



Tatneft Group

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

30 JUNE 2022

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Report on Review of Consolidated Interim Condensed Financial Statements

To the Shareholders and Board of Directors of PJSC TATNEFT n.a. V.D. Shashin:

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of PJSC TATNEFT n.a. V.D. Shashin and its subsidiaries (together – the "Group") as at 30 June 2022 and the related consolidated interim condensed statements of profit or loss and other comprehensive income, changes 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".

29 August 2022

Moscow, Russian Federation



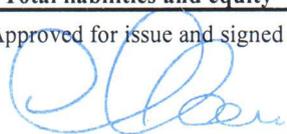
E.N. Kriventsev is authorised to sign on behalf of the general director of Joint-Stock Company "Technologies of Trust – Audit" (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906099944)

TATNEFT

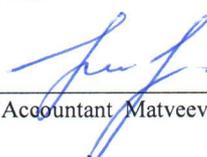
Consolidated Interim Condensed Statement of Financial Position (Unaudited)

(In million of Russian Rubles)

	Note	30 June 2022	31 December 2021
Assets			
Cash and cash equivalents	4	186,946	66,487
Financial services: Mandatory reserve deposits with the Bank of Russia		378	1,429
Short-term accounts receivable, net	5	119,025	89,004
Financial services: Loans to customers		39,157	32,342
Other short-term financial assets	6	47,350	108,162
Inventories	7	75,860	81,062
Prepaid expenses and other current assets	8	49,902	32,278
Prepaid income tax		6,058	763
Non-current assets held for sale		823	715
Total current assets		525,499	412,242
Long-term accounts receivable, net	5	12,124	918
Financial services: Loans to customers		95,048	102,360
Other long-term financial assets	6	78,369	81,084
Investments in associates and joint ventures		2,588	2,125
Property, plant and equipment, net	9	899,170	879,782
Right-of-use assets		9,507	11,897
Deferred income tax assets		3,554	3,333
Other long-term assets		8,595	8,548
Total non-current assets		1,108,955	1,090,047
Total assets		1,634,454	1,502,289
Liabilities and equity			
Short-term debt and current portion of long-term debt	11	21,561	22,541
Accounts payable and accrued liabilities	12	87,277	101,270
Dividends payable	13	36,912	22,984
Financial services: Due to banks and the Bank of Russia		4,040	23,553
Financial services: Customer accounts		206,451	150,141
Financial services: Other financial liabilities at fair value through profit or loss		896	7,063
Taxes payable, other than income tax	10	101,880	89,705
Income tax payable		644	4,443
Other short-term liabilities		1,044	414
Total current liabilities		460,705	422,114
Long-term debt, net of current portion	11	615	9,631
Financial services: Due to banks and the Bank of Russia		4,141	4,026
Financial services: Customer accounts		1,121	1,288
Decommissioning provision, net of current portion	9	41,271	38,653
Lease liabilities, net of current portion		8,421	10,324
Deferred income tax liability		50,557	43,073
Other long-term liabilities		26,980	29,805
Total non-current liabilities		133,106	136,800
Total liabilities		593,811	558,914
Equity			
Preferred shares (authorised, issued and paid as at 30 June 2022 and at 31 December 2021 – 147,508,500 shares; nominal value – RR 1.00)		746	746
Ordinary shares (authorised, issued and paid as at 30 June 2022 and at 31 December 2021 – 2,178,690,700 shares; nominal value – RR 1.00)		11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive (loss)/income		(4,344)	2,345
Retained earnings		953,942	850,198
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 30 June 2022 and 31 December 2021)		(10,359)	(10,359)
Total equity owned by shareholders of PJSC Tatneft		1,035,443	938,388
Non-controlling interest		5,200	4,987
Total equity		1,040,643	943,375
Total liabilities and equity		1,634,454	1,502,289

Approved for issue and signed on behalf of the Board of Directors on 29 August 2022.


CEO Maganov N.U.



Chief Accountant Matveev O.M.

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

(In million of Russian Rubles)

	Note	Six months ended 30 June 2022	Six months ended 30 June 2021 (restated)
Continuing operations			
Revenue (excluding financial services)	14	790,798	558,209
Costs and other expenses (excluding financial services)			
Operating expenses		(84,208)	(56,367)
Purchased crude oil and refined products		(69,175)	(65,694)
Exploration		(1,017)	(406)
Transportation		(24,254)	(18,098)
Selling, general and administrative		(33,101)	(29,106)
Depreciation, depletion and amortization	14	(21,851)	(19,698)
Impairment losses on financial assets net of reversal		(261)	30
Impairment losses on property, plant and equipment and other non-financial assets net of reversals		(5,107)	(1,028)
Taxes other than income taxes	10	(271,099)	(226,965)
Export duties		(23,347)	(17,893)
Maintenance of social infrastructure and transfer of social assets		(3,669)	(4,673)
Total costs and other expenses (excluding financial services)		(537,089)	(439,898)
Fair value gain/(losses) from financial assets at fair value through profit or loss, net		814	(319)
Other operating expense, net		(217)	(593)
Operating profit (excluding financial services)		254,306	117,399
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) from financial services			
Interest, fee and commission income		12,261	7,931
Interest, fee and commission expense		(7,589)	(3,671)
Net expense on creating provision for credit losses associated with debt financial assets		(1,409)	(104)
Operating expenses		(4,250)	(3,865)
Gain arising from dealing in foreign currencies, net		2,522	16
Other operating (expense)/income, net		(283)	121
Total net interest, fee, commission and other operating income and gains from financial services		1,252	428
Other (expenses)/ income			
Foreign exchange loss, net	14	(61,905)	(331)
Interest income (excluding financial services)		4,959	1,944
Interest expense, net of amounts capitalised (excluding financial services)		(2,991)	(3,021)
Share of results of associates and joint ventures, net		460	81
Total other expenses, net		(59,477)	(1,327)
Profit before income tax		196,081	116,500
Income tax			
Current income tax expense		(35,759)	(22,677)
Deferred income tax expense		(6,122)	(3,188)
Total income tax expense		(41,881)	(25,865)
Profit from continuing operations		154,200	90,635
(Loss)/profit from discontinued operation	19	(14,951)	2,295
Profit for the period		139,249	92,930

