Tatneft Group

IFRS CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS (UNAUDITED)

AS OF AND FOR THE THREE AND SIX MONTHS ENDED 30 JUNE 2017

Contents

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 (the "Group") as of 30 June 2017 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, and changes in equity and cash flows for the six-month period then ended. 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 interim financial information 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

24 August 2017
Moscow, Russian Federation

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

Audited entity: PJSC Tatneft

State registration certificate № 632, issued by Ministry of Finance of the Republic of Tatarstan on 21 January 1994

Certificate of inclusion in the Unified State Register of Legal Entities issued on 18 July 2002 under registration № 1021601623702

75, Lenina St., Almetyevsk, Tatarstan, Russia, 423450

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 008.890, issued by the Moscow Registration Chamber on 28 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 22 August 2002 under registration № 1027700148431

Member of Self-regulated organization of auditors «Russian Union of auditors» (Association)

ORNZ 11603050547 in the register of auditors and audit organizations

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Consolidated Interim Condensed Statement of Financial Position (Unaudited)
(In million of Russian Rubles)

	Note	30 June 2017	31 December 2016
Assets			
Cash and cash equivalents	4	77,131	77,106
Banking: Mandatory reserve deposits with CB RF		2,065	1,988
Restricted cash		-	3
Accounts receivable, net	5	58,240	63,900
Banking: Loans to customers	6	56,306	69,103
Other short-term financial assets	7	62,595	57,931
Inventories	8	34,024	33,271
Prepaid expenses and other current assets	9	23,456	23,889
Prepaid income tax		883	1,058
Banking: Non-current assets held for sale	10	6,062	4,247
Total current assets		**320,762**	**332,496**
Long-term accounts receivable, net	5	2,299	1,807
Banking: Loans to customers	6	125,546	123,923
Other long-term financial assets	7	63,018	44,397
Investments in associates and joint ventures		739	639
Property, plant and equipment, net		612,553	583,614
Deferred income tax assets		1,366	2,043
Other long-term assets		4,494	5,678
Total non-current assets		**810,015**	**762,101**
Total assets		**1,130,777**	**1,094,597**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	12	33,520	19,288
Accounts payable and accrued liabilities	13	37,535	45,360
Dividends payable		51,483	149
Banking: Due to banks and CB RF	14	9,603	13,935
Banking: Customer accounts	15	180,082	177,422
Taxes payable	11	20,038	23,737
Income tax payable		2,584	4,511
Other short-term liabilities		1,235	1,961
Total current liabilities		**336,080**	**286,363**
Long-term debt, net of current portion	12	7,355	34,842
Banking: Due to banks and CB RF	14	7,881	4,415
Banking: Customer accounts	15	1,346	3,292
Decommissioning provision, net of current portion		31,622	30,324
Deferred income tax liability		22,576	22,600
Other long-term liabilities		3,747	3,857
Total non-current liabilities		**74,527**	**99,330**
Total liabilities		**410,607**	**385,693**
Shareholders' equity			
Preferred shares (authorized and issued at 30 June 2017 and 31 December 2016 – 147,508,500 shares; nominal value at 30 June 2017 and 31 December 2016 – RR 1.00)		746	746
Common shares (authorized and issued at 30 June 2017 and 31 December 2016 – 2,178,690,700 shares; nominal value at 30 June 2017 and 31 December 2016 – RR 1.00)		11,021	11,021
Additional paid-in capital		84,437	85,224
Accumulated other comprehensive income		1,427	1,293
Retained earnings		625,878	615,477
Less: Common shares held in treasury, at cost (75,483,000 shares and 75,481,000 at 30 June 2017 and 31 December 2016, respectively)		(10,251)	(10,250)
Total Group shareholders' equity		**713,258**	**703,511**
Non-controlling interest		**6,912**	**5,393**
Total shareholders' equity		**720,170**	**708,904**
Total liabilities and equity		**1,130,777**	**1,094,597**

Approved for issue and signed on behalf of the Board of Directors on 24.08 2017.

Maganov N.U.
CEO

Voskoboinikov V.A.
Director of International Reporting

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

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

(In million of Russian Rubles)

	Note	Three months ended 30 June: 2017	Three months ended 30 June: 2016	Six months ended 30 June: 2017	Six months ended 30 June: 2016
Sales and other operating revenues on non-banking activities, net	19	**152,260**	**146,863**	**318,705**	**267,844**
Costs and other deductions on non-banking activities					
Operating expenses		(29,613)	(27,699)	(57,012)	(55,715)
Purchased oil and refined products		(16,117)	(20,712)	(36,441)	(33,573)
Exploration		(283)	(263)	(602)	(717)
Transportation		(8,562)	(7,530)	(17,859)	(14,759)
Selling, general and administrative		(12,745)	(11,312)	(24,134)	(21,110)
Depreciation, depletion and amortization	19	(7,755)	(5,700)	(12,095)	(11,033)
Gain/(loss) on impairments of property, plant and equipment and other assets		53	(39)	(150)	257
Taxes other than income taxes	11	(44,772)	(32,883)	(92,231)	(55,371)
Maintenance of social infrastructure and transfer of social assets		(1,215)	(1,122)	(2,328)	(2,203)
Total costs and other deductions on non-banking activities		**(121,009)**	**(107,260)**	**(242,852)**	**(194,224)**
Gain/(loss) on disposals of interests in subsidiaries and associates, net	19	17	-	17	(8,746)
Other operating income/(expenses), net		448	(175)	(59)	(600)
Operating profit on non-banking activities		**31,716**	**39,428**	**75,811**	**64,274**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities					
Interest, fee and commission income	16,17	9,055	-	18,075	-
Interest, fee and commission expense	16,17	(4,263)	-	(7,861)	-
Provision for loan impairment	6	(2,854)	-	(3,933)	-
Operating expenses		(2,191)	-	(3,767)	-
Loss arising from dealing in foreign currencies, net		(245)	-	(71)	-
Other operating income, net		199	-	270	-
Total net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities		**(299)**	-	**2,713**	-
Other income/(expenses)					
Foreign exchange gain/(loss), net	18	1,076	(1,487)	(1,284)	(2,037)
Interest income on non-banking activities	18	2,106	1,851	4,008	3,096
Interest expense on non-banking activities, net of amounts capitalized	18	(616)	(965)	(1,559)	(1,945)
Share of results of associates and joint ventures		5	1,432	76	1,179
Total other income		**2,571**	**831**	**1,241**	**293**
Profit before income tax		**33,988**	**40,259**	**79,765**	**64,567**

