



DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE MONTHS ENDED 31 DECEMBER AND 30 SEPTEMBER 2021
AND YEARS ENDED 31 DECEMBER 2021 AND 2020**

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The following discussion should be read in conjunction with the audited consolidated financial statements prepared in accordance with IFRS and the related notes, published simultaneously with this Management's Discussion and Analysis of financial condition and results of operations (MD&A). This report includes forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements as a result of numerous factors, including those discussed later in this MD&A. Words such as "believes," "anticipates," "expects," "estimates," "intends," "plans," etc. – that reflect management's current estimates and beliefs, but are not guarantees of future results. Please see "Forward-looking statements" for a discussion of some factors that could cause actual results to differ materially.

For financial reporting purposes, Tatneft converts metric tonnes of crude oil to barrels using a conversion factor of 7.123. This factor represents a blend of varying conversion factors specific to each of Tatneft's fields. Because the proportion of actual production by field varies from period to period, total reserves and production volumes for the Group in barrels converted from tonnes using the blended rate may differ from total reserves and production calculated on a field-by-field basis. Translations of cubic meters to cubic feet were made at the rate of 35.31 cubic feet per cubic meter. Translations of barrels of crude oil into barrels of oil equivalent ("BOE") were made at the rate of 1 barrel per BOE and of cubic feet into BOE at the rate of 6 thousand cubic feet per BOE.

Background

PJSC Tatneft (the "Company") and its subsidiaries (jointly referred to as the "Group" or "Tatneft") is one of the largest vertically integrated oil companies in Russia in terms of crude oil production, proved oil reserves and refining capacity. The Company is a public joint-stock company organized under the laws of the Russian Federation with the headquarters located in City of Almetyevsk, Tatarstan. The principal business of the Group is to explore for, develop, produce, process and market crude oil and refined products. The Group is also involved in gas treatment and refining, petrochemicals', mainly tires, production and marketing, manufacturing of equipment, engineering, procurement, and construction services for oil, gas and petrochemical projects and in banking activities.

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

The majority of the Group's crude oil and gas production, refining capacity and other operations are located in Tatarstan, a republic of the Russian Federation, situated between the Volga River and the Ural Mountains, with its capital city Kazan 797 kilometers southeast of Moscow.

The Group currently holds most of the exploration and production licenses and produces substantially all its crude oil in Tatarstan.

IMPORTANT NOTICE: As of the date of this report the Group's operating environment has been materially affected by certain subsequent events. Please see respective note to the audited IFRS consolidated financial statements as of 31 December 2021.

Key financial and operational results

	3 months ended		Chg.,	12 months ended		Chg.,
	31 December	30 September	%	31 December	31 December	%
	2021	2021		2021	2020	
Financial results						
Sales on non-banking activities, net (RR million)	354,190	326,156	8.6	1,265,380	795,815	59.0
Profit attributable to Group shareholders (RR million)	54,124	52,057	4.0	198,412	103,490	91.7
EBITDA ⁽¹⁾ (RR million)	77,291	74,464	3.8	293,179	179,871	63.0
Adjusted EBITDA ⁽¹⁾ (RR million)	79,343	74,767	6.1	296,833	187,304	58.5
Additions to property, plant and equipment (RR million)	46,312	30,445	52.1	119,106	104,668	13.8
Free Cash Flow ⁽²⁾ (RR million)	34,697	54,276	(36.1)	148,388	95,698	55.1
Net debt ⁽³⁾ (RR million)	(34,315)	(11,550)	>100	(34,315)	(5,492)	>100
Basic and Diluted profit per share (RR)						
Common	24.05	23.13	4.0	88.16	45.92	92.0
Preferred	24.05	23.13	4.0	88.16	46.92	87.9
Operational results						
Crude oil production by the Group (th. tonnes)	7,237	7,164	1.0	27,830	26,014	7.0
Crude oil production by the Group (th. barrels)	51,549	51,032	1.0	198,233	185,294	7.0
Crude oil daily production (th. barrels per day)	560	555	0.9	543	506	7.3
Gas production by the Group (million cubic meters)	235	232	1.3	885	831	6.5
Gas daily production (th. boe per day)	15	15	-	14	13	7.7
Refined products produced (th. tonnes)	3,950	2,515	57.1	12,413	11,513	7.8
Gas products produced ⁽⁴⁾ (th. tonnes)	278	280	(0.7)	1,057	1,027	2.9
Refining throughput (th. barrels per day)	316	203	55.7	247	230	7.4
Production of tires (million tires)	3.2	3.0	6.7	12.3	10.9	12.8
Number of petrol (gas) stations in Russia ^{(5) (3)}	751	730	2.9	751	708	6.1
Number of petrol (gas) stations outside of Russia ^{(5) (3)}	99	108	(8.3)	99	111	(10.8)

⁽¹⁾ As calculated on page 15

⁽²⁾ As calculated on page 17

⁽³⁾ At the end of the period

⁽⁴⁾ Including natural stable gasoline, produced by gas refining division Tatneftegaspererabotka

⁽⁵⁾ Including leased petrol (gas) stations

The net profit of the Group (profit attributable to the shareholders of the Group) in the fourth quarter of 2021 increased by 4.0% compared to the third quarter of 2021 to RR 54,124 million, mainly due to higher refined products sales volumes.

The net profit of the Group (profit attributable to the shareholders of the Group) in the twelve months of 2021 compared to the same period of 2020 increased by 91.7%. The main factors contributing to such increase in net profit were substantially higher prices for crude oil and refined products as well as higher production volumes.

In the fourth quarter of 2021 the Group produced 7.2 million metric tonnes of crude oil which is the same as in the third quarter of 2021. Gas production in the fourth quarter of 2021 was 235 million cubic meters which is 1.3% higher than in the third quarter of 2021.

During the twelve months of 2021 the Group produced 27.8 million metric tonnes of crude oil which is 7% higher than in the twelve months of 2020. Gas production during the twelve months of 2021 was 885 million cubic meters which is 6.5% higher than in the corresponding period of 2020.

The following table sets forth TANECO's refined product output volumes.

TANECO operational results	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
	(in thousand tonnes)			(in thousand tonnes)		
Refined products output:	3,884.6	2,447.8	58.7	12,155.0	11,267.0	7.9
Diesel fuel	1,869.2	1,153.2	62.1	5,833.5	3,441.6	69.5
Automobile gasoline	480.0	311.2	54.2	1,452.0	1,201.1	20.9
Naphtha	438.7	275.1	59.5	1,315.6	899.3	46.3
Technological export fuel	356.9	231.6	54.1	873.7	376.2	>100
Petroleum coke	210.7	148.0	42.4	746.4	742.4	0.5
Jet fuel	122.6	126.2	(2.9)	503.3	628.7	(19.9)
Middle distillates	33.2	13.8	>100	338.0	2,368.1	(85.7)
Engine oil	44.9	39.8	12.8	197.0	164.0	20.1
Other	328.4	148.9	>100	895.5	1,445.6	(38.1)

Higher output at TANECO in the fourth quarter of 2021 compared to the third quarter of 2021 was associated with scheduled maintenance in the third quarter of 2021 and the subsequent ramp up in production in the fourth quarter of 2021.

Segment information

Our operations are currently divided into the following main segments:

- **Exploration and production** – consists of the Company's oil and gas extraction and production division, as well as production subsidiaries. Most oil and gas exploration and production activities are concentrated within the Company and centrally managed by Tatneft-Upstream (*Tatneft-Dobycha*) division.
- **Refining and marketing** – consists of a refining and petrochemical complex in Nizhnekamsk, Tatarstan, operated by TANECO, our gas collection, transportation and refining division Tatneftegaspererabotka, which also operates a small refinery in Kichui, Tatarstan; the Company's sales and marketing division (*URNiN*), Tatneft-AZS Center, Tatneft-AZS-Zapad, Tatneft-AZS-Severo-Zapad and other subsidiaries which manage the Tatneft branded gas stations network in Russia and abroad, and carry out refined products wholesale sales; as well as various ancillary companies.
- **Tires business** segment has been consolidated under a management company, Tatneft-Petrochemicals (*Tatneft-Neftekhim*) which manages "Kama Tyres" business, including Nizhnekamskshina and Nizhnekamskiy Zavod Gruzovoykh Shin, one of the largest tire manufacturers in Russia, and the companies technologically integrated with them, including Yarpolymermash-Tatneft, Nizhnekamskiy Mekhanicheskiy Zavod. Trading House Kama is responsible for procuring supplies and marketing products produced by the companies within this segment.
- **Banking** segment is represented by PJSC Bank ZENIT, which has been consolidated into the Tatneft Group's financial statements from the fourth quarter of 2016. Tatarstan is one of the main regions where Bank ZENIT has a presence and offers a full range of banking services to a large number of customers, including the Group's entities and employees.

These segments are determined by the way management recognizes the segments within the Group for making operating decisions and how they are evident from the Group structure.

Togliattikauchuk, which was acquired in the fourth quarter of 2019, and Ecopet Group Of Companies, which was acquired in the second quarter of 2021, are included in "Corporate and other" category.

Intersegment Sales

Tatneft's three main non-banking business segments are interconnected and dependent on each other and hence a portion of the revenues of one main segment is related to the expenses of the other. In particular, exploration and production Group companies supply part of crude oil for the processing at our own refineries, mainly TANECO, and the refined products are then either sold by the Company in domestic or international markets, as well as to the Company's consumer marketing subsidiaries for subsequent distribution.

As a result of certain factors benchmarking crude oil market prices in Russia cannot be determined with certainty. Therefore, the prices set for inter-segment purchases of crude oil and other goods and services reflect a combination of market factors, primarily international crude oil market prices, transportation costs, regional market conditions, the cost of crude oil refining and other factors. Accordingly, an analysis of either of these segments on a stand-alone basis could give a misleading perception of those segments' underlying financial position and results of operations. For this reason, we do not analyze either of our main segments separately in the discussion that follows. However, we present the financial data for each respective segment in Note 24 "Segment information" to our consolidated financial statements. All intercompany operations are eliminated on the consolidation level.

Executive overview*Macroeconomic factors*

In 2021 the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contributed to increased inflation in Russia.

E&P activities in Tatarstan

One of the Company's primary strategic goals is sustainable organic growth of crude oil production from its licensed fields in Tatarstan. Due to OPEC+ removing some restrictions introduced in 2020 the Company's oil production in 2021 increased to 27.8 million tons. The production potential has been preserved and the Company is ready to return to the previous production rates if the restrictions are further relaxed. Due to the relative maturity of the Company's main producing fields significant portion of all crude oil produced by the Company in Tatarstan was extracted using various enhanced oil recovery techniques.

E&P activities outside of Tatarstan

The Group produces crude oil in Samara and Orenburg regions of the Russian Federation.

Tatneft is planning to continue expansion and diversification of its reserve base by gaining access to reserves outside of Tatarstan. The Group is carrying out exploration and production projects in the Kalmykia Republic, the Ulyanovsk, Samara, Orenburg and Nenets Autonomous Region of the Russian Federation. The Group has interest in oil and gas fields in Libya through production sharing agreements with the National Oil Corporation of Libya and provides oilfield services in Turkmenistan.

Super viscous oil production

In 2021 the Company produced 3,666 thousand tonnes of super viscous oil with the viscosity more than 10,000 Megapascal x S at the Ashalchinskoye and some other fields using parallel steam injection and producing wells.

Crude oil refining and marketing

TANECO, the Group's core refining complex, located in Nizhnekamsk, Tatarstan, has been in commercial operation from December 2011 upon full commissioning of the crude and vacuum distillation units CDU-VDU-7 and other production facilities. In 2014 the hydrocracking unit was put into operation, while the production of base oils started in 2015. In 2016 the first delayed coking unit was launched. In 2018, the production of premium motor gasoline was launched and the diesel and kerosene hydrotreating units were commissioned. The second crude and vacuum distillation units CDU-VDU-6 were commissioned in 2019. In 2020, the heavy coking gas oil hydrotreater was launched and the production of marine fuel that complies with the Marpol requirements commenced, the middle distillates hydrotreating unit was commissioned which allowed to increase the production of diesel fuel and jet fuel. In 2021, during a scheduled maintenance, the TANECO facilities associated with the CDU-VDU-7 and CDU-VDU-6 units were divided into two separate oil refining lines with respective capacities of 9 million and 6 million tons of crude oil per year, which increased the technological flexibility of oil refining at TANECO. At the end of 2021 testing operation of the second delayed coking, diesel fuel isodeparaffinization and gas fractionation units commenced at TANECO.

Tires business

In 2021 production of tires by the Group's tires business segment amounted to 12.3 million tires in comparison to 10.9 million tires in 2020.

Dividends

In December 2021, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2021, in the amount of RR 26.5 per preference and ordinary share, including previously paid interim dividends for the six months ended 30 June 2021, in the amount of RR 16.52 per preference and ordinary share. Dividends were paid in the beginning of 2022.

