



Tatneft Group

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

30 JUNE 2021

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Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC Tatneft:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC Tatneft and its subsidiaries (together – the “Group”) as at 30 June 2021 and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three-month and six-month periods then ended, change in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of these consolidated interim condensed financial statements in accordance with International Accounting Standard 34, “Interim Financial Reporting”. Our responsibility is to express a conclusion on these consolidated interim condensed financial statements based on our review.

Scope of Review

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

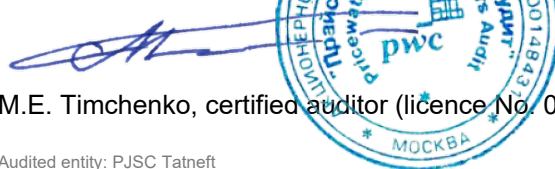
Conclusion

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

AO PricewaterhouseCoopers Audit

27 August 2021

Moscow, Russian Federation



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

Audited entity: PJSC Tatneft

Record made in the Unified State Register of Legal Entities on 19 July 2002 under State Registration Number 1021601623702

Taxpayer Identification Number 1644003838

Lenina St., 75, Almet'yevsk, Republic of Tatarstan, Russian Federation, 423450

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

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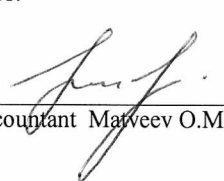
TATNEFT
Consolidated Interim Condensed Statement of Financial Position (Unaudited)

(In million of Russian Rubles)

	Note	30 June 2021	31 December 2020
Assets			
Cash and cash equivalents	4	26,089	40,105
Banking: Mandatory reserve deposits with the Bank of Russia		1,401	1,528
Short-term accounts receivable, net	5	94,539	83,734
Banking: Loans to customers	6	18,813	22,492
Other short-term financial assets	7	123,068	44,314
Inventories	8	65,514	44,988
Prepaid expenses and other current assets	9	28,528	20,075
Prepaid income tax		953	995
Banking: Non-current assets held for sale		885	764
Total current assets		359,790	258,995
Long-term accounts receivable, net	5	1,345	1,484
Banking: Loans to customers	6	85,540	79,163
Other long-term financial assets	7	71,639	70,605
Investments in associates and joint ventures		2,203	2,122
Property, plant and equipment, net	10	840,755	826,569
Right-of-use assets		11,155	12,185
Deferred income tax assets		2,507	2,218
Other long-term assets		8,944	10,100
Total non-current assets		1,024,088	1,004,446
Total assets		1,383,878	1,263,441
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	12	9,714	10,961
Accounts payable and accrued liabilities	13	74,139	83,893
Dividends payable	14	28,490	823
Banking: Due to banks and the Bank of Russia		21,398	13,659
Banking: Customer accounts		135,878	146,753
Banking: Other financial liabilities at fair value through profit or loss		1,440	1,764
Taxes payable	11	73,904	30,401
Income tax payable		4,554	2,905
Other short-term liabilities		450	352
Total current liabilities		349,967	291,511
Long-term debt, net of current portion	12	22,926	23,652
Banking: Due to banks and the Bank of Russia		2,401	1,551
Banking: Customer accounts		1,034	1,872
Decommissioning provision, net of current portion	10	46,464	55,372
Lease liabilities, net of current portion		9,753	10,679
Deferred income tax liability		37,977	33,343
Other long-term liabilities		16,672	13,871
Total non-current liabilities		137,227	140,340
Total liabilities		487,194	431,851
Shareholders' equity			
Preferred shares (authorised and issued at 30 June 2021 and at 31 December 2020 – 147,508,500 shares; nominal value – RR1.00)		746	746
Ordinary shares (authorised and issued at 30 June 2021 and at 31 December 2020 – 2,178,690,700 shares; nominal value – RR1.00)		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		1,873	2,186
Retained earnings		804,190	739,641
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 30 June 2021 and 31 December 2020)		(10,359)	(10,359)
Total Group shareholders' equity		891,908	827,672
Non-controlling interest		4,776	3,918
Total shareholders' equity		896,684	831,590
Total liabilities and equity		1,383,878	1,263,441

Approved for issue and signed on behalf of the Board of Directors on 27 August 2021.


CEO Maganov N.U.


Chief Accountant Matveev O.M.

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

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

(In millions of Russian Rubles)

	Note	Three months ended 30 June:		Six months ended 30 June:	
		2021	2020	2021	2020
Gross proceeds including excises and export duties		318,494	156,809	585,034	374,977
Less excise taxes and export duties		(7,443)	(20,540)	(16,151)	(40,424)
Sales and other operating revenues on non-banking activities, net	17	311,051	136,269	568,883	334,553
Costs and other deductions on non-banking activities					
Operating expenses		(38,592)	(34,996)	(77,406)	(73,131)
Purchased oil and refined products		(36,874)	(17,226)	(65,694)	(39,101)
Exploration		(271)	(271)	(406)	(535)
Transportation		(9,477)	(8,351)	(18,098)	(18,396)
Selling, general and administrative		(15,871)	(12,070)	(31,364)	(25,313)
Depreciation, depletion and amortization	17	(9,783)	(8,513)	(20,192)	(16,826)
Impairment losses on financial assets net of reversal		230	23	54	357
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	(733)	(508)	(1,353)	(7,514)
Taxes other than income taxes	11	(132,093)	(25,664)	(228,796)	(93,543)
Maintenance of social infrastructure and transfer of social assets		(2,142)	(2,369)	(4,824)	(4,779)
Total costs and other deductions on non-banking activities		(245,606)	(109,945)	(448,079)	(278,781)
Loss on disposals of interests in subsidiaries and associates, net		-	(56)	-	(57)
Expenses from changes in the fair value of financial assets at fair value through profit or loss	7	(319)	-	(319)	-
Other operating gain/(loss), net		588	(103)	(307)	811
Operating profit on non-banking activities		65,714	26,165	120,178	56,526
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities					
Interest, fee and commission income	15	4,119	4,170	7,931	9,276
Interest, fee and commission expense	15	(1,884)	(2,359)	(3,671)	(5,234)
Net income/(expense) on recovery/creating provision for credit losses associated with debt financial assets	6	74	(482)	(104)	(1,643)
Operating expenses		(2,006)	(2,191)	(3,865)	(3,399)
Net (loss)/gain arising from dealing in foreign currencies		(22)	(282)	16	(263)
Other operating income, net		70	675	121	721
Total net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities		351	(469)	428	(542)
Other (expenses)/income					
Foreign exchange (loss)/gain, net	16	(1,583)	101	(154)	5,308
Interest income on non-banking activities	16	608	184	1,973	373
Interest expense on non-banking activities, net of amounts capitalised	16	(1,496)	(1,805)	(3,079)	(3,997)
Share of results of associates and joint ventures, net		74	(19)	81	(181)
Total other (expenses)/income, net		(2,397)	(1,539)	(1,179)	1,503
Profit before income tax		63,668	24,157	119,427	57,487