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

		Three months ended 30 June:		Six months ended 30 June:	
	Note	**2017**	**2016**	**2017**	**2016**
Income tax					
Current income tax expense		(8,308)	(7,515)	(16,690)	(13,796)
Deferred income tax benefit/(expense)		57	(1,850)	(702)	(2,295)
Total income tax expense	11	**(8,251)**	**(9,365)**	**(17,392)**	**(16,091)**
Profit for the period		**25,737**	**30,894**	**62,373**	**48,476**
Other comprehensive income/(loss):					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation adjustments		901	(198)	546	(747)
Unrealized holding (loss)/gain on available-for-sale securities		(488)	21	(475)	74
Items that will not be reclassified to profit or loss:					
Actuarial gain/(loss) on employee benefit plans		63	(241)	63	(241)
Other comprehensive income/(loss)		**476**	**(418)**	**134**	**(914)**
Total comprehensive income for the period		**26,213**	**30,476**	**62,507**	**47,562**
Profit/(loss) attributable to:					
- Group shareholders		26,150	30,893	61,740	48,514
- Non-controlling interest		(413)	1	633	(38)
		25,737	**30,894**	**62,373**	**48,476**
Total comprehensive income/(loss) is attributable to:					
- Group shareholders		26,626	30,475	61,874	47,600
- Non-controlling interest		(413)	1	633	(38)
		26,213	**30,476**	**62,507**	**47,562**
Basic and diluted net earnings per share (RR)					
Common		11.62	13.67	27.43	21.46
Preferred		11.55	13.58	27.35	21.38
Weighted average shares outstanding (millions of shares)					
Common		2,103	2,113	2,103	2,113
Preferred		148	148	148	148

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

		Attributable to Group shareholders								Non-con-trolling interest	Total equity
	Number of shares (thousands)	**Share capital**	**Additional paid-in capital**	**Treasury shares**	**Actuarial (loss)/gain on employee benefit plans**	**Foreign currency translation adjustments**	**Unrealized holding gain/(loss) on available-for-sale securities**	**Retained earnings**	**Total shareholders' equity**		
Balance at 1 January 2016	**2,270,708**	**11,767**	**85,170**	**(3,083)**	**(987)**	**2,251**	**375**	**532,821**	**628,314**	**29,344**	**657,658**
Profit for the six months	-	-	-	-	-	-	-	48,514	48,514	(38)	48,476
Other comprehensive (loss)/income for the six months	-	-	-	-	(241)	(747)	74	-	(914)	-	(914)
Total comprehensive (loss)/income for the six months	**-**	**-**	**-**	**-**	**(241)**	**(747)**	**74**	**48,514**	**47,600**	**(38)**	**47,562**
Treasury shares:	(20,196)	-	-	(7,214)	-	-	-	-	(7,214)	-	(7,214)
- Acquisitions	(20,196)	-	-	(7,214)	-	-	-	-	(7,214)	-	(7,214)
Acquisition of non-controlling interest in subsidiaries	-	-	291	-	-	-	-	-	291	(446)	(155)
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(29,878)	(29,878)
Dividends declared	-	-	-	-	-	-	-	(24,887)	(24,887)	(2)	(24,889)
Balance at 30 June 2016	**2,250,512**	**11,767**	**85,461**	**(10,297)**	**(1,228)**	**1,504**	**449**	**556,448**	**644,104**	**(1,020)**	**643,084**
Balance at 1 January 2017	**2,250,718**	**11,767**	**85,224**	**(10,250)**	**(1,621)**	**1,201**	**1,713**	**615,477**	**703,511**	**5,393**	**708,904**
Profit for the six months	-	-	-	-	-	-	-	61,740	61,740	633	62,373
Other comprehensive income/(loss) for the six months	-	-	-	-	63	546	(475)	-	134	-	134
Total comprehensive income/(loss) for the six months	**-**	**-**	**-**	**-**	**63**	**546**	**(475)**	**61,740**	**61,874**	**633**	**62,507**
Treasury shares	(2)	-	-	(1)	-	-	-	-	(1)	-	(1)
- Acquisitions	(2)	-	-	(1)	-	-	-	-	(1)	-	(1)
Business combinations	-	-	-	-	-	-	-	-	-	95	95
Acquisition of non-controlling interest in subsidiaries (Note 23)	-	-	(787)	-	-	-	-	-	(787)	787	-
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	5	5
Dividends declared	-	-	-	-	-	-	-	(51,339)	(51,339)	(1)	(51,340)
Balance at 30 June 2017	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,558)**	**1,747**	**1,238**	**625,878**	**713,258**	**6,912**	**720,170**

(In million of Russian Rubles)

	Six months ended 30 June 2017	Six months ended 30 June 2016
Operating activities		
Profit for the period	62,373	48,476
Adjustments:		
Net interest, fee and commission and other operating income and gains on banking activities	(2,713)	-
Depreciation, depletion and amortization	12,095	11,033
Income tax expense	17,392	16,091
Loss on impairments of property, plant and equipment, other assets and disposals of interest in subsidiaries and associates	133	8,489
Effects of foreign exchange	(299)	(833)
Share of results of associates and joint ventures	(76)	(1,179)
Change in provision for impairment of financial assets	863	533
Interest income on non-banking activities	(4,008)	(3,096)
Interest expense on non-banking activities, net of amounts capitalized	1,559	1,945
Other	783	202
Changes in operational working capital, excluding cash:		
Accounts receivable	6,221	(2,550)
Inventories	(2,470)	(1,118)
Prepaid expenses and other current assets	1,248	2,815
Financial assets at fair value through profit or loss	43	25
Accounts payable and accrued liabilities	(7,637)	(182)
Taxes payable	(3,702)	3,738
Other non-current assets	376	(18)
Net cash provided by non-banking operating activities before income tax and interest	**82,181**	**84,371**
Net interest, fee and commission and other operating income and gains on banking activities	2,713	-
Adjustments:		
Provision for loan impairment	3,933	-
Provision for losses on credit related commitments	204	-
Change in fair value of financial assets	653	-
Other	(5,502)	-
Changes in operational working capital on banking activities, excluding cash:		
Mandatory reserve deposits with CB RF	(76)	-
Due from banks	4,354	-
Loans to customers	8,276	-
Due to banks and CB RF	(878)	-
Customers’ accounts	2,432	-
Debt securities issued	(361)	-
Financial assets at fair value through profit or loss	(1,207)	-
Other assets and liabilities	(632)	-
Net cash provided by banking operating activities before income tax	**13,909**	**-**
Income taxes paid	(18,442)	(13,298)
Interest paid on non-banking activities	(192)	(399)
Interest received on non-banking activities	2,158	2,904
Net cash provided by operating activities	**79,614**	**73,578**

(In million of Russian Rubles)