Exceptional items

The Group's results for the respective reporting periods of 2021 and 2020 were impacted by certain exceptional items, including those resulting from the Bank ZENIT consolidation in 2016, impairment provision loss or gain on certain exploration and appraisal assets, related mainly to the oilfields located outside the Republic of Tatarstan, and an impairment provision loss on certain social assets not providing direct future economic benefits, as well as the loss from impairment of certain assets due to the current macroeconomic situation or the reversal thereof upon change in circumstances. These losses were reflected in the lines "Expected credit losses on financial assets net of reversal" and "Impairment losses on property,

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plant and equipment and other non-financial assets net of reversal” in the Consolidated Statement of Profit or Loss and other Comprehensive Income of the Group (see page 13):

(RR million)	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Expected credit losses on financial assets net of reversal	352	(220)	78	756
<i>incl. Loss/(gain) on impairment/(reversal) of certain loans initially issued by the Bank ZENIT</i>	52	(60)	9	(2,700)
<i>Net (reversal)/impairment (gains)/losses on accounts receivable</i>	300	(160)	69	3,480
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	1,700	523	3,576	6,677
<i>incl. loss/(gain) on impairment/(reversal) of some exploratory assets and written-off non-capitalized overhead expenses</i>	1,056	36	1,943	978
<i>loss/(gain) on impairment/(reversal) and disposals of property, plant and equipment and inventories</i>	644	487	1,633	5,699
Total Exceptional items	2,052	303	3,654	7,433

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Results of the Group operations for the three months and the year ended 31 December 2021 compared to the three months ended 30 September 2021 and the year ended 31 December 2020

The following table sets forth the consolidated statement of profit or loss both in absolute values and respective changes (where relevant) over the analyzed periods:

(RR million)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Sales and other operating revenues on non-banking activities, net	354,190	326,156	8.6	1,265,380	795,815	59.0
Costs and other deductions on non-banking activities						
Operating expenses	(54,659)	(48,832)	11.9	(180,897)	(146,088)	23.8
Purchased oil and refined products	(26,194)	(33,946)	(22.8)	(125,834)	(89,340)	40.8
Exploration	(1,750)	(643)	>100	(2,799)	(2,515)	11.3
Transportation	(9,034)	(8,722)	3.6	(35,854)	(35,453)	1.1
Selling, general and administrative	(26,546)	(15,293)	73.6	(73,203)	(60,066)	21.9
Depreciation, depletion and amortization	(11,689)	(10,782)	8.4	(42,663)	(40,865)	4.4
Expected credit losses on financial assets net of reversal	(352)	220	n/a	(78)	(756)	(89.7)
Impairments loss on property, plant and equipment and other non-financial assets, net of reversal	(1,700)	(523)	>100	(3,576)	(6,677)	(46.4)
Taxes other than income taxes	(141,985)	(129,104)	10.0	(498,143)	(235,701)	>100
Export duties	(8,888)	(12,252)	(27.5)	(39,033)	(24,976)	56.3
Maintenance of social infrastructure and transfer of social assets	(5,793)	(2,513)	>100	(13,130)	(10,890)	20.6
Total costs and other deductions on non-banking activities	(288,590)	(262,390)	10.0	(1,015,210)	(653,327)	55.4
Loss on disposals of interests in subsidiaries and associates, net	-	(14)	(100.0)	(14)	(54)	(74.1)
Fair value gains/(loss) from loans at fair value through profit or loss, net	2,819	882	>100	3,382	(5,180)	n/a
Other operating income/(expense), net	3,532	39	>100	3,264	836	>100
Operating profit on non-banking activities	71,951	64,673	11.3	256,802	138,090	86.0
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities						
Interest, fee and commission income	4,549	3,968	14.6	16,448	18,086	(9.1)
Interest, fee and commission expense	(2,486)	(2,072)	20.0	(8,229)	(9,611)	(14.4)
Net income/(expense) on creating provision for credit losses associated with debt financial assets	633	14	>100	543	(3,629)	n/a
Operating expenses	(2,450)	(2,020)	21.3	(8,335)	(8,438)	(1.2)
Net gain/(loss) arising from dealing in foreign currencies	(34)	26	n/a	8	96	(91.7)
Other operating income, net	(210)	14	n/a	(75)	68	n/a
Total net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities	2	(70)	n/a	360	(3,428)	n/a
Other income/(expenses)						
Foreign exchange gain/(loss), net	359	2,270	(84.2)	2,475	5,597	(55.8)
Interest income on non-banking activities	1,367	622	>100	3,962	4,428	(10.5)
Interest expense on non-banking activities, net of amounts capitalized	(1,703)	(1,522)	11.9	(6,304)	(7,384)	(14.6)
Share of results of associates and joint ventures, net	(111)	41	n/a	11	(258)	n/a
Total other income/(expenses), net	(88)	1,411	n/a	144	2,383	(94.0)
Profit before income tax	71,865	66,014	8.9	257,306	137,045	87.8
Current income tax expense	(15,620)	(11,760)	32.8	(50,670)	(35,820)	41.5
Deferred income tax (expense)/benefit	(2,490)	(2,053)	21.3	(7,750)	1,348	n/a
Total income tax expense	(18,110)	(13,813)	31.1	(58,420)	(34,472)	69.5
Profit for the period	53,755	52,201	3.0	198,886	102,573	93.9
Less: (profit)/loss attributable to non-controlling interest	369	(144)	n/a	(474)	917	n/a
Profit attributable to Group shareholders	54,124	52,057	4.0	198,412	103,490	91.7

Sales and other operating revenues on non-banking activities

A breakdown of sales and other operating revenues on non-banking activities (by product type) is provided in the following table:

(RR million)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Crude oil	123,608	164,843	(25.0)	556,493	313,088	77.7
Refined products	187,808	122,232	53.6	567,654	379,708	49.5
Tires	16,713	16,281	2.7	60,001	50,404	19.0
Corporate and other sales	26,061	22,800	14.3	81,232	52,615	54.4
Total Sales and other operating Revenues on non-banking activities	354,190	326,156	8.6	1,265,380	795,815	59.0

Increase in sales and other operating revenues on non-banking activities in the fourth quarter of 2021 in comparison to the third quarter of 2021 was due an increase in refined products sales volumes as well as higher crude oil and refined products sales prices.

Increase in sales and other operating revenues on non-banking activities in the twelve months of 2021 in comparison to the corresponding period of 2020 was primarily due to higher crude oil and refined products sales prices, as well as an increase in crude oil and refined products sales volumes.

Export duties and excise taxes

(RR million)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Export duties on crude oil	4,772	10,702	(55.4)	29,568	18,106	63.3
Export duties on refined products	4,116	1,550	>100	9,465	6,870	37.8
Excise taxes	(18,818)	(9,932)	89.5	(30,492)	50,162	n/a
incl. "reverse excise tax"	(35,659)	(20,134)	77.1	(81,547)	7,285	n/a
Total export duties and excise taxes	(9,930)	2,320	n/a	8,541	75,138	(88.6)

In the fourth quarter of 2021 export duties paid by the Group decreased in comparison to the third quarter of 2021 to RR 8,888 million due to a decrease in export sales of crude oil partly offset by increasing sales of refined products for export.

Export duties on oil and refined products increased in 2021 by 63.3% and 37.8%, respectively, compared to the corresponding period in 2020 and amounted to RR 39,033 million due to higher average export duty rates.

Since 2021 an investment preference K_{INV} has been introduced for certain refineries, including the Company's TANECO refinery, which increases the amount of reverse excise tax.

Sales of crude oil and refined products outside of Russia

For crude oil export the Group is using transportation services of Transneft, the state-owned monopoly owner and operator of Russia's trunk crude oil pipelines.

Three months ended 31 December 2021

In the fourth quarter of 2021 the Group exported approximately 29% of all its crude oil sold compared to 48% in the third quarter of 2021.

In the fourth quarter of 2021 the Company delivered 83% (83% in the third quarter of 2021) of its own crude oil for export through Transneft's Druzhba pipeline (mainly to Poland and Slovakia), 11% (15% in the third quarter of 2021) of crude oil exported through Russian Baltic Sea port Primorsk and in the fourth quarter of 2021, 6% of oil was shipped through the Russian port of Novorossiysk (2% in the third quarter of 2021) for export.

In the fourth quarter of 2021 the Group exported 1,758 thousand tonnes of refined products (including 36 thousand tonnes of purchased refined products) in comparison to 954 thousand tonnes (including 35 thousand tonnes of purchased refined products) in the third quarter of 2021.

Twelve months ended 31 December 2021

During the twelve months of 2021 the Group exported approximately 45% of all its crude oil sold compared to 56% in the corresponding period of 2020.

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In 2021 the Company delivered 89% (91% in 2020) of its own crude oil for export through Transneft's Druzhba pipeline (mainly to Poland and Slovakia) and 11% (9% in 2020) of crude oil exported through Russian Black Sea and Baltic Sea ports.

In 2021 the Group exported 5,667 thousand tonnes of refined products (including 139 thousand tonnes of purchased refined products) in comparison to 5,715 thousand tonnes (including 138 thousand tonnes of purchased refined products) in the corresponding period of 2020.

Sales breakdown on non-banking activities
Sales revenues

(RR million)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Crude oil						
Non-CIS sales	40,412	88,022	(54.1)	259,458	177,729	46.0
CIS sales	-	-	-	9,379	16,264	(42.3)
Domestic sales	83,196	76,821	8.3	287,656	119,095	>100
	123,608	164,843	(25.0)	556,493	313,088	77.7
Refined products						
Non-CIS sales	77,297	39,283	96.8	215,320	108,268	98.9
CIS sales	4,965	2,793	77.8	13,514	14,660	(7.8)
Domestic sales	105,546	80,156	31.7	338,820	256,780	31.9
	187,808	122,232	53.6	567,654	379,708	49.5
Tires						
Non-CIS sales	909	1,225	(25.8)	4,420	4,364	1.3
CIS sales	3,133	3,032	3.3	11,452	11,087	3.3
Domestic sales	12,671	12,024	5.4	44,129	34,953	26.3
	16,713	16,281	2.7	60,001	50,404	19.0
Other sales						
Synthetic rubbers and other products of Togliattikauchuk LLC	9,291	7,496	23.9	28,794	19,898	44.7
Polyethylene terephthalate and other products of Ecopet Group	5,391	5,101	5.7	10,492	-	-
Technical carbon	1,412	1,236	14.2	4,975	2,849	74.6
Others	9,967	8,967	11.2	36,971	29,868	23.8
	26,061	22,800	14.3	81,232	52,615	54.4

Sales volumes

(thousand tonnes)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Crude oil						
Non-CIS sales	1,002	2,349	(57.3)	7,277	8,533	(14.7)
CIS sales	-	-	-	330	933	(64.6)
Domestic sales	2,480	2,502	(0.9)	9,482	7,306	29.8
	3,482	4,851	(28.2)	17,089	16,772	1.9
Refined products						
Non-CIS sales	1,672	908	84.1	5,412	5,239	3.3
CIS sales	86	46	87.0	255	476	(46.4)
Domestic sales	2,539	1,928	31.7	8,480	7,566	12.1
	4,297	2,882	49.1	14,147	13,281	6.5

Realized average sales prices

(th. RR per tonne)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Crude oil						
Non-CIS sales	40.3	37.5	7.5	35.7	20.8	71.6
CIS sales	-	-	-	28.4	17.4	63.2
Domestic sales	33.5	30.7	9.1	30.3	16.3	85.9
Refined products						
Non-CIS sales	46.2	43.3	6.7	39.8	20.7	92.3
CIS sales	57.7	60.7	(4.9)	53.0	30.8	72.1
Domestic sales	41.6	41.6	-	40.0	33.9	18.0

Sales of crude oil

In the fourth quarter of 2021 sales of crude oil (before the deduction of export duties) decreased by 25% to RR 123,608 million in comparison to the third quarter of 2021 due to lower volumes of crude oil sold.

Increase in crude oil sales (before the deduction of export duties) by 77.7% to RR 556,493 in 2021 in comparison to 2020 was mainly due to higher realized sales prices.

Sales of refined products

Revenue from the sale of refined products (before the deduction of export duties and excise tax) in the fourth quarter of 2021 increased by 53.6% compared to the third quarter of 2021 and amounted to RR 187,808 million, which is associated with an increase in volumes of refined products sold after scheduled maintenance at TANECO in the third quarter of 2021.

Revenue from the sale of refined products (before deduction of export duties and excise tax) in 2021 increased by 49.5% compared to 2020, which was mainly due to an increase in prices of refined products as well as higher volumes of refined products sold.

Non-CIS export sales	3 months ended				Chg. *, %		12 months ended				Chg. *, %	
	31 December		30 September				31 December		31 December			
	2021		2021				2021		2020			
	RR mln	mln tonnes	RR mln	mln tonnes	Sales	Volumes	RR mln	mln tonnes	RR mln	mln tonnes	Sales	Volumes
Diesel fuel	42,516	0.84	21,433	0.48	98.4	75.0	117,183	2.68	24,458	0.94	>100	>100
Naphtha	24,512	0.48	14,286	0.29	71.6	65.5	68,652	1.50	23,757	1.05	>100	42.9
Engine oil	3,019	0.03	1,485	0.01	>100	>100	8,877	0.11	2,724	0.06	>100	83.3
Other	7,250	0.32	2,079	0.12	>100	>100	20,608	1.11	57,329	3.24	(64.1)	(65.7)
Total	77,297	1.67	39,283	0.90	96.8	85.6	215,320	5.4	108,268	5.29	98.9	2.1

CIS export sales	3 months ended					Chg. *, %	12 months ended					Chg. *, %
	31 December		30 September		31 December		31 December					
	2021		2021		2021		2020					
	RR	mln	RR	mln	RR		mln	RR	mln			
	mln	tonnes	mln	tonnes	Sales	Volumes	mln	tonnes	mln	tonnes	Sales	Volumes
Diesel fuel	3,001	0.06	1,413	0.02	>100	>100	7,420	0.15	10,475	0.32	(29.2)	(53.1)
Automobile gasoline	1,575	0.02	930	0.01	69.4	100.0	4,137	0.06	2,603	0.06	58.9	-
Gas products	196	0.004	230	0.004	(14.8)	-	1,242	0.03	1,033	0.04	20.2	(25.0)
Other	193	0.01	220	0.02	(12.3)	(50.0)	715	0.01	549	0.06	29.9	(83.3)
Total	4,965	0.09	2,793	0.05	77.8	80.0	13,514	0.25	14,660	0.48	(7.8)	(47.9)

Domestic sales	3 months ended					Chg. *, %		12 months ended					Chg. *, %	
	31 December		30 September		31 December			31 December						
	2021		2021		2021			2020						
	RR mln	mln tonnes	RR mln	mln tonnes	Sales	Volumes	RR mln	mln tonnes	RR mln	mln tonnes	Sales	Volumes		
Diesel fuel	50,880	1.10	35,402	0.79	43.7	39.2	157,056	3.55	114,927	2.82	36.7	25.9		
Automobile gasoline	28,071	0.57	25,850	0.51	8.6	11.8	96,477	1.96	74,088	1.61	30.2	21.7		
Middle distillates	1,237	0.03	266	0.01	>100	>100	10,635	0.32	20,373	0.74	(47.8)	(56.8)		
Gas products	6,503	0.29	5,989	0.20	8.6	45.0	21,922	0.89	12,870	0.78	70.3	14.1		
Jet fuel	6,453	0.13	5,082	0.12	27.0	8.3	20,214	0.49	17,841	0.60	13.3	(18.3)		
Other	12,402	0.42	7,567	0.30	63.9	40.0	32,516	1.27	16,681	1.02	94.9	24.5		
Total	105,546	2.54	80,156	1.93	31.7	31.6	338,820	8.48	256,780	7.57	31.9	12.0		

* The difference between percentages presented here and in the sections above is a result of rounding

Tire sales

In the fourth quarter of 2021 tire sales amounted to RR 16,713 million, increasing 2.7% compared to the third quarter of 2021.

