Year ended 31 December</th>
<th>Year ended 31 December</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deferred income tax asset</td>
<td>2,712</td>
</tr>
<tr>
<td>Deferred income tax liability</td>
<td>(33,459)</td>
</tr>
<tr>
<td><strong>Net deferred tax liability</strong></td>
<td>(30,707)</td>
</tr>
</tbody>
</table>
Debt

Note 15

SHORT-TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued</td>
<td>1,850</td>
<td>1,056</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>21</td>
<td>2,980</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>984</td>
<td>1,360</td>
</tr>
<tr>
<td>US $75 million 2017 credit facility</td>
<td>818</td>
<td>1,397</td>
</tr>
<tr>
<td>US $144.5 million 2017 credit facility</td>
<td>2,690</td>
<td>2,392</td>
</tr>
<tr>
<td>EUR 55 million 2012 credit facility</td>
<td>1,552</td>
<td>2,353</td>
</tr>
<tr>
<td>RR credit facilities</td>
<td>10,142</td>
<td>-</td>
</tr>
<tr>
<td>Other debt</td>
<td>938</td>
<td>994</td>
</tr>
<tr>
<td>Total short-term debt</td>
<td>18,393</td>
<td>11,953</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>1,199</td>
<td>-</td>
</tr>
<tr>
<td>Total short-term debt, including current portion of long-term debt</td>
<td>19,592</td>
<td>11,953</td>
</tr>
</tbody>
</table>

LONG-TERM DEBT

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bonds issued</td>
<td>25,007</td>
<td>-</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>1,268</td>
<td>1,420</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>39</td>
<td>69</td>
</tr>
<tr>
<td>Other debt</td>
<td>1,544</td>
<td>1,595</td>
</tr>
<tr>
<td>Total long-term debt</td>
<td>22,856</td>
<td>3,084</td>
</tr>
<tr>
<td>Less: current portion of long-term debt</td>
<td>1,199</td>
<td>-</td>
</tr>
<tr>
<td>Total long-term debt, net of current portion</td>
<td>21,657</td>
<td>3,084</td>
</tr>
</tbody>
</table>

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 1.5% per annum. In accordance with the 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 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 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 104,122 million Rubles and was fully repaid in January 2020.

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, the TANECO entered into a Euro 55 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsui Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 125% 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 repayments 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 15% 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 Cibbank 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 Stankbank, 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 104,122 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 at 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.

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.

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.

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 re-purchase 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 to 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

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade payables</td>
<td>36,750</td>
<td>25,728</td>
</tr>
<tr>
<td>Current portion of lease liabilities (Note 10)</td>
<td>2,619</td>
<td>-</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,609</td>
<td>1,013</td>
</tr>
<tr>
<td>Total financial liabilities within trade and other payables</td>
<td>40,572</td>
<td>26,741</td>
</tr>
<tr>
<td>Salaries and wages payable</td>
<td>8,267</td>
<td>7,282</td>
</tr>
<tr>
<td>Advances received from customers</td>
<td>7,828</td>
<td>6,797</td>
</tr>
<tr>
<td>Current portion of decommissioning provisions (Note 12)</td>
<td>121</td>
<td>121</td>
</tr>
<tr>
<td>Other accounts payable and accrued liabilities</td>
<td>3,495</td>
<td>2,650</td>
</tr>
<tr>
<td>Total non-financial liabilities</td>
<td>19,717</td>
<td>16,248</td>
</tr>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>50,289</td>
<td>42,989</td>
</tr>
</tbody>
</table>

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.

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.
Note 17

Banking: Due to banks and the Bank of Russia

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Term deposits from other banks</td>
<td>5,364</td>
</tr>
<tr>
<td>Term deposits from the Bank of Russia</td>
<td>2,620</td>
</tr>
<tr>
<td>REPO</td>
<td>13,259</td>
</tr>
<tr>
<td>Correspondent accounts and other banks’ overnight deposits</td>
<td>1,562</td>
</tr>
<tr>
<td><strong>Total due to banks and the Bank of Russia</strong></td>
<td><strong>22,815</strong></td>
</tr>
<tr>
<td>Less: long term due to banks and the Bank of Russia</td>
<td>(2,522)</td>
</tr>
<tr>
<td><strong>Total short term due to banks and the Bank of Russia</strong></td>
<td><strong>20,293</strong></td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>STATE AND PUBLIC ORGANIZATIONS</td>
<td></td>
</tr>
<tr>
<td>Current / settlement accounts</td>
<td>1,014</td>
</tr>
<tr>
<td>Term deposits</td>
<td>915</td>
</tr>
<tr>
<td>OTHER LEGAL ENTITIES</td>
<td></td>
</tr>
<tr>
<td>Current / settlement accounts</td>
<td>16,986</td>
</tr>
<tr>
<td>Term deposits</td>
<td>22,853</td>
</tr>
<tr>
<td>INDIVIDUALS</td>
<td></td>
</tr>
<tr>
<td>Current / settlement accounts</td>
<td>14,265</td>
</tr>
<tr>
<td>Term deposits</td>
<td>109,044</td>
</tr>
<tr>
<td><strong>Total customer accounts</strong></td>
<td><strong>160,052</strong></td>
</tr>
<tr>
<td>Less: long-term customer accounts</td>
<td>(1,381)</td>
</tr>
<tr>
<td><strong>Total short-term customer accounts</strong></td>
<td><strong>158,671</strong></td>
</tr>
</tbody>
</table>

Within customer accounts at 31 December 2019 and 2018 there are RR 28,957 million and RR 48,540 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:

<table>
<thead>
<tr>
<th></th>
<th>Carrying value</th>
<th>Share in customer loan portfolio, %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individuals</td>
<td>119,319</td>
<td>74.54%</td>
</tr>
<tr>
<td>Finance</td>
<td>9,292</td>
<td>5.81%</td>
</tr>
<tr>
<td>Oil and gas</td>
<td>9,292</td>
<td>5.81%</td>
</tr>
<tr>
<td>Trade</td>
<td>4,704</td>
<td>3.00%</td>
</tr>
<tr>
<td>Services</td>
<td>12,315</td>
<td>7.70%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4,306</td>
<td>2.69%</td>
</tr>
<tr>
<td>Construction</td>
<td>3,620</td>
<td>2.26%</td>
</tr>
<tr>
<td>Other</td>
<td>4,201</td>
<td>2.63%</td>
</tr>
<tr>
<td><strong>Total customer accounts</strong></td>
<td><strong>160,052</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Note 19

Other long-term liabilities

Other long-term liabilities are as follows:

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pension liability</td>
<td>4,062</td>
<td>3,287</td>
</tr>
<tr>
<td>Government grants</td>
<td>3,231</td>
<td>-</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>219</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total other long-term liabilities</strong></td>
<td><strong>7,512</strong></td>
<td><strong>3,437</strong></td>
</tr>
</tbody>
</table>

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 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 representa-
tive 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 Char-
ter; 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 sharehold-

ers 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 liquida-
tion, 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 150,046 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 dividends were paid in the fourth quarter of 2019.

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 divi-
dends for the year ended 31 December 2018 in the amount of RR 84.91 per each preference and ordinary share with the consid-
eration 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 non-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 num-

ber 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 allo-
cated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.
Interest expense on non-banking activities comprises the following:

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank loans</td>
<td>(755)</td>
<td>(593)</td>
</tr>
<tr>
<td>Unwinding of the present value discount of decommissioning provision</td>
<td>(3,015)</td>
<td>(2,936)</td>
</tr>
<tr>
<td>Interest expense on lease liabilities</td>
<td>(5,570)</td>
<td>-</td>
</tr>
<tr>
<td>Unwinding of the present value discount of long-term financial liabilities</td>
<td>(86)</td>
<td>(85)</td>
</tr>
<tr>
<td>Total interest expenses on non-banking activities</td>
<td>(5,407)</td>
<td>(3,590)</td>
</tr>
</tbody>
</table>

Note 23
Interest income and expense on banking activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST INCOME</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans to customers</td>
<td>14,216</td>
<td>15,518</td>
</tr>
<tr>
<td>Due from banks</td>
<td>313</td>
<td>435</td>
</tr>
<tr>
<td>Securities measured at amortised cost</td>
<td>1,737</td>
<td>2,285</td>
</tr>
<tr>
<td>Correspondent accounts</td>
<td>40</td>
<td>39</td>
</tr>
<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>412</td>
<td>339</td>
</tr>
<tr>
<td>Securities measured at fair value through other comprehensive income</td>
<td>1,043</td>
<td>847</td>
</tr>
<tr>
<td>Total interest income on banking activities</td>
<td>18,157</td>
<td>19,485</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>INTEREST EXPENSE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Term deposits of individuals</td>
<td>(5,889)</td>
<td>(5,982)</td>
</tr>
<tr>
<td>Term deposits of legal entities</td>
<td>(2,770)</td>
<td>(2,304)</td>
</tr>
<tr>
<td>Russian Ruble-denominated bonds issued</td>
<td>(182)</td>
<td>(186)</td>
</tr>
<tr>
<td>Expenses directly associated with deposit insurance (DIA)</td>
<td>(789)</td>
<td></td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>(375)</td>
<td>(464)</td>
</tr>
<tr>
<td>Term placements of banks</td>
<td>(1,049)</td>
<td>(1,463)</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>(2)</td>
<td>(46)</td>
</tr>
<tr>
<td>Total interest expense on banking activities</td>
<td>(10,499)</td>
<td>(9,877)</td>
</tr>
<tr>
<td>Net interest income on banking activities</td>
<td>7,666</td>
<td>9,508</td>
</tr>
</tbody>
</table>

Note 24
Fee and commission income and expense on banking activities

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Settlement transactions</td>
<td>2,064</td>
<td>2,495</td>
</tr>
<tr>
<td>Cash transactions</td>
<td>488</td>
<td>525</td>
</tr>
<tr>
<td>Agency services</td>
<td>435</td>
<td>-</td>
</tr>
<tr>
<td>Operations with foreign currencies</td>
<td>331</td>
<td>392</td>
</tr>
<tr>
<td>Guarantees issued</td>
<td>235</td>
<td>234</td>
</tr>
<tr>
<td>Transactions with securities</td>
<td>75</td>
<td>37</td>
</tr>
<tr>
<td>Asset management</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Other</td>
<td>202</td>
<td>183</td>
</tr>
<tr>
<td>Total settlement transactions</td>
<td>(1,352)</td>
<td>(876)</td>
</tr>
<tr>
<td>Cash transactions</td>
<td>(318)</td>
<td>(346)</td>
</tr>
<tr>
<td>Transactions with securities</td>
<td>(25)</td>
<td>(34)</td>
</tr>
<tr>
<td>Operations with foreign currencies</td>
<td>(23)</td>
<td>(24)</td>
</tr>
<tr>
<td>Commission on guarantees received</td>
<td>(10)</td>
<td>(10)</td>
</tr>
<tr>
<td>Other</td>
<td>(346)</td>
<td>(487)</td>
</tr>
<tr>
<td>Total fee and commission expense on banking activities</td>
<td>(1,627)</td>
<td>(1,655)</td>
</tr>
<tr>
<td>Net fee and commission income on banking activities</td>
<td>2,800</td>
<td>2,619</td>
</tr>
</tbody>
</table>

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. Interseggment 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:
### Exploration and Production

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic own crude oil</td>
<td>175,422</td>
<td>167,694</td>
</tr>
<tr>
<td>CIS own crude oil</td>
<td>26,818</td>
<td>26,918</td>
</tr>
<tr>
<td>Non-CIS own crude oil</td>
<td>255,602</td>
<td>270,966</td>
</tr>
<tr>
<td>Other</td>
<td>3,056</td>
<td>4,008</td>
</tr>
<tr>
<td>Intersegment sales</td>
<td>238,266</td>
<td>199,312</td>
</tr>
<tr>
<td><strong>Total exploration and production</strong></td>
<td><strong>669,859</strong></td>
<td><strong>643,875</strong></td>
</tr>
</tbody>
</table>