	Six months ended 30 June 2017	Six months ended 30 June 2016
Investing activities		
Additions to property, plant and equipment	(39,940)	(47,356)
Proceeds from disposal of property, plant and equipment	386	431
Net cash outflow on acquisition of subsidiaries	(301)	-
Cash inflow/(outflow) from disposal of subsidiaries, net of disposed cash	32	(1,568)
Purchase of available-for-sale financial assets	(13,174)	-
Purchase of held to maturity investments	(31,302)	-
Proceeds from disposal of available-for-sale financial assets	9,269	-
Proceeds from redemption of held to maturity investments	3,519	-
Proceeds from sale of non-current assets held for sale	120	-
Purchase of investments in associates and joint ventures	(42)	(7,050)
Proceeds from redemption of bank deposits	7,303	6,775
Placement of bank deposits	(3,503)	(2,828)
Proceeds from redemption of loans and notes receivable	664	4,033
Issuance of loans and notes receivable	(435)	(1,851)
Dividends received	-	1,521
Change in restricted cash	3	(16)
Net cash used in investing activities	**(67,401)**	**(47,909)**
Financing activities		
Proceeds from issuance of debt from non-banking activities	1,127	676
Repayment of debt from non-banking activities	(2,783)	(2,994)
Issuance of bonds	3,772	-
Redemption of bonds	(14,118)	-
Proceeds from subordinated debt	194	-
Dividends paid to shareholders	(6)	(5)
Dividends paid to non-controlling shareholders	(1)	(2)
Purchase of treasury shares	(1)	(7,168)
Proceeds from issuance of shares by subsidiaries	10	-
Net cash used in financing activities	**(11,806)**	**(9,493)**
Net change in cash and cash equivalents	**407**	**16,176**
Effect of foreign exchange on cash and cash equivalents	(382)	(1,034)
Cash and cash equivalents at the beginning of the period	77,106	24,600
Cash and cash equivalents at the end of the period	**77,131**	**39,742**

Note 1: Organisation

PJSC Tatneft (the "Company") and its 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 and marketing of crude oil, refined products as well as production and marketing of petrochemicals and since October 2016, with acquisition of the controlling interest in ZENIT Banking Group (Bank ZENIT) the Group is also engaged in banking activities.

The Company was incorporated as an open 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 (the "Government"). 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 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 Group does not have an ultimate controlling party.

As of 30 June 2017 and 31 December 2016 the government of Tatarstan controls approximately 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The 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 presentation

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 2016, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These consolidated interim condensed financial statements are unaudited and do not include all the information and disclosures required in the annual IFRS financial statements. The Company omitted disclosures which would substantially duplicate the disclosures contained in its 2016 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 disclosures are adequate to make the information presented not misleading if these consolidated interim condensed financial statements are read in conjunction with the Group's 2016 audited consolidated financial statements and the notes related thereto. In the opinion of the Group's management, the unaudited consolidated interim condensed financial statements and notes thereto reflect the known adjustments, all of which are of a normal and recurring nature, necessary to fairly state the Group's financial position, results of operations and cash flows for the interim periods.

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated interim condensed financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS. The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) share based payment; (7) accounting for oil and gas properties; (8) recognition and disclosure of guarantees, contingencies and commitments; (9) accounting for decommissioning provision; (10) pensions and other post retirement benefits and (11) business combinations and goodwill.

Note 2: Basis of presentation (continued)

The accounting policies adopted are consistent with those of the previous financial year.

Income tax in the interim periods is accrued using the tax rate that would be applicable to expected total annual profit or loss.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

Reclassifications. Certain reclassifications have been made to previously reported consolidated interim condensed financial statements to conform to the current year presentation; such reclassifications had no effect on net profit for the year, shareholders' equity or cash flows.

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 recognized 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;
- Impairment of loans to customers on banking activities;
- Financial instruments fair value estimation.

In preparing 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 2016, with the exception of changes in estimates that are required in determining the provision for income taxes.

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 major 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 already measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

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

The official rate of exchange, as published by the Central Bank of Russian Federation ("CB RF"), of the Russian Ruble ("RR") to the US Dollar ("US $") at 30 June 2017 and 31 December 2016 was RR 59.09 and RR 60.66 to US $, respectively. Average rate of exchange for the six months ended 30 June 2017 and 2016 were RR 57.99 and RR 70.26 per US $, respectively.

(in million of Russian Rubles)

Note 3: Adoption of New or Revised Standards and Interpretations

A number of amendments to current IFRS and annual improvements became effective for the periods beginning on or after 1 January 2017 but did not have any significant impact on the Group's consolidated interim condensed financial statements:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, effective for annual periods beginning on and after 1 January 2018 for amendments to IFRS 1 and IAS 28)).

Certain new standards, interpretations and amendments to standards have been issued that are mandatory for the annual periods beginning on or after 1 January 2018 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 of and for the year ended 31 December 2016. Following new standards, amendments and interpretations to existing standards have been issued since the Group published its last annual consolidated financial statements:

- IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2021);
- IFRIC 23 "Uncertainty over Income Tax Treatments" (issued on 7 June 2017 and effective for annual periods beginning on or after 1 January 2019).

The Group is currently assessing the impact of new standards on its consolidated interim condensed financial statements.

Note 4: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 30 June 2017	At 31 December 2016
Cash on hand and in banks	41,209	40,847
Term deposits with original maturity of less than three months	19,827	22,744
Due from banks	16,095	13,515
Total cash and cash equivalents	**77,131**	**77,106**

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 22).

(in million of Russian Rubles)

Note 5: Accounts receivable

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

	At 30 June 2017	At 31 December 2016
Short-term accounts receivable:		
Trade receivables	54,545	61,295
Other financial receivables	6,179	4,239
Less: provision for impairment	(2,484)	(1,634)
Total short-term accounts receivable	**58,240**	**63,900**
Long-term accounts receivable:		
Trade receivables	1,998	1,581
Other financial receivables	422	334
Less: provision for impairment	(121)	(108)
Total long-term accounts receivable	**2,299**	**1,807**
Total financial assets within trade and other receivables	**60,539**	**65,707**

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 22).

Note 6: Banking: Loans to customers

	At 30 June 2017	At 31 December 2016
Loans to legal entities	150,933	159,176
Loans to individuals	35,262	35,017
Loans to customers before impairment	**186,195**	**194,193**
Provision for impairment	(4,343)	(1,167)
Total loans to customers	**181,852**	**193,026**
Less: long term loans	(128,112)	(125,090)
Less: provision for long term loans impairments	2,566	1,167
Total short term loans to customers and current portion of long term loans to customers	**56,306**	**69,103**

As at 30 June 2017 and 31 December 2016 the Group granted loans to 17 and 36 customers totalling RR 53,808 million and RR 78,955 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

As at 30 June 2017 and 31 December 2016, the total amount of pledged loans to legal entities is RR 4,301 million and RR 7,246 million and loans to individuals is RR 5,138 million and RR 5,435 million respectively. The loans are pledged against the funds accounted within Due to banks and CB RF (Note 14).

