



20 YEARS OF SUSTAINABLE DEVELOPMENT

IN THE STATUS OF JOINT STOCK COMPANY

Annual Report of JSC TATNEFT for 2014

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FORWARD-LOOKING STATEMENTS

This annual report, in addition to the actual data of the previous period, contains some forward-looking statements. These statements, in particular, include statements about future operational results, plans and/or forward-looking statements with respect to future economic and financial performance, goals and objectives of the Company regarding the development plans, including those relating to products and services.

The forward-looking statements may include, but not limited to, the information concerning anticipated or expected revenue, profit (loss), net profit (loss) in respect of shares, dividends, capital structure and other financial matters.

The content of these statements is forward-looking and is accompanied by the words «expects», «anticipates», «plans», «intends», etc. Due to their specific nature, the forward-looking statements are subject to inherent risk and uncertainties, both general and specific. There is a risk that the future actual results may materially differ from those plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements, or may not be implemented due to a number of different factors.

JSC TATNEFT 2014 year-end Annual Report has been prepared on a uniform integrated basis incorporating the requirements applicable to annual reports of public companies and the corporate accounting standards applicable to sustainable development. The Integrated Annual Report considers the principles of the Corporate Governance Code recommended for use by the Letter of Bank of Russia No. 06-52/2463 dated 10 April 2014.

The Annual Report of the Company on the information disclosure corresponds to the requirements of the following documents:

- Federal Law No. 208-FZ «On Joint Stock Companies» dated 26 December 1995.
- Federal Law No. 39-FZ «On the Securities Market» dated 22 April 1996.
- Regulations of the Central Bank of the Russian Federation No. 454-P «On the Disclosure of Information by Issuers of Securities» dated 30 December 2014.

The Annual Report includes JSC TATNEFT Balance Sheet for the period from 1 January to 31 December 2014, certified by the Auditors' Opinion of ZAO ENERGY CONSULTING/Audit and the IFRS consolidated financial statements as of the year ended 31 December 2014, certified by the Independent Auditor's Report of ZAO PricewaterhouseCoopers Audit.

As related to the sustainable development aspects the integrated annual report of the Company is focused on compliance with the following standards:

- Global Reporting Initiative (G4) Guidelines for annual reports on sustainable development;
- AA 1000 Stakeholder Engagement Standard;
- ISO 26000 Guidance on Social Responsibility Standard;
- Social Charter of Russian business;
- International Standard of Integrated Reporting (www.theiirc.org/international-ir-framework/).

The Annual Report of Joint Stock Company «TATNEFT» for 2014 has been preliminarily approved by the Board of Directors of JSC TATNEFT. Minutes No. 13 dated 22 May 2015.

ADDRESS TO SHAREHOLDERS, INVESTORS AND PARTNERS



DEAR SHAREHOLDERS, INVESTORS AND PARTNERS!

TATNEFT successfully completed the production program in 2014 and ensured further implementation of strategic initiatives. The volume of crude oil produced amounted to 26.2 million tonnes. The financial and economic indicators exceeded the planned level.

In order to provide the resource base for implementation of the strategic objectives the Company carried out a large amount of exploration works with application of innovative technologies providing for enhanced replacement of hydrocarbon reserves.

The Company continued development of Ashalchinskoye extra-viscous oil field. The cumulative volume of this oil production exceeded 560,000 tonnes. A number of important technological solutions developed by the Company's professionals were successfully tested. Preparations of new sites are underway, which will allow 2-fold increase of the extra-viscous oil production in 2015. In addition, JSC TATNEFT performed a substantial amount of research guidance

and pilot projects to involve Domanik deposits in the development.

Significant results were achieved in the construction of the Oil Refining and Petrochemical Plants Complex. A combined hydrocracking installation with production of base oils was commissioned. Putting the installation into operation resulted in increasing the light oil production indicator to 68% and starting the output of new types of petroleum products.

Successful implementation of a corporate project to develop the Company's refining sector contributed to a qualitative change in the revenues structure of TATNEFT. The share of the revenues from the sale of high added value petroleum products increased by 21%.

With the purpose of expanding the range of innovative competitive products the enterprises of the JSC TATNEFT's tire manufacturing complex essentially increased the production volume of solid steel cord tires in the reporting year. Together with international partners, the Company established a new facility for retreading truck solid steel cord tires.

Improvement of the organization and production management system has become a priority in the work of the Company. A five-year program of increasing the labor productivity is being successfully implemented at all the enterprises of the TATNEFT production Group. Introduction of the process control and project management methods, as well as lean production tools allow increasing the operational efficiency of the Company largely.

A new electronic document management system "Praktika" was put into commercial operation as part of the office processes optimization program, which is now used by more than 16 thousand employees. In addition, there is an automated information system for operational control of industrial safety and health operating at the Company, which has no analogues in the Russian Federation. The Company ensures high-level compliance with the environmental standards in its activities, which is acknowledged by the government authorities and industry experts.

The challenge of improving energy efficiency of production has been vital throughout the Company's history and remains in the focus. High efficiency was demonstrated by the introduction of special low-speed motors, the technology of selective shutdown of highly watered wells and a number of other innovations. The overall amount of resource saving for the reporting year in the frame of implementing the adopted program of resource saving exceeded 70 thousand tonnes of oil equivalent energy.

Through implementation of a set of effective measures, the Company has strengthened its

competitive advantages, which is especially important in the conditions of declining oil prices and the national currency volatility. The Company promptly and fully implements the obligations regarding tax deductions to all the levels of the budget and dividend payment to the shareholders. The vital task for the near future is replacement of imported technologies and equipment and switching over to domestic manufacturers' products. Remaining among the priorities there will be the Company's strategic oil refining projects, development of extra-viscous oil fields, as well as increasing the volume of horizontal drilling in order to stabilize and increase oil production volumes.

Being a socially oriented company, TATNEFT ensures a high level of corporate social and environmental responsibility. Sustainable development of the Joint Stock Company in the past year is primarily the result of the coordinated work of all the Company's personnel. We are grateful to all the working staff for their conscientious and efficient work!

Fruitful cooperation with our shareholders, investors and partners contributed to the successes and achievements of our Company!

We are convinced that the accumulated production experience, extensive application of modern methods to organize and manage business processes, combined with the high professional qualification of the employees will allow us to confidently continue implementation of the strategic initiatives and maintain positive dynamics of development in 2015!

R.N. Minnikhanov

President of the Republic of Tatarstan,
JSC TATNEFT's Chairman of the Board of Directors

N.U. Maganov

JSC TATNEFT's General Director,
Chairman of the Management Board

OUR MISSION CONSISTS IN STRENGTHENING THE INTERNATIONALLY RECOGNIZED POSITIONS AND ENSURING THE SUSTAINED DEVELOPMENT OF THE COMPANY

AS ONE OF THE LARGEST RUSSIAN VERTICALLY INTEGRATED COMPANIES PRODUCING OIL AND GAS, REFINED PRODUCTS, PETROCHEMICALS AND THERMAL AND ELECTRIC POWER BASED ON THE EFFICIENT ASSET MANAGEMENT OF THE SHAREHOLDERS, MANAGEMENT OF NATURAL RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY.

The 2014 is the outcome of the 20-year development of the Company reorganized in 1994 from the production association into a joint stock company.

THE SHAREHOLDERS' EQUITY ACCUMULATES INTERESTS OF ABOUT 45 THOUSAND SHAREHOLDERS INCLUDING NOMINAL HOLDERS. THE SHAREHOLDERS' GEOGRAPHY COVERS RUSSIA (MAJORITY OF SHAREHOLDERS), AMERICA, AUSTRALIA, EUROPE AND ASIA.

Sustained growth of the company's capitalization forms the basis for high dividend return on the invested capital by shareholders.

According to the 2014 results the Board of Directors of JSC TATNEFT proposed the Annual General Meeting of the Shareholders to approve the payment of dividends in the amount of 1058 % of the nominal value for the ordinary and preferred shares (RUR 10.58 per share).

In 2013 the dividends amounted to 823 % of the nominal value for the ordinary and preferred shares (RUR 8.23 per share).


The dividend yield based on the calculation of the market value of the ordinary shares at the end of 2014 amounted to 4.13 %, the dividend yield of the preferred shares amounted to 7.07 %.

The complete commissioning of the TANECO Complex forms the main potential for increment of the Company's capital value. Compensation of costs, consistent payment of debts and profit earning satisfy expectations of investors, which in turn will have a positive impact on the dynamics of the market capitalization. Long term growth drivers of the operating profit and economic sustainability comprise development of the retail network of filling stations, tire business and thermal electric power.




The corporate management system of the TATNEFT Group is aimed at ensuring the planning and coordination of all business structures of the Group, controlling the corporate and operational risks, and in general – improving efficiency and competitiveness pf all the business segments.


CONSISTENT STEPS OF THE COMPANY TO ACHIEVE MAXIMUM ECONOMIC EFFICIENCY OF OPERATIONS

**Ensuring incremental oil production and replacement of reserves**

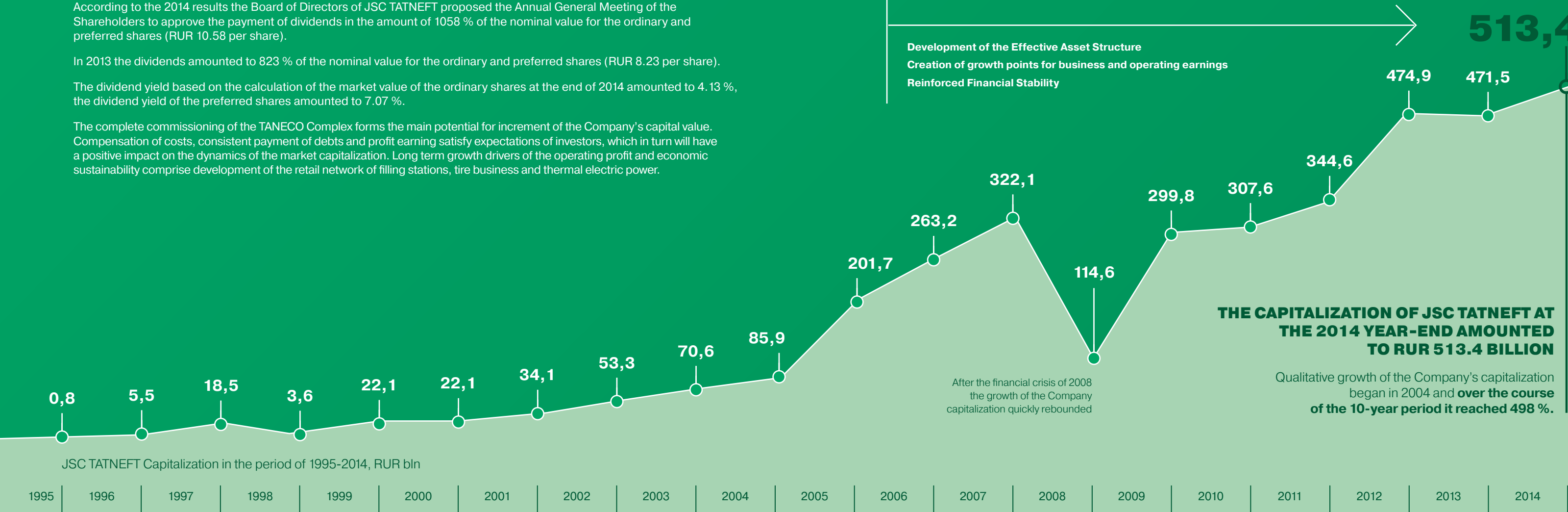
- Strengthening the resource base and expanding the geography of production assets
- Bituminous oilfield development (extra-viscous oil) and exploration of shale oil potential

**High quality consolidation of the corporate business structure and resource capacity building in the core segments**

- Oil refining
- Petrochemicals production
- Thermal electric power
- Retail Distribution Network of petroleum products

**Development of its own innovative technological potential for all the business-segments**

Development of the Effective Asset Structure
Creation of growth points for business and operating earnings
Reinforced Financial Stability



STRATEGIC INITIATIVES



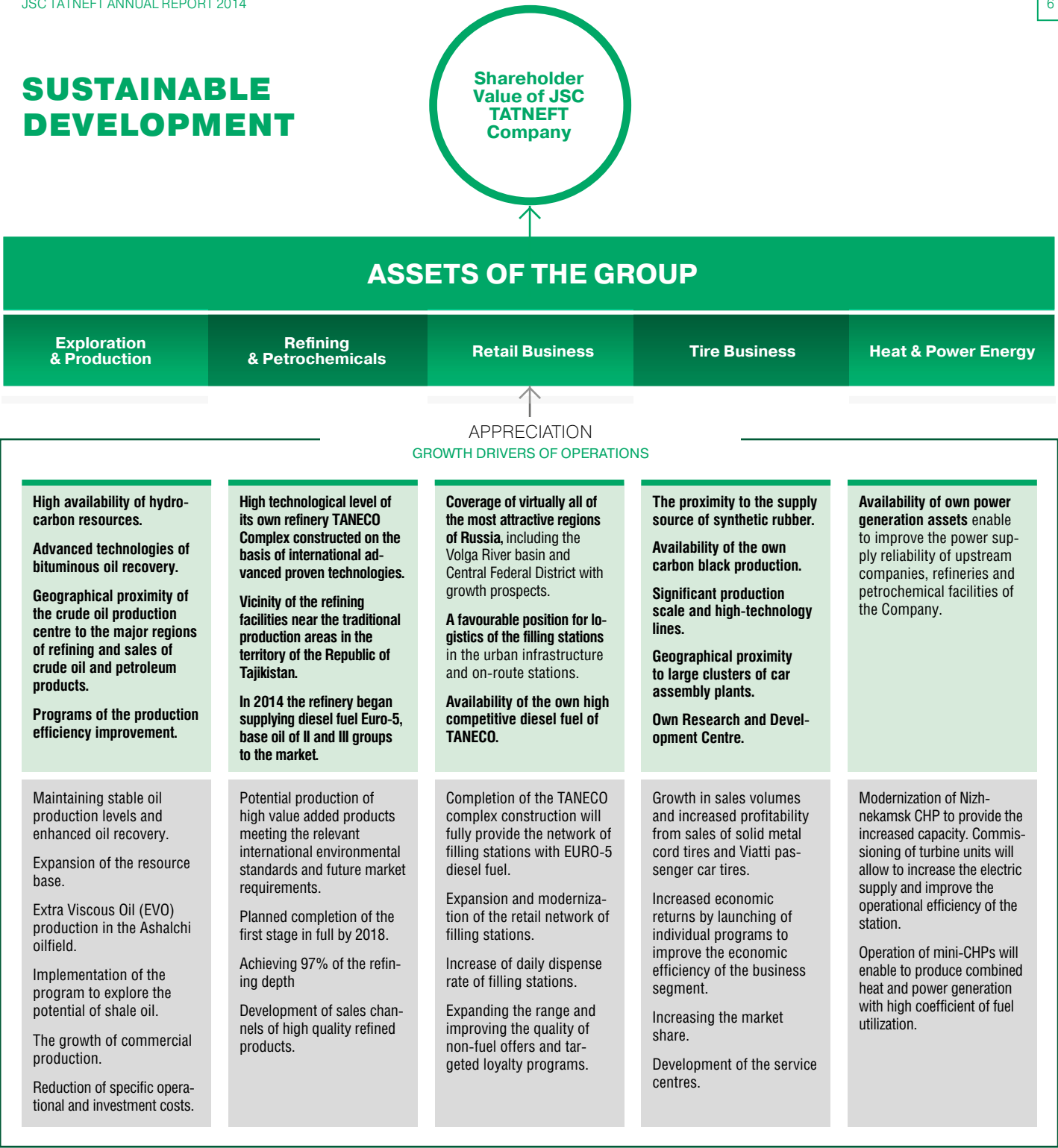
In 2014 the Company successfully achieved its objectives on strengthening the quality and profitability of the corporate assets, ensure a stable level of production and ensuring replenishment of stocks, the development of its own refinery, increase return on investment in tire production, the formation of a new value added through the production of quality products and hydrocarbon processing efficient allocation of resources and production potential. As a result of the year was the implementation of all planned production volumes and positive financial performance.