### Refining and Marketing

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refined products</td>
<td>225,137</td>
<td>183,497</td>
</tr>
<tr>
<td><strong>Total Domestic sales</strong></td>
<td><strong>225,137</strong></td>
<td><strong>183,497</strong></td>
</tr>
<tr>
<td>CIS sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Refined products</td>
<td>14,866</td>
<td>20,565</td>
</tr>
<tr>
<td><strong>Total CIS sales</strong></td>
<td><strong>14,866</strong></td>
<td><strong>20,565</strong></td>
</tr>
<tr>
<td>Non-CIS sales</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Crude oil purchased for resale</td>
<td>8,950</td>
<td>7,282</td>
</tr>
<tr>
<td>Refined products</td>
<td>158,495</td>
<td>150,360</td>
</tr>
<tr>
<td>Total non-CIS sales</td>
<td><strong>173,445</strong></td>
<td><strong>157,642</strong></td>
</tr>
<tr>
<td>Other</td>
<td>11,426</td>
<td>8,579</td>
</tr>
<tr>
<td>Intersegment sales</td>
<td>1,461</td>
<td>1,239</td>
</tr>
<tr>
<td><strong>Total refining and marketing</strong></td>
<td><strong>400,286</strong></td>
<td><strong>372,322</strong></td>
</tr>
</tbody>
</table>

### Petrochemicals

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tires – domestic sales</td>
<td>11,466</td>
<td>10,416</td>
</tr>
<tr>
<td>Tires – CIS sales</td>
<td>4,124</td>
<td>3,806</td>
</tr>
<tr>
<td>Petrochemical products and other</td>
<td>3,647</td>
<td>4,248</td>
</tr>
<tr>
<td>Intersegment sales</td>
<td>1,028</td>
<td>994</td>
</tr>
<tr>
<td><strong>Total petrochemicals</strong></td>
<td><strong>49,601</strong></td>
<td><strong>52,782</strong></td>
</tr>
</tbody>
</table>

### Banking

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>18,157</td>
<td>19,485</td>
</tr>
<tr>
<td>Fee and commission income</td>
<td>4,427</td>
<td>3,774</td>
</tr>
<tr>
<td><strong>Total banking</strong></td>
<td><strong>22,584</strong></td>
<td><strong>23,259</strong></td>
</tr>
<tr>
<td><strong>Total segment sales</strong></td>
<td><strong>1,542,330</strong></td>
<td><strong>1,102,038</strong></td>
</tr>
<tr>
<td>Corporate and other sales</td>
<td>23,925</td>
<td>15,900</td>
</tr>
<tr>
<td>Elimination of intersegment sales</td>
<td>(211,375)</td>
<td>(194,345)</td>
</tr>
<tr>
<td><strong>Total sales and other operating revenues</strong></td>
<td><strong>954,880</strong></td>
<td><strong>933,793</strong></td>
</tr>
</tbody>
</table>

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 mostly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Financiers based in London.

---

### Segment Earnings

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>241,891</td>
<td>267,320</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>59,407</td>
<td>33,867</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>1,345</td>
<td>3,634</td>
</tr>
<tr>
<td>Banking</td>
<td>1,279</td>
<td>269</td>
</tr>
<tr>
<td><strong>Total segment earnings</strong></td>
<td><strong>303,622</strong></td>
<td><strong>305,090</strong></td>
</tr>
<tr>
<td>Corporate and other</td>
<td>(47,246)</td>
<td>(41,120)</td>
</tr>
<tr>
<td><strong>Other expenses</strong></td>
<td><strong>(4,286)</strong></td>
<td><strong>9,811</strong></td>
</tr>
<tr>
<td><strong>Profit before income tax</strong></td>
<td><strong>252,342</strong></td>
<td><strong>273,789</strong></td>
</tr>
</tbody>
</table>

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.

### Segment Assets

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>384,022</td>
<td>368,991</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>450,195</td>
<td>408,407</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>34,324</td>
<td>32,933</td>
</tr>
<tr>
<td>Banking</td>
<td>232,101</td>
<td>225,854</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>138,001</td>
<td>140,113</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>1,238,639</strong></td>
<td><strong>1,201,288</strong></td>
</tr>
</tbody>
</table>

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 Polish based refineries.

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

### Segment Depreciation, Depletion and Amortisation and Additions to Property, Plant and Equipment

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>22,037</td>
<td>15,797</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>9,885</td>
<td>11,595</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>1,538</td>
<td>1,687</td>
</tr>
<tr>
<td>Banking</td>
<td>349</td>
<td>326</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>1,156</td>
<td>1,175</td>
</tr>
<tr>
<td><strong>Total depreciation, depletion and amortisation</strong></td>
<td><strong>35,165</strong></td>
<td><strong>30,520</strong></td>
</tr>
</tbody>
</table>

**Additions to Property, Plant and Equipment**

<table>
<thead>
<tr>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploration and production</td>
<td>57,018</td>
</tr>
<tr>
<td>Refining and marketing</td>
<td>48,019</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>2,954</td>
</tr>
<tr>
<td>Banking</td>
<td>666</td>
</tr>
<tr>
<td>Corporate and other</td>
<td>23,553</td>
</tr>
<tr>
<td><strong>Total additions to property, plant and equipment</strong></td>
<td><strong>132,999</strong></td>
</tr>
</tbody>
</table>
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:

**REVENUES AND INCOME**

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of refined products</td>
<td>21</td>
<td>14</td>
</tr>
<tr>
<td>Other sales</td>
<td>122</td>
<td>250</td>
</tr>
<tr>
<td>Interest income</td>
<td>57</td>
<td>302</td>
</tr>
</tbody>
</table>

**COSTS AND EXPENSES**

<table>
<thead>
<tr>
<th></th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other services</td>
<td>844</td>
<td>905</td>
</tr>
<tr>
<td>Other purchases</td>
<td>501</td>
<td>579</td>
</tr>
</tbody>
</table>

For the years ended 31 December 2019 and 2018 the outstanding balances with Government related companies were as follows:

**GOVERNMENT RELATED COMPANIES**

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

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>10,044</td>
<td>16,810</td>
</tr>
<tr>
<td>Banking: Mandatory reserve deposits with the Bank of Russia</td>
<td>1,572</td>
<td>1,875</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>4,496</td>
<td>6,795</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>6,563</td>
<td>7,496</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes receivable</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>36</td>
<td>10</td>
</tr>
<tr>
<td>Securities measured at fair value through other comprehensive income</td>
<td>505</td>
<td>10,209</td>
</tr>
<tr>
<td>Securities measured at amortised cost</td>
<td>3,325</td>
<td>8,349</td>
</tr>
<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>3,955</td>
<td>1,679</td>
</tr>
<tr>
<td>Other loans receivable</td>
<td>41</td>
<td>40</td>
</tr>
<tr>
<td>Prepaid expenses and other current assets</td>
<td>3,185</td>
<td>5,067</td>
</tr>
<tr>
<td>Due from related parties short-term</td>
<td>33,880</td>
<td>58,320</td>
</tr>
<tr>
<td>Long-term accounts receivable</td>
<td>-</td>
<td>1,221</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>4,994</td>
<td>500</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>346</td>
<td></td>
</tr>
<tr>
<td>Securities measured at fair value through other comprehensive income</td>
<td>24,933</td>
<td>11,001</td>
</tr>
<tr>
<td>Securities measured at amortised cost</td>
<td>7,898</td>
<td>8,192</td>
</tr>
<tr>
<td>Other loans receivable</td>
<td>192</td>
<td>192</td>
</tr>
<tr>
<td>Advances for construction</td>
<td>14</td>
<td>1,430</td>
</tr>
<tr>
<td>Due from related parties long-term</td>
<td>37,247</td>
<td>22,882</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th></th>
<th>At 31 December 2019</th>
<th>At 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable and accrued liabilities</td>
<td>(1,519)</td>
<td>(1,420)</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>(2,445)</td>
<td>(1,668)</td>
</tr>
<tr>
<td>Banking: Customer accounts</td>
<td>(2,959)</td>
<td>(2,631)</td>
</tr>
<tr>
<td>Debt</td>
<td>(881)</td>
<td>(3,121)</td>
</tr>
<tr>
<td>RR credit facilities</td>
<td>(10,142)</td>
<td>(10,939)</td>
</tr>
<tr>
<td>Other debt</td>
<td>(37)</td>
<td>(947)</td>
</tr>
<tr>
<td>Due to related parties short-term</td>
<td>(17,946)</td>
<td>(17,231)</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>(2,763)</td>
<td>(2,631)</td>
</tr>
<tr>
<td>Government grants (Note 19)</td>
<td>(3,231)</td>
<td>(5,994)</td>
</tr>
<tr>
<td>Due to related parties long-term</td>
<td>(912)</td>
<td>(2,631)</td>
</tr>
</tbody>
</table>

The amounts of transactions for each period with Government related companies are as follows:
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 1089 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:

<table>
<thead>
<tr>
<th>Description</th>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of crude oil</td>
<td>1,132</td>
<td>1,132</td>
</tr>
<tr>
<td>Sales of refined products</td>
<td>30,662</td>
<td>20,965</td>
</tr>
<tr>
<td>Other sales</td>
<td>5,352</td>
<td>4,287</td>
</tr>
<tr>
<td>Interest income</td>
<td>12,052</td>
<td>9,988</td>
</tr>
<tr>
<td>Interest expense</td>
<td>764</td>
<td>748</td>
</tr>
<tr>
<td>Purchases of refined products</td>
<td>20,770</td>
<td>34,084</td>
</tr>
<tr>
<td>Purchases of electricity</td>
<td>18,479</td>
<td>16,591</td>
</tr>
<tr>
<td>Purchases of transportation services</td>
<td>26,987</td>
<td>23,831</td>
</tr>
<tr>
<td>Other services</td>
<td>5,830</td>
<td>4,485</td>
</tr>
<tr>
<td>Other purchases</td>
<td>2,358</td>
<td>3,822</td>
</tr>
</tbody>
</table>

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 obli- gations 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.

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 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 as 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.

<table>
<thead>
<tr>
<th>Name of entity</th>
<th>Principal activity</th>
<th>% of ownership interest held by the Group</th>
<th>% of ownership interest held by the NCI</th>
<th>% of ownership interest held by the Group</th>
<th>% of ownership interest held by the NCI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank ZENIT</td>
<td>Banking operations</td>
<td>72</td>
<td>28</td>
<td>72</td>
<td>28</td>
</tr>
<tr>
<td>Tatneft Europe AG</td>
<td>Export oil sales</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>TANECO</td>
<td>Oil refinery</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Nizhnekamskshina</td>
<td>Trees production</td>
<td>82</td>
<td>18</td>
<td>82</td>
<td>18</td>
</tr>
<tr>
<td>Nizhnekamskshina</td>
<td>Trees production</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Trade House Kama</td>
<td>Trees sales</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Tatneft-AZS-Cent</td>
<td>Oil products sales</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Tatneft-AZS-Zapad</td>
<td>Oil products sales</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

The summarised financial information relating to the subsidiaries with material non-controlling interest was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Current assets</th>
<th>Non-current assets</th>
<th>Current liabilities</th>
<th>Non-current liabilities</th>
<th>Revenue</th>
<th>Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 31 December 2019</td>
<td>84,220</td>
<td>149,295</td>
<td>195,643</td>
<td>13,184</td>
<td>22,873</td>
<td>1,480</td>
</tr>
<tr>
<td>Nizhnekamskshina PJSC</td>
<td>1,033</td>
<td>3,575</td>
<td>6,221</td>
<td>16,906</td>
<td>422</td>
<td>1823</td>
</tr>
<tr>
<td>Total</td>
<td>85,253</td>
<td>152,861</td>
<td>200,866</td>
<td>13,184</td>
<td>37,791</td>
<td>2,103</td>
</tr>
<tr>
<td>Year ended 31 December 2018</td>
<td>121,300</td>
<td>133,740</td>
<td>224,675</td>
<td>8,233</td>
<td>23,347</td>
<td>322</td>
</tr>
<tr>
<td>Nizhnekamskshina PJSC</td>
<td>1,576</td>
<td>3,783</td>
<td>6,567</td>
<td>-</td>
<td>20,368</td>
<td>237</td>
</tr>
<tr>
<td>Total</td>
<td>122,876</td>
<td>137,098</td>
<td>231,242</td>
<td>8,233</td>
<td>43,715</td>
<td>559</td>
</tr>
</tbody>
</table>