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

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

(In millions of Russian Rubles)

		Three months ended 30 June:		Six months ended 30 June:	
	Note	2021	2020	2021	2020
Income tax					
Current income tax expense		(13,475)	(5,532)	(23,290)	(16,056)
Deferred income tax (expense)/benefit		(947)	(929)	(3,207)	1,046
Total income tax expense		(14,422)	(6,461)	(26,497)	(15,010)
Profit for the period		49,246	17,696	92,930	42,477
Other comprehensive (loss)/income net of income tax:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		(242)	(999)	(404)	1,762
Gain/(loss) on debt financial assets at fair value through other comprehensive income, net		-	347	(343)	(164)
Items that will not be reclassified to profit or loss:					
Gain/(loss) on equity financial assets at fair value through other comprehensive income, net		244	(31)	335	(171)
Other comprehensive income/(loss)		2	(683)	(412)	1,427
Total comprehensive income for the period		49,248	17,013	92,518	43,904
Profit/(loss) attributable to:					
- Group shareholders		48,642	17,600	92,231	42,852
- Non-controlling interest		604	96	699	(375)
		49,246	17,696	92,930	42,477
Total comprehensive income/(loss) attributable to:					
- Group shareholders		48,644	16,819	91,918	44,322
- Non-controlling interest		604	194	600	(418)
		49,248	17,013	92,518	43,904
Basic and diluted earnings per share (RR)					
Ordinary		21.61	7.75	40.98	18.97
Preferred		21.61	8.75	40.98	19.97
Weighted average shares outstanding (million of shares)					
Ordinary		2,103	2,103	2,103	2,103
Preferred		148	148	148	148

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

TATNEFT
Consolidated Interim Condensed Statement of Change in Equity (Unaudited)

(In millions of Russian Rubles)

	Attributable to Group shareholders									Non-controlling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other comprehensive income, net	Retained earnings/ (loss)	Total shareholders' equity		
Balance at 1 January 2020	2,250,562	11,767	84,437	(10,359)	(1,914)	1,092	1,895	658,614	745,532	6,598	752,130
Profit/(loss) for the six months	-	-	-	-	-	-	-	42,852	42,852	(375)	42,477
Other comprehensive income/(loss) for the six months	-	-	-	-	-	1,762	(292)	-	1,470	(43)	1,427
Total comprehensive income/(loss) for the six months	-	-	-	-	-	1,762	(292)	42,852	44,322	(418)	43,904
Disposal of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(55)	(55)
Dividends declared (Note 14)	-	-	-	-	-	-	-	(148)	(148)	(1)	(149)
Subsidiary's shares requested for the redemption (Note 13)	-	-	-	-	-	-	-	55	55	(1,624)	(1,569)
Balance at 30 June 2020	2,250,562	11,767	84,437	(10,359)	(1,914)	2,854	1,603	701,373	789,761	4,500	794,261
Balance at 1 January 2021	2,250,562	11,767	84,437	(10,359)	(2,511)	3,191	1,506	739,641	827,672	3,918	831,590
Profit for the six months	-	-	-	-	-	-	-	92,231	92,231	699	92,930
Other comprehensive (loss)/income for the six months	-	-	-	-	-	(404)	91	-	(313)	(99)	(412)
Total comprehensive (loss)/income for the six months	-	-	-	-	-	(404)	91	92,231	91,918	600	92,518
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	272	272
Disposal of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(14)	(14)
Dividends declared (Note 14)	-	-	-	-	-	-	-	(27,682)	(27,682)	-	(27,682)
Balance at 30 June 2021	2,250,562	11,767	84,437	(10,359)	(2,511)	2,787	1,597	804,190	891,908	4,776	896,684

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

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)

(In millions of Russian Rubles)

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Operating activities			
Profit for the period		92,930	42,477
Adjustments:			
Net interest, fee and commission and other operating (income)/expenses and (gains)/losses on banking activities		(428)	542
Depreciation, depletion and amortization	17	20,192	16,826
Income tax expense	11	26,497	15,010
Impairment losses on financial assets net of reversal		(54)	(357)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	10	1,353	7,514
Expenses from changes in the fair value of financial assets at fair value through profit or loss		319	-
Effects of foreign exchange		700	640
Equity investments gain net of dividends received		(81)	181
Interest income on non-banking activities	16	(1,973)	(373)
Interest expense on non-banking activities, net of amounts capitalised	16	3,079	3,997
Other		1,134	1,168
Changes in assets and liabilities related to operating activities, excluding changes in cash:			
Accounts receivable		(10,330)	15,553
Inventories		(17,178)	9,015
Prepaid expenses and other current assets		(7,059)	2,748
Securities at fair value through profit or loss		(63)	19
Accounts payable and accrued liabilities		(12,041)	(313)
Taxes payable		42,653	(9,770)
Net cash provided by non-banking operating activities before income tax and interest		139,650	104,877
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities		428	(542)
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets	6	104	1,643
(Reversal of provision)/provision for losses on credit related commitments		(124)	26
Change in fair value of debt financial assets through profit or loss		234	(426)
Other		4,044	(2,385)
Changes in assets and liabilities related to banking activities, excluding changes in cash:			
Mandatory reserve deposits with the Bank of Russia		127	64
Due from banks		(6,330)	3,771
Banking loans to customers		(10,788)	13,683
Due to banks and the Bank of Russia		8,452	(8,594)
Banking customers accounts		(10,654)	(9,080)
Debt securities issued		323	72
Securities at fair value through profit or loss		(2,517)	2,181
Other financial liabilities at fair value through profit or loss		(325)	(4,333)
Net cash used by banking operating activities before income tax		(17,026)	(3,920)
Income taxes paid		(21,599)	(8,740)
Interest paid on non-banking activities		(1,175)	(2,024)
Interest received on non-banking activities		1,914	313
Net cash provided by operating activities		101,764	90,506

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

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)

(In millions of Russian Rubles)