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 million of Russian Rubles)

Note	Six months ended 30 June 2022	Six months ended 30 June 2021 (restated)
Other comprehensive (loss)/ income net of income tax:		
Continuing operations		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation adjustments	(6,094)	(404)
Loss on debt financial assets at fair value through other comprehensive income, net	(235)	(343)
Items that will not be reclassified to profit or loss:		
(Loss)/gain on equity financial assets at fair value through other comprehensive income, net	(471)	335
Other comprehensive loss from continuing operations	(6,800)	(412)
Other comprehensive income from discontinued operation	42	-
Total comprehensive income for the period	132,491	92,518
Profit/(loss) attributable to:		
- Shareholders of PJSC Tatneft	139,884	92,231
- Non-controlling interest	(635)	699
	139,249	92,930
Total comprehensive income/(loss) attributable to:		
- Shareholders of PJSC Tatneft	133,195	91,918
- Non-controlling interest	(704)	600
	132,491	92,518
Total comprehensive income/(loss) attributable to shareholders of PJSC Tatneft from:		
- continuing operations	147,865	89,696
- discontinued operation	(14,670)	2,222
	133,195	91,918
Basic and diluted earnings per share (RR)		
Ordinary	62.15	40.98
Preferred	62.15	40.98
Basic and diluted earnings per share from continuing operations (RR)		
Ordinary	68.69	39.99
Preferred	68.69	39.99
Weighted average shares outstanding (millions of shares)		
Ordinary	2,103	2,103
Preferred	148	148

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

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

(In million of Russian Rubles)

	Total equity owned by shareholders of PJSC Tatneft								Non-controlling interest	Total equity	
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other comprehensive income, net	Retained earnings			Total
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 interest in subsidiaries	-	-	-	-	-	-	-	-	-	(14)	(14)
Dividends declared	-	-	-	-	-	-	-	(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
Balance at 1 January 2022	2,250,562	11,767	84,437	(10,359)	(975)	2,344	976	850,198	938,388	4,987	943,375
Profit/(loss) for the six months	-	-	-	-	-	-	-	139,884	139,884	(635)	139,249
Other comprehensive loss for the six months	-	-	-	-	-	(6,052)	(637)	-	(6,689)	(69)	(6,758)
Total comprehensive (loss)/ income for the six months	-	-	-	-	-	(6,052)	(637)	139,884	133,195	(704)	132,491
Dividends declared (Note 13)	-	-	-	-	-	-	-	(36,324)	(36,324)	(1)	(36,325)
Disposal of subsidiaries (Note 19)	-	-	-	-	-	-	-	-	-	356	356
Other movements	-	-	-	-	-	-	-	184	184	562	746
Balance at 30 June 2022	2,250,562	11,767	84,437	(10,359)	(975)	(3,708)	339	953,942	1,035,443	5,200	1,040,643

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

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)

(In million of Russian Rubles)

	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
Operating activities			
Profit for the period		139,249	92,930
Adjustments:			
Net interest, fee and commission and other operating income and gains from financial services		(1,252)	(428)
Depreciation, depletion and amortization	14	22,356	20,192
Income tax expense		43,425	26,497
Impairment losses on financial assets net of reversal		226	(54)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	9	5,285	1,353
Loss on disposals of interests in subsidiaries and associates, net	19	19,630	-
(Income)/expenses from changes in the fair value of financial assets measured at fair value through profit or loss, net		(814)	319
Effects of foreign exchange		(1,440)	700
Share of results of associates and joint ventures, net		(460)	(81)
Interest income (excluding financial services)		(4,974)	(1,973)
Interest expense, net of amounts capitalised (excluding financial services)		3,246	3,079
Other		(2,222)	1,134
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(37,939)	(10,330)
Inventories		(10,140)	(17,178)
Prepaid expenses and other current assets		(20,374)	(7,059)
Securities at fair value through profit or loss		101	(63)
Accounts payable and accrued liabilities		(6,525)	(12,041)
Taxes payable, other than income tax		12,968	42,653
Net cash provided by operating activities before income tax and interest (excluding financial services)		160,346	139,650
Net interest, fee and commission and other operating income and gains from financial services		1,252	428
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets		1,409	104
Provision/(reversal of provision) for losses on credit related commitments		44	(124)
Change in fair value of debt financial assets through profit or loss		-	234
Other		(55)	4,044
Changes in operational working capital related to financial services, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		1,051	127
Due from banks		2,383	(6,330)
Loans to customers		(9,316)	(10,788)
Due to banks and the Bank of Russia		(20,029)	8,452
Customers accounts		101,238	(10,654)
Debt securities issued		(167)	323
Securities at fair value through profit or loss		266	(2,517)
Other financial liabilities at fair value through profit or loss		(7,150)	(325)
Net cash provided/(used) by operating activities from financial services before income tax		70,926	(17,026)
Income taxes paid		(46,757)	(21,599)
Interest paid (excluding financial services)		(1,935)	(1,175)
Interest received (excluding financial services)		4,918	1,914
Net cash provided by operating activities		187,498	101,764

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

TATNEFT
Consolidated Interim Condensed Statement of Cash Flows (Unaudited)

(In million of Russian Rubles)