Tire sales in the 2021 increased by 19.0% to RR 60,001 million compared to the 2020 which was mainly due to a change in the assortment and an increase in tires sold.

The Group's tire production in the fourth quarter of 2021 was 3.2 million tires, which is 6.7% higher compared to the third quarter of 2021. The Group's tire production in 2021 was 12.3 million tires, an increase of 12.8% compared to the corresponding period of 2020

Other sales

Other sales primarily represent sales of materials and equipment, some types of petrochemical products, various oilfield services and sales of energy, water and steam by the Group entities to third parties.

In the fourth quarter of 2021 other sales amounted to RR 26,061 million, increasing by 14.3% in comparison to the third quarter of 2021. In 2021 other sales amounted to RR 81,232 million, which is 54.4% higher than in 2020. The changes occurred mainly due to an increase in sales of other goods produced by the Group, including polyethylene terephthalate produced and sold at the Group's petrochemical businesses acquired in the second quarter of 2021.

Costs and other deductions on non-banking activities

Operating expenses. Operating expenses include the following costs:

(RR million)	3 months ended		Chg., %	12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Crude oil extraction expenses	16,098	13,458	19.6	54,557	46,548	17.2
Refining expenses	9,333	6,325	47.6	27,804	20,532	35.4
Tire production expenses	10,691	11,096	(3.6)	40,826	38,723	5.4
Cost of other sales	18,960	18,527	2.3	59,088	39,450	49.8
Operating expenses not attributed to the revenues in the current period ⁽¹⁾	(423)	(574)	(26.3)	(1,378)	835	n/a
Total operating expenses	54,659	48,832	11.9	180,897	146,088	23.8

⁽¹⁾ This charge includes extraction expenses related to crude oil produced by the Group in one period but sold to third parties in the different reporting period.

Crude oil extraction expenses. The Group's extraction ("lifting") expenses related to crude oil production are incurred by the Company's oil and gas producing divisions and subsidiaries. They include expenditures related to maintenance services, repairs and insurance of extraction equipment, labour costs, expenses on artificial stimulation of reservoirs, fuel and electricity costs, materials and goods consumed in crude oil production, and other similar costs.

The Company's crude oil production units' and subsidiaries' costs of purchased services and goods that are unrelated to their core activities, have been excluded from extraction expenses and are included in other operating costs.

In the fourth quarter of 2021 lifting expenses averaged to RR 312.3 per barrel compared to RR 263.7 per barrel in the third quarter of 2021. Increase in per barrel lifting expenses in the fourth quarter of 2021 by 18.4% compared to the third quarter of 2021 was mainly due to higher expenses on artificial stimulation of reservoirs and expenses on routine maintenance and operation of equipment.

In 2021 lifting expenses averaged to RR 275.2 per barrel compared to RR 251.2 per barrel in 2020. The increase was 9.6% mainly due to higher expenses on artificial stimulation of reservoirs and expenses on routine maintenance and operation of equipment.

Refining expenses. Refining expenses mostly consist of expenses related to the production of refined products at our TANECO refinery and primarily include expenditures on raw materials and supplies, except for crude oil and purchased vacuum gasoil, routine maintenance and repairs of equipment, labour and electricity costs, and other similar expenses.

The refining expenses incurred at TANECO in the fourth quarter of 2021 were RR 2,171 per tonne of crude oil throughput (RR 2,403 per tonne of products output) compared to RR 2,241 per tonne of crude oil throughput (RR 2,584 per tonne of products output) in the third quarter of 2021.

The refining expenses incurred at TANECO in 2021 were RR 2,053 per tonne of crude oil throughput (RR 2,287 per tonne of products output) compared to RR 1,701 per tonne of crude oil throughput (RR 1,822 per tonne of products output) in 2020.

Changes in per tonne refining expenses at TANECO were mostly due to changes in the products mix, as well as a temporary reduction in refining volumes during the scheduled maintenance at TANECO in the third quarter of 2021.

Tire production expenses. Tire production expenses primarily include the costs of raw materials, labour, maintenance and electricity consumed in the production of tire products.

In the twelve months of 2021, the increase in expenses to produce tires by 5.4% compared to the corresponding period of 2020 was mainly due to an increase in production and sales of the Group's tire products.

Cost of other sales include costs of services, goods and materials used to generate sales not related to the core production activities of the Group, as well as the cost of certain types of petrochemicals produced.

In the twelve months of 2021 cost of other sales compared to the corresponding period of 2020 increased by 49.8% to RR 59,088 million due to changes in sales and cost of other services and goods as well as the production of polyethylene terephthalate at the Group's petrochemical businesses acquired in the second quarter of 2021.

Cost of purchased crude oil and refined products. A summary of purchased oil and refined products in the respective periods of 2021 and 2020 were as follows:

	3 months ended				12 months ended			
	31 December 2021		30 September 2021		31 December 2021		31 December 2020	
	RR mln	th. tonnes	RR mln	th. tonnes	RR mln	th. tonnes	RR mln	th. tonnes
Purchased crude oil	17,303	482	17,304	556	79,791	2,604	40,409	2,367
Purchased refined products	8,891	170	16,642	368	46,043	1,013	48,931	1,214
Total cost of purchased oil and refined products*	26,194		33,946		125,834		89,340	

* Calculated average prices of crude oil and refined products purchased from third parties may be higher than the calculated average selling prices of crude oil and refined products due to differences in the structure and directions of purchased and sold products.

Exploration expenses. Exploration expenses consist primarily of geological and geophysical costs, and the costs of carrying and retaining undeveloped properties.

In the fourth quarter of 2021 and the twelve months of 2021 exploration expenses amounted to RR 1,750 million and RR 2,799 million compared to RR 643 million and RR 2,515 million in the third quarter of 2021 and the twelve months of 2020, respectively.

Transportation expenses. Transportation of the Group's crude oil and refined products, including purchased crude oil and refined products, are mostly carried out using the Transneft trunk pipeline system and the railway.

In the fourth quarter of 2021, transportation costs amounted to RR 9,034 million, which is 3.6% higher than in the third quarter of 2021. The increase was mainly due to higher volumes of refined products deliveries to customers in non-CIS countries.

Increase in transportation costs in 2021 compared to 2020 by 1.1% to RR 35,854 million was mainly due to an increase in the volume of sales of refined products to customers in non-CIS countries.

Selling, general and administrative expenses. These expenses are not directly related to production and include salary expenses, general business costs, insurance, advertising, legal fees, consulting and audit services, charity and sponsorship expenses and other expenses.

In the fourth quarter of 2021 selling, general and administrative expenses increased by 73.6% to RR 26,546 million compared to the third quarter of 2021 mostly due to higher spending on donations and advertising.

In 2021, selling, general and administrative expenses amounted to RR 73,203 million, increased by 21.9% compared to 2020 mainly due to increased spending on donations, sponsorships and advertising as well as on consulting, information and legal services.

Expected credit losses on financial assets net of reversal includes losses/gains from accrual/reversal of provision of financial assets determined in accordance with requirements of IFRS 9 "Financial instruments". All other losses/gains from accrual/reversal of provision of other assets are disclosed in "Impairment loss on property, plant and equipment and other non-financial assets, net of reversal".

For the twelve months of 2021 "Expected credit losses on financial assets net of reversal" included the accrual of the provision for receivables in the amount of RR 69 million and the accrual of the provision for loans and financial investments in the amount of RR 9 million.

Impairment loss on property, plant and equipment and other non-financial assets, net of reversal. In 2021 the Group recorded net impairment losses on some of its property, plant and equipment and other non-financial assets in the amount of RR 3,576 million (please see page 6).

Taxes. Effective tax burden (taxes other than income tax plus export duties and excise taxes related to the gross revenue on non-banking activities) of the Group in the fourth and the third quarters of 2021 was 43%. In 2021 and 2020 the effective tax burden of the Group was approximately 42% and 33%, respectively.

Taxes other than income taxes include the following:

(RR million)	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Mineral extraction tax	156,800	135,603	516,598	175,636
Tax on additional income from the extraction of hydrocarbons	1,205	1,094	2,299	-
Excise	(18,818)	(9,932)	(30,492)	50,162
Property tax	1,951	1,677	7,400	7,742
Other	847	662	2,338	2,161
Total taxes other than income taxes	141,985	129,104	498,143	235,701

The increase in taxes other than income taxes in the fourth quarter of 2021 compared to the third quarter of 2021 was mainly due to higher oil prices impacting in the mineral extraction tax rate.

The increase in taxes other than income taxes in the twelve months of 2021 compared to the corresponding period of 2020 was mainly associated with the termination of certain reduction coefficients in the formula for calculating the mineral extraction tax effective from 1 January 2021, as well as the growth of oil prices.

Maintenance of social infrastructure and transfer of social assets. In 2021 maintenance of social infrastructure expenses and transfer of social assets amounted to RR 13,130 million compared to RR 10,890 million in 2020. These social infrastructure expenses relate primarily to housing, educational facilities and cultural buildings in Tatarstan.

Fair value gains from loans at fair value through profit or loss in the fourth quarter of 2021 totaled RR 2,819 million and represent an adjustment to the fair value of bank deposits. In the twelve months of 2021 such gains, net, amounted to RR 3,382 million.

Other operating income/(expenses), net. Other income, net, in 2021 amounted to RR 3,264 million compared to RR 836 million of other income, net, in 2020. The growth is due to the transaction for the sale of investment assets in the fourth quarter of 2021.

Net interest, fee and commission and other operating expenses and losses on banking activities

Our banking activities are represented by Bank ZENIT. The results of operations for the three and twelve months ended 31 December 2021 and the related comparatives are available in the consolidated financial statements of Bank ZENIT which are available at <https://www.zenit.ru/en/>*

** PJSC Tatneft is not responsible for the operation of external links, including those to web-sites of the Group entities.*

Other (expenses)/income

Foreign exchange gain/(loss), net. In the fourth quarter of 2021 the Group recorded foreign exchange gain of RR 359 million in comparison to RR 2,270 million foreign exchange gain in the third quarter of 2021. In the twelve months of 2021 the Group recorded RR 2,475 million foreign exchange gain, compared to a foreign exchange gain of RR 5,597 million in the corresponding period of 2020 which were due to volatility of Ruble to foreign currency exchange rates in the reporting periods, resulting in the corresponding revaluation of foreign currency denominated monetary assets and liabilities of the Group.

Interest income on non-banking activities in the fourth quarter of 2021 increased by more than 100% compared to the third quarter of 2021 and amounted to RR 1,367 million due to an increase in loans and receivables.

For the twelve months of 2021, interest income decreased by 10.5% and amounted to RR 3,962 million, which resulted from a decrease in loans issued compared to the corresponding period in 2020 and was partially offset by the placement of funds in deposits. In 2021 funds were placed in deposits denominated in foreign currency.

Interest expense on non-banking activities, net of amounts capitalized, includes among other things an unwinding of the present value discount of decommissioning provision on oil and gas assets as well as an interest expense on lease obligations was included into this line item in accordance with IFRS 16 "Leases".

In the fourth quarter of 2021 interest expense, net of amounts capitalized, increased by 11.9% to RR 1,703 million compared to RR 1,522 million in the third quarter of 2021.

In 2021 interest expense, net of amounts capitalized, decreased by 14.6% to RR 6,304 million, compared to RR 7,384 million in 2020. Decrease in interest expense was associated with a decrease in the average balances of loans received.

Share of results of associates and joint ventures. In the fourth quarter of 2021 the Group recorded an equity share in loss of associates and joint ventures in the amount of RR 111 million compared to RR 41 million profits in the third quarter of 2021.

In the twelve months of 2021 the Group recorded an equity share in profits of associates and joint ventures in the amount of RR 11 million compared to RR 258 million losses in the corresponding period of 2020.

Income taxes

The Group's effective income tax rate in 2021 was 22.7% compared to the statutory tax rate of 20% in the Russian Federation.