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 Oy (Neste Corporation) and obtained control becoming its sole participant. 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 9,129 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:

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Property, plant and equipment</th>
<th>Inventories</th>
<th>Other assets</th>
<th>Accounts payable</th>
<th>Other liabilities</th>
<th>Fair value of identifiable net assets of subsidiary</th>
<th>Total purchase consideration</th>
<th>Cash and cash equivalents of subsidiary acquired</th>
<th>Purchase price, net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 31 December 2019</td>
<td>1,102</td>
<td>10,452</td>
<td>1,576</td>
<td>1,033</td>
<td>(569)</td>
<td>(900)</td>
<td>(796)</td>
<td>12,801</td>
<td>(1,593)</td>
<td>9,129</td>
</tr>
</tbody>
</table>

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 Togliattiakuch) 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:

<table>
<thead>
<tr>
<th></th>
<th>Cash and cash equivalents</th>
<th>Property, plant and equipment</th>
<th>Inventories</th>
<th>Other assets</th>
<th>Accounts payable</th>
<th>Other liabilities</th>
<th>Fair value of identifiable net assets of subsidiary</th>
<th>Total purchase consideration</th>
<th>Cash and cash equivalents of subsidiary acquired</th>
<th>Purchase price, net</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year ended 31 December 2019</td>
<td>1,102</td>
<td>10,452</td>
<td>1,576</td>
<td>1,033</td>
<td>(569)</td>
<td>(900)</td>
<td>(796)</td>
<td>12,801</td>
<td>(1,593)</td>
<td>9,129</td>
</tr>
</tbody>
</table>
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.

<table>
<thead>
<tr>
<th></th>
<th>Russian Ruble</th>
<th>US Dollar</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>16,472</td>
<td>5,853</td>
<td>2,405</td>
<td>24,730</td>
</tr>
<tr>
<td>Term deposits with original maturity of less than three months</td>
<td>350</td>
<td>-</td>
<td>-</td>
<td>350</td>
</tr>
<tr>
<td>Due from banks</td>
<td>-</td>
<td>77</td>
<td>-</td>
<td>77</td>
</tr>
<tr>
<td>Banking: Mandatory reserves with the Bank of Russia</td>
<td>1,572</td>
<td>-</td>
<td>-</td>
<td>1,572</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>42,019</td>
<td>36,895</td>
<td>810</td>
<td>79,724</td>
</tr>
<tr>
<td>Other financial receivables</td>
<td>12,633</td>
<td>29</td>
<td>-</td>
<td>12,662</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>109,895</td>
<td>19,897</td>
<td>6,666</td>
<td>136,452</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>350</td>
<td>309</td>
<td>-</td>
<td>659</td>
</tr>
<tr>
<td>Due from banks</td>
<td>29</td>
<td>1,450</td>
<td>-</td>
<td>1,479</td>
</tr>
<tr>
<td>REPO with banks</td>
<td>4,081</td>
<td>-</td>
<td>-</td>
<td>4,081</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>112</td>
<td>-</td>
<td>-</td>
<td>112</td>
</tr>
<tr>
<td>Loans to employees</td>
<td>928</td>
<td>-</td>
<td>-</td>
<td>928</td>
</tr>
<tr>
<td>Other loans</td>
<td>21,198</td>
<td>310</td>
<td>-</td>
<td>21,508</td>
</tr>
<tr>
<td>Securities at FVTPL</td>
<td>7,079</td>
<td>716</td>
<td>-</td>
<td>7,795</td>
</tr>
<tr>
<td>Securities at FVOCI</td>
<td>43,798</td>
<td>850</td>
<td>-</td>
<td>44,648</td>
</tr>
<tr>
<td>Securities at AC</td>
<td>12,586</td>
<td>11,026</td>
<td>-</td>
<td>23,612</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>273,102</td>
<td>77,461</td>
<td>13,315</td>
<td>363,878</td>
</tr>
</tbody>
</table>

The table below summarises the Group’s exposure to foreign currency exchange rate risk as at 31 December 2018.

<table>
<thead>
<tr>
<th></th>
<th>Russian Ruble</th>
<th>US Dollar</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>25,249</td>
<td>14,353</td>
<td>-</td>
<td>39,602</td>
</tr>
<tr>
<td>Term deposits with original maturity of less than three months</td>
<td>22,078</td>
<td>-</td>
<td>-</td>
<td>22,078</td>
</tr>
<tr>
<td>Due from banks</td>
<td>29</td>
<td>657</td>
<td>-</td>
<td>947</td>
</tr>
<tr>
<td>Banking: Mandatory reserves with the Bank of Russia</td>
<td>1,875</td>
<td>-</td>
<td>-</td>
<td>1,875</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade receivables</td>
<td>42,750</td>
<td>35,299</td>
<td>368</td>
<td>78,417</td>
</tr>
<tr>
<td>Other financial receivables</td>
<td>5,130</td>
<td>1</td>
<td>-</td>
<td>5,131</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>131,907</td>
<td>8,220</td>
<td>6,178</td>
<td>146,305</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bank deposits</td>
<td>310</td>
<td>347</td>
<td>-</td>
<td>657</td>
</tr>
<tr>
<td>Due from banks</td>
<td>29</td>
<td>1,450</td>
<td>-</td>
<td>1,479</td>
</tr>
<tr>
<td>REPO with banks</td>
<td>537</td>
<td>-</td>
<td>-</td>
<td>537</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>456</td>
<td>-</td>
<td>-</td>
<td>456</td>
</tr>
<tr>
<td>Loans to employees</td>
<td>1,046</td>
<td>-</td>
<td>-</td>
<td>1,046</td>
</tr>
<tr>
<td>Other loans</td>
<td>28,517</td>
<td>270</td>
<td>-</td>
<td>28,787</td>
</tr>
<tr>
<td>Securities at FVTPL</td>
<td>3,149</td>
<td>4,625</td>
<td>-</td>
<td>7,774</td>
</tr>
<tr>
<td>Securities at FVOCI</td>
<td>38,773</td>
<td>4,603</td>
<td>-</td>
<td>43,376</td>
</tr>
<tr>
<td>Securities at AC</td>
<td>18,718</td>
<td>14,048</td>
<td>-</td>
<td>32,766</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>320,692</td>
<td>79,851</td>
<td>6,667</td>
<td>405,209</td>
</tr>
</tbody>
</table>
For the year ended 31 December 2019 the Group recognised RR 12,852 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:

<table>
<thead>
<tr>
<th>Year ended 31 December 2019</th>
<th>Year ended 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on profit before tax</td>
<td>Impact on equity</td>
</tr>
<tr>
<td>US Dollar strengthening by 20%</td>
<td>7,007</td>
</tr>
<tr>
<td>US Dollar weakening by 20%</td>
<td>(7,007)</td>
</tr>
</tbody>
</table>

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 LBOR rate). To mitigate the risk of significant changes in the LBOR 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. The Group performs periodic analysis of the interest rate environment. 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 maintain 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 years 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:

<table>
<thead>
<tr>
<th>Yeas of maturity</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand and less than 1 month</td>
<td>From 1 to 6 months</td>
<td>From 6 to 12 months</td>
</tr>
<tr>
<td>2019</td>
<td>31,934</td>
<td>(5,045)</td>
</tr>
<tr>
<td>2018</td>
<td>73,319</td>
<td>41,463</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Russian Ruble</th>
<th>US Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>7.21%</td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>7.21%</td>
</tr>
<tr>
<td>Due from banks</td>
<td>4.41%</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>10.13%</td>
</tr>
<tr>
<td>Loans to employees</td>
<td>3.79%</td>
</tr>
<tr>
<td>Other loans</td>
<td>9.22%</td>
</tr>
<tr>
<td>Securities at FVOCI</td>
<td>3.65%</td>
</tr>
<tr>
<td>Securities at FVPL</td>
<td>8.57%</td>
</tr>
<tr>
<td>Securities at AC</td>
<td>8.35%</td>
</tr>
</tbody>
</table>

Treasurer 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 years horizon is analysed.

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:

<table>
<thead>
<tr>
<th>Yeas of maturity</th>
<th>Non-sensitive</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand and less than 1 month</td>
<td>From 1 to 6 months</td>
<td>From 6 to 12 months</td>
</tr>
<tr>
<td>2019</td>
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</tr>
<tr>
<td>2018</td>
<td>73,319</td>
<td>41,463</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Russian Ruble</th>
<th>US Dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>7.21%</td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>7.21%</td>
</tr>
<tr>
<td>Due from banks</td>
<td>4.41%</td>
</tr>
<tr>
<td>Banking: Loans to customers</td>
<td>10.13%</td>
</tr>
<tr>
<td>Loans to employees</td>
<td>3.79%</td>
</tr>
<tr>
<td>Other loans</td>
<td>9.22%</td>
</tr>
<tr>
<td>Securities at FVOCI</td>
<td>3.65%</td>
</tr>
<tr>
<td>Securities at FVPL</td>
<td>8.57%</td>
</tr>
<tr>
<td>Securities at AC</td>
<td>8.35%</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Year end 31 December 2019</th>
<th>Year end 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on profit before tax</td>
<td>Impact on equity</td>
</tr>
<tr>
<td>Increase by 100 basis points</td>
<td>(273)</td>
</tr>
<tr>
<td>Decrease by 100 basis points</td>
<td>275</td>
</tr>
</tbody>
</table>

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) through establishing and limiting 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.

The following table presents a sensitivity analysis of interest rate risk on banking and non-banking financial assets and liabilities:

<table>
<thead>
<tr>
<th>Year end 31 December 2019</th>
<th>Year end 31 December 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact on profit before tax</td>
<td>Impact on equity</td>
</tr>
<tr>
<td>Increase by 100 basis points</td>
<td>(273)</td>
</tr>
<tr>
<td>Decrease by 100 basis points</td>
<td>275</td>
</tr>
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</table>

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 rescheduling 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.

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:

- qualitative 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 rescheduling loan interest and principal, significant changes in expected results of operations and behaviour of a borrower and other material changes).

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- qualitative 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 rescheduling loan interest and principal, significant changes in expected results of operations and behaviour of a borrower and other material changes).

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- there are early warning indicators of an increase in credit risk; a need to change previously agreed on terms of the agreement.

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:

- qualitative 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 rescheduling 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.

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:
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 poli-

The risk management department monitors 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 the period provides a sound ground for assessment of ratings migration and allows the Group to calculate 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:

<table>
<thead>
<tr>
<th>Name of committee</th>
<th>Maximum exposure allowed to be approved, Rbl million</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit committee</td>
<td>Not limited*</td>
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<tr>
<td>Credit committee on small and medium-sized business borrowers</td>
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<tr>
<td>Credit committee on retail lending</td>
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</tbody>
</table>

* Within the limits of standards N6 and N25

The Group does not enter into transactions with an initial rating of B 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;
- conducting 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/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:

- non-investment (speculative) grade ratings classification referred to as Baa3 to Baa1 for Moody’s Investment Services, as BBB- to BBB+ for Fitch Rating and as A- to A for Standard and Poor’s Rating, respectively;
- investment grade ratings classification referred to as Aa3 to Aaa for Moody’s Investment Services, as BBB- to BBB+ for Fitch Rating and as AAA to BBB- 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.
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.
### 2019 ANNUAL REPORT ANNEX 1

#### IFRS Consolidated Financial Statements

**YEARS OF SUSTAINABLE DEVELOPMENT**

25

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#### POCI Total

At 31 December 2019

<table>
<thead>
<tr>
<th>Stage 1 (12-months ECL)</th>
<th>Stage 2 (Lifetime ECL for SICR)</th>
<th>Stage 3 (Lifetime ECL for credit impaired)</th>
<th>POCI</th>
</tr>
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<tbody>
<tr>
<td><strong>NOTES RECEIVABLE</strong></td>
<td></td>
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<tr>
<td>Investment grade rating</td>
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#### DUE FROM BANKS

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<th>Stage 2 (Lifetime ECL for SICR)</th>
<th>Stage 3 (Lifetime ECL for credit impaired)</th>
<th>POCI</th>
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#### DEBT SECURITIES MEASURED AT AMORTISED COST

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#### DEBT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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<th>Stage 1 (12-months ECL)</th>
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### IFRS Consolidated Financial Statements

**2019 ANNUAL REPORT ANNEX 1**

#### YEARS OF SUSTAINABLE DEVELOPMENT

At 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>Stage 1 (12-months ECL)</th>
<th>Stage 2 (Lifetime ECL for SICR)</th>
<th>Stage 3 (Lifetime ECL for credit impaired)</th>
<th>POCI</th>
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<td>Carrying amount</td>
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<td></td>
<td></td>
<td>657</td>
<td>657</td>
</tr>
</tbody>
</table>

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 unexpected disruptions in operations according to 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 deposits 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 Bank ZENIT), other limits (for counterparty, 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.