	Note	Six months ended 30 June 2022	Six months ended 30 June 2021
Investing activities			
Additions to property, plant and equipment		(71,419)	(42,349)
Proceeds from disposal of property, plant and equipment		251	142
Acquisition of interest in associate, net of cash withdrawn from them	19	(2,950)	-
Net cash flow from acquisitions of subsidiaries	18	(5,392)	(5,417)
Purchase of securities at fair value through other comprehensive income		(3,818)	(18,970)
Purchase of securities at amortised cost		(9,637)	(1,526)
Proceeds from disposal of securities at fair value through other comprehensive income		3,958	17,167
Proceeds from redemption of securities at amortised cost		3,325	11,381
Proceeds from sale of non-current assets held for sale		116	110
Proceeds from redemption of bank deposits measured at amortised cost		53,109	-
Placement of bank deposits measured at amortised cost		(12,750)	(27,796)
Proceeds from redemption of bank deposits measured at fair value through profit or loss		29,872	-
Placement of bank deposits measured at fair value through profit or loss		(5,105)	(56,274)
Proceeds from redemption of loans and notes receivable		647	6,976
Issuance of loans and notes receivable		(888)	(105)
Net cash flow from currency swaps		550	-
Proceeds from sale of other non-current assets		191	1,132
Proceeds from government grants		1,892	2,743
Net cash used in investing activities		(18,048)	(112,786)
Financing activities			
Proceeds from issuance of debt (excluding financial services)		1,488	3,802
Repayment of debt (excluding financial services)		(1,845)	(5,757)
Repayment of principal portion of lease liabilities		(738)	(710)
Issuance of bonds		-	30
Redemption of bonds		(1,190)	(4)
Dividends paid to shareholders	13	(22,396)	(15)
Dividends paid to non-controlling shareholders		(1)	-
Net cash used in financing activities		(24,682)	(2,654)
Net change in cash and cash equivalents		144,768	(13,676)
Effect of foreign exchange on cash and cash equivalents		(24,309)	(340)
Cash and cash equivalents at the beginning of the year	4	66,487	40,105
Cash and cash equivalents at the end of the period	4	186,946	26,089

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

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 1: Organisation

PJSC TATNEFT n.a. V.D. Shashin (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 and financial services.

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) in January 1994 pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan 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.

The Company does not have an ultimate controlling party.

As at 30 June 2022 and 31 December 2021 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 2021, 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 2021 audited consolidated financial statements, such as accounting policies and disclosures which have not changed significantly in amount or composition. Management believes that the information in these consolidated interim condensed financial statement is sufficiently disclosed to inform users if are read in conjunction with the Group’s 2021 audited consolidated financial statements.

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 income tax expense, which is recognized in these consolidated interim condensed financial statements based on an analysis of the weighted average annual income tax rate expected for the full financial year. In addition, in 2022, the accounting policy was amended to reflect discontinued operations (Note 19).

Discontinued operation. A discontinued operation is a component of the Group that has been disposed of and represents a separate major line of business; is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations. Earnings of discontinued operation are disclosed separately from continuing operations with comparatives being re-presented. Cash flows from discontinued operation are disclosed in Note 19.

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

Note 2: Basis of preparation (continued)

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

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC “National Non-State Pension Fund”;
- Sale and purchase of oil under contracts for counter oil deliveries;
- Financial assets impairment;
- Financial assets classification;
- Financial instruments fair value estimation;
- Presentation of excise tax, including reverse excise and export duties.
- Determining the absence of control as a result of transactions for the sale of shares and interests in enterprises.

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 2021, excluding impairment of property, plant and equipment, disclosed below.

Impairment of property, plant and equipment. At 30 June 2022 management assessed whether there is any indication of impairment of non-current assets. Based on the results of analysis, a decision was made to test the assets for impairment (Note 9).

Operations for the sale and purchase of oil under contracts for counter oil deliveries. During the six months ended 30 June 2022 and 2021 sales of crude oil under counter-delivery contracts in the amount of RR 179,958 million and RR 95,803 million respectively are presented net in the consolidated statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for exchange of products of similar quality.

Determining the absence of control as a result of transactions for the sale of shares and interests in enterprises. In the second quarter of 2022, the Group disposed of its shares and interests in entities that comprised a separate segment. The company analysed the terms of the agreements and existing relationships. Given the absence of ownership interests and other factors, the Group does not have the instruments to manage the significant activities of the disposed entities, and, therefore, the Group does not control them as at 30 June 2022 (Note 19).

Presentation currency. The presentation currency of the Group and functional currency of main entities of the Group is the Russian Ruble.

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 2022 and 31 December 2021 was RR 51.16 and RR 74.29 to US \$, respectively. Average rate of exchange for the six months ended 30 June 2022 and 30 June 2021 were RR 76.30 and RR 74.28 per US \$, respectively.

Changes in the presentation of financial statements. During the year ended 31 December 2021 the Group changed the presentation of export duties and excise taxes in the consolidated statement of profit or loss and other comprehensive income. The nature and reasons for the changes are disclosed in the consolidated financial statements for 2021. The consolidated interim condensed financial statement of profit or loss and other comprehensive income for the six months ended 30 June 2021 was adjusted to conform to current year presentation.

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

(In million of Russian Rubles)

Note 2: Basis of preparation (continued)

The impact of the presentation changes for the six months ended 30 June 2021 was the following:

Consolidated statement of profit or loss and other comprehensive income	Value before change	The change	Value after change
Revenue (excluding financial services)	568,883	16,151	585,034
Taxes other than income tax	(228,796)	1,742	(227,054)
Export duties	x	(17,893)	(17,893)

In the second quarter of 2022, the Group disposed of its share and interests in subsidiaries that comprised the tire business segment (Note 19). The impact of the presentation changes for the six months ended 30 June 2021 due to classification of the tire business as a discontinued operation, the following:

Consolidated Statement of Profit or Loss and Other Comprehensive Income	Value before change	Changes	Value after change
Revenue (excluding financial services)	585,034	(26,825)	558,209
Operating expenses	(77,406)	21,039	(56,367)
Selling, general and administrative	(31,364)	2,258	(29,106)
Depreciation, depletion and amortization	(20,192)	494	(19,698)
Impairment losses on financial assets net of reversal	54	(24)	30
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	(1,353)	325	(1,028)
Taxes other than income taxes	(227,054)	89	(226,965)
Maintenance of social infrastructure and transfer of social assets	(4,824)	151	(4,673)
Total costs and other deductions (excluding financial services)	(464,230)	24,332	(439,898)
Other operating expense, net	(307)	(286)	(593)
Operating income (excluding financial services)	120,178	(2,779)	117,399
Foreign exchange loss, net	(154)	(177)	(331)
Interest income (excluding financial services)	1,973	(29)	1,944
Interest expense, net of amounts capitalised (excluding financial services)	(3,079)	58	(3,021)
Total other expense, net	(1,179)	(148)	(1,327)
Profit before income tax	119,427	(2,927)	116,500
Income tax			
Current income tax expense	(23,290)	613	(22,677)
Deferred income tax expense	(3,207)	19	(3,188)
Total income tax expense	(26,497)	632	(25,865)
Profit from continuing operations	-	90,635	90,635
Profit from discontinued operation	-	2,295	2,295

Taking into consideration strategy and current scale of operations of the Group's activities, from 2022 the Group started to use term "financial services" instead of "banking activity".