In 2014 the Company reached the maximum level of crude oil production in the last two decades. The cumulative oil production for the Group totalled to 26.529 mln tonnes. The project of Extra Viscous Oil (EVO) production was successfully implemented. The EVO production totalled 236.9 thousand tonnes in the Ashalchinskoye oilfield in 2014, 60% increase as compared to the last year. Overall, since the beginning the pilot project the extra-viscous oil production totalled 562.57 thousand tonnes. In 2014 the total production of petroleum products for the TATNEFT Group was 9.2 million tonnes. The refining output of the TANECO Complex for the year rose by 12% to 8.5 million tonnes.

JSC TATNEFT retail network of filling station is the fourth-largest retailer ranked after Lukoil, Rosneft and Gazpromneft. Sales of petroleum products through the corporate network of filling stations increased by 23.7%.

The volume of tire sales exceeded the 2013 index by 2.4%. The share of innovative products in the total tire production was 49.9%. To strengthen the power generation assets we continued modernization of Nizhnekamsk CHP capacities. The Company pays great attention to environmental activities and social-oriented projects.

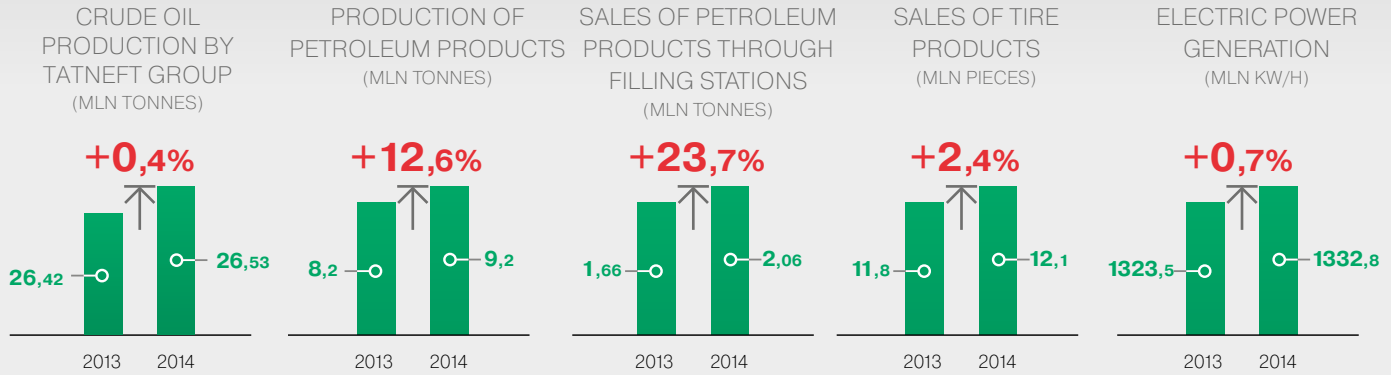
SUSTAINABLE DEVELOPMENT



THE COMPANY'S STATUS

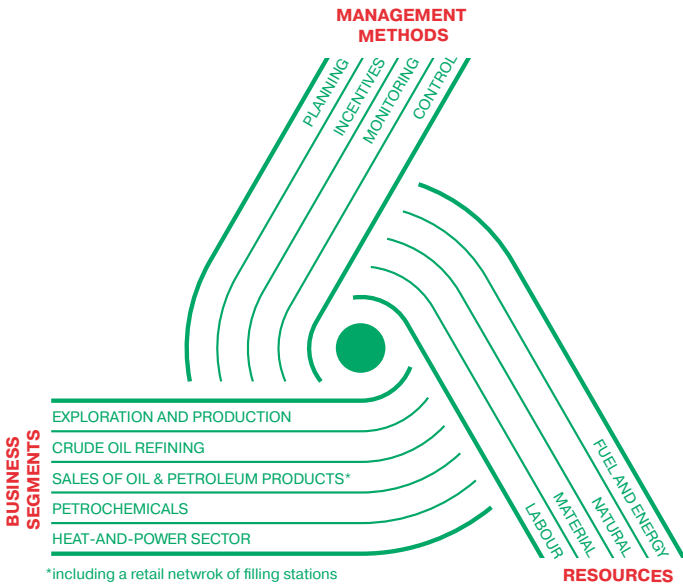
The Company operates in the global fuel and energy sector as an internationally recognized public company. The main activities are carried out in the territory of the Russian Federation and a number of business projects are carried out in the overseas territories.

Strategic initiative and missions defined by the Company for the long-term perspective set forth development vectors in terms of understanding of stage-by-stage approach in their achievement.



BUSINESS MODEL

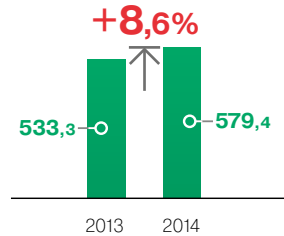
THE COMPANY IMPLEMENTS A VERTICAL INTEGRATION STRATEGY OF THE FULL PRODUCTION CYCLE, INCLUDING GEOLOGY, RESERVOIR ENGINEERING, OIL AND GAS PRODUCTION, OIL AND GAS PROCESSING, SALES OF CRUDE OIL AND PETROLEUM AND GAS PRODUCTS, INCLUDING BUT NOT LIMITED TO, THROUGH A RETAIL NETWORK, PRODUCTION AND SALES OF PETROCHEMICAL RAW MATERIALS AND FINISHED PRODUCTS, HEAT-AND-POWER GENERATION, BUILDING UP THE INNOVATIVE CAPACITY AND EFFICIENT USING ALL TYPES OF THE CORPORATE RESOURCES BASED ON PRINCIPLES OF SOCIAL RESPONSIBILITY.



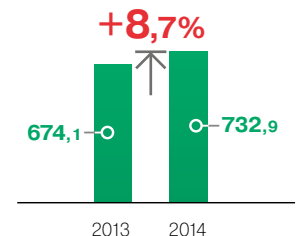
The total assets of JSC TATNEFT (based on RAS) as of the end of 2014 amounted to RUR 579.4 billion, increased by 8.6% as compared to 2013.

The consolidated assets of the TATNEFT Group (based on IFRS) as of the end of the financial year amounted to RUR 732.9 billion, increased by 8.7% as compared to 2013. The structure of consolidated assets is formed by the following segments: exploration and production, crude oil refining and sales of crude oil and petroleum products, petrochemicals, the corporate segment.

ASSETS OF JSC TATNEFT
RUR BLN

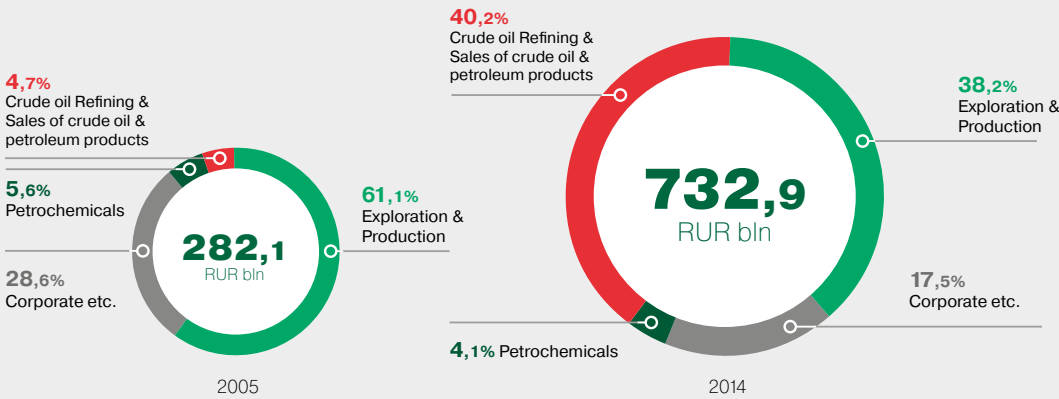


ASSETS OF THE GROUP
(RUR BLN BASED ON IFRS)



ASSETS STRUCTURE OF THE TATNEFT GROUP (BASED ON IFRS)

The Company consistently strengthens its structure of the core assets as part of the vertical integration development in order to achieve an optimal balance of core operational segments: “Exploration and Production”, “Crude Oil Refining and Sales of Crude Oil and Petroleum Products”, “Petrochemicals” and increase the value-added based on hydrocarbon resources production.



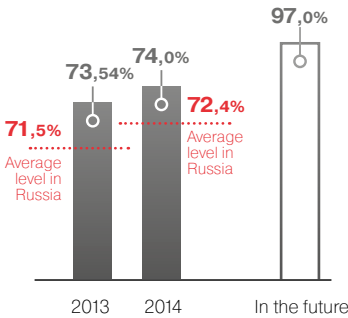
Comparison over the period is established on the basis of the project on own refinery development started in 2005 (TANECO Complex)

STRENGTHENING THE SECTORAL POSITION IN CRUDE OIL REFINING

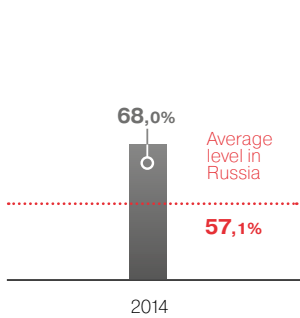
In 2011 with launching the 1st phase of the TANECO complex the TATNEFT Company acquired the status of a full participant in the oil refining industry in Russia.

In March 2014 after completion of the comprehensive testing of the equipment at the TANECO Refinery Complex, one of the key blocks - an integrated hydrocracking unit was put into commercial operation. Fresh impetus to the process of the Complex development was given by launching of the second stage of the hydrocracking unit with the participation of Mr. Dmitry A. Medvedev, the Russian Prime Minister on December 2, 2014 - base oils production of the capacity of 186 thousand tonnes per year. The pilot batches of the II and III group base oils have been tried and tested. Thus, JSC TATNEFT has left behind most of its competitors, who are just planning to launch their own production of high-viscosity index oils in the coming years. This product is used in the production of premium oils - synthetic and semi-synthetic oils for consumers in the private and industrial sectors.

OIL REFINING DEPTH
ON EXISTING CAPACITIES
OF TANECO COMPLEX



EXTRACTION OF LIGHT
OIL PRODUCTS



In 2014 the refining throughput at the TANECO Complex grew by 12% and amounted to 8.5 million tonnes. In terms of the utilization rate the TANECO Complex has been ranked at the top among the refineries of the Russian Federation and the seventh largest producer of petroleum products in Russia (3% of total output).

Highly competitive products

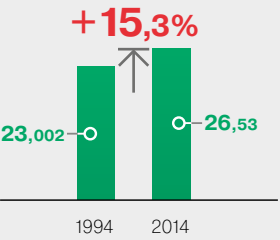
Euro-5 diesel fuel (over 1 million tonnes sold in 2014) produced by TANECO on a range of indicators has no comparable counterparts in Russia. The quality characteristics meeting the latest international requirements are confirmed by the licensor Chevron Lummus Global (USA). The fuel passed the independent tests at the central laboratory of fuels and oils performed by the KAMAZ Scientific and Technical Centre.

The diesel fuel produced at the refinery exceeds in quality competitors – its sulfur content is less than 3 ppm, which is significantly below the Euro 5 threshold (no more than 10 ppm).

THE SUCCESSFUL IMPLEMENTATION OF THE CORPORATE PROJECT ON DEVELOPMENT OF THE DOWNSTREAM SECTOR OF THE COMPANY FACILITATED THE QUALITY CHANGE OF THE REVENUE STRUCTURE OF TATNEFT. THE SHARE OF SALES PROCEEDS OF REFINED PRODUCTS INCREASED BY 21% WITH A NEW ADDED VALUE.

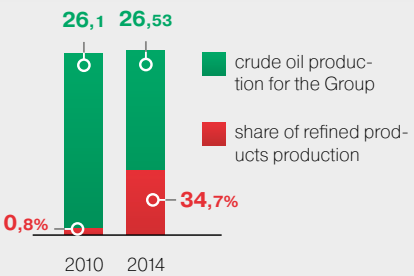
STABLE INCREMENTAL OIL PRODUCTION
OF THE COMPANY

The Company consistently provides for a steady increase of the annual incremental oil production, which has totalled to 15.3% over 20 years despite the fact that the main resource base is in the late stage of development.



GROWTH OF THE RATIO OF REFINED PRODUCTS AND
CRUDE OIL PRODUCTION IN THE GROUP, MLN TONNES

Since the CDU-VDU-7 was launched in the start-up and adjustment mode in 2010 the Company increased the share of refined products production in the volume of oil production for the Group from 0.8% to 34.7%.