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>Between 1 and 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds issued</td>
<td>945</td>
<td>59</td>
<td>1,004</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>2,498</td>
<td>1,986</td>
<td>4,484</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>1,055</td>
<td>76</td>
<td>1,131</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>6,682</td>
<td></td>
<td>6,682</td>
</tr>
<tr>
<td>Other debt</td>
<td>956</td>
<td>1,625</td>
<td>2,581</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>15,386</td>
<td>4,660</td>
<td>20,046</td>
</tr>
<tr>
<td>Banking: Customer accounts</td>
<td>170,869</td>
<td>38,753</td>
<td>209,622</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>523</td>
<td></td>
<td>523</td>
</tr>
<tr>
<td>Credit-related commitments (Note 27)</td>
<td>36,514</td>
<td>5,726</td>
<td>42,240</td>
</tr>
<tr>
<td>Total</td>
<td>311,885</td>
<td>75,577</td>
<td>387,462</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>Between 1 and 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other financial payables</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade payables</td>
<td>36,910</td>
<td></td>
<td>36,910</td>
</tr>
<tr>
<td>Dividend payable</td>
<td>55,800</td>
<td></td>
<td>55,800</td>
</tr>
<tr>
<td>Current portion of lease liability</td>
<td>3,024</td>
<td></td>
<td>3,024</td>
</tr>
<tr>
<td>Lease obligations, net of current portion</td>
<td>5,443</td>
<td>11,076</td>
<td>16,519</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,569</td>
<td>143</td>
<td>1,712</td>
</tr>
<tr>
<td>Banking: Other financial liabilities at fair value through profit and loss</td>
<td>4,451</td>
<td></td>
<td>4,451</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Less than 1 year</th>
<th>Between 1 and 5 years</th>
<th>Over 5 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bonds issued</td>
<td>3,232</td>
<td>22,323</td>
<td>25,555</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>292</td>
<td>3,137</td>
<td>3,429</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>880</td>
<td>40</td>
<td>920</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>14,700</td>
<td></td>
<td>14,700</td>
</tr>
<tr>
<td>Other debt</td>
<td>475</td>
<td>2,007</td>
<td>2,482</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>20,727</td>
<td>2,827</td>
<td>23,557</td>
</tr>
<tr>
<td>Other payables</td>
<td>1,013</td>
<td></td>
<td>1,013</td>
</tr>
<tr>
<td>Total</td>
<td>319,499</td>
<td>47,139</td>
<td>366,638</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Banking: Loans to customers measured at fair value through profit and loss</td>
<td>-</td>
<td>12,947</td>
</tr>
<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>7,015</td>
<td>643</td>
</tr>
<tr>
<td>Banking: Due from banks</td>
<td>-</td>
<td>1,238</td>
</tr>
<tr>
<td>Securities measured at fair value through other comprehensive income</td>
<td>18,325</td>
<td>10,407</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banking: Other financial liabilities measured at fair value through profit and loss</td>
<td>(4,425)</td>
<td>(26)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>20,915</td>
<td>12,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
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</tr>
<tr>
<td>Banking: Loans to customers measured at fair value through profit and loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>2,320</td>
<td>2,265</td>
</tr>
<tr>
<td>Other loans measured at fair value through profit and loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities measured at fair value through other comprehensive income</td>
<td>18,056</td>
<td>9,227</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banking: Other financial liabilities measured at fair value through profit and loss</td>
<td>(1,190)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,866</td>
<td>11,492</td>
</tr>
</tbody>
</table>

FAIR VALUES

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The different levels of fair value hierarchy have been defined as follows:

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Recurring fair value measurements

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<th>At 31 December 2019</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Banking: Loans to customers measured at fair value through profit and loss</td>
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<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>7,015</td>
<td>643</td>
</tr>
<tr>
<td>Banking: Due from banks</td>
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</tr>
<tr>
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<td>10,407</td>
</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>(26)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
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<td>12,262</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>At 31 December 2019</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Banking: Loans to customers measured at fair value through profit and loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Securities measured at fair value through profit and loss</td>
<td>2,320</td>
<td>2,265</td>
</tr>
<tr>
<td>Other loans measured at fair value through profit and loss</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>18,056</td>
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</tr>
<tr>
<td>Investment property</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Banking: Other financial liabilities measured at fair value through profit and loss</td>
<td>(1,190)</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19,866</td>
<td>11,492</td>
</tr>
</tbody>
</table>
### IFRS Consolidated Financial Statements

#### YEARS OF SUSTAINABLE DEVELOPMENT

At 31 December 2019

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Fair value</th>
<th>Carrying value</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Level 1</td>
<td>Level 2</td>
<td>Level 3</td>
<td>Level 1</td>
</tr>
<tr>
<td>Cash on hand and in banks</td>
<td>6,365</td>
<td>18,365</td>
<td>-</td>
<td>24,730</td>
</tr>
<tr>
<td>Term deposits</td>
<td>-</td>
<td>350</td>
<td>-</td>
<td>22,078</td>
</tr>
<tr>
<td>Due from banks</td>
<td>-</td>
<td>77</td>
<td>-</td>
<td>1,071</td>
</tr>
<tr>
<td>Banking: Mandatory reserve deposits with the Bank of Russia</td>
<td>1,572</td>
<td>-</td>
<td>-</td>
<td>1,572</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>-</td>
<td>79,724</td>
<td>-</td>
<td>78,417</td>
</tr>
<tr>
<td>Trade receivables</td>
<td>-</td>
<td>-</td>
<td>79,724</td>
<td>-</td>
</tr>
<tr>
<td>Other financial receivables</td>
<td>1,176</td>
<td>11,506</td>
<td>12,682</td>
<td>11,506</td>
</tr>
<tr>
<td>Banking: Loans to customers measured at amortised cost</td>
<td>-</td>
<td>-</td>
<td>122,842</td>
<td>-</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>-</td>
<td>122,842</td>
<td>123,505</td>
<td>-</td>
</tr>
<tr>
<td>Bank deposits</td>
<td>-</td>
<td>659</td>
<td>-</td>
<td>659</td>
</tr>
<tr>
<td>Due from banks</td>
<td>-</td>
<td>3,283</td>
<td>-</td>
<td>3,249</td>
</tr>
<tr>
<td>REPO with banks</td>
<td>-</td>
<td>4,081</td>
<td>-</td>
<td>4,081</td>
</tr>
<tr>
<td>Notes receivable</td>
<td>-</td>
<td>112</td>
<td>-</td>
<td>112</td>
</tr>
<tr>
<td>Loans to employees</td>
<td>-</td>
<td>928</td>
<td>-</td>
<td>928</td>
</tr>
<tr>
<td>Other loans measured at amortised cost</td>
<td>-</td>
<td>-</td>
<td>21,008</td>
<td>-</td>
</tr>
<tr>
<td>Securities measured at amortised cost</td>
<td>24,777</td>
<td>-</td>
<td>-</td>
<td>23,738</td>
</tr>
<tr>
<td>Total financial assets</td>
<td>32,714</td>
<td>27,991</td>
<td>236,620</td>
<td>296,915</td>
</tr>
</tbody>
</table>

At 31 December 2018

<table>
<thead>
<tr>
<th>LIABILITIES</th>
<th>Fair value</th>
<th>Carrying value</th>
<th>Fair value</th>
<th>Carrying value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade and other financial payables</td>
<td>-</td>
<td>350</td>
<td>30,800</td>
<td>36,910</td>
</tr>
<tr>
<td>Dividend payable</td>
<td>-</td>
<td>-</td>
<td>55,865</td>
<td>-</td>
</tr>
<tr>
<td>Current portion of lease liabilities</td>
<td>-</td>
<td>-</td>
<td>2,613</td>
<td>-</td>
</tr>
<tr>
<td>Other payables</td>
<td>-</td>
<td>332</td>
<td>1,477</td>
<td>1,809</td>
</tr>
<tr>
<td>Non-current lease liabilities</td>
<td>-</td>
<td>-</td>
<td>11,578</td>
<td>-</td>
</tr>
<tr>
<td>Debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>20,032</td>
<td>1,825</td>
<td>-</td>
<td>21,857</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>-</td>
<td>1,287</td>
<td>-</td>
<td>1,287</td>
</tr>
<tr>
<td>Debt securities issued</td>
<td>-</td>
<td>923</td>
<td>-</td>
<td>923</td>
</tr>
<tr>
<td>Credit facilities</td>
<td>-</td>
<td>-</td>
<td>14,701</td>
<td>-</td>
</tr>
<tr>
<td>Other debt</td>
<td>-</td>
<td>-</td>
<td>2,482</td>
<td>-</td>
</tr>
<tr>
<td>Banking: Due to banks and the Bank of Russia</td>
<td>1,527</td>
<td>21,288</td>
<td>-</td>
<td>22,815</td>
</tr>
<tr>
<td>Banking: Customer accounts</td>
<td>-</td>
<td>156,578</td>
<td>-</td>
<td>160,052</td>
</tr>
<tr>
<td>Other short-term liabilities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total financial liabilities</td>
<td>21,559</td>
<td>182,583</td>
<td>124,515</td>
<td>332,131</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th>Liabilities arising as a result of financing activities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term and long-term debt</td>
<td>31,150</td>
<td>7,742</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>25,920</td>
<td>7,742</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>(14,360)</td>
<td>(14,360)</td>
</tr>
<tr>
<td>Total</td>
<td>12,510</td>
<td>1,622</td>
</tr>
</tbody>
</table>

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 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 R 9,933 million from 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.

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 manages 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.

MANAGEMENT OF CAPITAL

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 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 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 for 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.

<table>
<thead>
<tr>
<th>Liabilities arising as a result of financing activities</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term and long-term debt</td>
<td>31,150</td>
<td>7,742</td>
</tr>
<tr>
<td>Bonds issued</td>
<td>25,920</td>
<td>7,742</td>
</tr>
<tr>
<td>Subordinated debt</td>
<td>(14,360)</td>
<td>(14,360)</td>
</tr>
<tr>
<td>Total</td>
<td>12,510</td>
<td>1,622</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>MANAGEMENT OF CAPITAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>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 manages 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.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note 31</th>
</tr>
</thead>
<tbody>
<tr>
<td>Subsequent events</td>
</tr>
</tbody>
</table>

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. |

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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.

Joint Stock Company PricewaterhouseCoopers Audit (JSC PwC Audit)

10 Butyrsky Val Str., Business Center Belaya Ploschad, Moscow, 125047, Russia

Telephone: +7(495) 967-6000, Fax: +7(495) 967-6001, www.pwc.ru

1
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. Materiality is 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.

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Materiality at the level of the overall Company’s accounting statements

RUB 11,600 million

How we determined it
5% of adjusted profit before tax

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.