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(In million of Russian Rubles)

Note 3: Adoption of new or revised standards and interpretations

The full list of new standards, interpretations and amendments to standards is disclosed in the Group's 2021 consolidated financial statements. The Group's management does not expect that changes to current standards issued subsequently up to the date of this consolidated interim condensed financial statements will have a material impact on the consolidated financial statements.

Note 4: Cash and cash equivalents

	At 30 June 2022	At 31 December 2021
Cash on hand and in banks	120,123	48,937
Term deposits with original maturity of less than six months	66,823	17,550
Total cash and cash equivalents	186,946	66,487

The fair value of cash and cash equivalents approximates their carrying amount (Note 17).

Note 5: Accounts receivable

	At 30 June 2022	At 31 December 2021
Short-term accounts receivable:		
Trade receivables	115,553	90,348
Other financial receivables	13,818	9,138
Other non-financial receivables	155	153
Less credit loss allowance	(10,501)	(10,635)
Total short-term accounts receivable	119,025	89,004
Long-term accounts receivable:		
Trade receivables	460	579
Other financial receivables	12,121	808
Less credit loss allowance	(457)	(469)
Total long-term accounts receivable	12,124	918
Total trade and other receivables	131,149	89,922

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 17).

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

(In million of Russian Rubles)

Note 6: Other financial assets

Other short-term financial assets comprise the following:

	At 30 June 2022	At 31 December 2021
Financial assets measured at amortised cost		
Other loans (net of credit loss allowance of RR 3,515 million as at 30 June 2022 and 31 December 2021)	1,109	820
Bank deposits (net of credit loss allowance of RR 2,972 million and RR 5,547 million as 30 June 2022 and 31 December 2021 respectively)	17,542	56,492
Due from banks	1,556	2,472
Securities held by the Group (net of credit loss allowance of RR 16 million and of RR 8 million as at 30 June 2022 and 31 December 2021 respectively):	8,079	3,993
Russian government and municipal debt securities	28	12
Corporate debt securities	8,051	3,981
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 9 million as at 31 December 2021):	-	4,560
Corporate debt securities	-	4,560
Total	28,286	68,337
Financial assets measured at fair value through profit or loss		
Bank deposits	9,618	33,465
Derivatives	5,247	384
Securities held by the Group:	2,511	3,706
Russian government and municipal debt securities	320	1,160
Corporate debt securities	2,191	2,546
Securities pledged under sale and repurchase agreements:	-	319
Corporate debt securities	-	319
Total	17,376	37,874
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	1,688	1,845
Russian government and municipal debt securities	300	215
Corporate debt securities	1,173	1,332
Corporate shares	201	278
Foreign country's debt securities	14	20
Securities pledged under sale and repurchase agreements:	-	106
Russian government and municipal debt securities	-	96
Corporate debt securities	-	10
Total	1,688	1,951
Total short-term financial assets	47,350	108,162

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

(In million of Russian Rubles)

Note 6: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 30 June 2022	At 31 December 2021
Financial assets measured at amortised cost		
Loans to employees (net of credit loss allowance of RR 1,916 million and of RR 1,776 million as at 30 June 2022 and 31 December 2021 respectively)	640	940
Other loans (net of credit loss allowance of RR 19,753 million and of RR 19,938 million as at 30 June 2022 and 31 December 2021 respectively)	5,457	1,463
Due from banks	-	2,943
Securities held by the Group (net of credit loss allowance of RR 35 million and of RR 16 million as at 30 June 2022 and 31 December 2021):	16,864	8,917
Russian government and municipal debt securities	4,848	1,252
Corporate debt securities	12,016	7,665
Securities pledged under resale agreements (net of credit loss allowance of RR 26 million as at 31 December 2021):	-	8,818
Corporate debt securities	-	8,818
Total	22,961	23,081
Financial assets measured at fair value through profit or loss		
Other loans	3,448	4,251
Securities held by the Group:	176	159
Corporate debt securities	165	139
Corporate share	11	20
Total	3,624	4,410
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	51,784	49,196
Russian government and municipal debt securities	14,840	11,013
Corporate shares	13,327	13,329
Corporate debt securities	12,361	12,113
Foreign country's debt securities	435	673
Investment fund units	10,821	12,068
Securities pledged under resale agreements	-	4,397
Russian government and municipal debt securities	-	3,764
Corporate debt securities	-	633
Total	51,784	53,593
Total long-term financial assets	78,369	81,084

The fair value of financial assets and valuation techniques used are disclosed in Note 17.

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(In million of Russian Rubles)

Note 7: Inventories

	At 30 June 2022	At 31 December 2021
Materials and supplies	31,139	22,384
Crude oil	16,237	20,748
Refined oil products	22,737	21,973
Raw materials and finished products of discontinued operation (Note 19)	-	9,942
Other finished products and goods	5,747	6,015
Total inventories	75,860	81,062

Note 8: Prepaid expenses and other current assets

	At 30 June 2022	At 31 December 2021
Prepaid export duties	2,973	1,754
VAT recoverable	6,655	7,277
Advances	8,831	8,807
Prepaid transportation expenses	1,892	2,495
Excise	27,967	10,891
Other	1,584	1,054
Prepaid expenses and other current assets	49,902	32,278