FINANCIAL POSITION

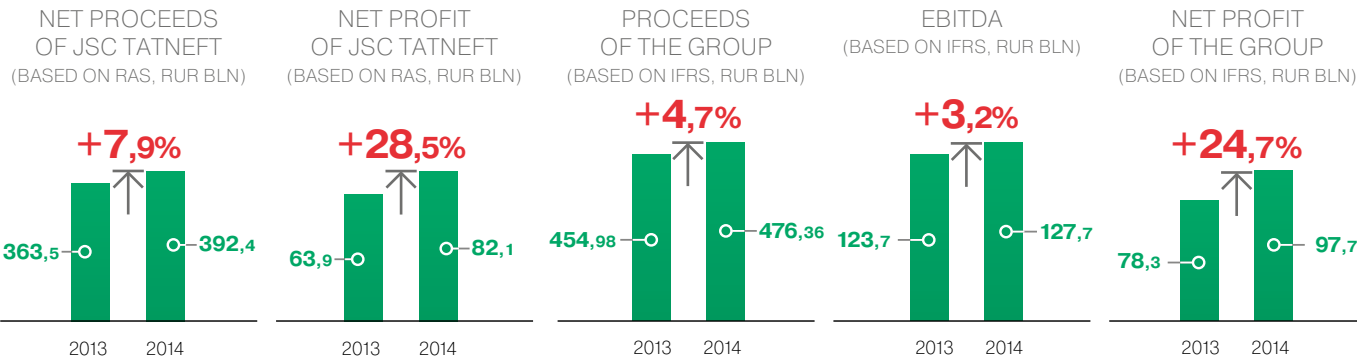
The Company closed the 2014 year with good financial results, despite the critical instability conditions marked by sharp fluctuations of crude oil prices and the change of the national currency exchange rate. JSC TATNEFT Revenue (net of VAT, excise taxes and export duties) amounted to 392.9 billion rubles in the reporting year, the net profit of JSC TATNEFT grew by 28.5% and amounted to 82.1 billion rubles (according to RAS). Revenue of the TATNEFT Group amounted to 476.360 billion rubles. Net profit and EBITDA of the Group amounted to 97.7 billion rubles and 127.7 billion rubles respectively in 2014. The Company provided timely funding of its expenses and payments, including capital expenditures and investments, repayment of long-term loans and dividends. Priorities of the corporate financial policy comprise the provision of reliable funding sources at minimum cost with maximum efficient utilization of working capital. The balanced policy of the Company

allows systematically to reduce the level of the borrowed finances by TATNEFT parent company. The amount of repayment of foreign currency loans for 2014 amounted to USD 903.5 mln, including the full repayment of USD 550 mln loan (obtained in 2011) in June 2014 and repayment of the balance of the syndicated loan (obtained in 2009) in October 2014. The amount outstanding on 31 December 2014 on foreign currency loans was USD 204.6 million.

Consolidated debt on all types of loans in 2014 decreased by 41.7% by 2013.

CREDIT RATINGS OF THE COMPANY

- Fitch upgraded the Credit Rating to the investment grade of “BBB-” with a stable outlook.
- Baa3 Credit Rating assigned by Moody’s Investor Services in 2013.



MAIN AREAS OF INVESTMENT ACTIVITIES IN 2014

The investment activity of the Company is carried out in accordance with the strategic development plans and current priorities of decision of the production and social tasks. The corporate investment activity is based on the principle of ensuring the maximum investment efficiency and increased profitability in each area of the Company’s activity.

The Investment Committee of the Company functions under the leadership of the General Director of JSC TATNEFT. The Investment Committee considers the advanced projects and efficiency of the current investments. All projects are subject to expert examination and risk evaluation procedures.

Financial - economic potential of the company allows you to continue the implementation of major investment projects. The total investment of the Company in 2014 was 68 992 million rubles.

At the end of 2014, when the oil prices dropped two times, the Company developed the anti-crisis action program, including the priority projects ranking with maintaining the full scale production plans, the measures to optimize the general and administrative expenses, reduce the production costs, increase the labour productivity, monitoring improvement to prevent growth of suppliers prices and improvement of tender procedures. As a key priority for cost reduction the Company determined the import substitution of imported equipment by local products, which is also related to introduction of the economic sanctions in 2014.

PRIORITY INVESTMENT PROJECTS:

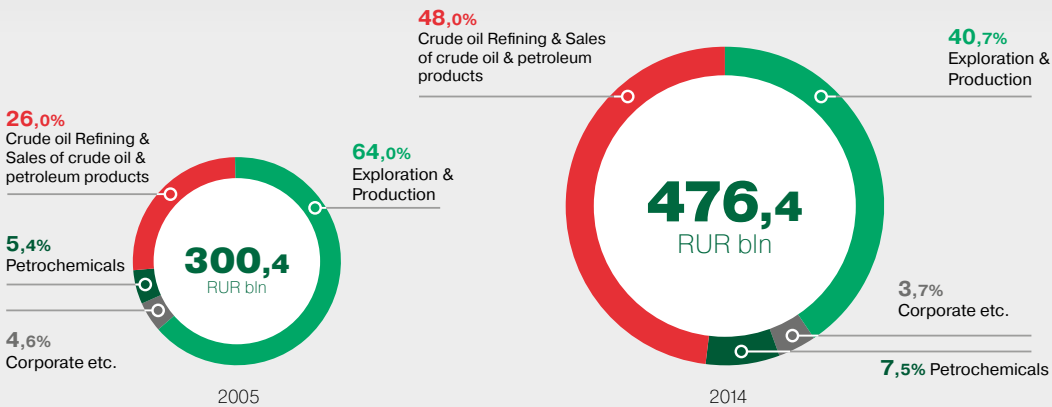
- CONSOLIDATION OF THE OIL & GAS PRODUCTION ASSETS, INCLUDING OVERSEAS PROJECTS, DEVELOPMENT OF EVO FIELDS
- DEVELOPMENT OF THE REFINING BUSINESS BLOCK
- DEVELOPMENT OF THE RETAIL BUSINESS
- INCREASE OF THE HEAT & POWER ENERGY CAPACITIES

Main areas of investment activities in 2014

No.	Description	rur mln
1.	Investments in crude oil production in the territory of the Republic of Tatarstan	26 835
	Drilling	11 808
	Capital construction	5 489
	Equipment not included in construction estimate-sheets	1 410
	Geological engineering activities	8 055
	Redemption of property, land, etc.	73
2.	Investments in crude oil production outside the Republic of Tatarstan	2 855
3.	Investments in oil refining	18 706
4.	Investments of the Petroleum Chemical Complex enterprises	525
5.	Investments in retail business development	3 034
6.	Development of extra viscous oil fields	5 073
7.	Investments of service companies and other enterprises	6 183
8.	Funding for reconstruction of Nizhnekamsk CHP	4 577
9.	Financing of the foreign projects	645
10.	Investments in development of the social area	559
TOTAL for the Company		68 992

REVENUE MIX OF THE TATNEFT GROUP (BASED ON IFRS)

The Company increases its cash flow by improving asset efficiency of upstream (production), downstream (refining and sales) sectors forming the current and prospective operational profitability and defining the growth of the consolidated profit.



Comparison over the period is established on the basis of the project on own refinery development started in 2005 (TANECO Complex)

SOCIAL INVESTMENTS

Guided by social responsibility principles the Company substantially contributes to support the development of health, culture, sports, social infrastructure, the condition of which affects the quality of life of employees and their families and the entire population of activity regions.

The Company thoroughly analyzes the quantitative and qualitative aspects of their social programs. Decisions on funds allocation for social projects are taken on the basis of the annual joint meetings of the Company’s management with the regional and municipal administrations on based on the social importance of the projects. The social activities are evaluated in conjunction with the municipal authorities, organizations and community groups interested in implementing the projects.

MAJOR INDUSTRIAL FACTORS AFFECTING THE COMPANY’S ACTIVITY IN 2014

TATNEFT COMPANY IS A MAJOR SUBSURFACE USER, DEVELOPER AND SUPPLIER OF OIL AND GAS RESOURCES, AND MANUFACTURER OF PETROCHEMICAL PRODUCTS. THE COMPANY’S REVENUES DIRECTLY DEPEND ON THE GLOBAL MARKET ENVIRONMENT, PRIMARILY, ON DEMAND FOR RAW MATERIALS AND GLOBAL CRUDE OIL PRICES ON THE INTERNATIONAL MARKET. OTHER DETERMINANTS OF THE CORPORATE FINANCIAL AND ECONOMIC PERFORMANCE INCLUDE TRANSPORTATION COSTS, MARKET CONDITIONS, REFINING COSTS, TAX BURDEN, CURRENCY FLUCTUATIONS ETC.

The displayed external pressure of geopolitical and economic factors at the end of 2014 can not depress the global demand for hydrocarbons and development of the energy sector in the foreseeable future. The analysis of the entire set of the data and background of the world economy gives grounds to expect redressing the supply-demand imbalance and growth of the global crude oil prices in the medium term.

Russia increased the oil and condensate production in 2014 by 0.7% as compared with 2013, and totalled 526.7 million tonnes. According to the Ministry of Energy data the average daily production for the year reached a new post-soviet record of 10.578 million barrels a day, according to the analysts’ comments.

The Russian oil and condensate recovery reached 220.35 million tonnes in January-May 2015, which was 1.2% higher than the production in January-May 2014 (data of Central Dispatching Department of the Fuel and Energy Complex). Meanwhile the Ministry of Economic Development presupposes the production decline in Russia in the coming years. As per the forecast of social and economic development until 2018 the oil production is expected to be at the level of 526 million tonnes in 2016, 524 million tonnes - in 2017, and possible decline down to 521 million tonnes by 2018. “The declining oil production in Western Siberia cannot be compensated by increasing the production in Eastern Siberia and the Timano-Pechora province. The lack of the competences required for implementation of offshore and other complex projects under restrictions on imports of equipment and technology has a negative impact on the dynamics of crude oil production”, the forecast says.

Since January 2015 a big tax maneuver was introduced in the oil industry operate aimed at stage-by-stage reduction (in 3 years) of export customs duties over the course of three years –1.7 times for oil and 1.7-5 times for petroleum

products depending on the type of petroleum products with a simultaneous increase in mining extraction tax – 1.7 times for oil and 6.5 times for gas condensate. The priorities of the Russian oil industry development defines the tasks to involve in hard-to-recover reserves production, increase the share of recoverable hydrocarbons in offshore fields, develop reserves of new fields in hard-to-reach areas.

The Russian Government adopted a resolution No. 451 On approval of oil metering rules on 16 May 2014. The regulation will provide for obtaining reliable information on the use of subsoil and mineral resource base including hard-to-recover oil reserves. Since the 1 July 2014 in accordance with the Federal Law No. 263-FZ Concerning the Introduction of Amendments of Chapter 26 of the Tax Code of the Russian Federation and Article 3.1 of the Federal Law Concerning Customs Tariff, the formula approach is implemented for calculation of Mineral Extraction Tax rate in the production of gas condensate and natural gas.

The reduced tax burden in accordance with the Federal Law No. 151-FZ of 27 June 2006 on differentiation of MET rates was a favourable economic factor for growth of crude oil production of JSC TATNEFT.

In 2014, the provision of RF Federal Law No. 151-FZ on differentiation of MET rates for mature fields of 80% and more depletion was used for Romashkinskoye, Novo-Elkhovskoye, Azevo-Salaushskoye, Yuzhno-Nurlatskoye oilfields and deposits of the Kama region group (Bondyuzhskoe, Pervomaiskoye, Novo-Suksinskoye, Bastrykskoye, Orlovskoye), the production on these fields amounted to 18.861 thousand tonnes in 2014. In addition, the above mentioned law provides for a zero MET rate for horizons of the extra-viscous oil extracted from the subsoil blocks containing oil with a viscosity above 200 mPa*s.

In 2014, zero MET rate for extra-viscous oil extraction was applied to Ashalchinskoye, Chernoozerskoye, Vishnevo-Polyanskoye, Zapadno-Tyurnyasevskoye, Studenoye, Yuzhno-Suncheleyevskoye, Aksubaev-Mokshinskoye, Pionerskoye, Archangelskoye oilfields, the production on these fields amounted to 613 thousand tonnes in 2014.

The reduced tax rate is applied for small deposits with the Initial Recoverable Reserves less than 5 million tonnes and depletion below or equal to 5% under Federal Law No. 258-FZ of 21 July 2011. The crude oil production on these fields totalled 45 thousand tons in 2014.

The Russian Government passed Federal Law 239-FZ On Customs Tariff on 3 December 2012, which provides for

application of reduced rates of export customs duties for crude oil with in-situ viscosity min. 10000 mPa*s. Application of reduced rates of export duties and zero rate of mineral extraction tax for the extra-viscous oil horizons stimulate development of the EVO production programs.

From 1 January 2014 it became possible to apply a reduced MET rate for oil production in the Korobkovsky area of Dankovo-Lebedyansky horizon of the Bavlinskoye oilfield (according to Federal Law No. 213-FZ of 23 July 2013). “Oil on the site in 2014, subject to the application of reduced rate was 812 tons.

Primary crude oil processing in Russia amounted to 289 million tons in 2014, which was 5.2% higher than in 2013. The Refining depth was 72.4%.

Under the quadripartite agreement concluded between the Federal Antimonopoly Service of Russia (FAS), Rosstekhnadzor, Rosstandart and oil companies the upgrade of oil refineries is in progress. The ongoing modernization of the refining capacities will allow to manufacture environmentally friendly motor fuels and to match the requirements to motor fuel in Russia and other countries of WTO. Introduction of the tax maneuver provides for strengthening economic incentives for accelerated upgrade of oil refineries and improvement of oil refining depth, i.e. 2.5 times increase of refining margin of Russian refineries, 3% reduction of the tax burden for conventional oil production, reduction of the tax burden for preferential royalty fields by 5-24% as compared with the 2014 level. To control the rise in prices for petroleum products the law provides a mechanism to reduce rates of excise duties on petroleum products (by 2.2 times in 3 years), as well as tax deductions for certain market participants (petrochemical plants, airline companies).

As a result of the tax maneuver enactment since 2007 the oil processing in Russia at simple configuration refineries will no longer be profitable, which gives the companies incentives to construct the refining units improving the processing depth. In this regard the negative dynamics of crude oil prices decline and limited access to foreign financing increase the risks for implementation of projects in the Russian oil refining. The tax legislation of the Russian Federation provides incentives to develop the production of high-quality products by lower excise duties for motor fuels and Euro-5 diesel fuel. In 2014, the excise duty rates for Euro-5 fuels amounted to 6,450 roubles per tonne, the Euro-4, -3 excise rates and below – 9,916 roubles per tonne, 10,725 roubles per tonne and 11,110 roubles per tonne, respectively.

In 2014, the GDP energy intensity dropped 5.6% as compared to the same period in 2007. In 2014, the regulation of

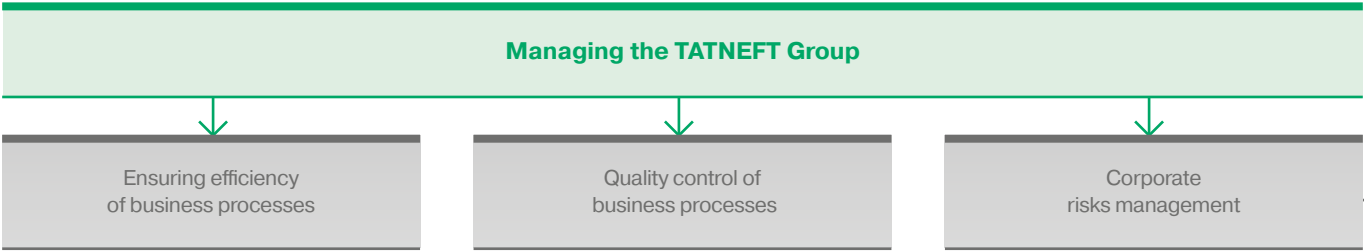
rationing of electricity losses was changed by introduction of the method of comparative analysis, which is aimed at reducing electricity losses in distribution networks considered when calculating the required gross proceeds of territorial distribution companies by 2017 by minimum 11% as compared to the same index of 2012. The “Roadmap” action plan (referred to as “Implementation of the target model of heat energy market”) was developed by the Ministry of Energy and approved by the Government in 2014. The “Road Map” is designed to provide a fundamentally new approach to the pricing model in the heat supply sector, to create economic incentives for efficient operation and development of district heat supply systems.