EBITDA reconciliation

(RR million)	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Sales and other operating revenues on non-banking activities	354,190	326,156	1,265,380	795,815
Costs and other deductions on non-banking activities	(288,590)	(262,390)	(1,015,210)	(653,327)
Loss on disposal of interest in subsidiaries and associates, net	-	(14)	(14)	(54)
Banking operating results, net	2	(70)	360	(3,428)
Depreciation, depletion and amortization	11,689	10,782	42,663	40,865
EBITDA	77,291	74,464	293,179	179,871
Add back Exceptional items*	2,052	303	3,654	7,433
EBITDA adjusted for Exceptional items*	79,343	74,767	296,833	187,304

*See section *Exceptional items* (p.7)

Return on average capital employed (ROACE)*

	31 December 2021	12 months ended 31 December 2020
Profit attributable to Group shareholders	198,412	103,490
Interest expense on non-banking activities	6,304	7,384
Profit/(loss) attributable to non-controlling interest	474	(917)
Effective income tax rate**	22.7%	25.2%
Profit used for calculation of ROACE	203,759	108,096
Non-controlling interest	4,987	3,918
Total Group shareholders' equity	938,388	827,672
Short term debt	22,541	10,961
Long term debt	9,631	23,652
Capital employed	975,547	866,203
Average capital employed	920,875	829,791
ROACE, %	22.1%	13.0%

* Calculation is based on the profit/(loss) for 12 consecutive months preceding the reporting date.

** Income tax expense to profit before income tax

EBITDA (Earnings before interest taxes depreciation and amortization) and ROACE (Return on average capital employed) are non-IFRS financial measures. Herewith, their calculation methodologies are not standardized, therefore above presented methods do not reflect unified approaches. EBITDA and ROACE provide useful information to investors being the indicators of the strength and performance of our business operations. EBITDA also shows our ability to finance capital expenditures, acquisitions and other investments and our ability to incur and service debt. While depreciation and amortization are considered operating costs under IFRS, these expenses primarily represent the non-cash current period allocation of costs associated with long-lived assets acquired or constructed in prior periods.

ROACE and EBITDA are commonly used as a basis by some investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies within the oil and gas industry. These indicators should not be considered in isolation as an alternative to net profit, operating income or any other measure of performance under IFRS. EBITDA and ROACE do not consider our need to replace our capital equipment over time.

Financial Condition Summary Information

The following table shows certain key financial indicators based on the Consolidated Statement of Financial Position:

(RR million)	At 31 December 2021	At 31 December 2020
Current assets	412,242	258,995
Long-term assets	1,090,047	1,004,446
Total assets	1,502,289	1,263,441
Current liabilities	422,114	291,511
Long-term liabilities	136,800	140,340
Total liabilities	558,914	431,851
Shareholders' equity	943,375	831,590
Working capital (incl. cash and cash equivalents)	(9,872)	(32,516)

Working capital position

The change in working capital in the twelve months of 2021 is associated with an increase in current liabilities with increasing in current assets at a lower rate. At the same time, the assets increased mainly in financial assets and inventories, and liabilities increased in dividends payable and taxes payable.

Liquidity and Capital Resources

The following table shows a summary from the Consolidated Statement of Cash Flows:

(RR million)	12 months ended	
	31 December 2021	31 December 2020
Net cash provided by operating activities	267,494	200,366
including:		
<i>Net cash provided by non-banking operating activities before income tax and interest</i>	329,219	225,718
<i>Net cash used in banking operating activities before income tax</i>	(14,235)	3,357
Net cash used in investing activities	(172,638)	(100,197)
Net cash used in financing activities	(68,305)	(86,681)
Net change in cash and cash equivalents	26,551	13,488

Net cash provided by operating activities

Our primary source of cash flow is funds generated from our operations. Net cash provided by operating activities in 2021 increased by 33.5% to RR 267,494 million from RR 200,366 million in 2020.

Net cash provided by non-banking operating activities before income tax and interest

Net cash provided by non-banking operating activities before income tax and interest increased by 45.9% to RR 329,219 million in 2021 from RR 225,718 million in 2020.

Net cash used in banking operating activities before income tax

Net cash used in banking operating activities before income tax amounted to RR 14,235 million in 2021 compared to RR 3,357 million provided from banking operating activities in 2020 which was primarily due to changes in the Bank's operational working capital.

Net cash used in investing activities

Net cash used in investing activities in 2021 amounted to RR 172,638 million increasing by 72.3% from RR 100,197 million in 2020, which was primarily due to an increase in cash placed in bank deposits and acquisitions of subsidiaries, and an increase in cash used on capital expenditures reflected in additions to property, plant and equipment.

Net cash used in financing activities

Net cash used in financing activities in 2021 amounted to RR 68,305 million compared to RR 86,681 million in 2020. This is mainly due to net changes in cash from debt repayments relating to non-banking activities as well as dividend payments, which were different in the respective periods of 2020 and 2021.

Additions to property, plant and equipment

The following additions to property, plant and equipment (by segment, excluding non-cash additions) were made in the respective periods of 2021 and 2020:

(RR million)	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Exploration and production	12,022	6,581	26,847	26,670
Refining and marketing	19,988	18,761	64,524	62,391
Petrochemicals	6,519	3,735	14,141	7,567
Banking	48	28	268	518
Corporate and other	7,735	1,340	13,326	7,522
Total additions to property, plant and equipment	46,312	30,445	119,106	104,668

Calculation of Free Cash Flow

(RR million)	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Net cash provided by operating activities	81,009	84,721	267,494	200,366
Additions to property, plant and equipment	(46,312)	(30,445)	(119,106)	(104,668)
Free Cash Flow	34,697	54,276	148,388	95,698

Analysis of Debt

As of 31 December 2021, total short-term and long-term debt amounted to RR 32,172 million compared to RR 34,613 million at 31 December 2020.

Total short-term and long-term debt at 31 December 2021, without the Bank ZENIT's debt, amounted to RR 26,171 million compared to RR 26,901 million at 31 December 2020.

In November 2011, TANECO entered into a US\$ 75 million credit facility with equal semi-annual repayments during 10 years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The loan was fully repaid in November 2021. The undiscounted amount outstanding under this credit facility as of 31 December 2020 was RR 554 million (US\$ 7.5 million).

Also, in November 2011, TANECO entered into a US\$ 144.5 million credit facility with equal semi-annual repayments during 10 years with the first repayment date on 15 May 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ, LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth, and interest coverage ratios. The undiscounted amounts outstanding under this credit facility, including the current portion, as of 31 December 2021 and 31 December 2020 were RR 1,254 million (US\$ 16.9 million) and RR 1,871 million (US\$ 25.3 million), respectively.

In May 2013, TANECO entered into a EUR 55 million credit facility with equal semi-annual repayment during 10 years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. In May 2016 this credit facility was assigned to Citibank Europe plc. UK Branch with credit facility details remaining. The loan bears interest at LIBOR plus 1.5% 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. The undiscounted amounts outstanding under this credit facility, including the current portion, as of 31 December 2021 and 31 December 2020 were RR 916 million (EUR 10.9 million) and RR 1,441 million (EUR 15.9 million), respectively.

In November 2020, OOO "NZGSh" entered into a two-tranche syndicated loan: RR 5,400 million and EUR 49 million (RR 4,320 million and EUR 39.2 million excluding intercompany amount) with quarterly repayments during ten years with the first repayment date on 28 March 2022. The loan was arranged by Bank ZENIT, Bank VBRR and Credit Bank of Moscow. Contract interest rate is preferential and for the tranche in rubles is key interest rate minus 4.5% per annum, for the tranche in Euro is EURIBOR per annum. The government subsidises the rate of 4.5% per annum if the borrower meets the conditions for the subsidy granting. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The undiscounted amounts outstanding under this credit facility as of 31 December 2021 and 31 December 2020 were RR 3,296 million (EUR 39.2 million) and RR 2,612 million, and RR 2,848 million (EUR 31.4 million), respectively.

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MD&A for the three months and the year ended 31 December 2021

In December 2019 the Company issued Russian Ruble denominated bonds in the amount of RR 15,000 million with the maturity in 3 years at a rate of 6.45% per annum.

The aggregate maturities of long-term debt (based on the undiscounted contractual cash flows) in the respective periods were as follows:

(RR million)	At 31 December 2021	At 31 December 2020
Due for repayment:		
Between one and two years	3,400	16,272
Between two and five years	2,396	5,132
After five years	3,835	2,248
Total long-term debt	9,631	23,652

Calculation of Net Debt

(RR million)	At 31 December 2021	At 31 December 2020
Short term debt	22,541	10,961
Long term debt	9,631	23,652
Total debt	32,172	34,613
Cash and cash equivalents	66,487	40,105
Net Debt	(34,315)	(5,492)

Contractual obligations, other contingencies and off balance sheet arrangements

Guarantees

The Group has guarantees issued related to banking activities at 31 December 2021 and at 31 December 2020.

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 or capitalized to the extent that the Group will receive economic benefits from their use in the future.

Certain Macroeconomic and Other Factors Affecting the Group's Results of Operations

In March 2020 the World Health Organization announced a pandemic due to the rapid spread of COVID-19. The measures taken around the world to combat the spread of COVID-19 resulted in limitation of business activity, which caused significant decrease in world demand for energy resources. The expiration of prior arrangements by OPEC+ to curtail production on 1 April 2020 raised the risks of substantial oversupply of crude oil in the market. These events led to a significant drop in stock markets, fall in crude oil prices, the Russian Ruble weakened against the US dollar and the Euro. In April 2020, the OPEC + countries reached a new agreement, under which the Russian Federation assumed obligations to reduce oil production in the period from 1 May 2020 to 30 April 2022. In accordance with the agreements reached, the Group began to fulfill its obligations to reduce oil production. In April and July 2021, the OPEC + countries agreed to remove some of the restrictions and gradually increase oil production as well as to the extend the existing production agreement until the end of 2022. Despite these and any further steps by OPEC+, oil markets might remain volatile. These events can have a significant impact on the operations, financial position and financial results of the Group in the future, the consequences of which are difficult to predict. Management created provisions for impairment considering the economic situation and prospects at the end of the reporting period.

In 2021 ongoing political tension in the region escalated as a result of further developments of the situation with Ukraine which have negatively impacted commodity and financial markets, and increased volatility, particularly with regard to foreign exchange rates. Since December 2021, the circumstances have been deteriorating and the situation remains highly unstable.

There is increased volatility in the financial and commodity markets. There is an expectation of further sanctions and limitations on business activity of companies operating in the region, as well as consequences on the economy in general, but the full nature and possible effects of these are unknown (See Note 30 to the Group's consolidated financial statements).

Crude oil and refined products prices

The primary driver of our revenue is the selling price of crude oil and refined products. During the 2021, Brent crude oil price fluctuated between \$50.3 and \$86.1 per barrel and averaged \$71 per barrel in comparison to average \$41.8 per barrel in the 2020.

Substantially all the crude oil we sell is Urals blend. Tables below show average crude oil and refined products prices for the respective periods in US Dollars and RUB. The prices nominated in US Dollar are translated into RUB at average US Dollar/RUB exchange rate for the respective period.

	Average for the 3 months ended		Chg., %	Average for the 12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
World market ⁽¹⁾	(in US\$ per barrel, except for figures in percent)					
Brent crude	79.9	73.5	8.7	71.0	41.8	69.9
Urals crude (average Med+NWE)	77.9	70.6	10.3	68.8	41.8	64.6
	(in US\$ per tonne, except for figures in percent)					
Gasoline (average Med+NWE)	771.4	727.9	6.0	681.2	387.9	75.6
Diesel fuel (average Med+NWE)	690.9	607.8	13.7	590.3	373.2	58.2
Naphtha (average Med+NWE)	728.8	664.7	9.6	633.0	351.8	79.9
Gasoil (average NWE)	577.4	534.5	8.0	517.0	317.8	62.7
Fuel oil 3.5% (average Med+NWE)	440.9	407.5	8.2	395.9	227.8	73.8

Source: average prices and changes are calculated based on the unrounded data of analytical agencies.

	Average for the 3 months ended		Chg., %	Average for the 12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
World market ⁽¹⁾	<i>(in th. RR per tonne, except for figures in percent)</i>					
Brent crude	41.3	38.5	7.3	37.2	21.5	73.0
Urals crude <i>(average Med+NWE)</i>	40.3	37.0	8.9	36.2	21.5	68.4
	<i>(in th. RR per tonne, except for figures in percent)</i>					
Gasoline <i>(average Med+NWE)</i>	56.0	53.5	4.7	50.2	28.0	79.3
Diesel fuel <i>(average Med+NWE)</i>	50.2	44.7	12.3	43.5	26.9	61.7
Naphtha <i>(average Med+NWE)</i>	52.9	48.8	8.4	46.6	25.4	83.5
Gasoil <i>(average NWE)</i>	41.9	39.3	6.6	38.1	22.9	66.4
Fuel oil 3.5% <i>(average Med+NWE)</i>	32.0	29.9	7.0	29.2	16.4	78.0

Translated into Rubles using the average exchange rate for the period.

	Average for the 3 months ended		Chg., %	Average for the 12 months ended		Chg., %
	31 December 2021	30 September 2021		31 December 2021	31 December 2020	
Russian market ⁽¹⁾	<i>(in th. RR per tonne (incl. excise tax and VAT), except for figures in percent)</i>					
Crude oil	39.1	35.9	8.9	34.2	18.4	85.9
Diesel (summer)	52.4	51.6	1.6	50.4	44.6	13.0
Diesel (winter)	60.8	53.7	13.2	53.7	46.8	14.7
Automobile gasoline	53.8	59.3	(9.3)	55.9	48.8	14.5

Source: data of analytical agencies

⁽¹⁾ The Company sells crude oil and refined products for export and in the domestic market on various delivery terms. Therefore, our average realized sales prices differ from average reported prices

There is no independent nor uniform market price for crude oil and refined products in Russia primarily because a significant portion of crude oil destined for sale in Russia is produced by vertically integrated Russian oil companies and is refined by

the same vertically integrated companies. As a result, domestic prices may differ significantly from export ones and also they vary in different regions of Russia based on demand and supply.

Inflation and foreign currency exchange rate fluctuations

A significant part of the Group's revenues is derived from export sales of crude oil and refined products which are denominated in US Dollars. The Group's operating costs are primarily denominated in Rubles. Accordingly, the relative movements of Ruble inflation and Ruble/US Dollar exchange rates can significantly affect the results of operations of the Group. For instance, operating margins are generally adversely affected by an appreciation of the Ruble against the US Dollar, because this will generally cause costs to increase relative to revenues.