The analysis of changes in provision for loan impairment for the six months ended 30 June 2017 is presented in the table below:

	Loans to legal entities	Loans to individuals	Total
Provision for loan impairment at 1 January 2017	**(1,030)**	**(137)**	**(1,167)**
Net provision charge for loan impairment during the period	(3,616)	(317)	(3,933)
Loans and advances to customers written off during the period	106	-	106
Cession	520	29	549
FX translation	102	-	102
Provision for loan impairment as at 30 June 2017	**(3,918)**	**(425)**	**(4,343)**

(in million of Russian Rubles)

Note 7: Other financial assets

Short-term other financial assets comprise the following:

	At 30 June 2017	At 31 December 2016
Loans and receivables:		
Notes receivable	2	3
Loans (net of provision for impairment of RR 5 million as of 30 June 2017 and 31 December 2016)	652	1,107
Bank deposits (net of provision for impairment of RR 5,547 million and RR 5,400 million as of 30 June 2017 and of 31 December 2016)	28,406	32,206
Due from banks	946	3,022
REPO with banks	4,398	6,638
Financial assets at fair value through profit or loss:		
Held-for-trading	9,346	8,190
Available-for-sale financial assets	**2,307**	**4,254**
Held to maturity investments	**16,538**	**2,511**
Total short-term financial assets	**62,595**	**57,931**

Other long-term financial assets comprise the following:

	At 30 June 2017	At 31 December 2016
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 30 June 2017 and 31 December 2016)	455	455
Loans to employees (net of provision for impairment of RR 1,470 million and RR 1,476 million as of 30 June 2017 and 31 December 2016)	950	1,018
Other loans	2,580	2,284
Bank deposits	500	500
Due from banks	245	227
Available-for-sale financial assets	**36,726**	**31,864**
Held to maturity investments	**21,562**	**8,049**
Total long-term financial assets	**63,018**	**44,397**

The fair value of financial assets and valuation techniques used are disclosed in Note 22.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit and loss comprise the following:

	At 30 June 2017	At 31 December 2016
Held-for-trading:		
Russian government and municipal debt securities	3,275	1,928
Corporate debt securities	5,335	5,673
Corporate shares	736	589
Total financial assets at fair value through profit and loss	**9,346**	**8,190**

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

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

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.

Corporate shares include quoted shares of Russian companies and banks.

(in million of Russian Rubles)

Note 7: Other financial assets (continued)

Available-for-sale financial assets

Available for sale financial assets comprise of the following:

	At 30 June 2017	At 31 December 2016
Russian government and municipal debt securities	748	543
Corporate debt securities	5,775	7,822
Corporate shares	12,735	8,150
Investment fund units	19,775	19,603
Total available-for-sale financial assets	**39,033**	**36,118**

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

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

Federal loan bonds consist of OFZ and Russian Federation Eurobonds.

Corporate shares include quoted and unquoted shares of Russian companies and banks. At 31 December 2016 unquoted securities included investment in AK BARS Bank ordinary shares (8.6%) in the amount of RR 2,300 million. In June 2017 the Company acquired of 5 billion of AK BARS Bank’s ordinary shares with par value of RR 1 per share that were placed via additional share issuance of AK BARS Bank. As a result of this transaction, the Group’s share in AK BARS Bank increased to 17.24% (RR 7,300 million).

Investment fund units are solely presented with investment in closed mutual investment fund AK BARS – Gorizont. The main assets of this fund are the land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as an available-for-sale investment.

Held to maturity investments

Held to maturity investments comprise of the following:

	At 30 June 2017	At 31 December 2016
Municipal debt securities	1,277	483
Corporate debt securities	36,823	10,077
Total held to maturity securities	**38,100**	**10,560**

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

Corporate bonds consist of Russian Ruble, US Dollars and Euro denominated bonds and Eurobonds issued by Russian banks and companies.

Note 8: Inventories

	At 30 June 2017	At 31 December 2016
Materials and supplies	11,206	9,696
Crude oil	5,301	9,996
Refined oil products	10,521	9,087
Petrochemical supplies and finished goods	6,687	4,183
Other	309	309
Total inventories	**34,024**	**33,271**

(in million of Russian Rubles)

Note 9: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 30 June 2017	At 31 December 2016
Prepaid export duties	3,324	4,490
VAT recoverable	6,325	5,375
Advances	11,277	11,475
Prepaid transportation expenses	1,195	1,679
Other	1,335	870
Prepaid expenses and other current assets	**23,456**	**23,889**

Note 10: Banking: Non-current assets held for sale

At 1 January 2017	**4,247**
Addition by taking possession of collateral	1,927
Disposal as a result of sale	(112)
At 30 June 2017	**6,062**

As at 30 June 2017 and 31 December 2016 non-current assets held for sale include real estate which the Group received in the course of its banking activities by taking possession of collateral held as security for loans and receiving other property. The carrying amount of non-current assets held for sale will be recovered through a sale transaction.

The property in the amount of RR 112 million has been converted into cash during the six months ended 30 June 2017 with a gain of RR 8 million.

Note 11: Taxes

Income tax expense comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Current income tax expense	(8,308)	(7,515)	(16,690)	(13,796)
Deferred income tax benefit/(expense)	57	(1,850)	(702)	(2,295)
Income tax expense for the period	**(8,251)**	**(9,365)**	**(17,392)**	**(16,091)**

(in million of Russian Rubles)

Note 11: Taxes (continued)

Presented below is reconciliation between the provision for income taxes and theoretical taxes determined by applying the statutory tax rate 20% to income before income tax:

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Profit before income tax	33,988	40,259	79,765	64,567
Theoretical income tax expense at statutory rate	(6,798)	(8,051)	(15,953)	(12,913)
Increase due to:				
Non-deductible expenses, net	(754)	(1,314)	(1,271)	(3,178)
Deferred tax assets write-off	(489)	-	(489)	-
Other	(210)	-	321	-
Income tax expense	**(8,251)**	**(9,365)**	**(17,392)**	**(16,091)**

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:	
	2017	**2016**	**2017**	**2016**
Mineral extraction tax	42,937	31,081	88,490	51,801
Property tax	1,443	1,428	2,856	2,821
Other	392	374	885	749
Total taxes other than income taxes	**44,772**	**32,883**	**92,231**	**55,371**

At 30 June 2017 and 31 December 2016 taxes payable were as follows:

	At 30 June 2017	**At 31 December 2016**
Mineral extraction tax	12,167	14,652
Value Added Tax on goods sold	1,818	2,707
Export duties	1,338	1,277
Property tax	1,109	1,128
Other	3,606	3,973
Total taxes payable	**20,038**	**23,737**

(in million of Russian Rubles)

Note 12: Debt

	At 30 June 2017	At 31 December 2016
Short-term debt		
Bonds issued	20,870	3,903
Debt securities issued	4,046	4,894
US $2.0 bln 2010 credit facility	-	830
US $75 mln 2011 credit facility	1,747	2,001
US $144.5 mln 2011 credit facility	3,241	3,584
EUR 55 mln 2013 credit facility	2,638	2,925
Other debt	947	695
Total short-term debt	**33,489**	**18,832**
Current portion of long-term debt	31	456
Total short-term debt, including current portion of long-term debt	**33,520**	**19,288**
Long-term debt		
Bonds issued	906	28,795
Subordinated debt	4,553	4,497
Debt securities issued	74	-
Other debt	1,853	2,006
Total long-term debt	**7,386**	**35,298**
Less: current portion of long-term debt	(31)	(456)
Total long-term debt, net of current portion	**7,355**	**34,842**

Credit facilities. In June 2010, the Company entered into a triple (3, 5 and 7 year) tranches secured credit facility for up to US $2 billion arranged by Barclays Bank PLC, BNP Paribas (Suisse) SA, Bank of Moscow, Bank of Tokyo-Mitsubishi UFJ LTD, Citibank N.A., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis SA, Nordea Bank, The Royal Bank of Scotland N.V., Sberbank, Société Générale, Sumitomo Mitsui Finance Dublin LTD, Unicredit Bank AG, VTB Bank and WestLB AG. The loan is collateralized with the contractual rights and receivables under an export contract between Tatneft and Tatneft Europe AG under which Tatneft supplies no less than 750,000 metric tons of oil in a calendar quarter. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The facility was fully repaid in June 2017.