To implement the “Road map” the Ministry of Energy developed a draft federal law “Concerning the Amendments to the Federal Law “On Heat Supply” and other federal laws on improvement of the systems of relations in the area of district heat supply”. This Federal Law was enacted in December 2014. Implementation of the rules proposed by the Federal Law will create conditions to eliminate the price distortions and improve the district heat supply system.

The reference fuel consumption for combined thermal and electric power supply with 25 MW or higher installed capacity of power generation dropped to 319.9 g/kWh in 2014 as compared to 323.3 g/kWh in 2013. The actual specific reference fuel consumption for thermal power supply amounted to 161.8 kg/Gcal.

The Ministry of Energy developed the incentives to increase the share of heat generation production at the thermal power plants and the heat consumption with the use of the district heat supply systems. Reduction of specific reference fuel consumption to the level of 158.2 kg/Gcal as compared with 2013 is expected by 2018.

RISK MANAGEMENT



The Corporate governance is based on the strategic priorities and is aimed at developing effective mechanisms to achieve the objectives set by the shareholders, increase the investment potential and shareholder value, ensure the financial stability and economic growth.

The Internal audit is carried out as part of the annual plan approved by the Board of Directors.

The internal control system for operational effectiveness of processes, legal compliance and property security is the focus area of the audit. The audit is performed based on the risk-oriented approach. The report on the internal audit results is provided to the Company's management and the Audit Committee. Subsequently, the Internal Audit Department monitors the performance of all measures and informs the Company's management and the Audit Committee on the progress of revealed shortcomings elimination.

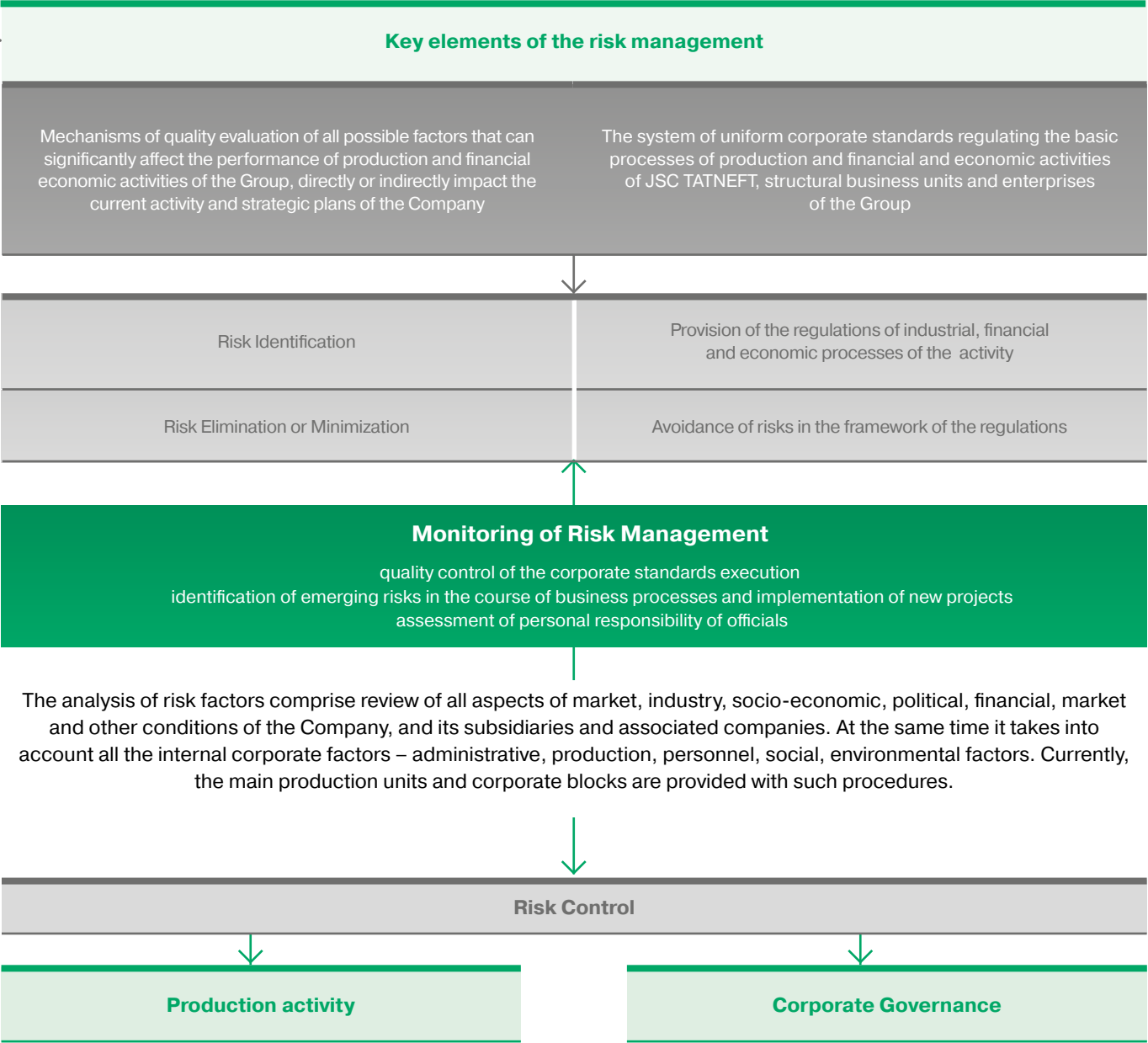
In 2014, 11 audits were performed. In addition to this, 12 unscheduled internal audits were carried out on various issues of financial and economic activities according to the orders of the Company's management. In 2014, the monitoring of the planned events execution was performed on the audit results of the 2009-2012 period. All cases of non-fulfillment of action plans were initially brought to the information of the management of the respective divisions, and then – to the General Director.

Procedures of the internal audit and corporate control are an integral part of the corporate governance system and include targeted activities of the Board of Directors and the Company's management aimed at improving the risk management process and increasing the probability of achieving the goals.

The function of the corporate control is the methodological support of the management, business units of the Company and TATNEFT Group in terms of compliance with tax laws and accounting legislation. This feature helps to ensure compliance with legislation and reduce the fiscal and financial risks of the Company.

During 2014 the Corporate Control Administration prepared 150 written responses to inquiries and more than 200 oral consultations on the financial, tax and economic issues. It carried out 12 unscheduled audits to assess the observance of oil metering regulations, as well as the organization of separate oil metering in Oil & Gas Divisions of the Company for purposes of differentiated Mineral Extraction Tax rates. The Corporate Control Administration on a regular basis performs the legal examination and tax analysis of the documents on the construction project of the Complex of Refineries and Petrochemical Plants in Nizhnekamsk, as well as the tax support of the economic activity of JSC TANECO in order to minimize tax risks. The staff of the Corporate Control Administration participated in the audits of the structural business units and subsidiaries of JSC TATNEFT.

Corporate integrated risk management system



RISK CONTROL

The Corporate risk management system aims to identify potential risks and take timely measures to eliminate or minimize them that allows to adjust the business planning, investment and social policy. The Company's corporate standards significantly reduce the internal corporate risks.

CONSTANT MONITORING OF RISKS

The Company continuously monitors the macroeconomic situation and take the necessary decisions in order to reduce the negative impact of macroeconomic changes on the operations and financial position of the Company.

RISK ASSESSMENT

Industry Risks

Price Risk of crude oil and petroleum products

Revenue, profitability and growth of the Company are highly dependent on the prices for crude oil and petroleum products. World oil prices have historically been subject to significant changes over a wide range under the influence of various factors, including:

- international and regional supply and demand (as well as expectations about future supply and demand) for crude oil and petroleum products;
- international and regional economic situation;
- macroeconomic policy;
- weather conditions;
- local and foreign government regulation;
- prices and availability of alternative fuels;
- prices and availability of new technologies;
- opportunities and willingness of OPEC members (Organization of Petroleum Exporting Countries) and other oil producing countries to establish and maintain certain levels of production and prices;
- political and economic events in the oil producing regions, in particular – in the Middle East;
- normative acts and actions of the governments of Russia, other countries and international organizations, including export restrictions, taxes and sanctions;
- recent tensions and warfare in Iraq and related activities.

Technical risks

Exploration, development and equipment completion of new fields, maintenance of producing wells, drilling of new ones, and transportation of crude oil and petroleum products: all these operations comprise a complex and very capital-intensive process. Enhanced oil recovery also requires additional investments. In the future, as the de-

pletion of the old fields grows, the role of such enhanced oil recovery methods will increase. Accordingly, the costs of material and technical base of the field development will also increase. The Company's opportunities to maintain and increase oil production in the licensed areas depend on access to technologies of oil production and enhanced oil recovery, as well as success in their application.

Environmental Risks

Oil and gas sector is subject to a high degree of environmental risk. Despite the extensive environmental measures of the Company, given the specifics of its activity, there is a risk of penalties related to violation of environmental regulations. In addition, it is expected possible revision of the federal and regional environmental regulations with a view of their further enforcement. The company successfully implements a wide range of environmental measures aimed at minimizing the impact of industrial activity on the environment, and is one of the recognized leaders in this sphere in Russia.

Legal Risks

The main activities of TATNEFT Group are carried out within the territory of the Russian Federation. The legislation of the Russian Federation (including tax, corporate laws and subsoil law) is undergoing changes, some of which may cause additional costs, diversion of resources, changes in organization and functioning of the managing bodies of the Company and its business subdivisions. The Company is not a defendant in any lawsuit or claims based on the results, the consideration of which the Company may incur liabilities that could have a material impact on its financial position or performance.

Country and Regional Risks

The Company is registered as a taxpayer and conducts its main business activity in the Russian Federation, including the territory of the Republic of Tatarstan, a subject of the Russian Federation.

The political situation in the Russian Federation and, in particular, the Republic of Tatarstan is stable. The risks of a possible military conflict, announcement of the state of emergency or a major strike in the region of the Company's main activity are rated as low. However, the Company adopted procedures which may be applied in case of emergency to reduce the impact of this situation on the life, health and safety of workers as well as the production activity of the Company. The regional geographical features of the Company's basic activity are not characterized by increased risk of natural disasters, which may have a significant impact on the normal production activities. In planning and execution of production, treatment, transportation and storage operations of oil and gas, oil & gas products, as well as the materials involved in the production, the Company takes into account geographical features, including climate peculiarities of the region of operation. The Company's operation region of the core business is not remote from the viewpoint of transport and other infrastructure

In the event of negative impact on the activities of the Company, which may be caused by natural disasters such as floods, earthquakes, mudslides, etc., the Company adopted procedures and policies aimed at the prompt elimination of such effects. The Company established the monitoring procedures using the modern techniques aimed at preventing the possibility of adverse effects of natural phenomena and giving notices to the local population of the Company's region of activity about the possibility of such damages.

Financial Risks

Significant changes in foreign currency exchange rates increase the Company's liabilities denominated in foreign currencies. In the event of deterioration of the macroeconomic situation and increase in interest rates may affect the amount of interest expense payment on the Company's liabilities.

In particular, in case of borrowing in the form of bank loans with a "floating" interest rate, raising the general level of interest rates in the international market would increase the amount of funds to be paid to the interest that would adversely affect the financial condition of the Company. Decrease in interest rates in the Russian market, other things being equal, may reduce the effectiveness of outstanding debts of the Company at a fixed interest rate.

Currency Risk

The Company is exposed to risks of adverse changes in exchange rates, the main of which is the Russian ruble fluctuations against the U.S. dollar. This is due to the fact that a significant proportion of revenues of the Company is denominated in U.S. dollars, while the most of its expenses are denominated in rubles. Therefore, the strengthening of the ruble against the dollar leads to decline in earnings of the Company in ruble terms, and the ruble weakening, with all other macroeconomic parameters unchanged, results in increase of income in ruble terms. The currency structure of the Company debt profile reflects, in general, its revenue structure which also reduces the dependence on fluctuations in exchange rates.

Effects of Inflation

It is not possible to predict the critical rate of inflation for the Company since besides the consumer price level it is necessary to take into account changes in the real purchasing power of the ruble, the market conditions in the Russian and international oil markets, and further tariff policy of the government.

OVERCOMING ADVERSE SITUATIONS RELATED TO INDUSTRY RISKS

The Company conducts a comprehensive program of measures to overcome the adverse situations related to industry risks, including continuous monitoring, analysis and prediction of the oil prices dynamics subject to corresponding adjustment of the business operations plans and strategic development of the Company. The Company has developed and implements technical and organizational measures that minimize the impact of technical and environmental risks.

POTENTIAL FINANCIAL RISK PROTECTION

The financial position of the Company and capacity to adapt to different market situations, enable the Company to quickly respond to changing market conditions and make relevant adjustments of the business plans.

STAKEHOLDER ENGAGEMENT

The Company permanently interacts with a wide range of stakeholders, considering the mutually beneficial relations with them as a crucial asset for sustainable development. As per AA 1000 standard definition criteria the stakeholders are organizations, individuals or groups whose interests could be affected by the Company's activities.

The Company realizes that the long-term sustainable business development is inseparable from the social progress and sustainable development of the whole society and makes a significant contribution to the social and economic development of the regions and society as a whole. TATNEFT makes decisions based on social, environmental and other possible effects, which confirms its commitment to the sustainable development.

Ensuring a high level of the corporate social responsibility is a strategic initiative and a major principle of the Company's activity, which implies transparency and ethical conduct that contributes to sustainable development and is consistent with the law and international standards.

Fundamentals of the stakeholder engagement:

- identification of the stakeholders;
- analysis of the stakeholders' needs and expectations regarding the Company's activities;
- identification and implementation of communication and feedback forms for each stakeholder;
- definition of the responsibility areas of the Company to key stakeholders.

The guiding principles of the Company's social responsibility are as follows:

- to act in accordance with the legislation;
- to be a responsible partner of the government;
- to protect rights of the shareholders;
- to appreciate and respect its employees;
- to openly inform its shareholders, employees, consumers, and other stakeholders on its activity;
- to act in accordance with the highest ethical standards;
- to be intolerant to corruption and bribery;
- to use its resources with the maximum efficiency;
- to use up-to-date technological achievements;
- to ensure environmental protection;
- to cooperate with public organizations;
- to strive to make each employee feel proud of the Company they work for.