The following table shows the rates of inflation in Russia, the period-end and average Ruble/US Dollar exchange rates for the periods indicated.

	3 months ended		12 months ended	
	31 December 2021	30 September 2021	31 December 2021	31 December 2020
Ruble inflation, %	3.1	1.1	8.4	4.9
Period-end exchange rate (Ruble to US\$)	74.29	72.76	74.29	73.88
Average exchange rate (Ruble to US\$)	72.61	73.47	73.65	72.15

Sources: Federal Service of State Statistics and the Central Bank of Russia

At present, the Ruble is not a freely convertible currency in global markets and certain exchange restrictions and controls still exist related to converting Rubles into other currencies.

Taxation

The Russian Government currently implements the so-called "tax maneuver" in the oil industry, which involves the phasing out of export duty on crude oil, and accordingly on refined products, effectively eliminating it from 2024 accompanied by an increase in the basic rate of mineral extraction tax (MET).

Technically, it was implemented through the introduction of an adjusting factor which in relation to export duty in 2020 is 0.667 and decreases to zero by 2024, and in relation to MET correction coefficient conversely is 0.333 in 2020 and increases to 1 by 2024. The MET formula consists of several components: 1) the previously used MET formula; 2) export duty formula (for super viscous crude oil of 10,000 Megapascal x S and higher in reservoir conditions from 2019 export duty was calculated on the basis of 30%, rather than 55% of the difference between the average Urals crude oil market price and US \$182.5 – this provision has been terminated effective 1 January 2021) multiplied by the adjusting factor (which is set for MET) and 3) additional factor ("Kabdt") meant to partially compensate the Government losses due to the introduction of compensatory surcharge on damper upon calculating negative ("reverse") excise tax (if netbacks are exceed base prices). Simultaneously, the provisions of the law provide for a gradual reduction in the export customs duty on oil for 6 years, starting from 2019, by multiplying the current customs duty rate by the correction coefficient (which is set for export duty).

To eliminate the negative effect of export duty reduction on refining margins, a negative ("reverse") excise on refinery feedstock was introduced. To reduce the sensitivity of domestic prices for motor fuels to changes in international prices a so called damper coefficient was included into the "reverse excise tax" formula.

The tables below present a summary of statutory tax rates that the Company and its Russian subsidiaries were subject to in the respective periods:

Tax	3 months ended		Chg., %	12 months ended		Chg., %	Taxable base
	31 December 2021	30 September 2021		31 December 2021	31 December 2020		
Income tax – maximum rate	20%	20%	-	20%	20%	-	Taxable income
Value Added Tax (VAT)	20%	20%	-	20%	20%	-	Sales from goods/services
Property tax – maximum rate	2.2%	2.2%	-	2.2%	2.2%	-	Taxable property
<i>(in RR per tonne, except for figures in percent)</i>							
Mineral extraction tax, average rates ⁽¹⁾	22,364	20,279	10.3	19,273	8,720	>100	Tonne produced (crude oil)
<i>(in US \$ per tonne, except for figures in percent)</i>							
Crude oil export duty, average rates	70.5	64.6	9.1	59.1	45.9	28.8	Tonne exported
Refined products export duty average rates:							Tonne exported
Automobile gasoline	21.1	19.3	9.3	17.7	13.7	29.2	
Straight-run gasoline	38.7	35.5	9.0	32.4	25.2	28.6	
Diesel fuel	21.1	19.3	9.3	17.7	13.7	29.2	
Light and middle distillates	21.1	19.3	9.3	17.7	13.7	29.2	
Fuel oil (mazut)	70.5	64.6	9.1	59.1	45.9	28.8	

⁽¹⁾ Without taking into account the differentiated taxation relating to depletion of oilfields

The rates of mineral extraction tax and export duties for crude oil and refined products are linked to international crude oil prices and are changed in line with them.

Mineral extraction tax (MET) rate. The base tax rate for the production of oil for 2021 is set at RR 919 per tonne and is adjusted depending on the international market price of Urals blend and the Ruble/US Dollar average exchange rate.

Starting from January 2017, an additional component was added into calculation of MET formula, which increases the amount of tax. In 2018 it amounted to 357 RUB/tonne and for the period from 1 January 2019 it is 428 RUB/tonne.

Starting from 2019, additional factors have been added to the MET formula in connection with the introduction of “reverse excise tax” and reduction of export customs duties as a part of the completion of the tax maneuver. The first factor equals to the amount of export duty rate reduction. The other two factors are applicable when the corresponding components of the damper coefficient are positive. Damper factors and export duty rate reduction factor are presented in the below table:

	2019	2020	2021	2022	2023	2024 and further
Export duty rate reduction factor	0.167	0.333	0.5	0.667	0.833	1
<i>(in Rubles)</i>						
Damper factor for gasoline	125 (200 from 1 October 2019 to 31 December 2019)	105	105	105	105	105
Damper factor for diesel fuel	110 (185 from 1 October 2019 to 31 December 2019)	92	92	92	92	92

In 2020, the Group applied special coefficients to some oil fields and reserves that reduced the generally established MET tax rate based on the Tax Code of the Russian Federation:

- for oil fields with depletion of reserves over 80%;
- for oil fields with initial recoverable reserves of less than 5 million tonnes;
- for super-viscous oil produced from oil fields containing oil with a viscosity of more than 200 Megapascal x S and less than 10,000 Megapascal x S (in reservoir conditions);
- for extra-viscous oil produced from oil fields containing oil with viscosity 10,000 Megapascal x S and more (in reservoir conditions);
- for oil from deposits of Domanik formation.

In October 2020, amendments to the Tax Code of the Russian Federation and the Federal Law "On the Customs Tariff" were enacted, as a result of which, effective from 1 January 2021, reduction coefficients for MET for the production of superviscous oil are cancelled and no special formulas for calculating the rates of export duties in relation to superviscous oil exist. At the same time for oil production in subsoil areas located fully or partially within the borders of the Republic of Tatarstan, the license for the right to use which was issued before 1 January 2016 and the initial recoverable oil reserves of each of which are equal to 2,500 million tonnes or more as of 1 January 2016, a tax deduction for MET was established. This provision of the law is in effect from 1 January 2021 and is applied until the tax period, in which the total deduction will reach RR 36 billion. Another condition is that the average Urals crude oil price in a month in which the deduction is applied exceeds the one used for the Russian federal budget (which is \$43.30 per barrel for 2021). When determining the amount of deduction, expenses actually paid in the period from 1 January 2021, connected with compliance with the mandatory requirements established by Federal Law of 10 January 2002 No. 7-FZ "On Environmental Protection" and Federal Law of 21 July 1997 No. 116-FZ "On industrial safety of hazardous production facilities", and provided that such costs are also associated with the production of extra-viscous oil with a viscosity of 10,000 Megapascal x S and more, are taken into account. In addition, special rates in the MET calculation formula have been abolished for crude oil production from depleted subsoil areas, while the Company received the right to switch to the application of excess profit tax regime for such depleted fields.

In the fourth quarter of 2021, the actual MET costs per tonne of oil produced amounted to th. RR 22.1 per tonne (compared to th. RR 20.3 per tonne in the third quarter of 2021). In the 2021, the actual MET costs per tonne of oil produced amounted to th. RR 19.2 per tonne (compared to th. RR 6.6 per tonne in the 2020), which generally corresponds to the average rate set by the legislation (compared to the difference of th. RR 2.1 per tonne in the 2020). The deviation in 2020 was due to the application of the coefficients provided by the tax legislation to the generally established rate of MET on oil.

Excess Profit Tax (EPT) is charged at the rate of 50% on the additional oil production income calculated as the difference between the estimated revenue from hydrocarbons' sales and actual and estimated costs, including capital expenditures, for its production. This tax regime includes the MET but at a reduced rate. The new tax regime is applicable to some groups of oil fields: such as greenfields in Eastern Siberia, brownfields and greenfields in Western Siberia, and now depleted oilfields in Tatarstan. As of 31 December 2021 the Group has moved 3 its fields located in Tatarstan to the EPT regime.

Crude oil export duties. The Government determines the export duty rate, which is dependent on the average Urals price for the monitoring period and cannot exceed the following levels:

Quoted Urals price (P), US\$ per tonne	Maximum Export Duty Rate
0 – 109.50	0%
109.50 – 146.00	35.0% * (P - 109.50)
146.00 – 182.50	US\$ 12.78 + 45.0% * (P - 146.00)
>182.50	US\$ 29.20 + 30.0% * (P - 182.50)

The crude oil export duty rate is revised monthly on the basis of monitoring of crude oil prices for preceding one-month period between the 15th day of each calendar month and the 14th day of the following calendar month (inclusive).

The Government established formulas for calculation of the export customs duties on crude oil based on international oil prices (reflecting the levels described above and until 2021 providing for special formulas with respect to super viscous oil and oil with special physical and chemical characteristics). Crude oil export customs duties are calculated and published by the Russian Ministry of Economic Development in accordance with the established formulas.

In the period until 2024 the export duty rate will be gradually reduced to zero by applying an adjusting factor to the standard crude oil export duty rate in accordance with the table below:

	2020	2021	2022	2023	2024 and further
Adjusting factor	0.667	0.5	0.333	0.167	0

Refined products export duties. Export customs duty rates on refined products are set every month by the Government simultaneously with the export customs duty rate on crude oil and are denominated in US\$ per tonne. The rate of the export customs duty on refined products is linked to the crude oil export duty rate. At the moment, the rate of the export customs duty is the same for all types of refined products with the exception of fuel oil and straight-run gasoline and is calculated by multiplying the current crude oil export duty rate by a coefficient according to the table below.

Refined products	Multiplier
Light, middle distillates; oil lubricants	0.30
Diesel fuel	0.30
Fuel oil	1.00
Gasoline	0.30
Straight-run gasoline	0.55

The rates are calculated and published by the Russian Ministry of Economic Development.

Crude oil and refined products exported to the member countries of the Custom Union – are not subject to export duties.

Excise tax on refined products. The duty to calculate and pay excises on refined products is assigned to the producers of refined products. In case of production of refined products from raw materials under processing contracts, the duty is assigned to the refineries. The excise tax is paid per metric tonne produced and sold domestically. The excise tax rates on refined products are differentiated in line with the refined products quality requirements.

The table below shows excise tax rates on refined products for indicated periods.

(RR per tonne)	01.01.20-31.03.20	01.04.20-31.12.20	2021
Gasoline below Euro-5	13,100	13,100	13,624
Gasoline Euro-5	12,752	12,752	13,262
Diesel fuel	8,835	8,835	9,188
Motor oils	5,616	5,616	5,841
Jet fuel	2,800	2,800	2,800
Middle distillates	9,535	calculating by the formula	calculating by the formula
Straight-run gasoline	14,720	14,720	15,533
Benzol, paraxylene	3,058	3,058	3,187

Federal Law No. 301-FZ of 03.08.2018 (subject to the provisions of Federal Law № 424-FZ of 27.11.2018) provides for amendments to the taxation of excise duties since 1 January 2019.

In particular, new excisable good - oil raw material was introduced, with the possibility of applying the mechanism of “reverse excise” (deduction of the accrued excise tax with an increasing coefficient).

The excise tax for oil raw materials is calculated by the formula depending on the oil price, the volume of oil refining, volumes of refined products produced. Ruble/US Dollar exchange rate and the logistic coefficient, depending on the remoteness of the refinery.

It is paid to companies refining oil at Russian refineries, if world prices for refined products exceed the cost of fuel in the domestic market. Excise tax is introduced for refineries that process its own crude oil and for companies that process oil through a tolling scheme with the refineries. In order to receive a “reverse excise tax”, both parties must have a certificate of registration performing processing operations.

Oil raw materials excise rate calculated according to the following formulas:

$$A_{orm} = ((P_{crude\ oil} \times 7.3 - 182.5) \times 0.3 + 29.2) \times R \times Spu \times Kadj \times Kreg$$

“P_{crude oil}” – average Urals price at international markets

“R” – average USD/RUB ex-rate

“Spu” – specific coefficient defining the set of petroleum products produced from the crude oil materials

“Kadj” (adjusting factor) - equal to 0.167 for 2019, 0.333 for 2020, 0.5 for 2021, 0.667 for 2022, 0.833 for 2023, 1 from 2024

“Kreg” – coefficient reflecting regional specifics for petroleum products market.

The procedure of application of “reverse excise” on oil raw material includes the approach for calculating the “damper component” of the excise deduction aimed at reducing the effect of macroeconomic fluctuations on the domestic market of motor fuels. “Damper component” in the period from 1 January 2019 to June 30, 2019 was calculated according to the following formulas:

$$K_{demp} = ((Dg + Fg) \times Vg + (Ddf + Fdf) \times Vdf) \times Kcomp$$

“Vg” / “Vdf” – gasoline with octane value 92 and above class 5 / diesel fuel class 5 volumes sold in the Russian Federation.

“Kcomp” – equal to 0.6.

“Dg” / “Ddf” – difference between the average export alternative price and nominal average wholesale price of gasoline with octane value 92 class 5 / diesel fuel class 5 in the Russian Federation

“Fg”, “Fdf” – compensating allowance for gasoline / diesel fuel equal to:

a) 0, if value of Dg, Ddf is less or equal to 0 or

b) Fg = 5,600 and Fdf = 5,000, if value of Dg, Ddf is more than 0 respectively.

Federal Law N 255-FZ of 30.07.2019 amended the formula for calculating the K_{demp} value. Moreover, these changes apply to legal relations arising from 1 July 2019.

$$KDEMP = Dg \times Vg \times Kg_comp + Ddf \times Vdf \times Kdf_comp + Dg_fe \times Vg_fe + Ddf_fe \times Vdf_fe$$

“Vg”, “Vdt” – gasoline and diesel fuel class 5 volumes sold or used for own purposes in the Russian Federation.