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. 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.

Bonds issued. At 30 June 2017 and 31 December 2016 bonds issued are bonds denominated in Russian Rubles issued by Bank ZENIT that mature between 2017 and 2026. At 30 June 2017 and 31 December 2016 the annual coupon rates on these securities range from 8.5% to 11.25% and 8.5% to 12.5% respectively, and yields to maturity vary from 7.5% to 12.3%. The majority of bonds allow early repurchase at the request of the bond holder as set in the respective offering documents. In addition, the issuer at any time with the consent of the bond holder, may purchase / repay the bonds early with the possibility of subsequently placing the bonds in the market. Such purchase / repayment of the bonds does not constitute an early redemption.

(in million of Russian Rubles)

Note 12: Debt (continued)

Subordinated debt. At 30 June 2017 and 31 December 2016 subordinated debt is presented with three subordinated loans raised by Bank ZENIT. Subordinated loans bear interest at rates ranging from 6.5% to 8.44% and mature from 2019 to 2024 at 30 June 2017 and at rates ranging from 6.5% to 8.3% and mature from 2019 to 2024 at 31 December 2016.

In relation to two of subordinated loans maturing in 2021 and 2024 bearing an interest rate of 8.44% the Group is obliged to comply with certain financial covenants.

In September 2015 Bank ZENIT received Federal government bonds (OFZ) under the loan agreement with the Deposit Insurance Agency (DIA) in the amount of RUB 9 933 million. Federal government bonds received from the Deposit Insurance Agency is accounted as off-balance sheet item. The funding increased capital (calculated in accordance with the requirements of the CBR) and step up lending to companies operating in priority sectors of economy, small and medium-sized businesses, as well as mortgage lending.

Debt securities issued. At 30 June 2017 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles and US Dollars with effective interest rates from 2% to 14% and from 0.9% to 5.99% respectively. At 31 December 2016 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles, US Dollars and Euro with effective interest rates from 3.99% to 10.73%, from 2% to 5.99% and from 1.65% to 2.8% respectively. Maturity dates of these promissory notes vary from 2017 to 2028.

As at 30 June 2017 and 31 December 2016 non-interest-bearing promissory notes of the aggregate nominal value of RR 735 million and RR 915 million respectively were issued by the Group for settlement purposes and mature primarily on demand.

Other debt. Other debt is primarily comprised of loans with Russian companies and banks. Other debt bear contractual interest rates of 0% to 15% per annum as of 30 June 2017 and 31 December 2016.

Note 13: Accounts payable and accrued liabilities

	At 30 June 2017	**At 31 December 2016**
Trade payables	21,949	25,575
Other payables	517	430
Total financial liabilities within trade and other payables	**22,466**	**26,005**
Salaries and wages payable	4,151	4,555
Advances received from customers	5,209	10,361
Current portion of decommissioning provisions	82	82
Other accounts payable and accrued liabilities	5,627	4,357
Total non-financial liabilities	**15,069**	**19,355**
Accounts payable and accrued liabilities	**37,535**	**45,360**

The fair value of each class of financial liabilities included in short-term trade and other payables at 30 June 2017 and 31 December 2016 is presented in Note 22.

(in million of Russian Rubles)

Note 14: Banking: Due to banks and CB RF

	At 30 June 2017	At 31 December 2016
Term deposits from other banks	10,807	11,810
Term deposits from CB RF	5,875	6,080
Correspondent accounts and other banks' overnight deposits	802	460
Total due from banks and CB RF	**17,484**	**18,350**
Less: long term due from banks and CB RF	(7,881)	(4,415)
Total short term of due from banks and CB RF	**9,603**	**13,935**

Included in amounts due to banks as at 30 June 2017 and 31 December 2016 are RR 14,489 million and RR 12,510 million of correspondent accounts and term deposits from three Russian banks, which individually exceeded 5% of the Bank ZENIT equity. Term deposits from the CB RF mature from 5 March 2018 to 26 June 2020. The interest rates on term deposits from CB RF range from 6.5% to 10.75%. As at 30 June 2017 and 31 December 2016 term deposits in the amount of RR 10,391 million and RR 10,974 million are collateralized with loans to customers in the amount of RR 9,439 million and RR 12,669 million discussed in Note 6.

Note 15: Banking: Customer accounts

	At 30 June 2017	At 31 December 2016
State and public organizations		
Current / settlement accounts	751	739
Term deposits	4,313	4,457
Other legal entities		
Current / settlement accounts	24,813	21,022
Term deposits	40,231	44,640
Individuals		
Current / settlement accounts	13,050	11,578
Term deposits	98,270	98,278
Total customer accounts	**181,428**	**180,714**
Less: long-term customer accounts	(1,346)	(3,292)
Total short-term customer accounts	**180,082**	**177,422**

Included in customer accounts at 30 June 2017 and 31 December 2016 are RR 22,851 million and RR 31,432 million of current/settlement accounts and term deposits from 8 and 11 customers, which individually exceeded 5% of the Bank ZENIT equity.

(in million of Russian Rubles)

Note 16: Interest Income and Expense on banking activity

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Interest income				
Interest income on assets recorded at amortized cost:				
Loans to customers	7,030	-	14,147	-
Due from banks	539	-	1,147	-
Held to maturity investments	240	-	323	-
Correspondent accounts	11	-	19	-
Total interest income on financial assets recorded at amortized cost	**7,820**	**-**	**15,636**	**-**
Interest income on assets at fair value through profit or loss				
Financial assets held-for-trading	111	-	263	-
Available for sale financial assets	260	-	515	-
Total interest income on assets at fair value through profit or loss	**371**	**-**	**778**	**-**
Total interest income	**8,191**	**-**	**16,414**	**-**
Interest expense				
Interest expense on liabilities recorded at amortized cost:				
Term deposits of individuals	(1,607)	-	(3,016)	-
Term deposits of legal entities	(547)	-	(1,586)	-
RUR-denominated bonds issued	(791)	-	(1,063)	-
Subordinated debt	(577)	-	(809)	-
Term placements of banks	(427)	-	(813)	-
Debt securities issued	(48)	-	(59)	-
Interest expense on liabilities recorded at amortized cost	**(3,997)**	**-**	**(7,346)**	**-**
Total interest expense	**(3,997)**	**-**	**(7,346)**	**-**
Net interest income	**4,194**	**-**	**9,068**	**-**

(in million of Russian Rubles)