Key stakeholders are divided into two groups according to their degree of influence on the activity of JSC TATNEFT and the degree of the Company's influence on their vital activity. A group of substantial influence includes stakeholders which can substantially influence the activity of JSC TATNEFT or whose interests are substantially affected by the Company's activity. These are internal stakeholders, shareholders and investors, consumers and clients, business partners, and public authorities. A group of limited influence includes public organizations, investment analytical companies and credit rating agencies, mass media communications, specialized institutions of higher and intermediate vocational education and local communities, i.e. the stakeholders whose interests can be partially affected by the Company or which can indirectly influence the Company.

The Corporate social responsibility is an integral part of the Company's strategy. The principles of social responsibility are integrated into the Company's activities and applied in its relations with stakeholders. The social responsibility policy is implemented in accordance with ISO 26000.

TATNEFT Group					
Substantial influence	Internal stakeholders	Shareholders & Investors	Customers & Clients	Public Authorities	Business Partners
	Employees Trade Union	About 45,000 shareholders Investors	Refineries Clients of filling stations Customers of Petrochemical Complex products Customers of oilfield equipment, pipe, cable, chemical & other products	Federal Authorities Regional Authorities Administrations of municipal entities of the regions of the activity	Suppliers Contractors
Limited influence	Non-governmental Organizations	Specialized Institutions of higher & intermediate vocational education	Local Communities	Mass-media communications	Investment Analytical companies and Rating Agencies
	Federal Organizations (Russian Union of Industrialists & Entrepreneurs, Union of Oil and Gas Manufacturers of Russia, Russian Institute of Directors)		Local community of the regions of the activity Medical, sports, educational, cultural institutions of the regions of the activity	Federal Mass Media Regional and Local Mass Media Online Media and Information agencies	Over 100 Russian and International Investment Analytical companies and Rating Agencies

Corporate Responsibility to Stakeholders				
Shareholders	Partners	Employees	Local Communities	Customers
Dynamic growth and development of the Company Operating Efficiency Growth of the Capitalization Maintaining the reputation of high-technology and reliable Company	Fair Competition Timely and precise fulfillment of contractual commitments Mutually beneficial cooperation	Ensuring a decent standard of living Provision of social guarantees Provision of individual development opportunities Workplace Safety	Support of social and economic development of the regions of the activity Support development of healthcare, education, culture and sports Environmentally sound business practices Special Corporate Project of small and medium-size business development	Provision of high quality products and services Continuous improvement of the product quality Commitment to follow changing requirements of the Customers Provision of reliable information of the Company's products
Based on the Ethical Principles				



OPERATIONS

In 2014, the Company successfully accomplished its goals such as resource base strengthening, oil production growth, development of its own oil refining capacities, expansion of its filling station chain, gaining higher return on investments in tire production, upgrading of generating capacities, creating a new value added through delivery of quality petroleum derivatives and efficient allocation of resource and production capacities.

OIL EXPLORATION AND PRODUCTION

RESERVES AND EXPLORATION ACTIVITIES

At the beginning of 2015, TATNEFT’s proved hydrocarbon reserves totaled

851,5 mln. tonnes

At the beginning of 2015, JSC’s proved reserves of hydrocarbons as per the standards of Petroleum Resources Management System (PRMS) of the Society of Petroleum Engineers (SPE) amounted to 851.5 mln. tonnes of oil (according to the Miller and Lents’ independent report) with the proved reserves addition of 4.2 mln. tonnes compared with last year.

With the current oil output the reserves life is secured for more than thirty two years. To date, TATNEFT ranks twenty-fist in the world in terms of proved reserves. The Company has been steadily sustaining the reserves supply and replacing its oil production through reserves addition by exploration activities carried out in both conventional operating regions and new areas utilizing the best practices in oil prospecting and improved techniques to develop the producing fields.

The main resource base of the Company is historically located in the Republic of Tatarstan of the Russian Federation. The Romashkinskoye oil field is the largest field, which contributes the main portion to the Company’s oil production.

In order to create a good quality diversified portfolio of producing assets and boost oil production the Company expands its geographic footprint while operating currently in the conventional regions and simultaneously prospecting and exploring for oil within the licensed areas in the Republic of Kalmykia, the Orenburg, Samara, Ulyanovsk Regions, and the Nenets Autonomous District. In 2014, the TATNEFT Group reported two new field discoveries (one was discovered in the Republic of Tatarstan and another – in the Orenburg Region).

The Company applies the cutting-edge techniques in exploratory activities. Thus, along with conventional seismic data acquisition techniques oil prospective targets are predicted by artificial intellect method, leads are defined by field seismic and geochemical methods using a complex parameter of oil-bearing probability (CPP). Geochemical survey to search for oil and gas utilizes passive hydrocarbon adsorption, low-frequency seismic sounding (LSS), geological-geophysical technology to optimize selection of well drilling locations (GTO LS),

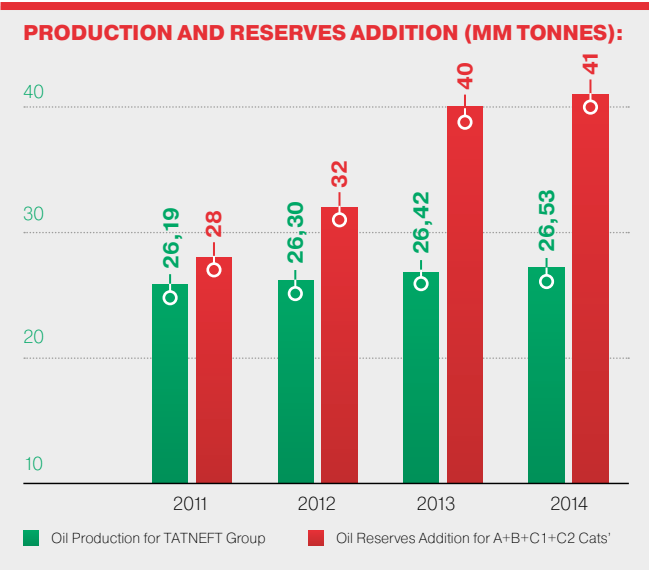
The reserves to production ratio at the current production level is over

>32 years

electromagnetic sounding (EMS), Stratimegic new software package for 3D seismic data processing. NMR tomographic logging tool is used to identify shallow reservoirs saturated with extra-viscous oil.

As part of future-oriented projects to expand the resource base the Company has been implementing pilot operations to develop extra-viscous oil (EVO) fields. A great deal of exploration and appraisal activities were done in the Ashalchinsky field in 2014. The improved techniques to produce bituminous oil with tax preferences granted by the Russian Federation government for extra-viscous oil filed development give additional opportunities for the Company to accumulate a reserved stock of crude oil producing assets.

Since 2013, TATNEFT has been implementing the program to evaluate a potential for shale oil production. Currently, the pilot operations are underway and the vertical well production technology is being studied.



MAP OF LARGE OIL FIELDS IN THE REPUBLIC OF TATARSTAN

Oil production for large fields in 2014 (M tonnes)

Oil Field	2014
Romashkinskoye	15 240
Novo-Yelhovskoye	2 541
Bavlinskoye	1 077
Sabanchinskoye	530
Pervomaiskoye	359
Bonduzhskoye	285

DISTRIBUTION OF PROVED RESERVES WITHIN THE RUSSIAN FEDERATION OUTSIDE THE REPUBLIC OF TATARSTAN

Orenburg Region

Samara Region

Ulyanovsk Region

Nenets Autonomous District

Republic of Kalmykia

As at 01.01.2015

Licensed Area Count	33
Oil Field Count	42
Exploration Performance:	
- 2D CDP Method, ths. km	18,7
- 3D CDP Method, ths. km²	1,2
- Exploratory Drilling Performance, exploration wells,	92
Total Recoverable Reserves C1+C2:	
Oil (condensate) mln. tonnes	80,430
Free Gas, bln. m³	43,324
Production Output: oil (condensate), mln. tonnes	2,317
Free Gas, bln. m³	0,132

DEVELOPMENT AND PRODUCTION

TATNEFT Group’s oil output in 2014

26,529 mln. tonnes of oil

Total investments in oil production within the Republic of Tatarstan in 2014 amounted to 26.8 billion rubles, including drilling, capital construction, workovers and well interventions, etc. Investments in oil production outside the Republic of Tatarstan in the year under report amounted to RUR2.9 billion. In 2014, the oil production hit a record high over the past two decades.

JSC TATNEFT’s oil output was up by 0.4% compared with 2013. The targeted production was exceeded by 18 thousand tonnes of oil.

Oil Production Key Performance Indicators of the Company for period from 2012 through 2014

Key Performance Indicators	Unit of Measure	2012	2013	2014
Oil Production for TATNEFT Group	mln. tonnes	26,307	26,419	26,529
Oil Production for JSC TATNEFT	mln. tonnes	26,005	26,107	26,223
Associated Petroleum Gas	mln. m³	843,5	864,8	931,43
NGL Extraction and Supply	ths. tonnes	285,6	275,3	276,35
Average Daily Oil Production	tonnes per day	71052	71526	71843
Average Oil Production Rate of Active Producing Wells	tonnes per day	3,8	3,8	3,8
Exploratory Drilling for JSC TATNEFT		8,5	9,3	11,5

Most of the crude oil is currently produced from six large oil fields, such as Romashkinskoye, Novo-Elkhovskoye, Bavlinskoye, Bonduzhskoye, Pervomaiskoye, Sabanchinskoye. Though many of the oil fields owned by the Company are mature JSC TATNEFT is a big success in gaining year after year overall incremental oil production constantly improving oil recovery techniques. The focus is made on improving the oil recovery factors by using innovative technologies. In order to sustain and increase the oil production the Company has been realizing the programs to boost operating performance efficiency and keep oil production profitable by implementing state-of-the-art technologies and optimizing the well count. The horizontal drilling activities along were ramped up at higher efficiency and multistage hydrofracturing operations were expanded in 2014.

Tertiary Recovery & Hydrodynamic EOR contributed over

45%

The projected incremental oil production and well production rates (well count growth) for all investment activities within Tatarstan beat the targets in 2014. 403 million rubles were invested in dual completion technology for production and injection operations with a variety of equipment modifications and combinations of the installations, which were developed to enhance oil recovery from reservoirs.

The application of the EOR techniques made it possible for the Company to attain the additional production of 6,583.714 thousand tonnes of crude oil against the target of 5,918,874 thousand tonnes (that was 111.2% of the targeted production). The tertiary EOR contribution in the oil production amounted to 25.11% of the overall crude oil output at year-end 2014.

In 2014, within the Republic of Tatarstan eight (8) prospects were brought into deep drilling and another 8 structures were prepared for deep drilling.

In 2014, JSC TATNEFT drilled thirty two (32) slim-hole wells (SHW), of which thirty one (31) wells were brought into oil production (oil production of 49,7 thousand tonnes). The average production rate amounted to 10.2 tonnes per day. The total slim-hole count made 329 wells.

In 2014, ninety five (95) horizontal wells and three (3) multilateral wells were drilled, which totally produced 130,368 ths. tonnes of oil. Since the beginning of the activities the number of horizontal wells reached 707 wells and the multilateral wells totaled 107 wells.

In drilling operations the most efficient technologies to improve well cementing quality include silicate baths placed within productive intervals, G-grade cement, stage cementing collars.

The horizontal and multilateral well completions are highly efficient to achieve prolific oil flow rates.

2014 JSC TATNEFT Drilling Key Performance Indicators

Performance Indicators	Unit of Measure	2014
Total Drilling Meterage across JSC TATNEFT	ths. m	403,4
Development Drilling across JSC TATNEFT	ths. m	410,2
Exploratory Drilling across JSC TATNEFT	ths. m	20,2

In 2014, 286 development wells were drilled and completed (vs. 259 wells projected). 206 wells were drilled and placed in operation with oil production rate of 12,3 tonnes per day.

Producing Well Count as at 01.01.2015

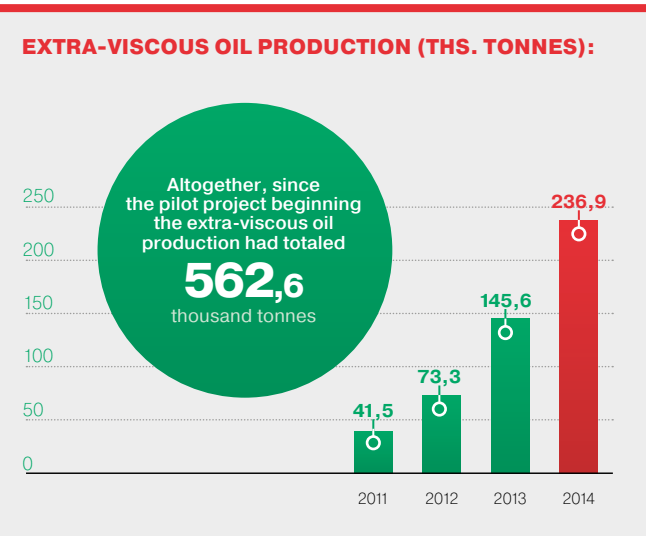
Well Category	Well Count 01.01.2015
Active Producing Wells	20 251
Inactive Producing Wells	2 006
Operating Producing Wells	22 273
Testing and Completion and Waiting on Testing and Completion of Producing Well	16

Operations in Extra-Viscous Oil Fields

As the pilot operations in the Ashalchinskoye natural bitumen filed were moving on, a considerable amount of appraisal and development drilling and surface facilities construction operations was accomplished during the year. During the period under report more than 5 billion rubles were spent for the project implementation.

As at 01.01.2015, 109 horizontal wells (including 53 wells in 2014) and 468 appraisal wells were drilled. 7 Cyclic-Steam Stimulation (CSS) wells and 31 Steam Assisted Gravity Drainage (SAGD) wells were in operation. 50 injectors were in injection operation, including 30 steam injection wells, 2 cyclic steam injection wells and 18 new well pairs and cyclic-steam stimulation wells (primary heating up formation).

By the end of the year under report, the daily oil production reached 750 tonnes. The oil production totaled 236,9 thousand tonnes in 2014.



Oil and Gas Production outside Tatarstan

In the course of 2014, 22 oil fields were operated outside the Tatarstan Republic. The crude oil was produced from 112 wells with 108 wells in the Samara Region and 4 wells in the Orenburg Region. In 2014, a lot of efforts were made in the Samara region to drill new wells and install surface facilities. 9 new wells were put on stream. The average flow rate of newly drilled wells accounts for 6,8 tonnes per day. In 2014, 4 structures were brought into and 2 structures were prepared for deep drilling in the Samara Region. Also, 1 structure was developed for deep drilling in the Republic of Kalmykia.

Oil and Gas Production outside the Russian Federation

In 2010, the service contract was accomplished between JSC TATNEFT and State Concern Turkmenoil for IOR and oil production in the Goterdepe oil field in Turkmenistan. 92.4 tonnes of oil had produced since the start of the production program under the contract. Two workover crews performed 63 workovers in 40 wells, downhole pumping units were run and set in 32 wells, 23 wells were operating as a result of the well intervention programs. The average daily additional production totaled 157 tonnes per day.