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.
The Company’s accounting statements recognize 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 30,490 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 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 timeline of fulfillment of provisions for decommissioning fixed assets and restoring natural resources.

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 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.”
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**

Refer to Note IV.15 (text part) to the Balance Sheet and Profit & Loss Statement.

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).

We evaluated the methodology for calculating the provision for doubtful debts, the methodology for calculating the provision for impairment of financial investments and assets related to prospecting and exploration used by the Company, for its compliance with accounting rules established in the Russian Federation. We performed the following procedures:

- Analysis of the validity of critical assumptions used in the feasibility study models by field, such as production volume, hydrocarbon prices, production costs;

- 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.

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.
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.
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.

M.M. Timchenko, Head of the Assignment (Qualification Certificate No. 01-000267),
Joint Stock Company PricewaterhouseCoopers Audit

Independent auditor
Joint Stock Company “PricewaterhouseCoopers Audit”
Registered by the Ministry of Finance of the Republic of Tatarstan under No. 412 on January 21, 1998
Registered in the Unified State Register of Legal Entities on August 22, 2002, under State Registration Number: 10277018881
Taxpayer Identification Number 7705051102
Member of the Self-Regulatory Organization of Auditors Association “Sodruzhestvo”
Pavlov Registration Number of Entry in the Register of Auditors and Audit Organizations: 1234567890

BALANCE SHEET REPORT
(RUB ‘000)

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>I. NON-CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI-2, 8</td>
<td>Intangible assets</td>
<td>1110</td>
<td>1 854 480</td>
<td>1 519 494</td>
<td>882 443</td>
</tr>
<tr>
<td>VI-2, 8</td>
<td>Research and development results</td>
<td>1120</td>
<td>1 144 240</td>
<td>939 972</td>
<td>792 200</td>
</tr>
<tr>
<td>VI-3, 8</td>
<td>Intangible development assets</td>
<td>1130</td>
<td>82 200</td>
<td>4 285 212</td>
<td>4 320 885</td>
</tr>
<tr>
<td>VI-3, 8</td>
<td>Tangible development assets</td>
<td>1140</td>
<td>624 333</td>
<td>2 042 250</td>
<td>2 181 030</td>
</tr>
<tr>
<td>VI-3, 8</td>
<td>Fixed assets</td>
<td>1150</td>
<td>265 569 521</td>
<td>258 510 046</td>
<td>233 442 786</td>
</tr>
<tr>
<td>VI-1, 8</td>
<td>Related party receivables</td>
<td>1151</td>
<td>107 760 624</td>
<td>115 185 430</td>
<td>100 782 153</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VI-6</td>
<td>Financial investments</td>
<td>1160</td>
<td>99 328 503</td>
<td>92 381 756</td>
<td>92 578 452</td>
</tr>
<tr>
<td>VI-1, 8</td>
<td>Income-bearing investments in tangible assets</td>
<td>1170</td>
<td>392 259</td>
<td>4 323 952</td>
<td>4 199 156</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>II. CURRENT ASSETS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VII-7</td>
<td>Inventories</td>
<td>1210</td>
<td>41 210 116</td>
<td>45 761 674</td>
<td>48 115 981</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>VII-8</td>
<td>Materials used in the production process</td>
<td>1231</td>
<td>2 199 449</td>
<td>1 518 853</td>
<td>971 862</td>
</tr>
<tr>
<td>VII-8</td>
<td>Finished goods for resale</td>
<td>1232</td>
<td>26 352 269</td>
<td>27 274 632</td>
<td>24 839 505</td>
</tr>
<tr>
<td>VII-7</td>
<td>Goods shipped</td>
<td>1244</td>
<td>5 519 833</td>
<td>22 742 492</td>
<td>7 669 809</td>
</tr>
<tr>
<td>VII-7</td>
<td>Other inventories and expenses</td>
<td>1250</td>
<td>673 090</td>
<td>2 178 208</td>
<td>4 761 339</td>
</tr>
<tr>
<td>VII-8</td>
<td>Value added tax on acquired raw materials</td>
<td>1251</td>
<td>2 102 349</td>
<td>3 517 822</td>
<td>3 919 516</td>
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<tr>
<td>VIII</td>
<td>Receivables</td>
<td>1230</td>
<td>373 773 315</td>
<td>389 192 521</td>
<td>381 597 825</td>
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<td>VIII</td>
<td>Receivables</td>
<td>1231</td>
<td>243 747 738</td>
<td>263 839 973</td>
<td>163 426 232</td>
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<tr>
<td>VIII</td>
<td>Receivables</td>
<td>1232</td>
<td>49 025</td>
<td>104 072</td>
<td>178 056</td>
</tr>
</tbody>
</table>

2019 PJSC Tatneft Financial Statements Balance Sheet Report
The useful life of intangible assets is annually verified for the purpose of depreciation. If the duration period is substantially changed (by more than twenty percent) within which the asset is intended to be used, the 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 prospection costs in tangible prospection assets including as follows:

- costs for the acquisition and construction of prospection, exploratory and early production wells and other oilfield facilities;
- costs for buying and installing the equipment for prospection, exploration and early production wells;
- the Company recognizes the prospective costs in intangible prospecting assets including as follows:
- costs for acquisition of licenses for geological study of the subsurface, license for geological study and production of minerals;
- costs for minerals prospection, 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 substan- tiated 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 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 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 USRR Council of Ministers dated October 22, 1991, 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 amount and according to the classification of the 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

SIGNIFICANT ASPECTS OF ACCOUNTING POLICIES AND PRESENTATION OF INFORMATION IN THE FINANCIAL STATEMENTS

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 65.4706 as at 31 December 2019, RUB 65.4605 as at 31 December 2018, RUB 79.4605, as at 31 December 2017, RUB 75.6002, and RUB 69.3406 per Euro as at 31 December 2018.

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 revalued 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 indeter- minate 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 is accrued regardless of the company’s performance results in the reporting period.

The reporting financials statements are presented in thousands of Russian Rubles.

The foreign currency denominated assets and liabilities are recognized in the accounting records in accordance with the 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 in accordance with the regulations and the accounting policy. The annual financial statements for 2019 were approved by the Company in accordance with the Order of the Ministry of Finance of the Russian Federation No. 154n dated November 27, 2006.


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 management 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 prospection costs in tangible prospection assets including as follows:

- costs for the acquisition and construction of prospection, exploratory and early production wells and other oilfield facilities;
- costs for buying and installing the equipment for prospection, exploration and early production wells;
- the Company recognizes the prospective costs in intangible prospecting assets including as follows:
- costs for acquisition of licenses for geological study of the subsurface, license for geological study and production of minerals;
- costs for minerals prospection, 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.
those included in the production and technological complex for generating electric power 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. The useful lives of facilities (number of years) are:

<table>
<thead>
<tr>
<th>Group of fixed assets</th>
<th>Before 01.01.2002</th>
<th>After 01.01.2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>25-50</td>
<td>8-31</td>
</tr>
<tr>
<td>Factories, including</td>
<td>10-15</td>
<td>5-12</td>
</tr>
<tr>
<td>Wells</td>
<td>10-15</td>
<td>5-12</td>
</tr>
<tr>
<td>Machinery and equipment</td>
<td>5-15</td>
<td>1-25</td>
</tr>
</tbody>
</table>

The useful life 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.

FINANCIAL INVESTMENTS

Transactions with financial investments may be a contribution to the authorized capital, a non-current asset, the company’s paid-in capital, or the company’s equity. 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 non-current asset, 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 (PIPO 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 warehoused and stored raw materials and supplies (including equipment requiring assembly) and other engineering, scientific, or other 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 after the reporting date. Other non-current assets may be a contribution to the authorized capital, a non-current asset, the company’s paid-in capital, or the company’s equity. 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 non-current asset, bank deposit agreement, a block of securities issue, etc.

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 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 receivables (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 discounts (markups). Non-recoverable receivables is written off from the balance sheet as it is recognized as such.

INCOME AND EXPENSE INCURRED IN THE FORMATION AND RECOVERY OF RECOVERABLE RECEIVABLES

The «goods shipped» balance sheet item reflects the shipped goods’ value added (excluding the amount of advance payments) to be deducted (paid) in accordance with tax legislation.

CASH AND CASH EQUIVALENTS

As per IAS 232011 “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 “General Accounting for Assets and Liabilities Denominated in Foreign Currencies” approved by Order of the Ministry of Finance of Russia No. 15n dated November 21, 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 currency exchange rates are recorded;
- 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”;
- 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 from certain entities provide for relevant cost outflows going to other entities (cash flows of the company’s buyer or agent in connection with the performance of commission of agency services (except for payment for services themselves); income from the counterparty against the reimbursement of utility payments and charges (including repayments of accretions on debt), 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 writeoffs of these 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 if formed out of the accumulated profit. This 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 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 recognizes 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 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. 239f-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 — 4,2%), 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 (NGSDs) 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, discount 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 reported 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
Revenues from the sale of goods and products (performance of work, provision of services) is recognized as the title of the product is transferred to customers (performance of work, provision of services to customer). 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 “Salaries”, 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 15/2012 “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 CGT 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 deductions”.

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 deductions” 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.
List of Non-arm’s Length Transactions Made by the Company in 2019

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Non-arm’s length party</th>
<th>Transaction approval or ratification date</th>
<th>Governance body of the Company which made the transaction approval decision</th>
<th>Essential transaction terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>TANECO Joint Stock Company</td>
<td>PJSC TATNEFT n.a. V.D. Shashin as a controller of JSC TANECO</td>
<td>13.02.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.D. Shashin</td>
<td>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.</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Counterparty</th>
<th>Non-arm’s length party</th>
<th>Transaction approval or ratification date</th>
<th>Governance body of the Company which made the transaction approval decision</th>
<th>Subject matter of the transaction:</th>
<th>Immovable property:</th>
<th>Transaction value:</th>
<th>Transaction date:</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TANECO Joint Stock Company</strong></td>
<td></td>
<td>19.07.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>purchase and sale of immovable property.</td>
<td>sulfolane extractive distillation unit (Title 011, Section 2500).</td>
<td>1 204 847 976 rubles 85 kopecks.</td>
<td>01.08.2019</td>
</tr>
<tr>
<td><strong>TANECO Joint Stock Company</strong></td>
<td></td>
<td>19.07.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>purchase and sale of immovable property.</td>
<td>processing units control center of deep conversion refinery (Title 092).</td>
<td>681 108 862 rubles 66 kopecks.</td>
<td>01.11.2019</td>
</tr>
<tr>
<td><strong>LLC Nizhnekamsk CHP</strong></td>
<td></td>
<td>30.09.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>alienation of PJSC TATNEFT n.a. V.O. Shashin as the additional contribution to the authorized capital of the &quot;NIZHNEKAMSK CHP&quot;.</td>
<td></td>
<td>3 919 454 700 rubles 00 kopecks.</td>
<td>19.11.2019</td>
</tr>
<tr>
<td><strong>TANECO Joint Stock Company</strong></td>
<td></td>
<td>28.11.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>purchase and sale of immovable property.</td>
<td>water unit No. 3 (Title 176/2, Section 7660).</td>
<td>1 688 699 000 rubles 00 kopecks.</td>
<td>12.11.2019</td>
</tr>
<tr>
<td><strong>TANECO Joint Stock Company</strong></td>
<td></td>
<td>28.11.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>purchase and sale of immovable property.</td>
<td>heavy coker gasoil hydrotreatment unit (Title 008, Section 4200).</td>
<td>8 782 698 608 rubles 94 kopecks.</td>
<td>01.12.2019</td>
</tr>
<tr>
<td><strong>TANECO Joint Stock Company</strong></td>
<td></td>
<td>23.12.2019</td>
<td>Board of Directors of PJSC TATNEFT n.a. V.O. Shashin</td>
<td>purchase and sale of immovable property.</td>
<td>loading dock section with a floating berth (Title 160).</td>
<td>694 026 387 rubles 17 kopecks.</td>
<td>06.12.2019</td>
</tr>
</tbody>
</table>

### 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.
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's Regulation on Disclosure by Securities Issuers No 454-P

The Corporate Governance Code compliance is assessed 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.