Note 17: Fee and Commission Income and Expense on banking activity

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Settlement transactions	477	-	930	-
Cash transactions	143	-	274	-
Operations with foreign currencies	96	-	188	-
Guarantees issued	67	-	135	-
Transactions with securities	4	-	12	-
Asset management	4	-	7	-
Other	73	-	115	-
Total fee and commission income	**864**	**-**	**1,661**	**-**
Settlement transactions	(188)	-	(368)	-
Cash transactions	(30)	-	(61)	-
Transactions with securities	(17)	-	(28)	-
Operations with foreign currencies	(5)	-	(11)	-
Commission on guarantees received	(4)	-	(5)	-
Other	(22)	-	(42)	-
Total fee and commission expense	**(266)**	**-**	**(515)**	**-**
Net fee and commission income	**598**	**-**	**1,146**	**-**

Note 18: Other income and expenses

Interest income on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Interest income from loans and receivables	1,976	1,563	3,862	2,782
Unwinding of the present value discount of long-term financial assets	130	288	146	314
Total interest income on non-banking activities	**2,106**	**1,851**	**4,008**	**3,096**

Interest expense on non-banking activities comprises the following:

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Bank loans	(114)	(135)	(222)	(286)
Unwinding of the present value discount of decommissioning provision	(480)	(813)	(1,298)	(1,629)
Unwinding of the present value discount of long-term financial assets and liabilities	(22)	(17)	(39)	(30)
Total interest expenses on non-banking activities recognized in profit or loss	**(616)**	**(965)**	**(1,559)**	**(1,945)**

For the six months ended 30 June 2017 the Group recognized RR 8,995 million and RR 10,279 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 2016: RR 13,345 million and RR 15,382 million, respectively).

For the three months ended 30 June 2017 the Group recognized RR 6,360 million and RR 5,284 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 2016: RR 7,028 million and RR 8,515 million, respectively).

Note 19: Segment information

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

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

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

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. 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 and petrochemical raw materials and refined products, which are used in production of tires.
- Banking segment includes operations of Bank ZENIT.

Other sales include revenues from ancillary services provided by the specialized subdivisions and subsidiaries of the Group, such as sales of oilfield equipment to other companies in Tatarstan, 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 taxes and non-controlling interest not including interest income and expense on non-banking activities, share of results of associates and joint ventures, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the three months ended 30 June 2017, revenues of RR 21,863 million or 14% and RR 16,317 million or 11% of the Group's total sales and operating revenues are derived from two external customers, respectively.

For the six months ended 30 June 2017, revenue of RR 40,140 million or 13% and RR 38,136 million or 12% of the Group's total sales and operating revenues are derived from two external customers, respectively.

For the three months ended 30 June 2016, revenues of RR 23,922 million or 16% of the Group's total sales and operating revenues are derived from one external customer.

For the six months ended 30 June 2016, revenue of RR 40,971 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 and refining and marketing segment. Management does not believe the Group is dependent on any particular customer.

(in million of Russian Rubles)

Note 19: 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:	
	2017	**2016**	**2017**	**2016**
Exploration and production				
Domestic own crude oil	21,078	24,965	45,904	42,960
CIS own crude oil	5,102	5,840	9,579	10,305
Non – CIS own crude oil	62,444	44,717	122,388	76,535
Other	1,093	1,335	2,207	2,649
Intersegment sales	18,229	23,860	46,328	43,651
Total exploration and production	**107,946**	**100,717**	**226,406**	**176,100**
Refining and marketing				
Domestic sales				
Crude oil purchased for resale	1,712	1,823	2,143	5,289
Refined products	28,943	28,711	57,830	55,092
Total Domestic sales	30,655	30,534	59,973	60,381
CIS sales				
Refined products	1,339	1,200	3,303	2,805
Total CIS sales(1)	1,339	1,200	3,303	2,805
Non – CIS sales				
Crude oil purchased for resale	1,700	1,719	3,608	3,575
Refined products	13,878	21,167	42,277	39,943
Total Non – CIS sales(2)	15,578	22,886	45,885	43,518
Other	1,834	1,904	3,437	3,428
Intersegment sales	270	694	547	1,821
Total refining and marketing	**49,676**	**57,218**	**113,145**	**111,953**
Petrochemicals				
Tires - domestic sales	7,510	8,377	14,294	13,917
Tires - CIS sales	2,004	2,083	3,623	3,434
Tires - non-CIS sales	404	400	893	778
Petrochemical products and other	643	743	1,274	1,281
Intersegment sales	235	216	449	453
Total petrochemicals	**10,796**	**11,819**	**20,533**	**19,863**
Banking				
Interest income	8,191	-	16,414	-
Fee and commission income	864	-	1,661	-
Total banking	**9,055**	**-**	**18,075**	**-**
Total segment sales	**177,473**	**169,754**	**378,159**	**307,916**
Corporate and other sales	2,576	1,879	5,945	5,853
Elimination of intersegment sales	(18,734)	(24,770)	(47,324)	(45,925)
Total sales and other operating revenues	**161,315**	**146,863**	**336,780**	**267,844**

(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, the Netherlands and the United Kingdom based traders and Poland based refineries.

(in million of Russian Rubles)

Note 19: Segment information (continued)

Segment earnings

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Segment earnings				
Exploration and production	32,845	42,654	80,625	71,691
Refining and marketing	1,554	(766)	1,575	7,016
Petrochemicals	267	537	533	659
Banking	(904)	-	1,332	-
Total segment earnings	**33,762**	**42,425**	**84,065**	**79,366**
Corporate and other	(2,345)	(2,997)	(5,541)	(15,092)
Other income, net	2,571	831	1,241	293
Profit before income tax	**33,988**	**40,259**	**79,765**	**64,567**

For the six months ended 30 June 2016 corporate and other loss included loss on disposal of interest in subsidiaries. On 1 January 2016 several entities of the Group ceased to meet the power criteria for consolidation under IFRS 10 Consolidated financial statements and were deconsolidated as of that date. The Group did not have any direct or indirect ownership in the deconsolidated entities but exercised control over them in prior years. Deconsolidation resulted in one-off loss on disposal in amount of RR 8,745 million recorded within Loss on disposals of interest in subsidiaries and associates in the consolidated interim condensed statement of profit or loss and other comprehensive income for the six months ended 30 June 2016.

Segment assets

	At 30 June 2017	**At 31 December 2016**
Assets		
Exploration and production	299,820	300,673
Refining and marketing	367,145	356,191
Petrochemicals	28,415	29,977
Banking	287,842	286,421
Corporate and other	147,555	121,335
Total assets	**1,130,777**	**1,094,597**

As of 30 June 2017 and 31 December 2016 corporate and other includes RR 29,738 million and RR 25,216 million of available-for-sale investments, RR 23,895 million and RR 0 million of investments held to maturity and RR 47,723 million and RR 50,762 million of bank deposits, respectively.

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

(in million of Russian Rubles)

Note 19: 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:	
	2017	**2016**	**2017**	**2016**
Depreciation, depletion and amortization				
Exploration and production	4,371	3,280	6,275	6,293
Refining and marketing	2,722	1,814	4,534	3,556
Petrochemicals	442	458	879	914
Banking	16	-	79	-
Corporate and other	204	148	328	270
Total segment depreciation, depletion and amortization	**7,755**	**5,700**	**12,095**	**11,033**
Additions to property, plant and equipment				
Exploration and production	7,667	17,561	16,241	28,024
Refining and marketing	10,126	5,097	17,943	13,719
Petrochemicals	510	152	1,008	407
Banking	8	-	38	-
Corporate and other	2,812	1,184	4,117	1,927
Total additions to property, plant and equipment	**21,123**	**23,994**	**39,347**	**44,077**

Note 20: 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.