	Note	Six months ended 30 June 2021	Six months ended 30 June 2020
Investing activities			
Additions to property, plant and equipment		(42,349)	(49,424)
Proceeds from disposal of property, plant and equipment		142	159
Purchase and increase of an interest in subsidiaries and associates		-	(1 771)
Net cash flow from acquisitions of subsidiaries	21	(5,417)	-
Purchase of securities at fair value through other comprehensive income		(18,970)	(26 613)
Purchase of securities at amortised cost		(1,526)	(685)
Proceeds from disposal of securities at fair value through other comprehensive income		17,167	29,726
Proceeds from redemption of securities at amortised cost		11,381	3,269
Proceeds from sale of non-current assets held for sale		110	78
Proceeds from investments in associates and joint ventures		-	1
Proceeds from redemption of bank deposits measured at amortised cost		-	325
Placement of bank deposits measured at amortised cost		(27,796)	(13)
Placement of bank deposits measured at fair value through profit or loss		(56,274)	-
Proceeds from redemption of loans and notes receivable		6,976	1,293
Issuance of loans and notes receivable		(105)	(265)
Proceeds from sale of other non-current assets		1,132	554
Proceeds from government grants		2,743	-
Net cash used in investing activities		(112,786)	(43,366)
Financing activities			
Proceeds from issuance of debt from non-banking activities		3,802	151,011
Repayment of debt from non-banking activities		(5,757)	(144,014)
Repayment of principal portion of lease liabilities		(710)	(701)
Issuance of bonds		30	3,198
Redemption of bonds		(4)	(881)
Dividends paid to shareholders	14	(15)	(54,939)
Dividends paid to non-controlling shareholders		-	(1)
Net cash used in financing activities		(2,654)	(46,327)
Net change in cash and cash equivalents		(13,676)	813
Effect of foreign exchange on cash and cash equivalents		(340)	806
Cash and cash equivalents at the beginning of the year	4	40,105	25,157
Cash and cash equivalents at the end of the period	4	26,089	26,776

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

Note 1: Organisation

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

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

The Company does not have an ultimate controlling party.

As at 30 June 2021 and 31 December 2020 the government of Tatarstan controls about 36% of the Company’s voting stock. Tatarstan also holds a “Golden Share”, a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and “major” and “interested party” transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group’s suppliers and contractors.

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

Note 2: Basis of preparation

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

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

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Federal Accounting Standards of the Russian Federation, and applicable accounting and reporting standards of countries outside the Russian Federation.

A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated interim condensed financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS.

The accounting policies used in preparing these consolidated interim condensed financial statements were the same as those that applied to the consolidated financial statements for the previous financial year except for the effect of changes were made due to the signing of an agreement granting the right to an investment premium to the reverse (negative) excise tax on crude oil refined.

Investment premium on reverse (negative) excise on crude oil refined. In first quarter 2021, the Group signed an agreement with the Ministry of Energy of the Russian Federation on developing new deep oil refining capacities which allows it to receive the investment premium on reverse (negative) excise on crude oil refined. The investment premium for refineries Kinv is applied in calculating the tax deduction for excise duty and gives the right to taxpayers who have concluded an investment agreement with the Ministry of Energy of the Russian Federation to reduce the excise tax payable. The investment premium is calculated according to the formula specified in the Tax Code of the Russian Federation, and takes into account the excise tax rate for crude oil refined, the regional coefficient and the share in the investment agreement financing.

Note 2: Basis of preparation (continued)

Under IAS 20 “Accounting for Government Grants and Disclosure of Government Assistance”, the investment premium is recognized as a government grant related to assets and presented in the statement of financial position as deferred income within Other long-term liabilities.

Use of estimates in the preparation of financial statements. The Group makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

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

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

Presentation of Revenue net of excise tax, including reverse (negative) excise. For the three and six months ended 30 June 2021 and 2020 the revenue in the consolidated interim condensed statement of profit or loss and other comprehensive income of the Group is presented net of excise taxes, including reverse (negative) excise on crude oil refined, gasoline and diesel fuel.

For the six months ended 30 June 2021 and 2020 excise on refinery products amounted to 24,012 million and RR 21,795 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 25,754 million recoverable and RR 5,443 million payable respectively.

For the three months ended 30 June 2021 and 2020 excise on refinery products amounted to RR 12,882 million and RR 12,939 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 15,274 million recoverable and RR 5,883 million payable respectively.

Operations for the sale and purchase of oil under contracts for counter oil deliveries. For the three and six months ended 30 June 2021 and 2020, the sale and purchase of crude oil under a counter supply agreement are presented net in the consolidated interim condensed statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for the similar quality products exchange.

For the six months ended 30 June 2021 and 2020 sales of crude oil under counter-delivery contracts amounted of RR 95,803 and RR 32,257 million respectively.

For the three months ended 30 June 2021 and 2020 sales of crude oil under counter-delivery contracts amounted of RR 54,916 and RR 19,425 million respectively.

Functional and Presentation Currency. The presentation currency of the Group is the Russian Ruble. Management has determined the functional currency for each consolidated subsidiary of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 “The Effects of Changes in Foreign Exchange Rates”.

Note 2: Basis of preparation (continued)

For operations of major subsidiaries located outside of the Russian Federation, that primarily use US Dollar as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Rubles are recorded in a separate component of shareholders' equity entitled foreign currency translation adjustments. Revenues, expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rate of exchange, as published by the Central Bank of Russian Federation ("Bank of Russia"), of the Russian Ruble ("RR") to the US Dollar ("US \$") at 30 June 2021 and 31 December 2020 was RR 72.37 and RR 73.88 to US \$, respectively. Average rate of exchange for the six months ended 30 June 2021 and 30 June 2020 were RR 74.28 and RR 69.37 per US \$, respectively.

Note 3: Adoption of new or revised standards and interpretations

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

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

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

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

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

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2021			At 31 December 2020		
	Non-banking activities	Banking activities	Total	Non-banking activities	Banking activities	Total
Cash on hand and in banks	6,297	14,888	21,185	2,686	28,049	30,735
Term deposits with original maturity of less than three months	4,777	-	4,777	7,242	-	7,242
Due from banks	-	127	127	-	2,128	2,128
Total cash and cash equivalents	11,074	15,015	26,089	9,928	30,177	40,105

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The estimated fair value of cash and cash equivalents approximates their carrying value (Note 20).

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(In millions of Russian Rubles)

Note 5: Accounts receivable

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

	At 30 June 2021	At 31 December 2020
Short-term accounts receivable:		
Trade receivables	96,291	84,254
Other financial receivables	8,252	9,241
Other non-financial receivables	152	163
Less credit loss allowance	(10,156)	(9,924)
Total short-term accounts receivable	94,539	83,734
Long-term accounts receivable:		
Trade receivables	677	1,080
Other financial receivables	1,124	861
Less credit loss allowance	(456)	(457)
Total long-term accounts receivable	1,345	1,484
Total trade and other receivables	95,884	85,218

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

Note 6: Banking: Loans to customers

	At 30 June 2021	At 31 December 2020
Loans to legal entities	24,977	27,488
Loans to individuals	1,860	1,755
Short term loans to customers measured at amortised cost before credit loss allowance	26,837	29,243
Credit loss allowance	(8,024)	(8,580)
Total short term loans to customers measured at amortised cost	18,813	20,663
Short term loans to legal entities measured at fair value through profit or loss	-	1,829
Total short term loans to customers	18,813	22,492

	At 30 June 2021	At 31 December 2020
Loans to legal entities	41,148	37,986
Loans to individuals	49,115	45,607
Long term loans to customers measured at amortised cost before credit loss allowance	90,263	83,593
Credit loss allowance	(4,723)	(4,645)
Total long term loans to customers measured at amortised cost	85,540	78,948
Long term loans to legal entities measured at fair value through profit or loss	-	215
Total long term loans to customers	85,540	79,163