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 Corporate Governance Code compliance is assessed by the Board of Directors of PJSC TATNEFT n.a. V.D. Shashin 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”.

The Company’s corporate governance model and practice is set out in the Corporate Governance Section of this Report.

The Company’s internal document approved by the General meeting of shareholders and regulating the procedures for holding the General meeting is publicly available.

The Company provides an accessible means of communication with the Company, such as a hotline, e-mail or Internet forum to allow shareholders to express their opinions and send their questions regarding the agenda during preparation for the General meeting. These actions were taken by the Company ahead of each General meeting held during the reporting period.

During the reporting period, the shareholders were given the opportunity to ask questions to the members of the Company’s executive bodies and the Board of Directors before and during the annual General meeting.

The standpoint of the Board of Directors including dissenting opinions recorded in the minutes on each item on the agenda of General meetings held during the reporting period was included in the proceedings for the General meeting of shareholders.

The Company provided the eligible shareholders with an access to the list of persons entitled to participate in the General meeting, starting from the date when it was recovered by the Company, in all cases when General meetings were held in the reporting period.

During the reporting period, 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.

The notification indicates the venue of the general meeting and provision of materials for it should enable the shareholders to get properly prepared for participation therein.

The notification of the General meeting of shareholders is posted [published] on the website on the Internet at least 30 days before the date of the General meeting.

The notification indicates the venue of the meeting and the documents to be presented permitting access to the premises. Shareholders have been provided with an access to the information about who proposed agenda items and who nominated candidates to the Board of Directors and the Audit Committee of the Company.

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

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Corporate Governance Principle</th>
<th>Compliance Assessment Criteria</th>
<th>Status of compliance with the corporate governance principle</th>
<th>Explanations for deviations from the criteria for assessing compliance with the corporate governance principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1.1</td>
<td>The company’s internal document approved by the General meeting of shareholders and regulating the procedures for holding the General meeting is publicly available.</td>
<td>Full compliance</td>
<td>Noncompliance</td>
<td></td>
</tr>
<tr>
<td>1.1.2</td>
<td>The Company provides an accessible means of communication with the Company, such as a hotline, e-mail or Internet forum to allow shareholders to express their opinions and send their questions regarding the agenda during preparation for the General meeting.</td>
<td>Full compliance</td>
<td>Noncompliance</td>
<td></td>
</tr>
<tr>
<td>1.1.3</td>
<td>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.</td>
<td>Full compliance</td>
<td>Noncompliance</td>
<td></td>
</tr>
<tr>
<td>1.1.4</td>
<td>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.</td>
<td>Full compliance</td>
<td>Noncompliance</td>
<td></td>
</tr>
<tr>
<td>1.1.5</td>
<td>Each shareholder could freely exercise their right to vote in a straightforward and most convenient way.</td>
<td>Full compliance</td>
<td>Noncompliance</td>
<td></td>
</tr>
</tbody>
</table>

Explanations for deviations from the criteria for assessing compliance with the corporate governance principle:

Noncompliance - no evidence of compliance.

Partial compliance - partial evidence of compliance.

Full compliance - full evidence of compliance.
1.2 SHAREHOLDERS HAVE EQUAL AND FAIR OPPORTUNITIES TO PARTICIPATE IN THE PROFITS OF THE COMPANY BY MEANS OF RECEIVING DIVIDENDS

1.2.1 The Company has developed and put in place a transparent and clear mechanism for determining the amount of dividends and their payment.

1.2.2 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 reflect the Company’s consistency in financial and economic principles which does not give an advantage to any candidate, in particular, in the context of equal distribution of dividends.

1.2.3 The Company does not allow deterioration of dividend rights of its existing shareholders.

1.2.4 The Company strives to rule out any ways through which its shareholders can obtain any profit or gain at the Company’s expense other than dividends and distributions of its liquidation value.

1.2.5 Procedures for holding a general meeting by the Company provide equal opportunity to all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.

1.3. THE SYSTEM AND PRACTICES OF CORPORATE GOVERNANCE ENSURE EQUAL TERMS AND CONDITIONS FOR ALL SHAREHOLDERS OWNING SHARES OF THE SAME CLASS (CATEGORY) IN THE COMPANY, INCLUDING MINORITY AND FOREIGN SHAREHOLDERS AS WELL AS THEIR EQUAL TREATMENT BY THE COMPANY

1.3.1 The Company has created conditions, which would enable its governing bodies and controlling persons to treat each shareholder fairly, in particular, which would rule out the possibility of any abuse of minority shareholders by major shareholders.

1.3.2 The company does not take any actions, which would or might result in artificial realization of corporate control therein.

1.3.3 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. THE SHAREHOLDERS ARE PROVIDED WITH RELIABLE AND EFFICIENT MEANS OF RECORDING THEIR RIGHTS IN SHARES AS WELL AS WITH THE OPPORTUNITY TO FREELY DISPENSE 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.

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 vested with the powers embodied in the Articles of Association to appoint, dismiss and determine the terms of contracts with respect to members of Executive bodies.

2.1.2 The Board of Directors has considered the progress report of the sole executive body and members of the collegial executive body on implementation of the Company’s strategy.

2.1.3 The company prevents all actions, which may or might result in artificial relocation of corporate control therein.

2.1.4 The company prevents all actions, which may or might result in artificial relocation of corporate control therein.

2.1.5 Procedures for holding a general meeting 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.
### 2.1. THE BOARD OF DIRECTORS HELD 20 MEETINGS DURING THE REPORTING PERIOD.

<table>
<thead>
<tr>
<th>Item No.</th>
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<tbody>
<tr>
<td>2.1.1.</td>
<td>The Board of Directors defines the principles and approaches to setting up of the risk management and internal control system in the company.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.2.</td>
<td>The Board of Directors sets 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.</td>
<td>Partial compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.3.</td>
<td>The Board of Directors defined the principles and approaches to setting up of the risk management and internal control system in the company.</td>
<td>Noncompliance</td>
<td></td>
<td></td>
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<tr>
<td>2.1.4.</td>
<td>The Board of Directors defined the principles and approaches to setting up of the risk management and internal control system in the company.</td>
<td>Partial compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.5.</td>
<td>The Board of Directors plays a key role in preventing, detecting and resolving internal conflicts between the company’s governance bodies, shareholders and employees.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.6.</td>
<td>The Board of Directors plays a key role in preventing, detecting and resolving internal conflicts between the company’s governance bodies, shareholders and employees.</td>
<td>Partial compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.7.</td>
<td>The Board of Directors oversees corporate governance practices in the company and plays a key role in significant corporate events of the company.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1.8.</td>
<td>The Board of Directors oversees corporate governance practices in the company and plays a key role in significant corporate events of the company.</td>
<td>Partial compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
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### 2.2. THE BOARD OF DIRECTORS IS ACCOUNTABLE TO THE SHAREHOLDERS OF THE COMPANY

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<thead>
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<tbody>
<tr>
<td>2.2.1.</td>
<td>Information with regard to the work of the Board of Directors is disclosed and provided to the shareholders.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.2.2.</td>
<td>The Chairman of the Board of Directors is available to communicate with the Company’s shareholders.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 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

<table>
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<tr>
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<tbody>
<tr>
<td>2.3.1.</td>
<td>Only persons who have an impeccable business and personal reputation, have required professional 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.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.3.2.</td>
<td>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.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.4. THE BOARD OF DIRECTORS INCLUDES A SUFFICIENT NUMBER OF INDEPENDENT DIRECTORS

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<tbody>
<tr>
<td>2.4.1.</td>
<td>A person is qualified as an independent director if he/she has required professional skills, experience and independence to form his/her own opinion, 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.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### 2.5. THE BOARD OF DIRECTORS ENSURES THE DEVELOPMENT OF THE COMPANY IN COMPLIANCE WITH THE CORPORATE GOVERNANCE PRINCIPLE

<table>
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<tbody>
<tr>
<td>2.5.1.</td>
<td>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.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5.2.</td>
<td>The Board of Directors defined the principles and approaches to setting up of the risk management and internal control system in the company.</td>
<td>Partial compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.5.3.</td>
<td>The Board of Directors includes, inter alia, evaluating the professional qualifications of the members of the Board of Directors.</td>
<td>Noncompliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 2.4.2 Independent directors play a key role in preventing internal conflicts in the Company and performance by the latter of material corporate actions.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | 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 so that it is reviewed, on a regular basis, whether independent members of the Board meet the independence criteria. When carrying out such evaluation, the content should prevail over form. | 1. In the reporting period, the Board of Directors (or the Committee on nominations of the Board of Directors) made an opinion on the independence of each candidate to the Board of Directors and presented the relevant opinion to the shareholders. | Full compliance | - |
|      | 2. During the reporting period, the Board of Directors (or the committee on nominations of the Board of Directors) at least once examined the independence of the current members of the Board of Directors, indicated by the Company as independent directors in the annual report. | Partial compliance | - |
|      | 3. The Company has developed procedures that determine the necessary actions of a member of the Board of Directors in the event that he ceases to be independent, including the obligation to promptly inform the Board of Directors thereof | Noncompliance | - |

### 2.4.3 Independent directors account for at least one-third of all the directors elected to the Board of Directors.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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 | - |
|      | 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. | Partial compliance | - |
|      | The 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. | Noncompliance | - |

### 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.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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 play a key role in prevention of internal conflicts in the Company and performance by the latter of material corporate actions. | Full compliance | - |

### 2.5. The Chairman of the Board of Directors contributes to the most efficient implementation of the functions assigned to the Board of Directors.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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. | Full compliance | - |
|      | 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. | Partial compliance | - |
|      | 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. | Noncompliance | - |

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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 fulfillment 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 | - |
|      | 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. | Partial compliance | - |

### 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.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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. | Full compliance | - |
|      | The internal documents of the Company provide that a member shall abstain from voting on any items in respect of which he/she has a conflict of interest. | Partial compliance | - |
|      | The Company has a procedure in place that allows the Board of Directors to obtain professional consultations on matters within the scope of the expense of the Company. | Noncompliance | - |
| 2.6.2 | Rights and duties of the Board members are clearly stated and documented in the Company's internal documents. | 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. | Full compliance | - |
|      | 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. | Partial compliance | - |

### 2.6.3 The Board members have sufficient time to perform their duties.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 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 the time allotted to preparation for the meetings, were covered in the performance evaluation of the Board of Directors carried out in the reporting period. | Full compliance | - |
|      | 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. | Partial compliance | - |

### 2.6.4 All the Board members have equal opportunities to access the Company’s documents and information.

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
| 2.6.4 | All the Board members have equal opportunities to access the Company’s documents and information. | 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. | Full compliance | - |
|      | The Company has a formal onboarding program for newly elected members of the Board of Directors. | Partial compliance | - |

| Item | Corporate Governance Principle | Compliance Assessment Criteria | Status of compliance with the corporate governance principle | Explanations for deviations from the criteria for assessing compliance with the corporate governance principle |
|------|--------------------------------|--------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------------------------------
|      | The Company has a formal onboarding program for newly elected members of the Board of Directors. | The Company has a formal onboarding program for newly elected members of the Board of Directors. | Full compliance | - |
|      | The Company has approved and published an internal document that clearly states the rights and duties of the members of the Board of Directors. | Partial compliance | - |
|      | 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. | Noncompliance | - |
### 2.7. MEETINGS OF THE BOARD OF DIRECTORS, PREPARATION FOR THEM, AND PARTICIPATION OF BOARD MEMBERS THEREIN

#### 2.7.1. The meetings of the Board of Directors

- The Board of Directors held at least six meetings during the reporting year.
- The meetings of the Board of Directors are held as required by the Company’s internal documents, which enable the members of the Board of Directors to properly prepare for the meetings.
- Decisions on the most important issues are decided at the meetings held in person.

#### 2.7.2. The procedure for preparing for and holding meetings of the Board of Directors

- 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.
- 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.