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:	
	2017	**2016**	**2017**	**2016**
Revenues and income				
Sales of refined products	2	149	4	473
Other sales	65	275	128	588
Interest income	52	943	102	1,578
Costs and expenses				
Other services	257	307	515	694
Other purchases	168	1,468	229	2,447

For the six months ended 30 June 2016 operations with associates include operations with PJSC Nizhnekamskneftekhim and PJSC Bank ZENIT.

(in million of Russian Rubles)

Note 20: Related party transactions (continued)

On 17 March 2016 the Group acquired from a government related entity 25% minus 1 share voting interest in PJSC Nizhnekamskneftekhim for total cash consideration of RR 19,850 million which was paid in December 2015. In December 2016 the Group sold its 25% minus 1 share interest in PJSC Nizhnekamskneftekhim to the third party. Also in October 2016 the Group increased its share in PJSC Bank ZENIT and, as a result, obtained control. Starting October 2016 the Group consolidates PJSC Bank ZENIT as subsidiary.

At 30 June 2017 and 31 December 2016 the outstanding balances with associates, joint ventures and other related parties were as follows:

	At 30 June 2017	At 31 December 2016
Assets		
Accounts receivable, net	640	675
Banking: Loans to customers	116	-
Other financial assets		
Trading securities	25	146
Other loans receivable	-	361
Prepaid expenses and other current assets	462	469
Due from related parties short-term	**1,243**	**1,651**
Long-term accounts receivable	155	142
Other financial assets		
Available for sale	3,123	3,758
Other loans receivable	2,248	2,022
Due from related parties long-term	**5,526**	**5,922**
Liabilities		
Accounts payable and accrued liabilities	(53)	(47)
Banking: Customer accounts	(1,480)	(812)
Due to related parties short-term	**(1,533)**	**(859)**
Banking: Customer accounts	(650)	-
Other debt	-	(33)
Due to related parties long-term	**(650)**	**(33)**

At 30 June 2017 and 31 December 2016 key management personnel customer accounts in Bank ZENIT amounted to RR 23,028 million and RR 21,667 million, respectively.

(in million of Russian Rubles)

Note 20: Related party transactions (continued)

Russian Government bodies and state organizations

At 30 June 2017 and 31 December 2016 the outstanding balances with Russian Government bodies and state organizations were as follows:

	At 30 June 2017	At 31 December 2016
Assets		
Cash and cash equivalents	28,821	19,899
Banking: Mandatory reserve deposits with CB RF	2,065	1,988
Accounts receivable	2,291	1,720
Banking: Loans to customers	970	2,279
Other financial assets		
Bank deposits	355	409
Trading securities	4,950	3,138
Available-for-sale	735	1,452
Held to maturity	10,694	571
Other loans	-	290
Prepaid expenses and other current assets	8,177	9,052
Due from related parties short-term	**59,058**	**40,798**
Long-term accounts receivable	1,024	-
Other financial assets		
Available-for-sale	10,368	5,027
Held to maturity	17,187	3,453
Other loans	-	238
Due from related parties long-term	**28,579**	**8,718**
Liabilities		
Accounts payable and accrued liabilities	(714)	(961)
Banking: Due to banks and CB RF	(7,789)	(4,700)
Banking: Customer accounts	(7,333)	(4,061)
Other debt	(886)	(3)
Due to related parties short-term	**(16,722)**	**(9,725)**
Subordinated debt	(2,140)	(2,140)
Banking: Due to banks and CB RF	(3,365)	(9,624)
Due to related parties long-term	**(5,505)**	**(11,764)**

The amounts of transactions for each period with Government bodies and state organizations are as follows:

	Three months ended 30 June:		Six months ended 30 June:	
	2017	**2016**	**2017**	**2016**
Sales of crude oil	-	-	-	567
Sales of refined products	2,062	1,694	4,805	3,782
Other sales	1,159	345	2,116	790
Interest income	1,665	283	2,352	396
Interest expense	687	-	852	-
Purchases of refined products	7,676	4,049	17,561	7,798
Purchases of electricity	3,371	3,511	7,095	6,149
Purchases of transportation services	7,260	5,469	13,797	10,478
Other services	1,123	887	2,111	1,854
Other purchases	539	147	885	219

(in million of Russian Rubles)

Note 21: Contingencies and commitments

Operating Environment of the Group

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. Tax, currency and customs legislation is sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation.

In the recent years the Russian economy was negatively impacted by a decline in oil prices and ongoing political tensions.

The ongoing uncertainty and volatility of the financial markets and other risks could have significant negative effects on the Russian financial and corporate sectors. Management determined provisions for impairment by considering the economic situation and outlook at the end of the reporting period.

These events may have a further significant impact on the Group's future operations and financial position, the effect of which is difficult to predict.

The future economic development of the Russian Federation is dependent upon external factors and internal measures undertaken by the government to sustain growth, and to change the tax, legal and regulatory environment. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment.

Capital commitments. As of 30 June 2017 and 31 December 2016 the Group has outstanding capital commitments of approximately RR 46,636 million and RR 46,176 million, respectively, mainly for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2017 and 2020.

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 TANECO refinery project, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

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

Outstanding credit related commitments are as follows:

	At 30 June 2017	**At 31 December 2016**
Loan commitments	30,194	24,885
Guarantees issued	12,955	15,211
Import letters of credit	1,543	1,082
Total credit related commitments before impairment	**44,692**	**41,178**
Less: allowance for credit related commitment impairment	(782)	(987)
Less: client funds held as security for guarantees issued	(53)	(354)
Less: client funds held as security for import letter of credit	(756)	(752)
Total credit related commitments	**43,101**	**39,085**

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.

Note 21: Contingencies and commitments (continued)

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. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group.

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

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

Ukrtatnafta. In May 2008,Tatneft commenced international arbitration against Ukraine on the basis of the agreement between the Government of the Russian Federation and the Cabinet of Ministries of Ukraine on the Encouragement and Mutual Protection of Investments of November 27, 1998 ("Russia-Ukraine BIT") in connection with the forcible takeover of Ukrtatnafta and seizure of shares of the Group in Ukrtatnafta. In July 2014 the arbitral tribunal issued the award holding Ukraine liable for violation of the Russia-Ukraine BIT and required Ukraine to pay Tatneft US$ 112 million plus interest. Ukraine filed a request for annulment of the award in the Court of Appeals in Paris, France (seat of arbitration), which on 29 November 2016 rejected the request for annulment. In March 2017 Ukraine filed a cassation appeal against the Paris Court of Appeals decision of November 29, 2016 rejecting its request for annulment. At this time, it is not clear whether and when the cassation appeal will be heard. Filing of the cassation appeal shall not preclude Tatneft from commencing enforcement of the award. Accordingly, Tatneft has commenced recognition and enforcement procedures in relation to this arbitration award in the USA, England and the Russian Federation. In March 2017, Tatneft filed a petition to recognize and enforce the award in the U.S. District Court for the District of Columbia , which is now pending and is subject to various procedural actions by Tatneft and Ukraine.