As at 30 June 2021 and at 31 December 2020 the Bank ZENIT granted loans to 12 and 13 customers totalling RR 35,329 million and RR 37,808 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

Note 6: Banking: Loans to customers (continued)

Movements in the provision for credit loss allowance during the six months ended 30 June 2021 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2021	(9,427)	(3,798)	(13,225)
Reversal of provision/(provision) for credit loss allowance during the period	33	(137)	(104)
Reclassification in the provision for other long-term loan impairment	298	-	298
Other changes	184	100	284
Credit loss allowance as at 30 June 2021	(8,912)	(3,835)	(12,747)

Movements in the provision for credit loss allowance during the six months ended 30 June 2020 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2020	(7,791)	(2,687)	(10,478)
Net provision for credit loss allowance during the period	(939)	(704)	(1,643)
Credit loss allowance as at 30 June 2020	(8,730)	(3,391)	(12,121)

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(In millions of Russian Rubles)

Note 7: Other financial assets

Other short-term financial assets comprise the following:

	At 30 June 2021			At 31 December 2020		
	Non-banking activities	Banking activities	Total	Non-banking activities	Banking activities	Total
Financial assets measured at amortised cost						
Other loans (net of credit loss allowance of RR 3,554 million and RR 3,667 million as at 30 June 2021 and at 31 December 2020 respectively)	577	-	577	5,946	-	5,946
Bank deposits (net of credit loss allowance of RR 5,547 million at 30 June 2021 and at 31 December 2020)	38,377	-	38,377	10,000	-	10,000
Due from banks	-	8,549	8,549	-	2,391	2,391
REPO with banks	-	-	-	-	1,551	1,551
Securities held by the Group (net of credit loss allowance of RR 10 million and RR 27 million as at 30 June 2021 and at 31 December 2020 respectively):	-	966	966	3,091	6,486	9,577
Russian government and municipal debt securities	-	12	12	-	12	12
Corporate debt securities	-	954	954	3,091	6,474	9,565
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 18 million and RR 9 million as at 30 June 2021 and at 31 December 2020 respectively):	-	8,717	8,717	-	4,517	4,517
Corporate debt securities	-	8,717	8,717	-	4,517	4,517
Financial assets measured at fair value through profit or loss						
Bank deposits	55,335	-	55,335	-	-	-
Securities held by the Group:	-	9,330	9,330	-	5,744	5,744
Russian government and municipal debt securities	-	4,719	4,719	-	1,518	1,518
Corporate debt securities	-	4,152	4,152	-	3,995	3,995
Corporate shares	-	23	23	-	-	-
Derivatives	-	436	436	-	231	231
Securities pledged under sale and repurchase agreements:	-	-	-	-	17	17
Russian government and municipal debt securities	-	-	-	-	17	17
Financial assets measured at fair value through other comprehensive income						
Securities held by the Group:	909	308	1,217	848	593	1,441
Russian government and municipal debt securities	185	85	270	192	35	227
Corporate debt securities	458	223	681	454	558	1,012
Corporate shares	266	-	266	202	-	202
Securities pledged under sale and repurchase agreements:	-	-	-	-	3,130	3,130
Russian government and municipal debt securities	-	-	-	-	959	959
Corporate debt securities	-	-	-	-	2,171	2,171
Total short-term financial assets	95,198	27,870	123,068	19,885	24,429	44,314

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(In millions of Russian Rubles)

Note 7: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 30 June 2021			At 31 December 2020		
	Non-banking activities	Banking activities	Total	Non-banking activities	Banking activities	Total
Financial assets measured at amortised cost						
Loans to employees (net of credit loss allowance of RR 1,789 million and RR 1,717 million as at 30 June 2021 and 31 December 2020 respectively)	980	-	980	981	-	981
Other loans (net of credit loss allowance of RR 21,127 million and RR 20,896 million as at 30 June 2021 and 31 December 2020 respectively)	2,506	-	2,506	2,618	-	2,618
Due from banks	-	1,603	1,603	-	-	-
Securities held by the Group (net of credit loss allowance of RR 55 million and RR 92 million as at 30 June 2021 and 31 December 2020):	-	14,010	14,010	-	19,814	19,814
Russian government and municipal debt securities	-	1,272	1,272	-	1,272	1,272
Corporate debt securities	-	12,738	12,738	-	18,542	18,542
Financial assets measured at fair value through profit or loss						
Other loans	5,099	-	5,099	5,079	-	5,079
Securities held by the Group:	-	201	201	-	342	342
Corporate debt securities	-	178	178	-	245	245
Corporate share	-	23	23	-	97	97
Financial assets measured at fair value through other comprehensive income						
Securities held by the Group:	23,881	23,359	47,240	23,550	18,221	41,771
Russian government and municipal debt securities	-	15,067	15,067	-	11,627	11,627
Corporate shares	10,901	1,829	12,730	10,570	1,830	12,400
Corporate debt securities	-	6,463	6,463	-	4,764	4,764
Investment fund units	12,980	-	12,980	12,980	-	12,980
Total long-term financial assets	32,466	39,173	71,639	32,228	38,377	70,605

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

In December 2018 the Group entered into a transaction to acquire from a number of Russian government-controlled banks their rights of claim under the credit facilities with NEFIS Group. Total rights in the amount of RR 5,355 million were accounted as other loans in other short-term financial assets carried at amortised cost at 31 December 2020. As at 30 June 2021, these claims have been fully repaid.

Deposits measured at fair value through profit or loss are prepayments for currency forward contracts with Russian commercial bank. Contractual terms introduce exposure to risk and volatility that is inconsistent with a basic lending arrangement.

For the six months ended 30 June 2021, the Group recognised expenses from changes in the fair value of financial assets at fair value through profit or loss in the amount of 319 million (for the six months ended 30 June 2020: not applicable).

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

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

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

Note 7: Other financial assets (continued)

Corporate shares measured at fair value include quoted and unquoted shares of Russian and foreign companies. As at 30 June 2021 and 31 December 2020 unquoted securities measured at fair value through other comprehensive income include investment in AK BARS Bank ordinary shares (17.24%) in the amount of RR 7,300 million.

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount a shares), which owns investments in land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial asset measured at fair value through other comprehensive income.