#### 2.7.3. The form of a meeting of the Board of Directors

- 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.

#### 2.7.4. Decisions on the most important issues of the Company

- 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.

### 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, comprised solely of independent directors and chaired by an independent director who is not concurrently the Chairman of the Board of Directors.

#### 2.8.2. For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding succession of 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.

#### 2.8.3. For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding succession of directors), professional composition and efficiency of the Board of Directors, the Remuneration Committee (remuneration practices) is established, comprised solely of independent directors and chaired by an independent director who is not concurrently the Chairman of the Board of Directors.

#### 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.)

#### 2.8.5. The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.

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<tr>
<td>Full compliance</td>
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<td>Full compliance</td>
<td>Clarification for Item 1: The Human Resources &amp; Remuneration Committee of the Board of Directors is comprised of three independent directors and chaired by the independent director (B. Shavin). The Board of Directors decided to increase the Committee membership by adding a non-executive director (R. Sabiro). 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 Banks of Basic 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 3.4.1 herein).</td>
</tr>
<tr>
<td>Partial compliance</td>
<td>Partial compliance</td>
<td>Partial compliance</td>
<td>The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.</td>
</tr>
<tr>
<td>Noncompliance</td>
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<td>Noncompliance</td>
<td>The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.</td>
</tr>
</tbody>
</table>

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#### 2.8.6. The Board of Directors has established a Remuneration Committee, which consists of three independent directors and chaired by an independent director who is not concurrently the Chairman of the Board of Directors.

#### 2.8.7. The internal documents of the Company specify the objectives of the Remuneration Committee, including the objectives indicated in Recommendation 186 of the Code.

#### 2.8.8. For the purpose of preliminary consideration of any matters relating to human resources planning (making plans regarding succession of directors), professional composition and efficiency of the Board of Directors, the Remuneration Committee is established, comprised solely of independent directors and chaired by an independent director who is not concurrently the Chairman of the Board of Directors.

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</tr>
<tr>
<td>Partial compliance</td>
<td>Partial compliance</td>
<td>Partial compliance</td>
<td>The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.</td>
</tr>
<tr>
<td>Noncompliance</td>
<td>Noncompliance</td>
<td>Noncompliance</td>
<td>The objectives of the Nominations Committee are combined with functions of the HR and Remuneration Committee.</td>
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### Item No. Corporate Governance Principle Compliance Assessment Criteria 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.**

1. The Committees of the Board of Directors are headed by independent directors.
2. The internal documents (policies) of the Company include the provisions according to which persons not being members of the Audit Committee, Nominations Committee and the HR & Remuneration Committee may attend the meetings of the Committees upon the invitation of the respective Chairman only.

- Full compliance
- Partial compliance
- Noncompliance

Clarification for Item 1: The Company adheres to the 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 chairman of the Committee reports on the work of the Committee to the Board of Directors and the Chairman on a regular basis.**

1. During the reporting period, Chairman of the Committees regularly reported on the work of the Committees to the Board of Directors.

- Full compliance
- Partial compliance
- Noncompliance

**2.9.1. Performance evaluation of the Board of directors.**

1. For the purposes of independent performance evaluation of the Board of Directors, during the last three reporting periods the Company has at least once engaged the third party entity (consultant).

- Full compliance
- Partial compliance
- Noncompliance

Performance of the Board of Directors is evaluated on a regular basis once a year; the evaluation is based on formalized self-evaluation system and the results are further considered by the Audit Committee and Corporate Governance Committee with the involvement of independent directors.

The self-evaluation system is based on the methods similar to the RAEX (Expert RA) methodology adopted since 01.06.2014. The results are disclosed in the annual report and are available to the shareholders and all stakeholders. The Company has not engaged a third party entity for performance evaluation of the Board of Directors for the last three years on the basis of reasonable grounds associated with qualitative changes in the Company (development, approval and implementation of the corporate Long-term Strategy) and positive financial results and productivity 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 EFFECTIVE WORK OF ITS BOARD OF DIRECTORS.**

**3.1.1. The company has adopted and disclosed the internal document — the Regulation on the work 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.**

- Full compliance
- Partial compliance
- Noncompliance

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.

The Board of Directors approves the appointment, removal from office and additional fee of the corporate secretary.

**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 EFFECTIVE WORK OF ITS BOARD OF DIRECTORS.**
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 IN ACCORDANCE WITH A REMUNERATION POLICY APPROVED BY THE COMPANY.

4.1.1. The level of remuneration paid to the members of the Board of Directors, the 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 excessive—large gap between the level of remuneration of any of the above persons and that of the Company’s employees.

4.1.2. The Company’s remuneration policy is developed by the 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.

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.

4.1.4. The Company develops a policy on reimbursement of expenses (commissions) 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.

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 members of short-term incentive and additional financial incentives awards members of the Board of Directors.

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 Members of the Company don’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.

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 produce 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.

4.3.2. The Company 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).

4.3.3. The amount of severance pay (so-called «golden parachute») payable by the Company in the event of early resignation of the Board members due to change of control over the Company or other circumstances.
5.1. THE COMPANY AND ITS ACTIVITIES ARE TRANSPARENT TO SHAREHOLDERS, INVESTORS AND OTHER STAKEHOLDERS
5.1.1. The Board of Directors has determined the principles and approaches to certain risk management and internal control systems in the Company.
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.
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 assumed by the Company.
5.1.4. The Board of Directors takes approaches to its creation as set forth by the Board of Directors and it operates efficiently.
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 an approved policy on combating corruption.
5.2.2. The Company avoids a formalistic approach to information disclosure and disclosure materiality on its activities, even if disclosure of such information is not required by law.
5.2.3. The Company has a separate structural division (internal audit department) or an independent third-party entity engaged to carry out the 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.
5.2.4. The internal audit department conducts an evaluation of the 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.
5.2.5. The internal audit department has explained the principles and approaches to the internal control and risk management.
6.1. THE COMPANY’S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM, AS WELL AS CORPORATE GOVERNANCE PRACTICES, ENABLE THE COMPANY TO PROCUREMENT THAT THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM ENABLES THE COMPANY TO PROCUREMENT THAT THE EXISTING RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM, AS WELL AS CORPORATE GOVERNANCE PRACTICES, THE COMPANY ARRANGES FOR INTERNAL CONTROL.
6.1.1. The Company developed and implemented an information policy ensuring efficient exchange of information between the Company, shareholders, investors, and other stakeholders.
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.
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.
6.2.2. The Company avoids a formalistic approach to information disclosure and disclosure materiality on its activities, even if disclosure of such information is not required by law.
6.2.3. The annual report, as one of the basic documents in the annual report, contains information on the structure of the Company’s capital and the annual report of the Company is prepared under IFRS standards.
6.2.4. The annual report of the Company contains information on key aspects of the Company’s operation and its financial results.
6.3. THE COMPANY PROVIDES INFORMATION AND DOCUMENTS REQUESTED BY ITS SHAREHOLDERS AND INVESTORS IN ACCORDANCE WITH THE PRINCIPLE OF EQUITY AND UNHINDERED ACCESSIBILITY.
6.3.1. The information policy of the Company defines an unhindered procedure for providing the shareholders with access to information, including information on the entities controlled by the Company, as at the request of the shareholders.

### Compliance Assessment Criteria

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Corporate Governance Principle</th>
<th>Compliance Assessment Criteria</th>
<th>Status of compliance with the corporate governance principle</th>
<th>Explanations for deviations from the criteria for assessing compliance with the corporate governance principle</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.1.2.</td>
<td>The Company discloses information on its corporate governance system and practices, including detailed information on compliance with the principles and recommendations of the Code.</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.2.1.</td>
<td>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.</td>
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<td>Full compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### 7.1. Material corporate actions are deemed to include reorganization of the Company, acquisition of 30 or more percent of its voting shares (bequeath), 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 result in material changes in 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.

#### 7.1.1. Material corporate actions

Material corporate actions fall within the category of material corporate actions and criteria for their identifying. Decisions on material corporate actions were made 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 its voting shares (bequeath), entering by the Company into any 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.

#### 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.

#### 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.

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<tr>
<td>7.2.1</td>
<td>Information on the performance of material corporate actions disclosed with explanations concerning reasons for, conditions and consequences of such actions</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.2.2</td>
<td>Rules and procedures in relation to material corporate actions taken by the Company are set out in its internal documents</td>
<td>Full compliance</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### No.
**Item**

**Corporate Governance Principle**

**Compliance Assessment Criteria**

**Status of compliance with the corporate governance principle**

**Explanations for deviations from the criteria for assessing compliance with the corporate governance principle**
### Principal risks

#### STRATEGIC RISK

The implementation of the Company’s Development Strategy and the achievement of operational and financial results depend 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 highly qualified staff and a high-tech foundation, which 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.

At the same time, a number of international organizations, commercial, nongovernmental organizations publish their country ratings based on risks, including political risks. 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.

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.

#### 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.

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 focuses on risk measurement, assessment, and monitoring procedures as well as on the selection of appropriate risk management techniques.

For details of financial risks, including those related to the banking segment within TATNEFT Group, see the IFRS Consolidated Financial Statements, Note 26: 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 in regular work development 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 its plans.

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<th>Risk description</th>
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</table>
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 products prices have shown significant volatility due to multiple factors.

The Company plans to implement a series of IT projects by 2021, which will interact with advanced industry research centers.

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 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 market).

The management of PJSC TATNEFT closely monitors the situation and implements steps to reduce the negative impact of these events on the company, with the goal of improving the efficiency of industrial and environmental safety management, and also in order to ensure reduction of greenhouse gas emissions and carbon footprint.

Technical and technological risks

Exploration, development, and equipping of new fields, keeping the existing wells up and running, drifting new wells as well as crude oil treatment, transportation, oil and gas refining are extremely complex and expensive processes. Enhanced oil recovery requires extra costs which is very crucial if prices do not recover.

As the majority of production regions in Russia are located far from the main oil and oil products market, oil companies are dependent on the quality 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 seaways 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 all parties involved in the transportation process. The Federal Antimonopoly Service of the Russian Federation (FAO 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. FAO of Russia reviews tariffs at least once a year.

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 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 tanker fleet for storing commercial stocks of oil and oil products which can be also used during extraordinary disruptions in the operation of the transport infrastructure.