Licensing

As at 01.01.2015 JSC TATNEFT together with its 8 subsidiaries operating within Russia held 97 oil and gas exploration and production licenses in the Russian Federation. In Tatarstan the Company owned five exploration area licenses for geological prospecting and subsequent development of the discovered oil fields on the northern slope of the South Tatar Arch in the northeast of the Republic of Tatarstan and on the slopes of the South Tatar Arch, on the south-eastern slope of the North Tatar Arch, on the eastern flank of the Melekessky Depression and one license was granted for the Apastovsky area located in the west of the Republic of Tatarstan for geological prospecting, exploration and production of hydrocarbons. Outside the Russian Federation the Company was awarded six contracts for nine blocks to perform geological exploration in Libya and Syria. For the time being the exploration programs under these contracts have been suspended because of the political situation for an indefinite period until the situation is stabilized there.

APPLICATION OF ADVANCED TECHNOLOGIES AND EQUIPMENT

In the area of Exploration and Development

1. Reservoir characterization, modeling and simulation for development targets based on updated estimate of remaining reserves is the primary method to identify residual oil reserves for mature fields, which enable with the highest degree of accuracy to analyze and predict areas with unlocked reserves and calculate efficiency rate of planned activities.

2. Search for hydrocarbon accumulations based on passive adsorption principle* is focused on reducing geological risks and improving precision of hydrocarbon prediction. The method is based on the sedimentary-migration theory of petroleum origin and the concept of chemical element migration in the earth's crust. The economic effect is achieved through less application of expensive detailed seismic survey techniques as well as drilling far fewer dry-holes and unproductive wells.

3. Sidetracking engineering and practice is applied to return into operation inactive, drowned, low producing and fishing wells, which are impossible to rehabilitate through other methods. In 2014, the sidetracking tools and techniques were used to rehabilitate 56 wells.

Drilling

1. The use of swellable packers made by ZAO KVART allows to perform selective zonal isolation during well completion operations. The technology was developed by JSC TATNEFT jointly with ZAO KVART as a part of import substitution with the product quality highly competitive with the foreign equivalents. In 2014, 14 packers were installed in 4 wells.

2. Drilling of horizontal and multilateral wells contributes to sustaining and boosting oil production from oil fields that predominantly contain hard-to-recover reserves. Horizontal completions help reduce the projected well stock and recover more oil reserves as well as improve reservoir sweep efficiency and implement selective flooding across the section when used as injection wells. In 2014, 92 horizontal wells and 2 multilateral wells were brought into operation.

3. Release tool for liner installation in a bitumen well* is used in construction of horizontal wells in the Ashalchinskoye extra-viscous oil field. In 2014, the tool was used during construction of 60 wells.

Oil & Gas Production

1. Dual completion production operations enable to simultaneously produce zones with variable reservoir properties and parameters and improve economic efficiency of individual wells and cut down drilling operations. As at 1.01.2015, 1 527 dual completion wells were in operation, including dual completions that were installed in 211 wells in 2014. Since beginning of operation of the installations the cumulative additional production for dual completion wells had made 8 419,9 thousand tonnes of oil with the average growth of oil production rate per well at 3,55 tonnes per day.

2. Advanced sucker rod pump for difficult wells* allows self-cleaning by removing salts into tubing during plunger reciprocation. The use of the pumps makes it possible to extend the time between repairs of complicated oil producing wells. As at 01.01.2014, 91 pumps were in operation.

3. Electric submersible motor with higher power factor* enables to reduce electricity loss in downhole cable and motor lead extension. The power energy is saved in the amount of 8 672.4 kWh per year. In 2014, the technology solution was installed in one well. In 2015, 74 ESP units are planned to be equipped with downhole electric motors with higher power factor.

Reservoir Maintenance Pressure

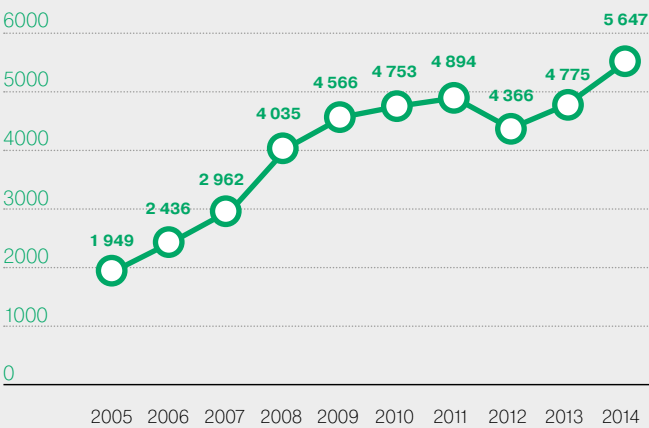
1. Dual completion injection operations improve economic viability of individual wells by bringing other development targets or different property zones of same reservoir on stream and reduce the amount of drilling operations due to using a single wellbore. Dual completion injection technology was implemented in 664 injection wells, including 106 wells in 2014. Additional oil produced by responding producing wells since the beginning of implementation had amounted to 1 481.3 thousand tonnes.

2. Corrosion-resistant tubing extends tubing service life by 2-2.5 times in injection wells. The corrosion-resistant tubing strings were installed in 6727 wastewater and produced water wells (89.8% of the stock), including 433 injection wells in 2014.

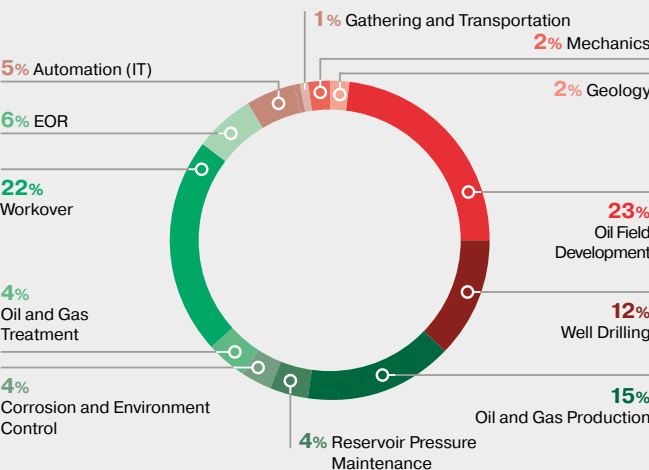
3. M1-X Packer is designed to protect production casing of wells from a high pressure and corrosion damage. The packer lowers time expenditures for workovers and well service operations, downhole logging and injection well tests. The M1-X packers were installed in 4578 injection wells, including 508 injection wells in 2014. Altogether, a variety of packer designs ensure a trouble-free operation of 65.2% of the injection well stock.

4. «RRZHN» and «1RRZHN» spring-type flow control valves* provide economic value due to eliminating unproductive (excess) water injection in the amount of 5.8 thousand rubles per RRZHN flow control valve (with built-in check valve) per quarter and 3.7 thousand rubles per 1RRZHN flow control valve per quarter. 9 RRZHN spring-type control valves (with built-in check valves) and 12 1RRZHN flow control valves were installed in 2014.

PROFIT FROM ACCOMPLISHMENT OF JSC TATNEFT NEW EQUIPMENT AND ADVANCE TECHNOLOGY IMPLEMENTATION PLAN OVER PERIOD OF 2005 THROUGH 2014 (THOUS. RUR)



INTELLECTUAL PROPERTIES BY BUSINESS ACTIVITIES



* The technology is an intellectual property of JSC TATNEFT

The TATNEFT Group incorporates Tatar Oil Research and Design Institute (TatNIPIneft), which is a leading research centers in Russia. The research activities carried out by TatNIPIneft provide a huge scientific support in sustaining and building up the Company's technological capabilities in petroleum prospecting and exploration, petroleum engineering, reservoir engineering, oil production and processing, corrosion control of oil production facilities, surface facilities and oil field infrastructure development, well construction.

Workovers

1. Reservoir stimulation technology using KSK acid-based compositions is applied for both producers and injectors operating in sandstone and carbonate reservoirs. The incremental oil production as compared with the initial performance totaled about 2 tonnes per day while stabilizing the rate of produced water at the initial level. The technological efficiency was about 80%. In 2014 the technology was implemented in 134 wells.

2. Workover technology using drillable packers PR-K (Г)-146(168)Ya and PR-K (G)-102(114) creates economic value of 73,6 thousand rubles per well job. In 2014 the technology using the PR-K (Г)-146(168)Ya packer was implemented in 68 wells and the PR-K (G)-102(114) packers were used in 24 wells.

3. Formation hydrofracturing technology is effective for oil well stimulation and well injection capacity increase through creating high-conductivity fractures in the target rock formation to force the fluid flow into near wellbore zone. In total, since the beginning of implementation 3252 fracs had been performed. In 2014, 702 frac jobs were done with 40 new wells fractured immediately after drilling. The flow rate as a result of fracturing increased by 4.7 tonnes per day. The additional oil production amounted to more than 9,2 mln. tonnes.

Oil, Gas and Water Treatment

1. Waste water circulation oil treatment without oil preheating is used to improve the quality of oil dehydration and desalination in the initial water separation and oil treatment facilities. As a result, the water cut in the oil can be reduced to 0.2-0.5%. The payback period is 1.4 years. For the accounting period equal to the actual lifetime of the equipment, operating cost savings will amount to 2 078.5 thousand rubles. In 2014, the technology was installed in one initial water separation unit.

2. Oil dehydration and desalination using intensifying devices* allows to enhance the efficiency of desalination stages and generally stabilize oil treatment facility operation. The attained oil dehydration and desalination rate saves circulating fresh water as well as reduces the fluid discharge volume, cutting down operating costs for oil treatment. In 2014, the technology was introduced in two oil treatment plants.

Enhanced Oil Recovery (EOR)

1. EOR technology to improve oil recovery from reservoirs by pumping microgel polymer systems with surfactants (MGS-KPS Technology)* is designed for enhanced oil recovery through improved sweep efficiency and redistribution of fluid flows due to reducing reservoir permeability in the most permeable zones. In 2014, the MGS-KPS technology was implemented in 125 wells. The additional oil production amounted to 79 005 tonnes.

2. Technology for enhanced oil recovery using polymer-clay composition and surfactant (PGK-M Technology)* is recommended to be used in the wells with injectivity over 200 m3 per day. In 2014, the technology was implemented in 49 wells. The additional oil production amounted to 52 599 tonnes.

3. EOR Technology to improve oil recovery through injection of biopolymer compositions (RBK Xanthan technology)* is designed to improve drive fluid sweep efficiency by blocking of flushed out zones and redistributing injected water flows across the reservoir. In 2014, the technology was implemented in 55 wells. The additional oil production amounted to 42 637 tonnes.

4. EOR Technology using hydrophobic (invert) emulsion systems to improve oil recovery from flooded heterogeneous reservoirs (MGES-M Technology)* is designed to improve conformance control of injection wells through selective stimulation of producing reservoirs. In 2014, the technology was implemented in 50 injectors. The additional oil production amounted to 32 797 tonnes.

Electrochemical protection of oilfield equipment from corrosion

1. Cathodic protection of well casing and flowlines (splitting water lines) from external corrosion was installed in 948 wells in 2014.

2. Sacrificial protection of inner surface of vertical stainless steel tanks from corrosion provides in aqueous phase at least for 90%. In 2014, the technology was implemented in 11 vertical stainless steel tanks.

3. Cathodic protection of inner surface of vertical stainless steel tanks from corrosion provides cathodic protection of internal surface of the tank against corrosion at least for 90%. In 2014, the technology was implemented in 11 vertical stainless steel tanks. The economic value amounted to 117 thousand rubles per vertical stainless steel tank.

4. Sacrificial protection of inner surface of horizontal flow settling tanks provides corrosion protection of inner surface of horizontal flow settling tank in an aqueous phase at least for 90%. In 2014, the technology was implemented in 23 horizontal tanks.

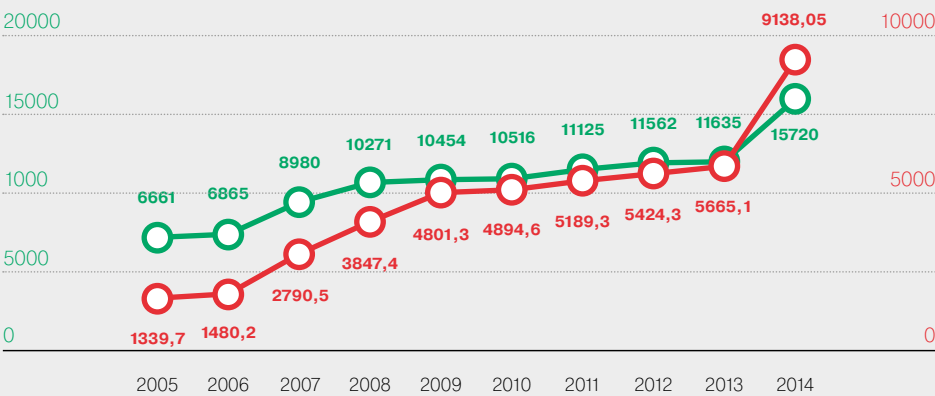
5. Sacrificial protection of flowlines from soil corrosion covered 456.7 km of pipelines in 2014.

6. Cathodic protection in-field pipelines from soil corrosion covered 206 km of pipelines in 2014.

7. Sacrificial protection of vertical stainless steel tank bottoms from soil corrosion implemented in 21 vertical stainless steel tanks in 2014 with the economic effect valued at 74 thousand rubles per the tank.

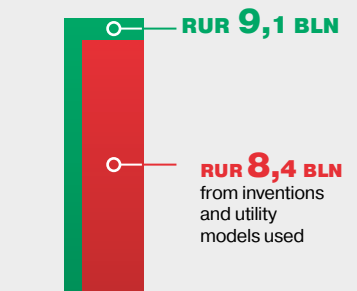
8. Metal-plastic coated pipeline installation technique* helps maintain protective properties of pipe with internal polymer coating, which ensures safe operation of the pipeline. In 2014, he technique was used in construction of 103,883 km of pipelines.

RATIONALIZATION AND INVENTION PERFORMANCE



○ Quantity of rationalization proposals and inventions ○ Economic Effect, mln rubles

ECONOMIC VALUE FROM RATIONALIZATION AND INVENTION ACTIVITY



* The technology is an intellectual property of JSC TATNEFT

Innovative capacity growth and structure development of intangible assets involved in the Company's core business activity is one of the strategic corporate priorities, which are in alignment with the national policy for innovative development of the country. The Company's intellectual property and intangible asset management system is focused on improving innovation activity, establishment of uniform principles of work organization for creating, accounting and optimum use and protection of intellectual properties.

DOWNSTREAM
CRUDE OIL REFINING OPERATIONS

In 2014, the overall output of petroleum products for the TATNEFT Group totaled 9,2 mln. tonnes. Major refining operations were carried out at the refining facilities of the TANECO Complex and the Elkhovsky Crude Oil Refining Unit with continued supply of feedstock and high utilization rate of oil refining capacities.