“Kg_comp” – equal to 0.75 for the period July-December 2019, 0.68 from 1 January 2020;

“Kdf_comp” – equal to 0.7 for the period July-December 2019, 0.65 from 1 January 2020;

“Vg_fe”, “Vdf_fe” – gasoline and diesel fuel class 5 volumes sold at the delivery basis in the Russian Far East region.

“Dg_fe”, “Ddf_fe” – Far East surcharges calculated as sum of 2,000 Roubles and Dg or Ddf. If value of Dg or Ddf is more than 2,000 Roubles or less than 0, than value of Dg or Ddf is equal to 2,000 or 0 respectively.

Since July 2021, such indicators as “Dg_fe”, “Vg_fe”, “Ddf_fe” and “Vdf_fe” have been excluded from the formula for calculating the Kdemp value (Federal Law № 305-FZ of 2.07.2021).

From 1 January 2021 Federal Law of the Russian Federation of 15.10.2020 No. 321-FZ amended the Tax Code of the Russian Federation in terms of calculating the excise duty on petroleum feedstocks, which is subject to deduction. Thus, the law introduced an investment premium for K_{INV} oil refineries, and also established the procedure for determining the investment premium by taxpayers who entered into an agreement by 1 October 2021 on the creation of new production facilities (on increasing capacity, on modernizing, reconstructing existing production facilities) for deep processing of crude oil, and (or) natural gas, and (or) straight-run gasoline, and (or) middle distillates and (or) on the creation of new objects of fixed assets necessary to provide oil refineries with a high degree of processing with petroleum feedstock, ensuring timely modernization of production (hereinafter - investment agreement) with the Ministry of Energy of Russia, and requirements for an investment agreement.

Thus, organizations that have entered into an investment agreement, subject to the fulfillment of a number of conditions stipulated by Article 200 of the Tax Code of the Russian Federation, can increase the amount of excise duty subject to reimbursement by the amount of the investment premium.

The investment premium is determined by the formula:

$$K_{INV} = A_{orm} \times (1,3 - K_{REG}) \times (7,000,000 / 12) \times D_{FIN},$$

where A_{orm} is the rate of excise duty on petroleum feedstock, determined by the taxpayer in the manner prescribed by paragraph 8 of Article 193 of the Tax Code of the Russian Federation, in relation to petroleum feedstock belonging to the taxpayer on the right of ownership, directed for processing at production facilities that are part of the oil refinery specified in the investment agreement;

K_{REG} is a coefficient characterizing the regional features of the markets for refined petroleum products;

D_{FIN} is a coefficient characterizing the share in the financing of an investment agreement.

Considering that the Group has entered into an investment agreement, and also fulfilled all the conditions stipulated by Article 200 of the Tax Code of the Russian Federation, the Group is applying K_{INV} in 2021.

Thus, in accordance with clause 27 of Article 200 of the Tax Code of the Russian Federation, the amounts of excise duty on oil raw materials multiplied by a factor of 2, increased by the value of Kdemp and by the investment premium for K_{INV} refineries are subject to tax deductions.

Property tax. The maximum real estate property tax rate in Russia is 2.2%. Exact tax rates are set by the regional authorities.

Value added tax (VAT). The Group is subject to value added tax (or VAT) of 20%. The Group's results of operations exclude the impact of VAT.

Income tax. Statutory rate of income tax in Russia is 20%.

Transportation of crude oil and refined products

Due to the fact that majority of Russian crude oil production regions are remote from the main crude oil and refined products markets oil companies are dependent on the extent of diversification of transport infrastructure and access to it. Thus, transportation cost is an important factor affecting our operations and financial results.

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.

Transportation of crude oil is based on contracts with Transneft and its subsidiaries, which set forth the basic obligations of the contracting parties, including the right of Transneft to blend or substitute a company's oil with oil of other producers. 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.

A significant portion of crude oil transported by pipeline is delivered to marine terminals for onward transportation. There are constraints present in Russia's oil shipment terminals due to geographic location, weather conditions, and port capacity limitations. However, government sponsored and private programs are seeking to improve port facilities.

Transneft receives payments on prepayment terms a Ruble tariff on domestic shipments and an additional US Dollar tariff on exports.

Transportation of refined products in the Russian Federation is carried out using railway transport and through the oil products pipeline network of Transneft. The railway infrastructure in Russia is owned by Russian Railways. The Group transports refined products using both oil products pipeline network and railways infrastructure. For deliveries to the regions close to oil refining sites the Group uses motor transports. Transportation of refined products to Non-CIS markets from Russian ports is performed by tankers.

Transneft and Russian Railways are state-owned companies. As the activities of the above mentioned companies fall under the scope of natural monopolies, the fundamentals of their tariff policies are defined by the state authorities to ensure the balance of interests of the state and all participants in the transportation process. Transportation tariffs of natural monopolies are regulated by the Federal Antimonopoly Service of the Russian Federation ("FAS") and set in Rubles. Tariff rates depend on transportation directions, scope of delivery, transportation distance and some other factors. They are revised by the FAS at least once a year.

Critical accounting policies

The preparation of consolidated financial statements in conformity with IFRS requires management to select appropriate accounting policies and to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and the disclosure of contingent assets and liabilities. For a full description of our significant accounting policies, please refer to Note 3 of consolidated financial statements of the Group.

Forward-looking statements

Certain statements in this document are not historical facts and are "forward-looking" (as such term is defined in the US Private Securities Litigation Reform Act of 1995). We may from time to time make written or oral forward-looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- projections of revenues, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios;
- statements of our plans, objectives or goals, including those related to products or services;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Words such as "believes", "anticipates", "expects", "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution readers that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

These factors include:

- inflation, interest rate and exchange rate fluctuations;
- the price of oil;
- the effect of, and changes in, Russian or Tatarstan government policy;
- the effect of terrorist attack or other geopolitical instability, either within Russia or elsewhere;
- the effects of competition in the geographic and business areas in which we conduct operations;
- the effects of changes in laws, regulations, taxation or accounting standards or practices;
- our ability to increase market share and control expenses;
- acquisitions or divestitures;
- technological changes.

This list of important factors is not exhaustive; when relying on forward-looking statements to make decisions with respect to our shares, American Depositary Shares (ADSs) or other securities, investors and others should carefully consider the foregoing factors and other uncertainties and events, especially in light of the difficult political, economic, social and legal environment in which we operate. Such forward-looking statements speak only at the date on which they are made, and we do not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. We do not make any representation, warranty or prediction that the results anticipated by such forward-looking

statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

Corporate Governance Statement

Corporate Governance Code

The Company's corporate governance standards are set out in the Corporate Governance Code of PJSC Tatneft, approved by our Board of Directors in March 2017 (the "Code").

The Code sets out principles of corporate governance within Tatneft, including, *inter alia*, procedures for protecting the interests of shareholders, requirements to members of corporate management bodies, their functions and main responsibilities, disclosure standards, internal controls and auditing principles.

The Code complies with the requirements of the Russian Federation laws and listing standards applicable to Tatneft, and follows some best practices of corporate governance.

A copy of the Code as well as information about the Company's corporate governance principles and practices is publicly available at the Company's web-site: <http://www.tatneft.ru>.

Main Features of Internal Control and Risk Management Systems in Relation to the Financial Reporting Process

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The Group's consolidated financial statements for the periods up to 30 September 2012, inclusive, were prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The Group first adopted IFRS for the financial statements for the fiscal year ended 31 December 2012. The accompanying consolidated financial statements have been prepared based on the financial statements of the Group companies, taking into account the necessary adjustments to comply with IFRS requirements. The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) accounting for oil and gas properties; (7) recognition and disclosure of guarantees, contingencies and commitments; (8) accounting for decommissioning provision; (9) pensions and other post-retirement benefits, (10) business combinations and goodwill and (11) lease liabilities and right-of-use assets recognition.

The Group's consolidated financial statements are prepared on the basis of the RAR accounting records and adjusted as necessary to comply with IFRS.

Internal control and risk management systems include special software products designed to minimize human influence on the flow of data for the preparation of the IFRS financial statements. These systems also involve respective controls at the Group's entities level.

Tatneft's Internal Audit Department is responsible for reviewing transactions of the Group's entities on a routine basis and reports directly to the Audit Committee of the Board of Directors of the Company.

Financial statements of major entities of the Group are audited by reputable independent auditing firms, and the IFRS financial statements of the Group are reviewed on a quarterly basis and audited annually by PwC, an independent auditor.

Information About Share Capital

Significant Holding of Ordinary Shares

At 31 December 2021, JSC Svyazinvestneftekhim ("Svyazinvestneftekhim"), a joint stock company wholly-owned by the Republic of Tatarstan, holds approximately 29.1% of the Company's voting stock. Based on the shareholding records the Company estimates the holding by Svyazinvestneftekhim, its subsidiaries as well as other entities controlled by the Republic of Tatarstan, in the share capital of PJSC Tatneft at approximately 36% of voting stock as of 31 December 2021.

Citibank, N.A., as depositary bank for our ADR facility, at of 31 December 2021, held approximately 25.8% of the Company's ordinary shares.

Our major shareholders have the same voting rights per share as other shareholders.

Special Rights with Regard to Control of the Company

In addition to Svyazinvestneftekhim's ownership of our ordinary shares, the Tatarstan government holds a Golden Share. Under federal law, a holder of a Golden Share has the veto rights in respect of the major decisions at meetings of shareholders, including:

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- decisions relating to changes to the share capital;
- amendments to the charter;
- liquidation or reorganization of the company; and
- entering into “major” or “interested party” transactions as defined in the Law on Joint Stock Companies.

Under the Federal Law of the Russian Federation No. 178-FZ “On Privatization of State and Municipal Property” of 12 December 2001 (as amended), the Golden Share also allows the government to appoint one representative of the government to each of our Board of Directors and Revision Committee.

Due to Svyazinvestneftekhim's current ownership of ordinary shares and its rights under the Golden Share, Tatarstan may elect members of the Board and influence our current and future operations, including decisions regarding acquisitions and other business opportunities, declaration of dividends and issuance of additional shares and other securities even without recourse to the Golden Share.

In addition to holding a Golden Share in Tatneft, the Tatarstan government holds a Golden Share in our subsidiary PJSC Nizhnekamskshina.

Voting Rights

Each fully paid ordinary share of the Company, except for treasury shares held by Tatneft directly (i.e. not through subsidiaries), gives its holder the right to participate in shareholders' meetings and vote on matters to be decided thereby. Holders of preferred shares are generally not entitled to vote at the shareholders' meetings. However, both the Charter and the Law on Joint Stock Companies entitle preferred stockholders to vote on changes and additions to the Charter where such changes provide for reorganization or liquidation of the Company, limitation of their rights, including the issuance of preferred shares with broader rights than those of the existing preferred shares, or change the amount of dividends on the preferred shares. Holders of preferred shares are also entitled to vote at the shareholders' meeting on any items that may appear on the agenda in the event that we fail to declare a dividend on preferred shares in full.

Under the Law on Joint Stock Companies a general shareholders' meeting is held at least once a year between 1 March and 30 June of each year, and the agenda must include the following items:

- election of members of the Board of Directors;
- election of members of the Revision Committee;
- approval of the annual report, balance sheet, and profit and loss statement;
- approval of any distribution of profits, except net profit that has been distributed as quarterly dividends or losses; and
- approval of an independent auditor.

A shareholder or a group of shareholders owning in the aggregate at least two percent of our issued voting shares may submit proposals to the agenda of the annual shareholders' meeting and may nominate candidates to serve as members of our Board or Revision Committee. The shareholders must provide their agenda proposals or nominations to us within 60 calendar days of the end of the fiscal year preceding the annual shareholders' meeting.

Extraordinary shareholders' meeting may be called by the Board at its own initiative to consider matters within the competence of the general shareholders' meeting, as well as upon written request by the Revision Committee, our independent auditor or shareholders owning not less than 10% of our ordinary shares in the aggregate as of the date of such request. An extraordinary shareholders' meeting convened at the request of the Revision Committee of the Company, the auditor of the Company or shareholders (shareholder) owning not less than 10% of the voting shares of the Company must be held within 40 days from the date of the request to hold an extraordinary shareholders' meeting. If the proposed agenda of an extraordinary general meeting contains an issue on the election of members of the Board of Directors of the Company, then such shareholders' meeting must be held within 75 days from the date of the request for its holding.

The quorum for a shareholders' meeting constitutes presence in person or through authorized representatives of holders of more than 50% of our voting shares. Shareholders are entitled to participate in the shareholders' meeting by forwarding a ballot to us provided such duly completed ballot is received at least two days before the meeting. If the quorum requirement is not met, the date of the adjourned general meeting with the same agenda is announced. Changing the agenda when convening a repeated general meeting is not allowed. A repeated shareholders' meeting convened to replace the failed one has a quorum if it was attended by shareholders holding in aggregate at least 30% of the issued voting shares have registered at that meeting.

All our shareholders entitled to participate in a shareholders' meeting must be notified of a meeting and its agenda no less than 30 days prior to the date of the meeting. However, if it is an extraordinary shareholders' meeting to elect our Board by cumulative voting or contains an item on reorganization, the shareholders must be notified at least 50 days prior to the date of the meeting. The record date of the shareholders' meeting is set by the Board and may not be (i) earlier than 10 days from the date of adoption of the resolution to hold a shareholders' meeting and (ii) more than 25 days before the date of the meeting

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or, in the case of an extraordinary shareholders' meeting to elect our Board or contains an item on reorganization, more than 55 days prior to the meeting.