THE COMPANY'S COMMITMENT TO SUSTAINABLE DEVELOPMENT

The Company has a developed 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, maintaining 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 Change" Strategic Global Partnership initiative, the UN Global Compact and the Care" Strategic Global Partnership initiative, the UN Global Compact and the "Climate Change" Strategic Global Partnership initiative, the UN Global Compact and the United Nations Framework Convention on Climate Change (UNFCCC), as an active participant 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 decision 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 a 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.
<table>
<thead>
<tr>
<th>Risk description</th>
<th>Company’s risk management practice</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISK OF DAMAGE TO BUSINESS REPUTATION (REPUTATIONAL RISK) RELATED TO THE QUALITY OF PRODUCTS AND SERVICES</strong></td>
<td>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 consumer 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. <strong>Quality of products and services</strong> The Company strictly controls compliance with all regulatory requirements governing the quality of products and services. <strong>Safety of products and services</strong> 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. <strong>Information sharing</strong> 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. <strong>Feedback</strong> 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. <strong>Fair and responsible marketing practices</strong> 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.</td>
</tr>
<tr>
<td><strong>GEOGRAPHICAL AND NATURE-RELATED ASPECTS</strong></td>
<td>Geographical and nature-related aspects 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.</td>
</tr>
</tbody>
</table>
## Annex 6

Register of the mandatorily disclosed information by PJSC Tatneft in 2019

<table>
<thead>
<tr>
<th>№</th>
<th>Content of Notice</th>
<th>Disclosure date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Notice of Disclosure of the List of Affiliated Entities Owned by the Joint Stock Company on the Web Site</td>
<td>10.01.2019, 01.04.2019, 01.07.2019, 02.10.2019</td>
</tr>
<tr>
<td>3</td>
<td>Notice On the Access Procedure to the Information Contained in the Quarterly Statement</td>
<td>07.02.2019, 14.05.2019, 09.08.2019, 12.11.2019</td>
</tr>
<tr>
<td>7</td>
<td>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</td>
<td>23.01.2019, 28.06.2019</td>
</tr>
<tr>
<td>8</td>
<td>Notice on Disclosure of the Annual Accounting Statement of the Joint Stock Company on The Web Site</td>
<td>27.03.2019</td>
</tr>
<tr>
<td>9</td>
<td>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.</td>
<td>28.03.2019</td>
</tr>
<tr>
<td>11</td>
<td>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</td>
<td>07.05.2019, 28.08.2019, 29.11.2019</td>
</tr>
<tr>
<td>12</td>
<td>Notice On the Essential Fact “Other Notice”</td>
<td>07.05.2019</td>
</tr>
<tr>
<td>13</td>
<td>Notice on the essential fact “Holding the general meeting of participants (shareholders) of the issuer and the decisions made”</td>
<td>25.06.2019, 16.09.2019, 23.12.2019</td>
</tr>
<tr>
<td>15</td>
<td>Notice on the Access Procedure to the Information Contained in the Annual Report</td>
<td>25.06.2019</td>
</tr>
<tr>
<td>16</td>
<td>Notice on the Essential Fact “Rating Change or Rating Assignment to the Issuer by a Rating Agency Based on the Signed Agreement”</td>
<td>13.02.2019</td>
</tr>
<tr>
<td>17</td>
<td>Notice on the essential fact “Paid Income on the Issuer’s Equity Securities”</td>
<td>13.02.2019, 09.08.2019, 01.11.2019</td>
</tr>
<tr>
<td>18</td>
<td>Notice on the essential fact “The Non-Arm’s Length Transaction Completed by the Issuer”</td>
<td>18.06.2019</td>
</tr>
<tr>
<td>19</td>
<td>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”</td>
<td>11.05.2019 (Bank ZENIT), 11.09.2019 (Bank “Devon-Credit”)</td>
</tr>
<tr>
<td>20</td>
<td>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”</td>
<td>18.09.2019, 15.11.2019 (Bank “Sberbank”), 18.09.2019, 15.11.2019 (Bank “Devon-Credit”)</td>
</tr>
<tr>
<td>21</td>
<td>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”</td>
<td>01.10.2019, 18.09.2019, 15.11.2019 (Bank “Devon-Credit”)</td>
</tr>
<tr>
<td>22</td>
<td>Notice of the Essential Fact “Changing (Adjusting) the Information Contained in a Previously Published News Feed”</td>
<td>09.10.2019</td>
</tr>
<tr>
<td>№</td>
<td>Content of Notice</td>
<td>Disclosure date</td>
</tr>
<tr>
<td>----</td>
<td>----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td>23</td>
<td>Notice of the Essential Fact &quot;Stages of the Issuer's Securities Issuance Procedure&quot;: - Making a decision on approval of the bond program; - Assignment of identification number to the stock exchange program or commercial bond program; - Assignment of identification number to the issuance (additional issuance).</td>
<td>24.10.2019 / 01.12.2019 / 20.12.2019</td>
</tr>
<tr>
<td>24</td>
<td>Notice of the Essential Fact &quot;acquisition by a joint-stock company of more than 20 percent of the voting shares of another joint-stock company&quot;</td>
<td>05.11.2019</td>
</tr>
<tr>
<td>25</td>
<td>Notice of the Essential Fact &quot;Obtaining by the Issuer the Right to Dispose of a Certain Number of Voting Attributable to Voting Shares (Stakes) Constituting the Authorized Capital of Individual Organization&quot;</td>
<td>05.11.2019</td>
</tr>
<tr>
<td>26</td>
<td>Notice of the Essential Fact &quot;Information that, in the issuer's opinion, has a significant impact on the value of its equity securities&quot;</td>
<td>11.12.2019 (2 notices)</td>
</tr>
<tr>
<td>27</td>
<td>Notice of the Essential Fact about approval of a document containing the terms of a separate issue of bonds placed under the bond program</td>
<td>13.12.2019</td>
</tr>
<tr>
<td>28</td>
<td>Notification of the procedure to access insider information contained in the issuer's document: - The program of exchange-traded bonds (008P series of PJSC TATNEFT named after V.D. Shashin) for documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage - Prospectus of securities of PJSC TATNEFT named after V.D. Shashin. Identification number of the Program of exchange-traded bonds (008P series of PJSC TATNEFT named after V.D. Shashin: 4-01915-A008-D02 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 (008P series of PJSC TATNEFT named after V.D. Shashin) of documentary interest-bearing and/or discounted non-convertible to bearer with mandatory centralized storage.</td>
<td>13.12.2019 / 23.12.2019</td>
</tr>
<tr>
<td>30</td>
<td>Information on the placement (securities placement commencement and completion)</td>
<td>17.12.2019</td>
</tr>
<tr>
<td>31</td>
<td>Notice of the Essential Fact &quot;Inclusion of the Issuer's Equity Securities In the List of Securities Admitted to the Organized Trading by the Russian Securities Trade Market Operator.&quot;</td>
<td>20.10.2019</td>
</tr>
<tr>
<td>32</td>
<td>Notice of the essential fact &quot;Completion of the Securities Placement&quot;</td>
<td>24.12.2019</td>
</tr>
</tbody>
</table>

**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 Almetyevsk, 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);
- Bank of Russia Regulations N660-P of November 16, 2018 "On General Meetings of Shareholders;
- The Corporate Governance Code recommended for the use by Public Joint-Stock Companies No. IN-06–28/57 dated April 10, 2014;
- 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;

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;
- 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);
- 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 (IRC) have been used; published studies and recommendations in the corporate reporting.

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).

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 promises 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, 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

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BIA</td>
<td>Business Idea Auction</td>
</tr>
<tr>
<td>ABS</td>
<td>Automated Banking System</td>
</tr>
<tr>
<td>AGFS</td>
<td>AzovGas Padding Station</td>
</tr>
<tr>
<td>ASPN</td>
<td>Azovpecheskoje State Petroleum Institute</td>
</tr>
<tr>
<td>AB</td>
<td>Aneis Bed</td>
</tr>
<tr>
<td>FFS</td>
<td>Fuel Filling Station</td>
</tr>
<tr>
<td>AAS</td>
<td>Automated Information System</td>
</tr>
<tr>
<td>JSC</td>
<td>Joint Stock Company</td>
</tr>
<tr>
<td>BSW</td>
<td>BSWM Basin Water Management Board</td>
</tr>
<tr>
<td>ZBS</td>
<td>Zener Retaining Sides Group</td>
</tr>
<tr>
<td>BMZ</td>
<td>Bugulma Mechanical Plant (a structural subdivision of TATNEFT)</td>
</tr>
<tr>
<td>VDD</td>
<td>Valdai Development Corporation</td>
</tr>
<tr>
<td>FEAS</td>
<td>Foreign Economic Activity</td>
</tr>
<tr>
<td>GRPS</td>
<td>Group Metering Pump Station</td>
</tr>
<tr>
<td>GAMS</td>
<td>Group Metering Station</td>
</tr>
<tr>
<td>GTSBD</td>
<td>State Traffic Safety Inspectorate</td>
</tr>
<tr>
<td>SONS</td>
<td>State Complex Nature Sanctuary</td>
</tr>
<tr>
<td>HSE</td>
<td>Horizontal Separator</td>
</tr>
<tr>
<td>GOST</td>
<td>National State Standard Frac Formation Hydraulic Fracturing F&amp;L Fuel &amp; Lubricants</td>
</tr>
<tr>
<td>FEI</td>
<td>Financial Engineering Isolation</td>
</tr>
<tr>
<td>HES</td>
<td>Helicopter Engineering Stations</td>
</tr>
<tr>
<td>HMS</td>
<td>General Reconstructive Services</td>
</tr>
<tr>
<td>CC</td>
<td>Community Center</td>
</tr>
<tr>
<td>CPS</td>
<td>Corporate Protection System</td>
</tr>
<tr>
<td>CTCH</td>
<td>Children's Holiday Camp</td>
</tr>
<tr>
<td>CYSS</td>
<td>Children's and Youth Sports School</td>
</tr>
<tr>
<td>LBS</td>
<td>United Biometric System</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>VAS</td>
<td>United Identification and Authentication System</td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Economic Commission for Europe</td>
</tr>
<tr>
<td>RCT</td>
<td>Reinforced Concrete Tank</td>
</tr>
<tr>
<td>CJSC</td>
<td>Closed Joint Stock Company</td>
</tr>
<tr>
<td>BI</td>
<td>Investment Business</td>
</tr>
<tr>
<td>DAPI</td>
<td>Discounted Profitability Index</td>
</tr>
</tbody>
</table>

| DC      | Dual Completion |
| SEZ     | Special Economic Zone |
| MPC     | Maximum Permissible Concentration |
| APG     | Associated Petroleum Gas |
| BFM     | Reservoir Pressure Maintenance |
| PIP     | Polymer Coated Pipes |
| PS      | Power Substation |
| CD      | Chain Drive RBI Bellow Business |
| VSST    | Vertical Stainless Steel Tank |
| RIA     | Result of Intellectual Activities |
| SCS     | Settlement and Cash Services |
| RYOED   | Regional Youth Social Organization |
| RF      | the Republic of Tatarstan |
| REC     | the Russian Federation |
| SVO     | Super Viscous Oil |
| CPS     | Catholic Protection Station |
| CGS     | Corporate Governance Standard |
| SES     | Secondary Education School |
| EMDS    | Electronic Document Management System |
| TTH     | Trading House |
| TS      | Technical Specifications |
| FEC     | Fuel and Energy Complex |
| TFP     | Thermal Power Plant |
| DCO     | Downgraded Credit Unit |
| MC      | Management Company |
| LHFR    | Light Hydrocarbon Vapor Recovery |
| HSOTF   | High Sulfur Oil Treatment Facility |
| OFF     | Oil Treatment Facility |
| PWSU    | Initial Water Separation Unit |
| PPTF    | RPP Process Fluid Treatment Facility for Reservoir Pressure Maintenance (a subsidiary of TATNEFT) |
| SRU     | Sulfur Recovery Unit |
| UTNGP   | TATNEFTGAZPERERABOTKA Division (structural subdivision of TATNEFT) |

**TATNEFT, TATNEFT, the Company**

Annex 7: 2019 ANNUAL REPORT

**YEARS OF SUSTAINABLE DEVELOPMENT**

<table>
<thead>
<tr>
<th>Ind</th>
<th>Individuals</th>
</tr>
</thead>
<tbody>
<tr>
<td>PPF</td>
<td>Payment Fund</td>
</tr>
<tr>
<td>All</td>
<td>All-Steel Tires</td>
</tr>
<tr>
<td>PSC</td>
<td>Processing and Storage Center</td>
</tr>
<tr>
<td>PTC</td>
<td>Personal Training Center</td>
</tr>
<tr>
<td>CDH</td>
<td>Central District Hospital</td>
</tr>
<tr>
<td>NPV</td>
<td>Net Present Value NPI Net Fee Income</td>
</tr>
<tr>
<td>NI</td>
<td>Net Interest Income</td>
</tr>
<tr>
<td>NLG</td>
<td>Natural Gas Liquids</td>
</tr>
<tr>
<td>EIC</td>
<td>Electrical Insulating Connection</td>
</tr>
<tr>
<td>EXIM</td>
<td>Export Insurance Agency of Russia</td>
</tr>
<tr>
<td>ECU</td>
<td>Electronic Corporate University</td>
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</tbody>
</table>

**APEX**

- **APEX** (capital expenditure)
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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

ABBREVIATED NAME: PJSC TATNEFT HEAD

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FOR SHAREHOLDERS: Corporate Secretary Office Phone: +7 (8553) 37-61-01

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COMPANY WEB-SITE: tntaft.com

REPORT RELEASE MONTH AND YEAR: May 2020

REPORT CONCEPT: Dorpeko N.E.: training coordination annual report

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