Note 8: Inventories

	At 30 June 2021	At 31 December 2020
Materials and supplies	19,738	15,361
Crude oil	9,929	5,597
Refined oil products	21,948	14,370
Petrochemical supplies and finished products	9,540	7,226
Other finished products and goods	4,359	2,434
Total inventories	65,514	44,988

Note 9: Prepaid expenses and other current assets

	At 30 June 2021	At 31 December 2020
Prepaid export duties	2,810	1,807
VAT	6,569	4,117
Advances	8,390	5,977
Prepaid transportation expenses	2,620	2,367
Excise	6,491	697
Other	1,648	5,110
Prepaid expenses and other current assets	28,528	20,075

Note 10: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc- tion in progress	Total
Cost					
As at 31 December 2019	450,768	268,598	206,532	190,266	1,116,164
Additions	-	-	113	49,656	49,769
Disposals	(199)	(137)	(549)	(761)	(1,646)
Changes in Group structure	-	84	-	-	84
Transfers	11,348	11,433	1,509	(24,290)	-
Changes in decommissioning provision	5,927	-	-	-	5,927
As at 30 June 2020	467,844	279,978	207,605	214,871	1,170,298
Depreciation, depletion and amortisation					
As at 31 December 2019	189,560	53,706	79,610	24,391	347,267
Depreciation charge	6,536	3,963	5,624	-	16,123
Impairment	-	1,621	1,447	4,253	7,321
Disposals	(176)	(101)	(316)	-	(593)
Transfers	745	592	(1,337)	-	-
As at 30 June 2020	196,665	59,781	85,028	28,644	370,118
Net book value					
As at 31 December 2019	261,208	214,892	126,922	165,875	768,897
As at 30 June 2020	271,179	220,197	122,577	186,227	800,180
Cost					
As at 31 December 2020	474,112	294,356	220,109	229,416	1,217,993
Additions	-	-	-	44,032	44,032
Disposals	(141)	(225)	(766)	(905)	(2,037)
Changes in Group structure (Note 21)	-	1,794	673	169	2,636
Transfers	(3,086)	11,321	1,185	(9,420)	-
Changes in decommissioning provision	(10,664)	-	-	-	(10,664)
As at 30 June 2021	460,221	307,246	221,201	263,292	1,251,960
Depreciation, depletion and amortisation					
As at 31 December 2020	210,248	63,962	90,213	27,001	391,424
Depreciation charge	9,567	3,911	5,717	-	19,195
Impairment	-	-	-	1,186	1,186
Disposals	(85)	(91)	(424)	-	(600)
Transfers	(2,243)	2,353	(110)	-	-
As at 30 June 2021	217,487	70,135	95,396	28,187	411,205
Net book value					
As at 31 December 2020	263,864	230,394	129,896	202,415	826,569
As at 30 June 2021	242,734	237,111	125,805	235,105	840,755

For the six months ended 30 June 2021 the Group recognised an impairment of the asset additions of the period for those CGUs, for which an impairment loss was previously recognised as at 31 December 2020:

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 327 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 851 million;
- other assets in the amount of RR 8 million.

Due to indications of possible impairment as at 31 March 2020 the Group conducted impairment testing for the main groups of assets. There were no changes in estimates during three months ended 30 June 2020. According to the accounting policy, individual assets were grouped for impairment purposes to the cash generating units at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of asset. For the six months ended 30 June 2020 the Group recognised an impairment of the following assets:

Note 10: Property, plant and equipment (continued)

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 3,457 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 2,040 million;
- other assets, including social assets, in the total amount of RR 1,824 million, which are not providing future economic benefits.

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

Decommissioning provisions

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

	Six months ended 30 June 2021	Six months ended 30 June 2020
Balance at the beginning of period	55,373	50,474
Unwinding of discount	1,760	1,688
Expenses on current obligations	(4)	-
Changes in estimates	(10,664)	5,927
Balance at the end of period	46,465	58,089
Less: current portion of decommissioning provisions (Note 13)	(1)	(128)
Long-term balance at the end of period	46,464	57,961

For the six months ended 30 June 2021 and 2020 the Group recorded the change in the accounting estimates of the provision for oil and gas properties decommissioning due to the changes in discount rate.

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

	At 30 June 2021	At 31 December 2020
Discount rate	7.30%	6.46%
Discount rate for superviscous oil	7.15%	5.92%

Note 11: Taxes

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

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

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Mineral extraction tax	129,892	22,927	224,195	88,488
Property tax	1,823	2,102	3,772	4,027
Other	378	635	829	1,028
Total taxes other than income taxes	132,093	25,664	228,796	93,543

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

Taxes payable were as follows:

	At 30 June 2021	At 31 December 2020
Mineral extraction tax	44,783	17,500
Value Added Tax	19,364	4,983
Excise	4,274	3,198
Export duties	1,221	245
Property tax	1,886	1,826
Other	2,376	2,649
Total taxes payable	73,904	30,401

Note 12: Debt

	At 30 June 2021	At 31 December 2020
Short-term debt		
Bonds issued	5,095	3,881
Subordinated debt	21	21
Debt securities issued	908	500
Russian Rubles credit facility	-	1,300
Other debt	934	2,286
Total short-term debt	6,958	7,988
Current portion of long-term debt	2,756	2,973
Total short-term debt, including current portion of long-term debt	9,714	10,961
Long-term debt		
Bonds issued	17,008	18,198
Debt securities issued	27	112
US \$75 million 2011 credit facility	239	495
US \$144.5 million 2011 credit facility	1,527	1,871
EUR 55 million 2013 credit facility	1,152	1,441
EUR 39.2 million 2020 credit tranche	3,379	2,848
RR 4,320 million 2020 credit tranche	707	-
Other debt	1,643	1,660
Total long-term debt	25,682	26,625
Less: current portion	(2,756)	(2,973)
Total long-term debt, net of current portion	22,926	23,652

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

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

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

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

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

Note 12: Debt (continued)

During six months ended 30 June 2021 the Group received short-term loans under the credit facility with the Russian bank in total amount of RR 1,900 million at rate 4.26% per annum. The debt was fully repaid to 30 June 2021.

During 2020, the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 210,150 million (for six months ended 30 June 2020 in amount of RR 150,050 million) at rates ranging from 4.39% to 6.74% per annum, most of which were repaid earlier. The debt at 31 December 2020 amounted to RR 1,300 million and was repaid in January 2021.

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

At 30 June 2021 and at 31 December 2020 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT amounted RR 7,103 million and RR 7,079 million respectively, that mature between 2022 and 2025. At 30 June 2021 and at 31 December 2020 the annual coupon rates on these securities range from 5.66% to 7.65%. The majority of bonds, issued by Bank ZENIT, allow early repurchase at the request of the bond holder as set in the respective offering documents.

Subordinated debt. In September 2015 Bank ZENIT received five subordinated loans totalling RR 9,933 million from DIA within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements DIA paid these loans by securities (OFZ of five series), that should be returned upon maturity of the subordinated loans. These subordinated loans mature from January 2025 to November 2034 and bear interest equal to OFZ coupon rate plus 1% per annum. In accordance with IFRS 9 if securities are loaned under an agreement to return them to the transferor, they are not derecognised because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised. Therefore, OFZ and the subordinated loan received from DIA are not recognised within assets and liabilities in the consolidated statement of financial position. These subordinated loans are accounted for in capital adequacy ratio calculation in accordance with Bank of Russia's Regulation No. 646-P.