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 9: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc- tion in progress	Total
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	-	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, impairment					
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
Cost					
As at 31 December 2021	459,339	339,619	248,819	264,690	1,312,467
Additions	-	-	-	74,276	74,276
Disposals	(209)	(521)	(1,280)	(241)	(2,251)
Changes in Group structure (Note 18,19)	-	(6,419)	(21,619)	(29,033)	(57,071)
Transfers	6,788	23,822	14,085	(44,695)	-
Changes in decommissioning provision	1,007	-	-	-	1,007
Currency translation effect	-	(408)	(282)	(783)	(1,473)
As at 30 June 2022	466,925	356,093	239,723	264,214	1,326,955
Depreciation, depletion and amortisation, impairment					
As at 31 December 2021	228,448	75,224	99,546	29,467	432,685
Depreciation charge	11,977	4,643	5,849	-	22,469
Impairment	1,410	67	29	2,164	3,670
Disposals	(133)	(165)	(668)	-	(966)
Changes in Group structure (Note 18,19)	-	(4,518)	(23,383)	(2,021)	(29,922)
Transfers	93	195	(288)	-	-
Currency translation effect	-	(80)	(71)	-	(151)
As at 30 June 2022	241,795	75,366	81,014	29,610	427,785
Net book value					
As at 31 December 2021	230,891	264,395	149,273	235,223	879,782
As at 30 June 2022	225,130	280,727	158,709	234,604	899,170

Due to indications of possible impairment as at 30 June 2022 the Group conducted impairment testing for the main groups of assets. According accounting policy, individual assets are grouped for impairment purposes to the cash generating units (CGU) at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets:

- field-by-field basis for exploration and production assets;
- entire complex level for refining assets.

Note 9: Property, plant and equipment (continued)

The macroeconomic factors, including but not limited to the reduction in oil production, crude oil and oil products prices fall, the volatility of the Russian Ruble to the US dollar and a decrease in the level of business activity were taken into account when preparing models, which are the main source of information for measuring the value in use of non-current assets, including forecasts of oil production and refining volumes, oil and oil products price dynamics, petrochemical production forecast, as well as when determining the discount rate.

In assessing impairment, the recorded value of assets was compared with the estimated value in use of the CGUs. The value in use is determined as the discounted net cash flows based on the forecasts of revenue, production costs and changes in working capital based on confirmed long-term strategic plans of the Group, taking into account the impact of accepted restrictions on the uncertainty in the period of recovery in demand and profitability. The forecasting period for determining the value in use is in line with the management assumptions used for long-term strategy and does not exceed the useful life of assets included in the CGUs.

For the six months ended 30 June 2022 the Group recognised an impairment of the following assets:

- assets related to discontinued operation (Note 19) in the amount of RR 175 million (loss recognised prior to disposal date);
- exploration assets related to the superviscous oil fields, in the amounts of RR 1,410 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 1,984 million;
- other assets in the total amount of RR 101 million.

Key assumptions applied to the calculation of value in use are follows:

- oil prices and US dollar/Russian ruble exchange rates are based on available forecasts from globally recognized research institutions;
- estimated production volumes were based on detailed information for the production plans approved by management as part of the long-term strategy, considering the estimates of proved oil reserves.

The discount rate calculated based on the Company's weighted average cost of capital adjusted for asset specific risks. The Group applied the following nominal pre-tax discount rates for impairment testing purposes:

- from 21.31% to 25.2% for oil and gas fields;
- from 16.88% to 17.36% for petrochemical and oil and gas processing complexes.

The following Brent price assumptions have been used: \$101.9 per barrel in 2022, \$105 per barrel in 2023, \$107.3 per barrel in 2024, \$109.5 per barrel in 2025 and \$111.8 per barrel in 2026 with further growth in subsequent years according to forecasts. A forecast discount was applied to Brent crude prices to bring them to Urals crude prices.

A reasonably justified change in key assumptions, taken into account by management for the purpose of preparing models as at the reporting date, does not necessitate the recognition of an additional impairment other than the above.

Decommissioning provisions

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

	Six months ended 30 June 2022	Six months ended 30 June 2021
Balance at the beginning of period	38,709	55,373
Unwinding of discount	1,612	1,760
New obligations	200	-
Expenses on current obligations	-	(4)
Changes in estimates	807	(10,664)
Balance at the end of period	41,328	46,465
Less: current portion of decommissioning provisions (Note 12)	(57)	(1)
Long-term balance at the end of period	41,271	46,464

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(In million of Russian Rubles)

Note 10: Taxes

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

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

	Six months ended 30 June 2022	Six months ended 30 June 2021 (restated)
Mineral extraction tax	313,530	224,195
Tax on additional income from hydrocarbon extraction	81,894	-
Excise	(131,354)	(1,742)
incl. reverse excise	(171,474)	(25,754)
Property tax	6,090	3,715
Other	939	797
Total taxes other than income taxes	271,099	226,965

Taxes payable other than income taxes were as follows:

	At 30 June 2022	At 31 December 2021
Mineral extraction tax	41,102	52,298
Tax on additional income from hydrocarbon extraction	32,478	1,174
Value Added Tax	13,784	24,723
Excise	7,253	5,493
Export duties	1,078	647
Property tax	3,203	2,131
Other	2,982	3,239
Total taxes payable other than income taxes	101,880	89,705

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 11: Debt

	At 30 June 2022	At 31 December 2021
Short-term debt		
Subordinated debt	21	21
Debt securities issued	361	562
Other debt	23	935
Total short-term debt	405	1,518
Current portion of long-term debt	21,156	21,023
Total short-term debt, including current portion of long-term debt	21,561	22,541
Long-term debt		
Bonds issued	19,194	20,412
Debt securities issued	40	6
US \$144.5 million 2011 credit facility*	648	1,254
EUR 55 million 2013 credit facility*	447	916
EUR 39.2 million 2020 credit tranche (Note 19)	-	3,296
RR 4,320 million 2020 credit tranche (Note 19)	-	2,612
Other debt	1,442	2,158
Total long-term debt	21,771	30,654
Less: current portion	(21,156)	(21,023)
Total long-term debt, net of current portion	615	9,631

* repaid earlier in July 2022

Fair value of debt is presented in Note 17. Debt issued to related parties is presented in Note 15.