Oil Refining Capacityof TANECO Complex

The OJSC TANECO Oil Refinery includes the following main process units:

- CDU-VDU-7;
- naphtha stabilization unit;
- visbreaker unit;
- integrated sulphur recovery unit consisting of:
 - amine regeneration unit;
 - sour water stripper;
 - elemental sulphur recovery unit;
- hydrocracking unit;
- hydrogen production unit (2014);
- base oil production unit (in integrated testing mode)

B In 2014, the integrated testing operation of hydrocracking and hydrogen production units was completed and production of Euro 5 diesel fuel as per GOST R 52368-2005 commenced. The Company developed its own specifications for and brought the diesel fuel as per STO 11605031-085-2014 “Diesel TANECO” into manufacturing production.

The start-up and commissioning operations were completed on the vacuum gasoil (VGO) discharge rack. As a part of integrated testing operation the third party’s VGO was started to be taken to fully load the hydrocracking unit. More than 170,5 thousand tonnes of vacuum gasoil were accepted and processed.

The scheme of refined product streams was improved on the truck loading rack as well as the automation system was modernized for flexible choice of petroleum products being loaded. The throughput capacity increased up to 6,3 ths. tonnes per day.

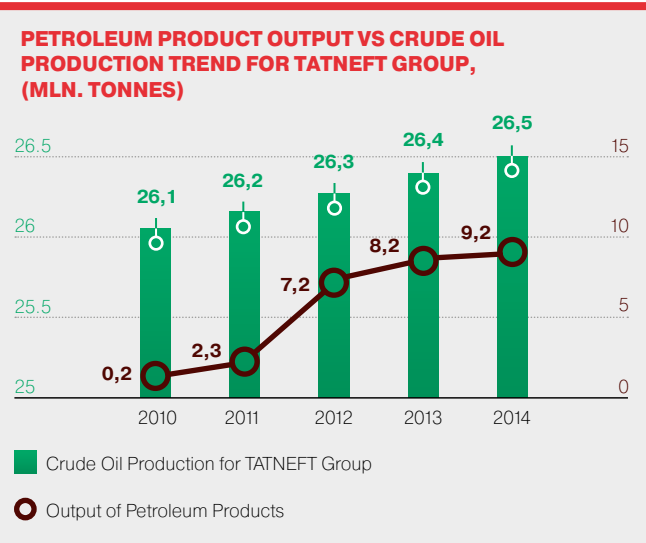
74% oil conversion ratio yielded at TANECO Complex’s facilities

The improved filling scheme of petroleum products in rail car tanks with capability of simultaneous shipment of different-type light output made it possible to increase the rack throughput capacity by 1,0 thousand tonnes per day.

The operations are underway on pump feeding of improvers and additives into diesel and jet fuel. The jet fuels as per GOST 10227-86 and GOST 52050-2003 were brought into production manufacturing. In November 2014, the construction and assembly work were accomplished, the integrated testing operation of the base-oils production plant began, a pilot batch of Group II and III base oils was tried and tested, the required permits and approvals were obtained.

In order to load the hydrocracking unit to the maximum capacity the pipeline was built to pump the VGO from TAIF-NK PSC.

The Company continues to vigorously pursue the earlier selected policy of giving preference to the Russian manufactures during construction of its Refinery Complex, thus, over 75 % of the equipment utilized is made in Russia.



Processing of Feedstock and Production of Petroleum Products at TANECO Complex for period from 2013 through 2014

Year	2013	2014	Since operation start
Primary petroleum feedstock for petrochemical processing	7 622 920	8 520 904	23 594 208
Crude oil	7 618 569	8 511 288	23 580 239
Gas condensates	4 351	9 617	13 968

Products derived from the feedstock:

Natural Gas Liquids (NGLs)	104 672	169 039	323 696
Straight-run gasoline	561 975		1 599 973
Stable natural gasoline	536 544	1 672 467	2 209 011
Diesel fuel		1 027 767	1 027 767
Middle distillates	2 383 036	2 856 278	7 632 046
Heating kerosene	38 890	199 500	250 726
Jet kerosene		8 248	8 248
Heating oil	836 427	45 441	3 247 765
Straight run kerosine-gas oil fraction	328 171		328 171
Low-viscosity marine fuel	1 179 548	2 603 089	3 797 136
Vacuum gas oil	1 926 530	515 750	4 143 189
Visbreaker naphtha	84 525	61 396	182 558
Light base oil		5 350	5 350
Middle-viscosity base oil		6 135	6 135
Marketable fuel oil (mazut)/ Visbreaker bottoms /vacuum residue	1 920 693	2 152 966	6 188 002
Vacuum residue			920 169
Marketable fuel oil (mazut)/ Visbreaker bottoms	1 920 693	2 152 966	5 267 833
Hydrocarbon gas for furnaces	48 922	223 626	298 493
Hydrogen		1 768	1 768
Sulphur	7 684	50 001	60 299

TANECO COMPLEX PROCESS UNIT RATED CAPACITIES

Process Unit	Rated Capacity, thousand tonnes per year
CDU-VDU-7	7 000,0
Naphtha Stabilization Unit	1 101,6
Visbreaker	2 400,0
Amine Regeneration Unit:	
LPGamine scrubbing assembly	170,5
Fuel gas amine scrubbing assembly	121,6
Hydrogen-bearing gas scrubbing assembly	35,9
Elemental Sulphur Recovery Unit	139,4
Hydrocracking Unit	2 900,0
Hydrogen Production Unit	99,77
Base Oil Production Unit	250,0

The tail gas treatment unit was commissioned at the elemental sulphur production plant. In 2014, the commercial-grade hydrogen sales began to third-party companies such as PJSC Nizhnekamskneftekhim and TAIF-NK PSC.

The process flow optimization of the facilities was carried out to improve the crude oil processing efficiency, yield a higher output of light oil products and increase the refining capacity. The integrated testing operation and commissioning of the following process units is expected to be accomplished in the long run, including naphtha hydrotreatment, delayed coking, naphtha splitter, catalytic reforming, light naphtha isomerization, heavy coker gas oil hydrotreatment, kerosene hydrotreatment, diesel fuel hydrotreatment, heavy residual hydroconversion pilot plant, crude oil distillation unit CDU-VDU-6.

NGDU Elkhovneft Oil Refining Facilities

Feedstock processing and production output of petroleum products for period from 2013 through 2014

Product Description	2013 Actual	2014 Actual
Crude oil accepted	407 649	405 515
Crude runs to stills	167 371	164 783
Crude return	240 278	240 732
Total oil products, including:	179 306	
Diesel fuel	86 787	67 604
Total gasoline, в т.ч.:	81 539	75 122
Gasoline Regular-92	77 988	72 932
Gasoline Normal-80	3 551	2 190
Home heating oil	1 869	9 498
Kerosine-gasoil fraction	6 763	0
Low-viscosity marine fuel	1 950	13 886
Sulphur	373	261
Straight-run gas oil	25	12
Bitumen	0	

In 2014, a vapour recovery unit and bottom loading system for oil products were built at the Elkhovsky Oil Refining Facility.

Switching to production of the motor gasoline Regular-92 and the diesel fuel of the emission standard-5 resulted in benefiting from a lower excise tax assessment and additional profit on petroleum product sales in 2014.



Gas Processing Capacity

In 2014, the associated petroleum gas was gathered in the amount of 883,6 mln. m3, which grew by 18,8 mln. m3 compared with 2013. The associated petroleum gas utilization ratio was 95, 17%. The associated petroleum gas volumes delivered to the Gas Processing Plant in 2014 totaled 795 mln. m3, which rose by 21, 1 mln. m3 compared with 2013.

The Natural Gas Liquids (LNGs) at the Integrated Oil Treatment Facility were processed in the amount of 276,5 thousand tonnes. In 2014, the sour gas processing volume was higher with 135,4 mln. m3 of sour gas delivered for treatment (higher 10,0 mln. m3 against 2013).

Tatneftegazpererabotka Division (UTNGP) output of finished products over period from 2013 through 2014

Product	Unit of measure	2013 Output	2014 Output
Stripped gas	mln.m³	275,350	262,657
Liquid products, total	ths. t	597,568	661,495
Liquified gas, including:	ths. t	414,438	440,01
Propane fraction	ths. t	245,700	264,925
Isobutane fraction	ths. t	46,272	47,647
Normal-butane faction	ths. t	122,466	127,438
Isopentane fraction	ths. t	22,443	21,273
Stable natural gasoline	ths. t	205,893	200,212
Ethane	ths. t	160,687	171,061
Sulphur	ths. t	4,908	5,918
Nitrogen	ths. m³	833,794	1 069,732
Oxygen		306,816	321,12

In 2014, the works commenced to implement the Project for construction, upgrading and re-equipment of UTNGP's facilities. Currently, the raw gas compressor unit is under reconstruction and the off-site flaring system is being built.

CRUDE OIL DELIVERIES

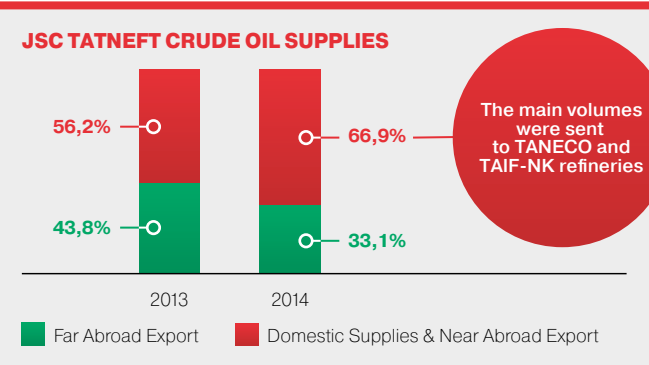
The crude oil produced by the Company was sold on three end markets such as the Russian market, far abroad and near abroad markets. The oil continues to be exported to the far-abroad countries as a usual delivery destination where was supplied 8 373,9 thousand tonnes of crude oil that was 33, 1% of the total oil sales across JSC TATNEFT. The major oil supplies to the domestic market were intended to provide the adequate feedstock for the refineries of TANECO and TAIF-NK.

JSC TATNEFT Oil Supply Distribution /Main Crude Oil Shipping Destinations/ for period from 2012 through 2014 (thousand tonnes):

Description	2012	2013	2014
Far Abroad Export	11 759,6	11 275,4	8 373,9
Near Abroad Export	618,1	1 053,8	1 279,1
Russian Refineries	13 184,7	13 408,9	15 611,9
including:			
Refinery TAIF-NK PSJC	5 789,0	5 367,0	6 196,5
OJSC TANECO	7 000,0	7 674,8	8 395,4
OJSC Moscow Oil Refinery	50,0	81,0	30,0
JSC Ryazan Oil Refining Company	99,9	23,5	-
JSC Slavneft-YANOS	79,9	-	42,9
OAo LUKOIL-NORSI	99,3	173,4	549,5
JSC Novoshakhtinsk RFP	64,1	52,7	396,1
Other supplies	2,6	36,4	1,5

In 2014, JSC TATNEFT treated and transferred to the transportation system 25 617,9 thousand tonnes of hydrocarbon resources. 25 283,8 thousand tonnes were delivered to the consumers. Apart from its own resources the Company sold in 2014 through the Crude Oil and Petroleum Product Department 2 084,7 thousand tonnes of oil produced by the independent oil companies (IOC), including export (Far Abroad and Near Abroad) – 483,9 thsousand tonnes and domestic market (Russian Refineries) – 1 600,8 thsousand tonnes.

In 2014, outside the Republic of Tatarstan the resources produced by the oil companies where Tatneft held interests in the Orenburg and Samara regions were sold in the quantity of 17,5 thousand tonnes bypassing the JSC Transneft's system.



PETROLEUM PRODUCTS SALES

2014 TANECO Complex Petroleum Products Sale (thousand tonnes)

Product Description	EXPORT (Near Abroad, Far Abroad)	2014 Domestic Market
LNGs	-	168,8
Straight-run gasoline	-	
Stable natural gasoline	1615,4	
Visbreaker naphtha	60,43	
Diesel fuel	174,33	804,1
Heating kerosene	2,98	197,3
Home heating oil	-	46,6
Kerosine-gasoil fraction	-	
Low-viscosity marine fuel	218,97	2403,4
Vacuum gas oil	516,5	0,2
Furnace fuel oil (mazut)	1495,22	351,7
Visbreaker tar		297,1
Granulated sulphur	49,15	0,4

Republic of Tatarstan Petrochemical Complex Gas Product Supplies over period from 2013 through 2014 (thousand tonnes)

Product Description	2013	2014
Isobutane	21,2	39,02
LNGs of UTNGP	6,2	0
Ethane	160,7	171,06
LNGs of OJSC TANECO	104,7	168,8
Propane	11,8	4,0

2014 Tatneftegazpererabotka Gas Products Sale (thousand tonnes)

Product Description	EXPORT (Near Abroad, Far Abroad)	Domestic Market
Stable natural gasoline	198,93	-
Propane fraction	138,15	9,83
Isobutane fraction	80,65	39,02
Normal butane fraction	93,81	-
Liquefied gas GOST 20448-90	-	16,06
Liquefied gas (through AGZS* No. 274G)	-	140,28
Isopentane fraction	12,01	9,4
Commercial sulphur, including	-	5,85
in lumps	-	5,76
in flakes	-	0,09

The liquefied gas in the volume of 5.7 thousand tonnes was supplied to the population of the Republic of Tatarstan for household needs.

*AGZS – autogas (LPG) filling station

Petroleum product sales through retail filling station chain

Performance Indicators	2014 r.	
	tonnes	thousand RUR*
Russian Federation, including:	1 978 566	65 591
Oil products	1 830 803	61 998
Gas products	147 763	3 593
Ukraine, including:	64 695	3 391
Oil products	56 831	3 075
Gas products	7 864	316
Belarus, including:	15 600	680, 3
Oil products	15 600	680,3
Gas products	-	-
Total	2 058 861	69 662

* including taxes

JSC TATNEFT’s network of filling stations encompasses 24 regions within the Russian Federation, Belarus and Ukraine. The TATNEFT-branded filling station chain consists of 667 facilities located in Russia and CIS with 543, 111 and 13 stations located in Russia, Ukraine and Belarus, respectively.

In 2014, 18 new filling stations with 3 autogas (LPG) fueling terminals and 15 autogas fueling terminals at the operating filling stations in the Russian Federation were placed into service. The main benefit of the LPG fuel is that the Company produces its own feedstock at the Minnibayevsky Gas Processing Plant. Ten filling stations were revamped. Two multi-purpose motorway service areas of the TATNEFT filling station network came on stream in the Voronezh region.

The integrated control center was set up to control automatic filling stations. Thirty seven filling stations were converted to automatic/semiautomatic operation.