Debt securities issued. At 30 June 2021 and 31 December 2020 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles. Maturity dates of these promissory notes vary from 2021 to 2028.

At 30 June 2021 and 31 December 2020 non-interest-bearing promissory notes of the aggregate nominal value of RR 556 million and of RR 101 million respectively were issued by Bank ZENIT for settlement purposes and mature primarily on demand.

Note 13: Accounts payable and accrued liabilities

	At 30 June 2021	At 31 December 2020
Trade payables	49,434	55,028
Current portion of lease liabilities	2,567	2,540
Other payables	2,545	2,623
Total financial liabilities within trade and other payables	54,546	60,191
Salaries and wages payable	8,274	8,414
Advances received from customers	7,156	11,175
Current portion of decommissioning provisions (Note 10)	1	1
Other accounts payable and accrued liabilities	4,162	4,112
Total non-financial liabilities	19,593	23,702
Accounts payable and accrued liabilities	74,139	83,893

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

As at 30 June 2021 and 31 December 2020 other financial payables include an obligation to repurchase of 2,179,347,288 shares of Bank ZENIT at a price of RR 0.75 per share, requested for the redemption by minority shareholders and not paid by the Bank, amount of the liability is RR 1,635 million and 1,618 respectively. Disposal of the carrying value of the non-controlling interest (in the amount of RR 1,624 million) and the difference between the accrued liability and the disposed non-controlling interest (in the amount of RR 55 million) recognised as a result of the transaction are reflected in the line "Subsidiary's shares requested for the redemption" of the interim condensed statement of change in equity.

Note 14: Dividends payable

In June 2021, the shareholders of the Company approved dividends for the year ended 31 December 2020 in the amount of RR 22.24 per each preference and one ordinary share, excluding the previously approved interim dividends for the six months ended 30 June 2020 the amount of RR 9.94 per each preferred and one ordinary share. These dividends will be paid in the third quarter of 2021.

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

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

In December 2019, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2019, in the amount of RR 64.47 per preference and ordinary share, including previously paid interim dividends for the six months ended 30 June 2019, in the amount of RR 40.11 per preference and ordinary share. Dividends were paid in the beginning of 2020.

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

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Interest income	3,221	3,348	6,230	7,413
Loans to customers	2,395	2,566	4,657	5,709
Other	826	782	1,573	1,704
Fee and commission income	898	822	1,701	1,863
Settlement transactions	555	534	1,065	1,205
Other	343	288	636	658
Total interest and commission income on banking activity	4,119	4,170	7,931	9,276
Interest expense	(1,525)	(1,956)	(2,999)	(4,322)
Term deposits	(1,065)	(1,472)	(2,177)	(3,241)
Other	(460)	(484)	(822)	(1,081)
Fee and commission expense	(359)	(403)	(672)	(912)
Settlement transactions	(339)	(378)	(614)	(856)
Other	(20)	(25)	(58)	(56)
Total interest and commission expense on banking activity	(1,884)	(2,359)	(3,671)	(5,234)

Note 16: Other income and expenses

Interest income on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Interest income from financial assets at AC	594	154	1,944	343
Unwinding of the present value discount of long-term financial assets	14	30	29	30
Total interest income on non-banking activities	608	184	1,973	373

Interest expense on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Bank loans	(39)	(365)	(89)	(822)
Bonds issued	(241)	(241)	(480)	(482)
Unwinding of the present value discount of decommissioning provision	(881)	(844)	(1,760)	(1,688)
Interest expense on lease liabilities	(309)	(355)	(621)	(702)
Unwinding of the present value discount of long-term financial assets and liabilities	-	-	-	(18)
Discount on long-term financial assets	(26)	-	(129)	(285)
Total interest expenses on non-banking activities	(1,496)	(1,805)	(3,079)	(3,997)

For the six months ended 30 June 2021 the Group recognized RR 6,182 million and RR 6,336 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the six months ended 30 June 2020: RR 11,451 million and RR 6,143, respectively).

For the three months ended 30 June 2021 the Group recognized RR 2,880 million and RR 4,463 million foreign exchange gains and losses respectively in the consolidated interim condensed statement of profit or loss and other comprehensive income (for the three months ended 30 June 2020: RR 326 million and RR 225 respectively).

Note 17: Segment information

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

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

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

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

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

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

For the three months ended 30 June 2021, revenues of RR 48,362 million or 15% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2021, revenue of RR 86,357 million or 15% of the Group's total sales and operating revenues are derived from one external customers.

For the three months ended 30 June 2020, revenues of RR 18,519 million or 13% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2020, revenue of RR 46,820 million or 14% of the Group's total sales and operating revenues are derived from one external customers.

These revenues represent sales of crude oil and are attributable to the exploration and production segment.

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

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(In millions of Russian Rubles)

Note 17: Segment information (continued)

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

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Exploration and production				
Domestic own crude oil	78,803	19,868	127,639	57,571
CIS own crude oil	2,864	5,245	9,379	5,245
Non – CIS own crude oil	56,731	22,655	111,651	67,117
Other	870	562	1,492	1,875
Intersegment sales	71,208	27,205	133,128	66,437
Total exploration and production	210,476	75,535	383,289	198,245
Refining and marketing				
<i>Domestic sales</i>				
Refined products	85,285	42,642	154,860	93,764
Total Domestic sales	85,285	42,642	154,860	93,764
<i>CIS sales</i>				
Refined products	2,596	3,556	5,743	7,065
Total CIS sales ⁽¹⁾	2,596	3,556	5,743	7,065
<i>Non – CIS sales</i>				
Crude oil purchased for resale	2,701	1,283	5,280	2,251
Refined products	50,621	17,452	94,954	52,122
Total Non – CIS sales ⁽²⁾	53,322	18,735	100,234	54,373
Other	3,415	3,580	6,697	6,937
Intersegment sales	501	560	930	1,238
Total refining and marketing	145,119	69,073	268,464	163,377
Petrochemicals				
Tires - domestic sales	10,715	8,194	19,434	14,863
Tires - CIS sales	2,927	2,714	5,287	4,875
Tires - non-CIS sales	869	726	2,286	1,532
Other	1,578	667	2,791	1,569
Intersegment sales	194	76	358	172
Total petrochemicals	16,283	12,377	30,156	23,011
Banking				
Interest income	3,221	3,348	6,230	7,413
Fee and commission income	898	822	1,701	1,863
Total banking	4,119	4,170	7,931	9,276
Total segment sales	375,997	161,155	689,840	393,909
Corporate and other sales	11,076	7,125	21,390	17,767
Elimination of intersegment sales	(71,903)	(27,841)	(134,416)	(67,847)
Total sales and other operating revenues	315,170	140,439	576,814	343,829

⁽¹⁾ - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).

⁽²⁾ - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Poland based refineries.