Note 12: Accounts payable and accrued liabilities

	At 30 June 2022	At 31 December 2021
Trade payables	53,835	54,113
Current portion of lease liabilities	2,352	2,838
Other payables	1,592	2,528
Total financial liabilities within trade and other payables	57,779	59,479
Salaries and wages payable	10,633	10,393
Advances received from customers	11,691	25,340
Current portion of decommissioning provisions (Note 9)	57	57
Other accounts payable and accrued liabilities	7,117	6,001
Total non-financial liabilities	29,498	41,791
Accounts payable and accrued liabilities	87,277	101,270

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 17.

Note 13: Dividends payable

In June 2022, the shareholders of the Company approved the payment of interim dividends for the year ended 31 December 2021, in the amount of RR 42.64 per preference and ordinary share, including previously paid interim dividends for the six and nine months of 2021, in the amount of RR 26.5 per preference and ordinary share. Dividends were paid in the third quarter of 2022.

Note 14: 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 three 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;
- Financial services.

The tire business segment is withdrawn from the main operating segments due to disposal of assets in 2nd quarter of 2022 (Note 19).

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 excluding interest income, expense (excluding financial services), and gains from equity investments, other income/ expenses. 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. Group financing including interest expense and interest income (excluding financial services) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the six months ended 30 June 2022, revenues of RR 107,268 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 2021, revenues of RR 86,357 million or 15% of the Group's total sales and operating revenues are derived from one external customer.

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

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

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 14: Segment information (continued)
Segment sales

	Six months ended 30 June 2022	Six months ended 30 June 2021
Continuing operations		
Exploration and production		
Domestic own crude oil	132,116	127,639
CIS own crude oil	-	9,379
Own crude oil sales in foreign countries	173,106	125,745
Other	3,439	1,685
Intersegment sales	262,012	133,128
Total exploration and production	570,673	397,576
Refining and marketing		
<i>Domestic sales</i>		
Refined products	219,697	153,118
Total Domestic sales	219,697	153,118
<i>CIS sales</i>		
Refined products	5,740	5,756
Total CIS sales	5,740	5,756
<i>Non-CIS sales</i>		
Crude oil purchased for resale	1,825	5,280
Refined products	203,581	98,740
Total non-CIS sales	205,406	104,020
Other	13,383	9,236
Intersegment sales	1,762	930
Total refining and marketing	445,988	273,060
Financial services		
Interest income	10,642	6,230
Fee and commission income	1,619	1,701
Total income from financial services	12,261	7,931
Total segment sales	1,028,922	678,567
Corporate and other sales	37,911	21,631
Elimination of intersegment sales	(263,774)	(134,058)
Total sales	803,059	566,140

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 14: Segment information (continued)
Segment earnings

	Six months ended 30 June 2022	Six months ended 30 June 2021
Segment earnings		
Exploration and production	63,074	106,323
Refining and marketing	164,466	28,608
Financial services	(840)	131
Segment result	226,700	135,062
Corporate and other	(33,047)	(17,566)
Other income/(expenses), net (excluding foreign exchange differences)	2,428	(996)
Profit before income tax	196,081	116,500

Segment earning includes foreign exchange loss, net. For the six months ended 30 June 2022 the Group recognised foreign exchange gain of RR 58,224 million and a foreign exchange loss of RR 120,129 million in the consolidated interim condensed statement of profit or loss and other comprehensive income on a net basis (for the six months ended 30 June 2021: RR 5,944 million and RR 6,275 million, respectively). Gain and loss on foreign exchange differences were received mainly on receivables from operating activities from the sale of crude oil and refining products for export, as well as from the revaluation of cash in foreign currencies.

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

Segment assets

	At 30 June 2022	At 31 December 2021
Assets		
Exploration and production	402,833	383,873
Refining and marketing	636,800	583,611
Financial services	348,222	245,188
Corporate and other	246,599	238,773
Discontinued operation (Note 19)	-	50,844
Total assets	1,634,454	1,502,289

As at 30 June 2022 corporate and other includes RR 87,788 million of property, plant and equipment, RR 22,978 million of securities measured at fair value through other comprehensive income, RR 8,770 million loans receivable, RR 50,892 million of bank deposits measured at amortised cost, RR 9,618 million of bank deposits measured at fair value through profit or loss, RR 2,964 million of cash, RR 17,161 million of inventories, RR 4,713 million of advances issued.

As at 31 December 2021 corporate and other assets includes RR 77,113 million of property, plant and equipment, RR 24,317 million of securities measured at fair value through other comprehensive income, RR 5,307 million loans receivable, RR 65,508 million of bank deposits measured at amortised cost, RR 33,465 million of bank deposits measured at fair value through profit or loss, RR 1,347 million of cash, RR 13,701 million of inventories, RR 1,678 million of advances issued.

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

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

(In million of Russian Rubles)

Note 14: Segment information (continued)**Segment depreciation, depletion and amortisation and additions to property, plant and equipment**

	Six months ended 30 June 2022	Six months ended 30 June 2021
Depreciation, depletion and amortization		
Exploration and production	12,854	11,449
Refining and marketing	7,032	6,473
Financial services	180	211
Corporate and other	1,785	1,565
Total depreciation, depletion and amortization	21,851	19,698
Additions to property, plant and equipment		
Exploration and production	33,215	8,244
Refining and marketing	28,359	27,500
Financial services	27	192
Corporate and other	12,675	6,845
Total additions to property, plant and equipment	74,276	42,781

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions (Note 9). Total additions from property, plant and equipment is presented net of additions from discontinued operation (Note 19).

Note 15: 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 financial services. 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:

	Six months ended 30 June 2022	Six months ended 30 June 2021
Revenues and income		
Sales of refined products	43	12
Other sales	48	38
Interest income	27	21
Costs and expenses		
Other services	27	1
Other purchases	457	172

Note 15: Related party transactions (continued)

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

	At 30 June 2022	At 31 December 2021
Assets		
Accounts receivable, net	251	102
Financial services: Loans to customers	96	20
Other financial assets		
Other loans receivable	480	526
Prepaid expenses and other current assets	474	1
Total short-term assets	1,301	649
Long-term accounts receivable	76	62
Other financial assets		
Securities measured at fair value through other comprehensive income	4,159	4,159
Other loans receivable	1,009	1,009
Total long-term assets	5,244	5,230
Liabilities		
Accounts payable and accrued liabilities	(53)	(74)
Financial services: Customer accounts	(1,622)	(1,223)
Total short-term liabilities	(1,675)	(1,297)
Financial services: Customer accounts	-	(70)
Total long-term liabilities	-	(70)

At 30 June 2022 and 31 December 2021 key management personnel accounts in the customer accounts amounted to RR 25,476 million and RR 25,433 million, respectively.