Right to Dividends

The shareholders' meeting, which considers a proposal by the Board of Directors to pay a dividend (interim or annual), upon approval of such dividend shall set the date on which holders of our shares entitled to the dividend are identified ("ex-dividend date"); this date for our shares (as of an issuer whose shares are traded on a stock exchange) cannot be earlier than 10 days and later than 20 days after the date of respective shareholders' resolution, while the payment of dividends shall be effected to nominees and professional securities managers within 10 days, and to all other registered holders within 25 days, from such ex-dividend date.

Rules About Appointment of Directors and Amendment of the Charter

The Company complies with the requirements of Russian law as to appointment and replacement of Directors as well as amendment of the Charter (please see sections relating to voting rights above and the Board of Directors below).

The Powers of Directors

Please see section "Board of Directors" below.

Description of the Composition and Operation of the Administrative, Management and Supervisory Bodies and Their Committees

Board of Directors

Tatneft's Board of Directors currently consists of 15 members. Directors are elected by a resolution of shareholders passed at a shareholders' meeting by cumulative voting, serve until the next ordinary shareholders' meeting (or an extraordinary shareholders' meeting replacing the Board of Directors) and can be re-elected for an unlimited number of terms. All Directors can be removed by a resolution passed at a shareholders' meeting without cause. Apart from those members appointed by the Tatarstan government, through Svyazinvestneftekhim in its capacity as a shareholder of Tatneft, the Tatarstan government possesses a Golden Share right in our company that gives it the power to appoint a representative to our Board.

The members of our Board of Directors are:

<i>Name</i>	<i>Titles</i>	<i>Year of Birth</i>
Rustam Nurgalievich Minnikhanov*	Chairman of the Board, President of the Republic of Tatarstan	1957
Nail Ulfatovich Maganov	Director, General Director of Tatneft	1958
Fanil Anvarovich Agliullin	Minister of Land and Property Relations of the Republic of Tatarstan	1975
Radik Raufovich Gaizatullin	Director, Finance Minister of the Republic of Tatarstan	1964
Laszlo Gerecs	Independent Director, Managing Director of G Petroconsulting Ltd.	1953
Larisa Yurievna Glukhova	Head of the State Legal Department of the Office of the President of the Republic of Tatarstan	1976
Yuri Lvovich Levin	Independent Director, Chairman of Audit Committee, Managing Director of BVM Capital Partners Ltd.	1953
Albert Ildarovich Nafigin	Assistant to the President of the Republic of Tatarstan	1976
Rafael Saitovich Nurmukhametov	Director, Retiree, former Head of the Leninogorsk NGDU of Tatneft	1949
Valery Yurievich Sorokin	Director, General Director of Svyazinvestneftekhim	1964
Nurislam Zinatulovich Syubaev	Director, Deputy General Director for Strategic Development	1960
Shafagat Fakhrazovich Takhautdinov	Director, Advisor to the Chairman of the Board	1946
Rustam Khamisovich Khalimov	Director, First Deputy General Director for Exploration and Production of Oil and Gas – Head of Tatneft-Upstream	1965

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<i>Name</i>	<i>Titles</i>	<i>Year of Birth</i>
Rais Salikhovich Khisamov	Member of the Board of Directors of Tatneft	1950
Rene Frederic Steiner	Independent Director, Head of Private Equity Investments of FIDES Business Partner AG	1964

* Appointed to the Board of Directors pursuant to the exercise of the Golden Share right of the Tatarstan government.

Biographies of the Directors are set out below:

Rustam Nurgalievich Minnikhanov. Mr. Minnikhanov was born in 1957. In 1978, he graduated from the Kazan Agricultural Institute with a specialization in mechanical engineering, and from the Institute of Soviet Trade in 1986 with a degree in merchandizing of foodstuffs. He has a Ph.D. in Economics. He started work in 1978 as an engineer and was responsible for diagnostics at the Sabinsky district union of Agricultural Equipment. He further worked as senior and chief power engineer at the Sabinsky Forestry Engineering Co. From 1983 to 1985, he was Deputy Director of Trade of the Sabinsky district, and from 1985 to 1990, he was Chairman of the Arsky Consumer Supplies Board. He was then elected Chairman of the Executive Committee of the Arsky Council of Peoples' Deputies. In 1992, he was First Deputy Head of the Administration of the Arsky district of the Republic of Tatarstan. From 1993 to 1996, he was Chairman of the Visokogorsky district Council of People's Deputies and then Head of Administration of the Visokogorsky district of the Republic of Tatarstan. From 1996 to 1998, he was Minister of Finance of the Republic of Tatarstan. From 1998 to 2010, he was Prime Minister of the Republic of Tatarstan. Since 25 March 2010, he has been President of the Republic of Tatarstan. He has been a member of the Board of Directors since 1997 and has served as Chairman of the Board of Directors since June 1998.

Nail Ulfatovich Maganov. Mr. Maganov was born in 1958. In 1983, he graduated from the evening department of the Tatarstan branch of the Gubkin Petrochemical and Gas Industry Institute of Moscow. He started work in 1977 at the Elkhovneft NGDU, where he was gradually promoted from the position of transportation helper to that of Head of the Oil and Gas Production Division. Between 1991 and 1993, he was Deputy Head of the Zainskneft NGDU for capital construction. In 1993, he was transferred to the position of Head of Tatneft Oil and Refined Products Sales Department. In 1994, he was appointed Deputy General Director of Production of Tatneft. From July 2000 to November 2013, he was First Deputy General Director for the Sales of Oil and Refined Products and Refining and Head of Crude Oil and Refined Products Sales Department. In November 2013 he was appointed the General Director of the Company. He has been a member of the Board of Directors since 2000.

Fanil Anvarovich Agliullin was born in 1975. Mr Agliullin graduated from the Kazan Law Institute of the Ministry of Internal Affairs of the Russian Federation in 2004. From 1995 to 2014, he served in internal affairs agencies of the Russian Federation. From 2014 to 2016, Mr Agliullin worked as a deputy head of the department of special training at the centre for security of top officials of the Internal Protection Directorate of the Ministry of Internal Affairs for the Republic of Tatarstan. From 2016 to 2019, Mr Agliullin headed the security service and served as an aide to the President of the Republic of Tatarstan. Starting September 2019, he has held the position of the Minister of Land and Property Relations of the Republic of Tatarstan. Mr. Agliullin has been a member of the Board of Directors since 2020.

Radik Raufovich Gaizatullin. Mr. Gaizatullin was born in 1964. In 1985, he graduated from the Kazan Agricultural Institute with a specialization in accounting and economic analysis of agriculture. He started work as the chief accountant at the collective farm Mayak, Laishevsky district. He then worked as the leading economist for control and supervision of the Laishevsky district Cooperative Society, and then as the chief accountant of the agricultural firm Biryuli, Visokogorsky district. In 1999, he was transferred to the Ministry of Finance of the Republic of Tatarstan as Head of the Section for Financing Agriculture and Food Industry. In June 2000, he was appointed Deputy Minister of Finance of the Republic of Tatarstan and, in 2001, he was appointed First Deputy Minister of Finance of the Republic of Tatarstan. Since 27 June 2002, he has served as Finance Minister of the Republic of Tatarstan. He has been a member of the Board of Directors since 2000.

Laszlo Gerecs. Mr. Gerecs was born in 1953. He graduated from the Moscow Institute of Petrochemical and Gas Industry named after academician I.M. Gubkin in 1977 specializing in Development and Complex Mechanization of oil fields. He graduated with a Master Degree in Business Administration from the Oxford Business University in 1995. Since 2012 - Head of Project Management for oilfield production and infrastructure development, MOL Group, Budapest. From 2015 to 2016 - Managing Director of MOL Oman, Oman Branch in Muscat. Since January 2017- Managing Director of G Petroconsulting Ltd. He has been a member of the Board of Directors since 2015.

Larisa Yurievna Glukhova was born in 1976. Ms Glukhova graduated from Kazan State University in 1998. From 2005 to 2012, she managed the sector of public law and statutory economic regulation, and was the deputy head of the legal department of the Administration of the Cabinet of Ministers of the Republic of Tatarstan. From 2012 to 2013, she headed the legal department of OAO Tatavtodor. In 2013 to 2017, Ms Glukhova was the Minister of Justice of the Republic of Tatarstan. In 2017, she was appointed as the head of the State Legal Administration under the President of the Republic of Tatarstan. Ms Glukhova has been a member of the Board of Directors since 2020.

Yuri Lvovich Levin. Mr. Levin was born in 1953. He graduated from the Moscow Finance Institute in 1975, in 1979 he completed post-graduate studies at the Institute of World Economy and International Relations. He has a Ph.D. in Economics. Since 2001, Mr. Levin is the Managing Partner in BVM Capital Partners Ltd. He has been a member of the Board of Directors since 2015.

Albert Ildarovich Nafigin. Mr. Nafigin was born in 1976. In 1998 he graduated from the Kazan Institute of Business and Management with a degree in Management. In the period from 2000 to 2010, he worked in the Treasury Department of the Ministry of Finance of the Republic of Tatarstan. Since 2010, he was the head of the Department of Economics, Finance and State Property Management of the Office of the Cabinet of Ministers of the Republic of Tatarstan. Since March 2015, he has been appointed Assistant to the President of the Republic of Tatarstan. He has been a member of the Board of Directors since 2021.

Rafael Saitovich Nurmukhametov. Mr. Nurmukhametov was born in 1949. He began working in 1966 as an electrician. In 1974, he graduated from the Ufa Oil Institute with a specialization in technology and complex mechanization of the development of oil and gas fields. After graduation, he worked at the Suleevneft NGDU as an oil production operator, technology engineer, foreman for oil production, Head of the Oil and Gas Production Shop, and Head of Subterranean and Capital Oil Well Workover. Mr. Nurmukhametov has also served at the Communist Party Committee of the Tatar region and as an instructor and Head of the Oil and Gas Production Departments of the Djalilneft NGDU (1983-1986), the Laseganneft NGDU (1986-1989) and the Pokachivneft NGDU (1987-1989). Since 1989, he has been Head of the Leninogorskneft NGDU of Tatneft and from 2016 a member of the Board of Directors.

Valery Yurievich Sorokin. Mr. Sorokin was born in 1964. He graduated from the Kazan State University in 1986 with a degree in mechanics. From 1996 to 2002, he was the Director of the Agency for State Debt Management of the Republic of Tatarstan under the Ministry of Finance of the Republic of Tatarstan. Since 2003, he has been the General Director of Svyazinvestneftekhim. He has been a member of the Board of Directors since 2005.

Nurislam Zinatulovich Syubaev. Mr. Syubaev was born in 1960. In 1982 he graduated from the Plekhanov Economy Institute with a diploma of an economist and in 1985 he completed the program "Financial accounting and audit" of the Requalification Institute for Banking and Finance under the Financial Academy of the Russian Government; in 1999 he qualified as "Economist in Banking" from the Banking Department of the Plekhanov Economy Institute. In 1992-1994 he served as the deputy CEO of Alfa-Bank and from 1994-1995 he headed the Financial Services Center of Higher School of International Business. From 1995 to 2001 Mr. Syubaev was the First Deputy CEO of Bank Zenit, and from 2001 he has been serving as the Head of the Strategic Planning Department of Tatneft and Advisor to General Director of Tatneft for Foreign Economic Affairs and Financial/Banking Issues and from 2014 - a member of the Management Board of Tatneft. In 2016 he was appointed as Deputy General Director for Strategic Development of Tatneft. He has been a member of the Board of Directors since 2019.

Shafagat Fakhrzovich Takhautdinov. Mr. Takhautdinov was born in 1946. In 1971, he graduated from the Gubkin Petrochemical and Gas Industry Institute of Moscow. He has a Ph.D. in Economics. He started work in 1964 as a driller's assistant at the Almet'yevsk Drilling Operations Department and then worked as an oil production operator, underground well repair foreman and manager of a reservoir pressure maintenance section. He also served as Head of the Djalilneft NGDU (1978-1983), Head of the Almet'yevneft NGDU (1983-1985) and First Secretary of the Communist Party Committee of Leninogorsk (1985-1990). From 1990 to 1999, he was Chief Engineer and First Deputy General Director of Tatneft. From 1999 to November 2013, he was the General Director. In November 2013 he was appointed an Advisor to the Chairman of the Board of Directors of Tatneft. He has been a member of the Board of Directors since 1994.

Rustam Khamisovich Khalimov. He was born in 1965. He graduated from the Moscow Institute of Petrochemical and Gas Industry in 1987 specializing in Technology and complex mechanization of oil and gas fields development. Later he graduated from the National Economy Academy under the Government of the Russian Federation and the Tyumen State Oil and Gas University. From 2010 to 2011 he worked as the Head of Tatneft Branch in Libya. He was appointed as the Head of NGDU Elkhovneft from 2011 to 2015. In 2015 he was appointed as Deputy General Director for Exploration and Production of Oil and Gas, in 2018 promoted to the position of First Deputy General Director for Exploration and Production of Oil and Gas, and 2019 Mr. Khalimov assumed the leadership over newly established division Tatneft-Upstream. He is a Candidate of Science in Engineering. Mr. Khalimov has been a member of the Board of Directors since 2015.

Rais Salikhovich Khisamov. Mr. Khisamov was born in 1950. In 1978, he graduated from the evening department of the Gubkin Petrochemical and Gas Industry Institute of Moscow with a specialization in mining engineering. He has a Ph.D. in Geology and Mineralogy. He started work as an oil production operator at the Elkhovneft NGDU, then worked as a collector at the Birska Geological Prospecting Unit and as an operator at the Irkenneft NGDU. In 1972, after serving in the Russian army, he returned to the Irkenneft NGDU, where he worked until 1997 and was gradually promoted from the position of well exploration operator to that of Chief Geologist of the Irkenneft NGDU. Since October 1997, he has been working as Chief Geologist and Deputy General Director of Tatneft. He has been a member of the Board of Directors since 1998.