Note 17: Segment information (continued)

Segment earnings

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Segment earnings				
Exploration and production	54,355	30,150	106,323	59,474
Refining and marketing	16,473	3,800	27,153	14,592
Petrochemicals	2,276	275	3,921	(1,408)
Banking	210	(629)	131	(820)
Total segment earnings	73,314	33,596	137,528	71,838
Corporate and other	(7,249)	(7,900)	(16,922)	(15,854)
Other (expense)/income, net	(2,397)	(1,539)	(1,179)	1,503
Profit before income tax	63,668	24,157	119,427	57,487

"Corporate and other" line includes Head Office administrative expenses, impairment losses on financial assets net of reversal, impairment losses and losses on disposal of property, plant and equipment and other non-financial assets, charity expenses, maintenance of social infrastructure and transfer of social assets and expenses from changes in the fair value of financial assets at fair value through profit or loss.

Segment assets

	At 30 June 2021	At 31 December 2020
Assets		
Exploration and production	370,735	364,843
Refining and marketing	539,137	507,860
Petrochemicals	42,280	35,230
Banking	199,795	209,273
Corporate and other	231,931	146,235
Total assets	1,383,878	1,263,441

As of 30 June 2021 corporate and other includes RR 69,952 million of property, plant and equipment, RR 24,783 million of securities measured at fair value through other comprehensive income, RR 6,950 million loans receivable, RR 42,306 million of bank deposits measured at amortised cost, RR 55,335 million of bank deposits measured at fair value through profit or loss, RR 3,364 million of cash.

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

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

In respect to the banking segment the Group has a certain concentration of funding sources. Within due to banks and the Bank of Russia as at 30 June 2021 and 31 December 2020 there are RR 22,432 million and RR 13,526 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from three Russian banks respectively, which individually exceeded 5% of the Bank ZENIT equity. Within customer accounts as at 30 June 2021 and 31 December 2020 there are RR 35,055 million and RR 58,607 million of current/settlement accounts and term deposits from 12 and 23 customers respectively, which individually exceeded 5% of the Bank ZENIT equity.

Note 17: Segment information (continued)

Segment depreciation, depletion and amortisation and additions to property, plant and equipment

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Depreciation, depletion and amortization				
Exploration and production	5,715	4,417	11,449	8,957
Refining and marketing	2,939	3,136	6,472	5,723
Petrochemicals	246	179	495	551
Banking	105	83	211	174
Corporate and other	778	698	1,565	1,421
Total depreciation, depletion and amortization	9,783	8,513	20,192	16,826
Additions to property, plant and equipment				
Exploration and production	6,028	8,867	8,244	17,730
Refining and marketing	14,000	12,854	27,500	24,876
Petrochemicals	2,281	1,311	3,887	2,652
Banking	30	85	192	346
Corporate and other	5,273	2,023	6,845	4,249
Total additions to property, plant and equipment	27,612	25,140	46,668	49,853

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

Note 18: Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with associates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions. The Group enters into transactions with related parties based on market or regulated prices.

Associates, joint ventures and other related parties

The amounts of transactions for each period with associates, joint ventures and other related parties are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Revenues and income				
Sales of refined products	7	3	12	8
Other sales	10	7	38	49
Interest income	10	5	21	12
Costs and expenses				
Other services	1	228	1	381
Other purchases	91	119	172	228

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

	At 30 June 2021	At 31 December 2020
Assets		
Accounts receivable, net	53	132
Banking: Loans to customers	18	73
Other financial assets		
Securities measured at fair value through profit or loss	-	29
Other loans receivable	360	357
Prepaid expenses and other current assets	6	204
Total current assets	437	795
Long-term accounts receivable	51	71
Other financial assets		
Securities measured at fair value through other comprehensive income	3,856	3,890
Other loans receivable	1,071	1,002
Total non-current assets	4,978	4,963
Liabilities		
Accounts payable and accrued liabilities	(58)	(69)
Banking: Customer accounts	(693)	(779)
Total short-term liabilities	(751)	(848)

As at 30 June 2021 and at 31 December 2020 key management personnel customer accounts in Bank ZENIT amounted to RR 26,324 million and RR 29,328 million, respectively.

Note 18: Related party transactions (continued)**Government related companies**

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

	Three months ended 30 June:		Six months ended 30 June:	
	2021	2020	2021	2020
Sales of crude oil	17,077	-	17,077	-
Sales of refined products	5,839	4,574	9,865	9,738
Other sales	1,228	1,211	2,501	2,563
Interest income	564	688	1,257	1,460
Interest expense	50	221	71	544
Purchases of refined products and natural gas	7,224	4,711	13,829	11,745
Purchases of electricity	5,014	3,500	9,560	8,421
Purchases of transportation services and compounding	6,099	6,542	14,059	13,516
Other services	1,170	1,967	2,324	3,388
Other purchases	170	102	318	195

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

The outstanding balances with Government related companies were as follows:

	At 30 June 2021	At 31 December 2020
Assets		
Cash and cash equivalents	12,628	14,007
Banking: Mandatory reserve deposits with the Bank of Russia	1,401	1,528
Accounts receivable	3,734	2,102
Banking: Loans to customers	512	-
Other financial assets		
Bank deposits measured at amortised cost	8,297	-
Bank deposits measured at fair value through profit or loss	55,335	-
Securities measured at fair value through other comprehensive income	119	3,023
Securities measured at amortised cost	4,076	7,480
Securities measured at fair value through profit or loss	6,816	4,095
Other loans	41	41
Prepaid expenses and other current assets	4,848	4,441
Total current assets	97,807	36,717
Banking: Loans to customers	3,268	5,228
Other financial assets		
Securities measured at fair value through other comprehensive income	26,140	22,294
Securities measured at amortised cost	8,119	8,803
Other loans receivable	82	104
Advances for construction	1	16
Total non-current assets	37,610	36,445
Liabilities		
Accounts payable and accrued liabilities	(1,617)	(1,744)
Banking: Due to banks and the Bank of Russia	(1,450)	(570)
Banking: Customer accounts	(158)	(161)
Debt		
Debt securities issued	(523)	(46)
Other debt	(494)	(1,835)
Total short-term liabilities	(4,242)	(4,356)
Banking: Due to banks and the Bank of Russia	(2,401)	(1,551)
Other debt	(89)	(102)
Government grants	(11,070)	(8,327)
Total long-term liabilities	(13,560)	(9,980)

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

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

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

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

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

Capital commitments. As at 30 June 2021 and at 31 December 2020 the Group has approximate outstanding capital commitments of RR 69,263 million and RR 71,829 million, respectively, mainly for the construction of the TANECO refinery complex, drilling and construction of wells, superviscous oil fields facilities construction and tire business development project. These commitments are expected to be paid between 2021 and 2025.

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

Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the own projects, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

Note 19: Contingencies and commitments (continued)

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual commitments represent the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, certain part of Group's letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk.