Government related companies

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

	Six months ended 30 June 2022	Six months ended 30 June 2021
Sales of crude oil	14,734	17,077
Sales of refined products	13,845	9,865
Other sales	14,299	-
Other proceeds	5,052	2,501
Interest income	3,758	1,257
Income from changes in the fair value of financial assets	1,367	-
Interest expense	357	71
Purchases of crude oil	1,346	-
Purchases of refined products and natural gas	7,754	13,829
Purchases of electricity	11,793	9,560
Purchases of transportation and compounding services	22,562	14,059
Other services	3,247	2,324
Other purchases	402	318

Other services and other purchases from organizations related to the state include contributions to the State Housing Fund under the President of the Republic of Tatarstan under the program of housing construction on social mortgages in the Republic of Tatarstan, the purchase of petrochemical products, as well as some other services. Other sales includes income from the assignment of rights of claim and the sale of interests in companies and shares.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 15: Related party transactions (continued)

The outstanding balances with Government related companies were as follows

	At 30 June 2022	At 31 December 2021
Assets		
Cash and cash equivalents	57,619	28,794
Financial services: Mandatory reserve deposits with the Bank of Russia	378	1,429
Accounts receivable	8,921	2,591
Financial services: Loans to customers	5,263	230
Other financial assets		
Bank deposits measured at amortised cost	763	8,399
Bank deposits measured at fair value through profit or loss	9,618	33,465
Securities measured at fair value through other comprehensive income	731	919
Securities measured at amortised cost	5,334	5,616
Securities measured at fair value through profit or loss	5,054	2,878
Other loans measured at amortised cost	32	42
Prepaid expenses and other current assets	2,681	4,712
Total short-term assets	96,394	89,075
Financial services: Loans to customers	6,775	3,355
Accounts receivable	11,499	-
Other financial assets		
Securities measured at fair value through other comprehensive income	37,430	38,809
Securities measured at amortised cost	12,621	11,116
Other loans	4,290	60
Advances for construction	10	1
Total long-term assets	72,625	53,341
Liabilities		
Accounts payable and accrued liabilities	(1,933)	(14,581)
Financial services: Due to banks and the Bank of Russia	(1,725)	(3,436)
Financial services: Customer accounts	(1,676)	(3,809)
Debt		
Debt securities issued	(286)	(253)
Other debt	-	(494)
Total short-term liabilities	(5,620)	(22,573)
Financial services: Due to banks and the Bank of Russia	(4,141)	(4,026)
Other debt	-	(80)
Government grants	(21,099)	(21,312)
Other long-term liabilities	(529)	-
Total long-term liabilities	(25,769)	(25,418)

As at 30 June 2022 guarantees and sureties issued to related parties amounted to RR 5,414 million (as at 31 December 2021: not applicable).

Note 16: Contingencies and commitments

For the six months ended 30 June 2022, there were no significant changes in 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.

Due to the aggravation of the geopolitical situation, a significant expansion of US, EU, UK and other sanctions against Russia, companies and citizens associated with Russia, decisions of a number of international companies to suspend or abandon their activities in Russia or cooperate with clients in Russia, the operating conditions of the Group have deteriorated at the time of publication of this information. The Russian authorities are taking steps to prevent capital outflows and stabilize economics. At the moment, it is impossible to determine to what extent the current conditions will affect the Group's operating and financial performance, how long the increased volatility will persist, and at what level economic and other indicators may stabilize. Further expansion of sanctions, including those against the financial and energy sectors of the Russian economy, which may affect the Group's operations, cannot be ruled out. The Russian authorities have introduced restrictions on payments to a number of foreign creditors and shareholders, which may last for a certain time. In the current environment, Russia's GDP is expected to contract in 2022, the size and impact of which remain uncertain.

The Company's management constantly monitors the development of the situation and takes all necessary actions to reduce and level emerging risks, ensure uninterrupted operations and maintain the financial stability of the Group.

The Group is characterized by a low level of debt and, although the current uncertainty may affect the Group's future profitability and cash flows in the near future, management believes this will not affect the Group's ability to continue as a going concern and meet its obligations for the foreseeable future.

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 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.

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

(In million of Russian Rubles)

Note 17: Fair value

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:

	Fair value			At 30 June 2022
	Level 1	Level 2	Level 3	Carrying value
	Securities measured at fair value through profit or loss	1,786	287	614
Derivatives	-	5,247	-	5,247
Other loans measured at fair value through profit or loss	-	-	3,448	3,448
Bank deposits at fair value through profit or loss	-	9,618	-	9,618
Securities measured through other comprehensive income	26,290	7,172	20,010	53,472
Investment property	-	-	662	662
Financial services: Other financial liabilities measured at fair value through profit or loss	-	(896)	-	(896)
Total	28,076	21,428	24,734	74,238

	Fair value			At 31 December 2021
	Level 1	Level 2	Level 3	Carrying value
	Securities measured at fair value through profit or loss	3,731	453	-
Derivatives	-	384	-	384
Other loans measured at fair value through profit or loss	-	-	4,251	4,251
Bank deposits at fair value through profit or loss	-	33,465	-	33,465
Securities measured through other comprehensive income	20,789	14,245	20,510	55,544
Investment property	-	-	691	691
Financial services: Other financial liabilities measured at fair value through profit or loss	(7,013)	(50)	-	(7,063)
Total	17,507	48,497	25,452	91,456

There were no significant changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the six months ended 30 June 2022 and year ended 31 December 2021. There have been no significant transfers between Level 1, Level 2 and Level 3 during this periods.