In April 2017, Tatneft filed an application for recognition of the award and permission to enforce the award in the High Court of England and Wales. In May 2017, the High Court approved Tatneft's application to enforce the award, however the order granting Tatneft's application and the enforcement procedure are subject to challenge by Ukraine.

On 27 June 2017 the Arbitration Court of the City of Moscow terminated the proceedings in relation to Tatneft's application for recognition and enforcement of the award due to Ukraine's alleged jurisdictional immunity and lack of effective jurisdiction of the Arbitration Court of the City of Moscow to consider the application. On 22 August 2017, the Arbitration Court of the Moscow District overturned this ruling. Tatneft's petition for enforcement of the award will now be returned to the Arbitration Court of the City of Moscow for further consideration.

Note 21: Contingencies and commitments (continued)

On 23 March 2016 Tatneft commenced court proceedings in England against Gennady Bogolyubov, Igor Kolomoisky, Alexander Yaroslavsky and Pavel Ovcharenko. Tatneft alleges that in 2009 those individuals fraudulently diverted to themselves sums owed to Tatneft for oil it had supplied to Kremenchug refinery (Ukrtatnafta). Tatneft claims damages of US$ 334.1 million plus interest. On 8 November 2016 the High Court refused the claim. On 23 November 2016 Tatneft filed with the Court of Appeals permission to appeal the judgement of 8 November 2016. Tatneft's appeal was heard by the Court of Appeals at the end of July 2017. The decision of the Court of Appeals is expected in October 2017.

Libya. As a result of the political situation in Libya, in February 2011 the Group had to entirely suspend its operations in that country and evacuate all its personnel. In February 2013 the Group started the process of resuming its activities in Libya, including the return of its personnel to a branch in Tripoli and recommencement of some exploration activities. Due to the deterioration of security situation in Libya in the second half of 2014 the Group had to suspend all of its operations and announced a force-majeure under the Exploration and Production Sharing Agreements, acknowledged by the National Oil Company, which is continuing as of the date of this report. The Group is constantly monitoring the security and political situation in Libya, and plans to resume its operations once the conditions permit to do so.

As of 30 June 2017 the Group had approximately RR 5,759 million of assets associated with its Libyan operations of which RR 5,543 million is related to capitalized exploration costs, RR 210 million of inventories and RR 6 million of cash. As of 31 December 2016 the Group had approximately RR 5,752 million of assets associated with its Libyan operations of which RR 5,532 million is related to capitalized exploration costs, RR 210 million of inventories and RR 10 million of cash.

Note 22: 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. For the Group, Level 1 inputs include held-for-trading financial assets that are actively traded on markets.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For the Group, Level 2 inputs include observable market value measures applied to available for sale securities.

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.

(in million of Russian Rubles)

Note 22: Fair values (continued)

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 2017				At 31 December 2016			
	Fair value			Carrying value	Fair value			Carrying value
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	8,718	-	628	**9,346**	7,759	-	431	**8,190**
Available-for-sale financial assets	9,672	7,300	22,061	**39,033**	9,509	2,300	24,309	**36,118**
Investment property	-	-	766	**766**	-	-	877	**877**
Total	**18,390**	**7,300**	**23,455**	**49,145**	**17,268**	**2,300**	**25,617**	**45,185**

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 2017 and 31 December 2016:

	Fair value hierarchy	Valuation technique / key input data
Available-for-sale financial assets	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the six months ended 30 June 2017 and the year ended 31 December 2016. There have been no transfers between Level 1, Level 2 and Level 3 during the period.

(in million of Russian Rubles)

Note 22: 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 2017				At 31 December 2016			
			Fair value	Carrying			Fair value	Carrying
	Level 1	Level 2	Level 3	value	Level 1	Level 2	Level 3	value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	-	41,209	-	41,209	-	40,847	-	40,847
Term deposits	-	19,827	-	19,827	-	22,744	-	22,744
Due from banks	-	16,095	-	16,095	-	13,515	-	13,515
Restricted cash	-	-	-	-	-	3	-	3
Banking: Mandatory reserve deposits with CB RF	-	-	2,065	2,065	-	-	1,988	1,988
Accounts receivable					-			
Trade receivables	-	-	54,639	54,639	-	-	61,467	61,467
Other financial receivables	-	-	5,900	5,900	-	-	4,240	4,240
Banking: Loans to customers	-	-	176,348	181,852	-	-	193,026	193,026
Other financial assets								
Bank deposits	-	28,906	-	28,906	-	32,706	-	32,706
Due from banks		1,191	-	1,191	-	3,249	-	3,249
REPO	-	4,398	-	4,398	-	6,638	-	6,638
Notes receivable	-	-	457	457	-	-	458	458
Loans to employees	-	-	950	950	-	-	1,018	1,018
Other loans	-	-	3,232	3,232	-	-	3,391	3,391
Held to maturity investments	38,100	-	-	38,100	10,560	-	-	10,560
Total financial assets	**38,100**	**111,626**	**243,591**	**398,821**	**10,560**	**119,702**	**265,588**	**395,850**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	21,949	21,949	-	-	25,575	25,575
Dividend payable	-	-	51,483	51,483	-	-	149	149
Other payables	-	-	517	517	-	-	430	430
Debt								
Bonds issued	21,423	-	-	21,776	32,698	-	-	32,698
Subordinated debt	-	-	4,553	4,553	-	-	4,497	4,497
Debt securities issued	-	-	4,120	4,120	-	-	4,894	4,894
Credit facilities	-	-	7,626	7,626	-	-	9,340	9,340
Other debt	-	-	2,800	2,800	-	-	2,701	2,701
Banking: Due to banks and CB RF	-	17,180	-	17,484	-	18,350	-	18,350
Banking: Customer accounts	-	181,166	-	181,428	-	180,714	-	180,714
Other short-term liabilities	-	-	920	920	-	-	1,398	1,398
Total financial liabilities	**21,423**	**198,346**	**93,968**	**314,656**	**32,698**	**199,064**	**48,984**	**280,746**

The carrying amounts of financial assets and liabilities carried at amortized cost approximates their fair values. 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 23: Acquisition of additional share in share capital of PJSC Bank ZENIT

In June 2017 PJSC Tatneft acquired an additional issuance of 14 billion of its consolidated subsidiary PJSC Bank ZENIT ordinary shares with par value of RR 1 per share. The additional shares issuance was placed via closed subscription in favour of PJSC Tatneft. As a result of this transaction, after giving effect to PJSC Bank ZENIT new share issuance, the Group's share in PJSC Bank ZENIT increased from 50.43% to 71.8992%. The difference between fair value of consideration paid and carrying value of minority interest of RR 787 million has been charged to additional paid-in-capital within shareholders' equity.