Outstanding credit related commitments are as follows:

	At 30 June 2021	At 31 December 2020
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	25,718	34,249
Guarantees issued	8,261	12,928
Letters of credit	242	185
Less: allowance for credit related commitment	(296)	(406)
Less: commitments collateralised by cash deposits under guarantees issued	(27)	(6)
Less: commitments collateralised by cash deposits under letters of credit	(242)	(182)
Total credit related commitments	33,656	46,768

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities.

The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. Management believes that its pricing policy is arm's length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group's tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group's policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. The Group has reviewed its exposure to climate related and other emerging business risks but has not identified any risks that could impact the financial performance or position of the Group at reporting date. Under existing legislation, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group. In addition, the Group is introducing and applying best health, safety and environmental protection practices and standards which might go beyond any existing and potential legal requirements in the Russian Federation.

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated interim condensed financial statements.

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.

Note 19: Contingencies and commitments (continued)

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

Note 20: Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

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

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	At 30 June 2021			
	Fair value			
	Level 1	Level 2	Level 3	Carrying value
Securities measured at fair value through profit or loss	7,853	1,500	178	9,531
Other loans measured at fair value through profit or loss	-	-	5,099	5,099
Bank deposits measured at fair value through profit or loss	-	55,335	-	55,335
Securities measured at fair value through other comprehensive income	14,129	18,154	16,174	48,457
Investment property	-	-	1,080	1,080
Banking: Other financial liabilities measured at fair value through profit or loss	(1,423)	(17)	-	(1,440)
Total	20,559	74,972	22,531	118,062

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

Note 20: Fair values (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 30 June 2021 и 31 December 2020:

	Fair value hierarchy	Valuation technique and key input data
Banking: Loans to customers at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Securities at FVTPL	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices/ discounted cash flow models adjusted at credit risk
Other loans measured at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Deposits measured at FVTPL	Level 2	Discounted cash flow models adjusted at market risk
Securities at FVOCI	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices / discounted cash flow models adjusted at credit risk
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects
Banking: Other financial liabilities at FVTPL	Level 2	Discounted cash flow models adjusted at credit risk

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the six months ended 30 June 2021 and year ended 31 December 2020. There have been no transfers between Level 1, Level 2 and Level 3 during the period.

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(In millions of Russian Rubles)

Note 20: Fair values (continued)
Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets and liabilities not measured at fair value are as follows:

	At 30 June 2021				At 31 December 2020			
	Fair value			Carrying value	Fair value			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Assets								
Cash and cash equivalents								
Cash on hand and in banks	4,174	17,011	-	21,185	5,141	25,594	-	30,735
Term deposits	-	4,777	-	4,777	-	7,242	-	7,242
Due from banks	-	127	-	127	-	2,128	-	2,128
Banking: Mandatory reserve deposits with the Bank of Russia	1,401	-	-	1,401	1,528	-	-	1,528
Accounts receivable								
Trade receivables	-	-	91,452	91,452	-	-	79,872	79,872
Other financial receivables	-	1,018	3,262	4,280	-	681	4,502	5,183
Banking: Loans to customers measured at amortised cost	-	-	104,754	104,353	-	-	100,230	99,611
Other financial assets								
Bank deposits	-	38,377	-	38,377	-	10,000	-	10,000
Due from banks	-	10,292	-	10,152	-	2,460	-	2,391
REPO with banks	-	-	-	-	-	1,551	-	1,551
Loans to employees	-	-	980	980	-	-	981	981
Other loans measured at amortised cost	-	-	3,083	3,083	-	-	8,564	8,564
Securities measured at amortised cost	17,261	6,978	-	23,693	25,675	9,455	-	33,908
Total financial assets	22,836	78,580	203,531	303,860	32,344	59,111	194,149	283,694
Liabilities								
Trade and other financial payables								
Trade payables	-	-	49,434	49,434	-	-	55,028	55,028
Dividend payable	-	-	28,490	28,490	-	-	823	823
Current portion of lease liabilities	-	-	2,567	2,567	-	-	2,540	2,540
Other payables	-	-	2,545	2,545	-	-	2,623	2,623
Non-current lease liabilities	-	-	9,753	9,753	-	-	10,679	10,679
Debt								
Bonds issued	15,000	7,026	-	22,103	15,000	7,189	-	22,079
Subordinated debt	-	21	-	21	-	21	-	21
Debt securities issued	-	925	-	935	-	610	-	612
Credit facilities	-	-	7,004	7,004	-	-	7,955	7,955
Other debt	-	-	2,577	2,577	-	-	3,946	3,946
Banking: Due to banks and the Bank of Russia	262	23,245	-	23,799	273	14,802	-	15,210
Banking: Customer accounts	-	52,226	83,624	136,912	-	148,307	-	148,625
Total financial liabilities	15,262	83,443	185,994	286,140	15,273	170,929	83,594	270,141

Note 20: Fair values (continued)

The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to credit risk and maturity.

Note 21: Business combinations

In 2nd quarter of 2021 the Group acquired 100% of the charter capital of LLC BaltTekhProm, LLC TD Ecopolimery and 100% of the share capital of JSC Ecopet from a third party, PJSC National Bank TRUST and obtained control of these entities becoming the sole participant of LLC BaltTekhProm, LLC TD Ecopolimery and through its ability to cast a majority of votes in the general meeting of shareholders of JSC Ecopet. The acquired companies constitute the enterprise for the production and sale of polyethylene terephthalate used for the production of PET bottles and cans, food containers and packaging, as well as other technical and household products. The acquired subsidiaries contribute to the further development of the Group's petrochemical business.

The purchase price was RR 5,456 million (net of cash on the targets' balance sheets) and the cash consideration was fully paid in 2nd quarter 2021. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entity as a whole.

At the 30 June 2021 the assessment of the fair value of the assets and liabilities of the acquired subsidiaries has not been completed. The allocation of the purchase price to the fair value of the assets and liabilities acquired will be completed within 12 months from the acquisition date.

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Preliminary fair value
Cash and cash equivalents	994
Property, plant and equipment	2,208
Inventories	3,303
Accounts receivable and advances issued	2,188
Other assets	353
Trade and other payables	(1,106)
Deferred tax liabilities	(1,455)
Other liabilities	(35)
Fair value of identifiable net assets of subsidiary	6,450
Total purchase consideration	6,450
Cash and cash equivalents of subsidiary acquired	(994)
Purchase price, net	5,456

If the acquisition had occurred on 1 January 2021, the Group revenue for the three and six months ended 30 June 2021 would have been RR 316,050 million and RR 577,566 million, the profit for the three and six months ended 30 June 2021 would have been RR 49,979 million and RR 93,836 million respectively.

Note 22: Subsequent events

In August 2021 the Board of Directors of the Company decided to convene an extraordinary general meeting of shareholders on 30 September 2021 and also recommended that shareholders approve the amount of interim dividends for the six months ended 30 June 2021 in the amount of RR 16.52 per one preferred and ordinary share.