Rene Frederic Steiner. Mr. Steiner was born in 1964. Mr. Steiner graduated from Zurich Hochschule in 1989 and is a Swiss Certified Banking Expert. From 1983 to 2002 Mr. Steiner worked in various capacities in Credit Suisse Bank and UBS Bank in Switzerland. From 2002 to 2006 Mr Steiner was a partner at CERTUS AG. From 2006 to 2011 he was a partner and Director of Restructuring and Performance Services at KPMG Consulting Services Switzerland. From 2011 Mr Steiner has been serving as the Head of Private Equity Investments of FIDES Business Partner AG, which he co-founded the same year. He has been a member of the Board of Directors since 2013.

Authority of the Board of Directors

Under the Law on Joint Stock Companies, the Charter and the Regulation on the Board of Directors, the Board of Directors has general authority to take all decisions regarding or related to our business activities, operations and internal affairs, except to the extent any specific matter or decision falls within the exclusive competence of the shareholders in a shareholders' meeting, the General Director or the Management Board. The following matters fall within the scope of authority of the Board of Directors:

- determining our strategic priorities;
- convening annual and extraordinary shareholders' meetings;
- approving agendas for, and other ancillary matters related to, shareholders' meetings;
- increasing our charter capital through public issuance of additional shares within the amount of authorized shares, but (in case of ordinary shares) in a total amount not exceeding 25% of the total amount of ordinary shares then outstanding;
- issuing bonds and other securities, as provided by law;
- amending our Charter following the placement of additional shares, including amendments relating to the increase in our charter capital, as provided by law;
- determining the market value of our property and the price for placing and repurchasing our securities, where provided for by law;
- acquiring stocks, bonds, and other securities placed by us, where provided for by law;
- appointing and dismissing the General Director and other members of the Management Board;
- appointing and dismissing the Secretary of the Board and determining her/his duties;
- appointing the First Deputy General Directors;
- making recommendations relating to the amount of remuneration and compensation to be paid to members of the Revision Committee and determining payments for the services of the independent auditors;
- approving the criteria for performance evaluation and the amount of compensation for the members of the Board of Directors and the Management Board, approving the Board of Directors' budget;
- recommending the amount to be declared and paid as dividends on our shares and facilitating payment of the same;
- using our reserves and other funds;
- establishing branches and opening representative offices;
- concluding certain major transactions and certain interested party transactions, (where provided for by law), and concluding certain other transactions (where provided for by internal documents);
- approving the appointment of a registrar and the terms and conditions under which such appointment is made;
- determining the procedures for presentation of all bills, reports and applications, and determining the system for calculation of profits and losses, including the rules relating to the depreciation of property;
- adopting the Corporate Governance Code and effecting amendments thereto;
- forming committees of the Board of Directors and approving related regulations;
- approving other internal documents of the Company on the regulation of the matters related to the competence of the Board of Directors, excluding internal documents that are within the competence of the shareholders' meeting, the General Director and the Management Board as provided for in the Charter; and
- making other decisions that are not within the competence of the shareholders' meeting, the General Director and the Management Board.

Meetings of the Board of Directors

Meetings of the Board of Directors are convened either by the Chairman of the Board of Directors, or upon request of the General Director, any member of the Board of Directors, the Management Board, the Revision Committee or the independent auditor. Although the Board of Directors only needs to meet once a year, at least one month prior to an annual shareholders' meeting, in order to review our annual report and resolve on other issues relating to holding the annual shareholders' meeting (unless the interests of the company require more frequent meetings), they are typically held once a month. The agenda for meetings of the Board of Directors must include any items proposed by shareholders who own in the aggregate at least 5% of our shares and the auditor, the General Director, members of the Board of Directors, the Revision Committee or the Management Board.

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Under the Law on Joint Stock Companies and the Charter, the affirmative vote of a majority of the Directors present at a quorate meeting of the Board of Directors is usually required to pass a resolution and the Chairman of the Board of Directors shall cast the deciding vote in the event of a tie. However, certain resolutions, such as the approval of major transactions, and the issuance of additional shares, require the unanimous approval of all Directors present at a meeting of the Board of Directors. A quorum for the purpose of a meeting of the Board of Directors exists if more than 50% of the Directors are present. The minutes of meetings of the Board of Directors must be made available for review by any shareholder upon request.

The Law on Joint Stock Companies prohibits a person from holding the posts of Chairman of the Board of Directors and General Director at the same time.

Committees of the Board of Directors

Audit Committee. The Audit Committee of the Board of Directors is comprised of the following directors: Mr. Yuri L. Levin (Chairman), Mr. Radik R. Gaizatullin, Mr. Laszlo Gerecs and Mr. Rene F. Steiner. Under the terms of reference of the Audit Committee, its membership shall consist of at least three directors, including one director who is an audit committee financial expert. We have determined that three members of the Audit Committee are independent. Responsibilities of the Audit Committee are separate from the responsibilities of the Revision Committee, which might be maintained as a matter of Russian law. The Audit Committee is responsible for submitting recommendations to the Board of Directors on an annual basis regarding the independent auditor, negotiating the terms of engagement of the independent auditor and evaluating its performance, overseeing completeness and correctness of our financial statements and evaluating reliability, effectiveness of internal control, pre-approving permissible non-auditing services provided by the auditors and dealing with “whistleblowing” reports.

Human Resources and Compensation Committee. The Human Resources is comprised of the following directors and members of the Management Board: Mr. Rene F. Steiner (Chairman), Mr. Laszlo Gerecs, Mr. Yuri L. Levin. The Human Resources and Compensation Committee is responsible for appraising the work of the Board of Directors and the Management Board, developing recommendations with respect to remuneration of top managers, the terms of their employment contracts and personnel policies more generally, establishing criteria for selecting candidates for the Management Board and to head our structural divisions, and preparing proposals on the main terms of agreements with members of the Board of Directors, the General Director and members of the Management Board.

Sustainable Development and Corporate Governance Committee. The Committee is comprised of the following directors and members of senior management: Mr. Nail U. Maganov (Chairman), Ms. Larisa Y. Glukhova, Mr. Laszlo Gerecs, Mr. Nurislam Z. Syubaev, Mr. Azat G. Khabibrahmanov, Ms Aigul M. Alparova, Mr. Damir M. Gamirov and Mr. Vasily A. Mozgovoi. The Committee assists the Board of Directors in implementing the requirements of legislation and best practices in sustainable development in order to achieve strategic goals, in developing and improving the system and practice of corporate governance, regulates relations between shareholders, the Board of Directors and the executive bodies of the Company, makes recommendations to the Board of Directors to improve corporate governance practices management.

Management Board

Our Management Board currently consists of 4 members*. The Management Board is appointed by the Board of Directors. The Management Board coordinates and oversees the effective operation of the Company and its various divisions. The Management Board’s authority extends across a broad remit and includes our long and short-term business development program, our participation in commercial and non-profit organizations, and our economic, financial and investment activities.

The members of our Management Board* are:

<i>Name</i>	<i>Titles</i>	<i>Year of Birth</i>
Nail Ulfatovich Maganov	Chairman of the Board, General Director	1958
Nikolay Mikhailovich Glazkov	Deputy General Director for Capital Construction	1960
Rustam Nabiulloevich Mukhamadeev	Deputy General Director for General Affairs	1952
Nurislam Zinatulovich Syubaev	Deputy General Director for Strategic Development	1960

* Information as of 31 December 2021

Biographies of the members of the Management Board are set out below:

Nail Ulfatovich Maganov. See “Board of Directors” above.

Nikolay Mikhailovich Glazkov. Mr. Glazkov was born in 1960. In 1988 he graduated from Kazan Engineering and Construction Institute specializing in industrial and civil construction. He began his career at SMU 51 (a construction company), where he became the CEO of the company. From 1999 to 2005 he worked as Deputy Head of the Administration

of the Almetyevsk District and the city of Almetyevsk on construction and communications, then the First Deputy Head of the Administration of the city of Almetyevsk. Since 2005 he has been serving as Head of the Capital Construction Department of PJSC Tatneft, subsequently promoted to the position of Deputy General Director for Capital Construction, and from 2012 a member of the Management Board.

Rustam Nabiullovich Mukhamadeev. Mr. Mukhamadeev was born in 1952. In 1977, he graduated from the Gubkin Petrochemical and Gas Industry Institute of Moscow, with a specialization in technological and complex mechanization for the development of oil and gas fields. From 1970 to 1971, Mr. Mukhamadeev worked as a student operator at the Elkhovneft NGDU. Following service in the army, he joined the evening department of the Tatarstan branch of the Gubkin Petrochemical and Gas Industry Institute of Moscow as a senior laboratory technician. In 1975, Mr. Mukhamadeev returned to the Elkhovneft NGDU as an oil-pump research engineer, subsequently becoming a senior geologist at Tatneftgasrazvedka in 1978. His subsequent work includes serving as an instructor in the industrial-transport section of the Communist Party Committee of Almetyevsk (1981-1985); Secretary of the Communist Party Committee, Assistant Director for Personnel, extra-curricular and social development, Assistant Director for Social Development and Assistant Director for General Operations of the Elkhovneft NGDU (1985-1998); and head of the Almetyevsk repair and construction division of Tatneft (1998-2001). Mr. Mukhamadeev has served as Tatneft's Deputy General Director for Personnel and Social Development from 2001 to 2017. Since December 2017 - Deputy General Director for General Affairs with the title subsequently changed to Deputy General Director for General Affairs.

Nurislam Zinatulovich Syubaev. See “Board of Directors” above.

Authority of the Management Board

The Management Board is our executive body and exercises day-to-day management and control over our business activities and operations. Under the Charter, the Management Board is, inter alia, explicitly responsible for:

- developing our programs of activities;
- participating in commercial and non-commercial organizations;
- performing our financial and investment programs;
- selling our shares and other securities to investors;
- determining procedures for granting access to the register of shareholders;
- submitting proposals on profit and loss distribution to the Board of Directors;
- determining internal and external pricing policies; and
- approving certain of our internal documents governing matters related to the competence of the Management Board and other documents provided by the General Director.

Under the Regulation on the Management Board approved by the shareholders (last amended on 21 June 2019), the Management Board does not have a fixed number of members, appointed by the Board of Directors and is chaired by the General Director.

The Management Board is convened by the General Director. Meetings of the Management Board are deemed quorate if at least 50% of the members of the Management Board are present. All decisions of the Management Board must be approved by a simple majority of the votes cast, provided that the Chairman of the Management Board has a deciding vote in the event of a tie.

The General Director

The General Director is elected by the Board of Directors for a five-year term and can be removed by a vote of two thirds of the members of the Board of Directors. The current General Director, Mr. Nail U. Maganov, was appointed by the Board of Directors in November 2013.

The General Director exercises day-to-day control over our activities and chairs meetings of the Management Board. The General Director is accountable to the Board of Directors and our shareholders. Pursuant to the Charter, the Regulation on the General Director approved by the shareholders (last amended on 21 June 2019), and Russian law, the General Director is authorized to, inter alia:

- procure performance of the decisions of the shareholders' meeting and the Board of Directors;
- manage our assets in the manner prescribed by the Charter and the law;
- nominate candidates for the positions of First Deputy General Directors and members of the Management Board;
- organize and delegate duties within the Management Board, determine the amount of compensation of the members of the Management Board;
- make employment decisions;
- conclude collective bargaining agreements;
- appoint and dismiss heads of departments and representative offices and other employees;
- approve our internal documents, excluding those internal documents the approval of which is within the exclusive

- competence of the shareholders' meeting, the Board of Directors or the Management Board;
- exercise the rights of the Company as shareholder in its subsidiaries; and
- make any other decisions pertaining to the conduct of the Company's business in the ordinary course.

The General Director also chairs meetings of our Management Board.

Revision Committee

The Revision Committee is our financial control body, which can be formed pursuant to the Law on Joint Stock Companies, and is charged with supervising our financial and economic activity. It is elected by, and accountable to, the shareholders and consists of nine members, none of whom can be members of the Board of Directors or serve in any of our other management bodies. Members of the Revision Committee each serve until the next annual shareholders' meeting. Pursuant to the Charter the Revision Committee must submit annual reports to the Board of Directors at least 40 days prior to the date of each annual shareholders' meeting. Further, it can be directed to conduct a special audit by holders of 10% or more of our voting shares, by the shareholders' resolution passed at a shareholders' meeting, by the Board of Directors and at its own initiative. In such case, a report of the Revision Committee must be submitted to the Board of Directors not later than one month after the date of such direction. Any decision of the Revision Committee must be approved by a majority of its members.

The current members of the Revision Committee are:

- Marcel Fagimovich Abdullin, Head of the Workplace Infrastructure Management Center of the General Service Center of the Business Service Center of Tatneft;
- Ksenia Gennadiyevna Borzunova, Head of Department of the Ministry of Land and Property Relations of the Republic of Tatarstan;
- Ilmur Imamzafarovich Gabidullin, Deputy Director of Tatneft-Ak Bars;
- Guzel Rafisovna Gilfanova, Deputy Head of Control and Revision Department of Tatneft;
- Tatyana Gennadiyevna Malakhova, Deputy Chief of Corporate Secretary of Tatneft;
- Lilya Rafaelovna Rakhimzyanova, Head of Department of the Ministry of Industry and Trade of the Republic of Tatarstan;
- Ramil Shavkatovich Khairullin, Deputy Chief Accountant-Head of the Accounting and Reporting Department of Tatneft;
- Ravil Anasovich Sharifullin, Head of Control and Revision Department of Tatneft;
- Saria Kashibulkhakovna Yusupova*, Deputy Head of Economic Analysis Department of Ministry of Finance of the Republic of Tatarstan;

*Appointed to the Revision Committee pursuant to the exercise of the Golden Share rights of the Tatarstan government