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Notes to the Consolidated Interim Condensed Financial Statements (Unaudited)

(In million of Russian Rubles)

Note 17: Fair value (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 2022				At 31 December 2021			
	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	3,220	116,903	-	120,123	4,595	44,342	-	48,937
Term deposits	-	66,823	-	66,823	-	17,550	-	17,550
Financial services:								
Mandatory reserve deposits with the Bank of Russia	378	-	-	378	1,429	-	-	1,429
Accounts receivable								
Trade receivables	-	-	110,328	110,328	-	-	85,135	85,135
Other financial receivables	-	586	20,080	20,666	-	1,202	3,432	4,634
Financial services: Loans to customers measured at amortised cost	-	-	134,972	134,205	-	-	133,384	134,702
Other financial assets								
Bank deposits	-	17,542	-	17,542	-	56,492	-	56,492
Due from banks	-	1,595	-	1,556	-	5,486	-	5,415
Loans to employees	-	-	640	640	-	-	940	940
Other loans measured at amortised cost	-	-	6,566	6,566	-	-	2,283	2,283
Securities measured at amortised cost	7,938	7,140	8,299	24,943	20,266	5,791	-	26,288
Total	11,536	210,589	280,885	503,770	26,290	130,863	225,174	383,805
Liabilities								
Trade and other financial payables								
Trade payables	-	-	53,835	53,835	-	-	54,113	54,113
Dividend payable	-	-	36,912	36,912	-	-	22,984	22,984
Current portion of lease liabilities	-	-	2,352	2,352	-	-	2,838	2,838
Other payables	-	-	1,592	1,592	-	-	2,528	2,528
Non-current lease liabilities	-	-	8,421	8,421	-	-	10,324	10,324
Debt								
Bonds issued	15,000	4,146	-	19,194	15,000	5,333	-	20,412
Subordinated debt	-	21	-	21	-	21	-	21
Debt securities issued	-	386	-	401	-	557	-	568
Credit facilities	-	-	1,095	1,095	-	-	8,078	8,078
Other debt	-	-	1,465	1,465	-	-	3,093	3,093
Financial services: Due to banks and the Bank of Russia	1,261	6,853	-	8,181	270	27,055	-	27,579
Financial services: Customer accounts	-	87,299	118,067	207,572	-	46,373	104,447	151,429
Total	16,261	98,705	223,739	341,041	15,270	79,339	208,405	303,967

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

(In million of Russian Rubles)

Note 17: Fair value (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 18: Business combinations

In 2nd quarter of 2022 the Group acquired the share capitals of LLC UK Tatburneft, LLC Tatintek, LLC UK Tatspectransport, LLC Tagras-KhimService, and LLC KRS-Service from Tagras-Holding companies and obtained control becoming the sole participant of these entities.

The purchase price amounted RR 6,291 million and the cash consideration was fully paid in 2-3 quarter 2022. 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 2022 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	1,158
Property, plant and equipment	6,115
Inventories	1,379
Accounts receivable and advances issued	3,169
Deferred tax assets	693
Other assets	139
Debt	(1,422)
Trade and other payables	(2,547)
Deferred tax liabilities	(1,075)
Other liabilities	(1,318)
Fair value of identifiable net assets of subsidiaries	6,291
Total purchase consideration	6,291
Cash and cash equivalents of subsidiaries acquired	(1,158)
Purchase price, net	5,133

For the period from the acquisition date to 30 June 2022 the acquired business accounted for RR 1,139 million in the Group's revenue and RR 7 million of loss in the Group's profit.

Note 19: Discontinued operation

In the 2nd quarter of 2022, the Group sold its interests in subsidiaries of the tire business segment to a state-controlled company for RR 35,555 million payable by instalment. Fair value of consideration determined based on discounted cash flows amounted to RR 11,499 million. Taking into consideration significant changes in the economic situation, including those related to geopolitical processes, the sale of the tire business will allow the Group to focus on key strategic projects.

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

(In million of Russian Rubles)

Note 19: Discontinued operation (continued)

Carrying amount of the disposed assets and liabilities at the date of disposal are as follows:

	Carrying amount at the date of disposal
Cash and cash equivalents	3,747
Property, plant and equipment	33,231
Inventories	15,483
Accounts receivable and advances issued	12,525
Other assets	2,741
Debt	(17,211)
Trade and other payables	(10,678)
Other liabilities	(9,163)
Net assets of subsidiaries	30,675
Less non-controlling interest	356
Carrying amount of disposed net assets	31,031

The impact of disposal of the tire business on the Group's financial results for the six months ended 30 June 2022 was the following:

Carrying amount of disposed net assets	(31,031)
Reclassification to loss of accumulated other comprehensive loss	(98)
Discounted value of the consideration	11,499
Loss on disposal of tire business	(19,630)
The result of the tire business before the date of disposal	
Revenue	28,683
Cost	(23,843)
Other income, net	1,383
Income tax expense	(1,544)
Profit before the date of disposal	4,679
Loss from discontinued operation	(14,951)

The cash flow analysis of discontinued operation is as follows:

	Six months ended 30 June 2022	Six months ended 30 June 2021
Cash flows from operating activities	(5,983)	(172)
Cash flows from investing activities	(3,296)	(3,538)
Cash flows from financing activities	1,037	249
Total cash flow from discontinued operation	(8,242)	(3,461)

Note 20: Subsequent events

In the third quarter of 2022, as part of the development of the oil services, the Group completed the acquisition of the oil services business. The Group acquired property and shares in LLC NKT-Service, LLC MekhService-NPO, LLC TMS-Logistika from Tagras-Holding and obtained control becoming the sole participant of these entities. The purchase price amounted RR 19,342 million, and the cash consideration, according to the terms of the agreements, is to be paid in full by the end of the third quarter of 2022.

In August 2022, the Board of Directors of the Company decided to convene an extraordinary general meeting of shareholders on 22 September 2022, and recommended shareholders approve the amount of interim dividends for the six months ended 30 June 2022 in the amount of RR 32.71 per each preferred and ordinary share.