The retail sales network is managed through an effective quality control system for the petroleum products using high-end technologies and equipment. Reconstruction of two oil storage facilities and retrofit of another two oil storages was completed.

In 2014, the retail sales network was being provided with a highly competitive product such as the standard 5 diesel fuel with improved performance. The diesel produced in Nizhnekamsk passed through the comprehensive tests such as bench tests and running trials, including those run by the central laboratory of fuels and oils at the «KAMAZ» Research and Development Center.

The engine, which ran on the TANECO diesel fuel, as compared with its rivals showed higher net engine power and torque as well as lower fuel consumption.

The installation of vapour recovery units (VRU) at the filling stations and tank farms of the Company made it possible to reduce the loss of petroleum products as a result of «natural breathing» of the tanks and significantly improve the environmental situation around filling stations and tank farms. In 2014, the revenues from sales of related products and services in the filling stations amounted to 1, 248 billion rubles, which was up 22% over 2013. The Company plans to further develop the associated services, expanding its marketing offers for additional services and customer support programs to improve the quality of service and increase revenues.

The Company looks upon the effective means of interaction with customers as a significant tool for improving competitiveness. The automated system for customer care enables to immediately respond to the requests thereby raising the level of quality assurance of the Company’s retail business operations.

The customer portal www.azs.TATNEFT.ru contains the full information on the retail sales network of the Company. There is a customer service hotline in place. Moreover, there is a mobile application to get information on the nearest filling stations, fuel prices and additional services.

Over the year under report, 3 034,2 million rubles were spent for the investment program to develop the TATNEFT marketing infrastructure.

PETROCHEMICAL BUSINESS

The Petrochemical Complex of the Company consists of the carbon black and tire manufacturers. The Complex incorporates the following enterprises: JSC Nizhnekamskshina, OOO Nizhnekamsk Truck Tire Factory, OOO Nizhnekamsk SSC Tire Factory, OOO TATNEFT - Neftekhimsnab, OOO KAMA Trading House, JSC Nizhnekamsktekhuglerod, JSC Nizhnekamsk Mechanical Plant, JSC Yarpolimer mash - TATNEFT, OOO Energoshinservis, OOO Kama Scientific & Technical Center. The Company runs and manages the business segment through OOO TATNEFT-Neftekhim Management Company.

In 2014, the Company invested 525 million rubles to develop the Petrochemical Complex.

Performance Indicators	2014
Tire output, total, mln. pcs.	11, 64
Tire sales, total, mln. Pcs	12, 1
Carbon black output, ths. Tonnes	120,5
Sales revenues, bln. RUR	34,78

In 2014, the commodity output manufactured by the enterprises of the Petrochemical Complex totaled 37.62 billion rubles. The sales revenue amounted to 34.78 billion rubles in 2014 with 3.2% increase over 2013.

Carbon black production

In 2014, the carbon black was produced in the amount of 120,5 thousand tonnes, that was up 10.6% over 2013. The sales revenues in 2014 rose by 12.3% and amounted to 3.67 billion rubles. The product range includes 14 grades of carbon black with 6 grades manufactured as high production volume products.

The investment program continued modernization of the carbon black production facilities.

The products manufactured by the Nizhnekamsktekhuglerod plant are of a high quality and competitive with the same products of foreign manufacturers and exported to Poland, Bulgaria, India, Indonesia, Turkey and Hungary.

The carbon black sales realized by the KAMA Trading House amounted to 55,920 tonnes at year-end 2014. 75% of sales accounted for exports. The geography of the carbon black supplies expanded into 16 countries in 2014.

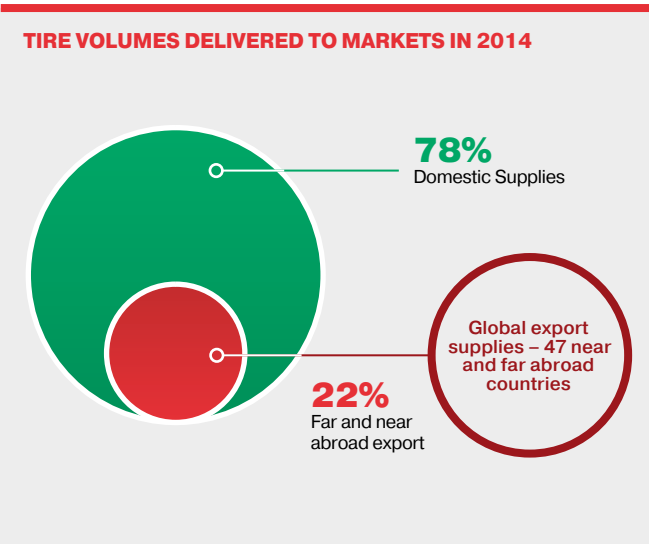
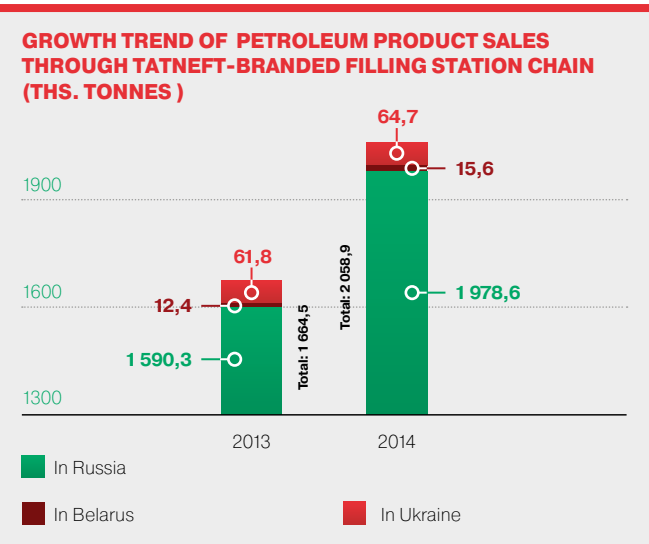
Tire business

In terms of tire output volume, the Company’s tire manufacturing complex has a significant share in the Russian tire production business and supplies its tires to the domestic automakers such KAMAZ, GAZ, AVTOVAZ as well as to the vehicle assembling plants of Volkswagen, Ford and other foreign carmakers. Every fifth car owner in Russia chooses the tires of KAMA or KAMA EURO brands. JSC Nizhnekamskshina completed the static imbalance line reconstruction project as well as purchased a green tire painting machine and dynamic imbalance machine.

In 2014, the tire works of the Complex manufactured 11,64 million tires, including 745,09 thousand advanced solid steel cord tires (SSC-tires). In 2014, 59 tire commodity items (new products) were developed and launched into manufacturing production, including 6 SSC-tire commodity items (new products). The innovative product share in the overall tire production output accounted for 49,9%. The overall tire sales totaled more than 12,13 million tires making 2,4% increase over 2013.

OOO KAMA Trading House is the main distributor of the petrochemical complex of the Company.

2014 Tire Sales across End Markets (thous. pcs.)	
End Market	2014 r.
Russian primary market (automakers)	2,4
Russian after-market	7,1
Export	2,6



HEAT-AND-POWER ENERGY SECTOR

During the year under the report the Company continued to develop its heat-and-power energy sector, which includes the following enterprises: TATNEFT-Energosbyt Management Company, Nizhnekamsk CHP and Almetyevsk Heating Networks, by implementing the generating capacities modernization program using effective and innovative technologies and advanced equipment and facilities.

The long term sector development provides for power and heat generating for the Complex of the TANECO Refinery, Nizhnekamskshina, NZSH SSC plants as well as oil production and other industrial facilities and utilities. With the heat and power energy generation, including minor energy, the Company will be able to ensure the secured and uninterrupted heat and power energy supply to its own production facilities as well as external customers while reducing significantly heat and electricity procurement costs.

Nizhnekamsk CHP

Currently, the Nizhnekamsk CHP reconstruction program with the installation of low-grade steam turbines is moving ahead. The Nizhnekamsk CHP reconstruction investments totaled 4577 million rubles in 2014. In December 2014, the works at the first starting complex facilities including extension of the main building, construction of the circulating pump station, two natural draught cooling towers and two fan coolers were completed. In 2014, most of the design and survey work as well as the construction and installation operations were finished; also, the equipment was installed. The contracts were concluded to carry out start-up and commissioning operations. JSC TATNEFT operates as a general contractor in the reconstruction of the power boilers required for combustion of petroleum coke from the delayed coking unit. The solid petroleum coke is expected to be used as a fuel for power energy generation at the Nizhnekamsk CHP.

In 2014, the electric power was generated in the quantity of 1 332,8 mln. kWh. As compared with 2013 the total power generation was up 0.7%. Company's own electric power consumption amounted to 170 mln. kWh., with 1 162,8 mln. kWh sent to the grid. In 2014, the thermal energy was delivered in the amount of 3928 thousand Gcal. In 2014, the achieved results by per unit indicators were good:

- the specific fuel consumption for power generation was 303.0 g/kWh, that was lower than normative standard for 1.3 g/kWh;
- the specific fuel consumption for heat energy was 141.8 kg/Gcal, which was lower than the standard for 0.3 kg/Gcal.

Thanks to the lower specific fuel consumptions against the normative standards 2,651 tonnes of fuel were saved in 2014. The revenues from main product sales totaled 4 475,4 mln. rubles. The gross revenues from heat energy sales amounted to 2 547,3 mln. rubles. (56.9% of revenues from main product sales), including:

- heat energy sales - 2 364,6 mln. rubles;
- heat-carrier sales - 182,7 mln. rubles

The gross revenues from the electric energy and power sales on the wholesale electricity and power market amounted to 1 928,1 mln. rubles. (43.1% of revenues from main product sales), including sales of electricity purchased for non-regulated contract supply, including:

- electricity sales - 1 547,2 mln. rubles
- power sales - 380,9 mln. rubles.

In 2014, Nizhnekamsk CHP delivered the steam of 13 atm-626,992 Gcal to TANECO in the amount of 393 608.1 thousand rubles with the steam of 140 atm-527,958 Gcal amounted to 360 037.5 thousand rubles.

In 2015, the facilities of the second starting complex are planned to be completed and in particular the low-grade steam turbine to be put into operation and construction of the high-voltage equipment installation to be finished.

Almetyevsk Heating Network

The heat generation amounted to 767.26 thousand Gcal at year-end 2014. The thermal energy was sold in the volume of 648.3 thousand Gcal. In 2014, the construction and installation and start-up works were completed to bring a mini heat-and-power plant into operation, which enabled the Company to use the generated electricity for its own needs.

Heat Sales for JSC Almetyevsk Heating Network (thousand Gcal)

Consumer Group	2012	2013	2014
Publicly funded institutions	94,9	94,3	97,8
Population	475,5	429,6	465,2
Other	73,7	73,0	79,2
JSC TATNEFT's enterprises	4,2	6,1	6,1
TOTAL:	648,3	603,0	648,3

ENERGY EFFICIENCY

Improving energy efficiency is a strategic priority for the Company aimed at reducing its operating costs and as the result the cost of the end products.

JSC TATNEFT Energy and Resource Efficiency Program for period up to 2020

Under the current circumstances where the natural monopolies keep on raising their tariffs for energy resources and transportation services and where hydrocarbon lifting cost goes up due to tightening of the subsoil use regulations, the Company is making every effort to accumulate maximum reserves for saving in all areas of its business activity, including energy saving.

The corporate program of energy and resource efficiency for the period up to 2020 provides for the focused activities to accumulate maximum reserves for savings in all lines of business, including energy saving.

The program envisages a step-by-step reduction of the overall fuel and energy consumption of through two-phased implementation of the program activities. By 2020, the fuel and energy consumption is planned to be cut down 13.5% compared with 2007 (the program beginning year).

The program involves 25 entities of the TATNEFT Group. The program accomplished 646 action items, of which 270 measures were performed to save energy. In 2014, the program actions executed for resource conservation made it possible for the Company to bring its fuel and energy requirement down 4.4%.

The design works commenced to put in place the automated energy accounting system at the enterprises of the JSC TATNEFT's Petrochemical Complex.

The savings gained from the measures focused on reducing consumption and rational use of material and natural resources amounted to 6.1 bln. rubles at year-end 2014. The funds were used to offset the additional costs associated with sustaining the economically viable oil production of the Company in the context of high depletion rates of the oil fields.

The Company's contribution to the energy efficient production development was awarded by the government.

Company's need in fuel and energy dropped

4,4%

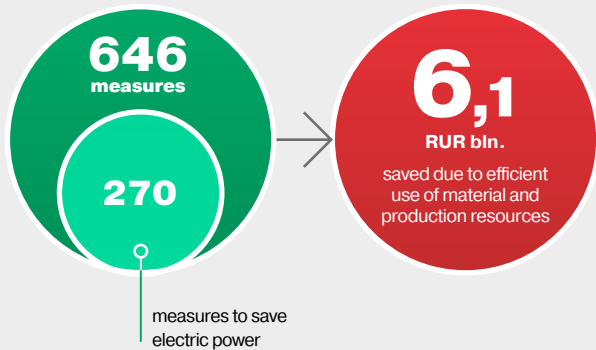
The Company paid particular attention to the initiatives for implementation of energy saving technologies and use of renewable energy sources.

The TATNEFT-branded filling station network grew steadily thanks to the advanced resource and energy saving technologies as well as the modernization of the filling stations. 42 filling stations are furnished with pellet boilers.

JSC TATNEFT Fuel and Energy Consumption

Description	Unit of measure	2014
Thermal energy, total	Gcal	878 583
including industrial consumption	Gcal	828 849
Boiler and furnace fuel, total	Toe	268 470
including industrial consumption	Toe	267 982
Electric energy, total	mln. kWh	3 759,3
including industrial consumption	mln. kWh	3 743,2
Motor gasoline	tonnes	2 743,6
Fuel diesel	tonnes	1 932,4
GAS	tonnes	70,8

2014 ENERGY & RESOURCE EFFICIENCY PROGRAM PERFORMANCE



ENSURING INDUSTRIAL AND ENVIRONMENTAL SAFETY

The Company’s health, safety and environment activities are carried out in accordance with the international environmental standards ISO 14001: 2004 and occupational health and safety OHSAS 18001: 2007 within the frame of the integrated health, safety and environment management system.

In order to comply with the requirements of the international standard OHSAS 18001 the Company developed the JSC TATNEFT Health, Safety and Environment Program (the action plan) to prevent injuries, reduce risk, accidents and contingent losses for period of 2013 to 2015.

The program is focused on protecting life and health as well as improving working conditions, reducing accident rate and significant industrial risks, enhancing safe operation of equipment and improving fire safety condition of the Company’s facilities. Around 7 billion rubles are planned to be spent to implement the activities of the Program. In 2014, the JSC TATNEFT’s divisions spent more than 3.4 billion rubles.

Main focus areas of the Health, Safety and Environment Program (the action plan) to prevent injuries, reduce risk, accidents and contingent losses for period of 2013 to 2015.

Item No.	Focus Area	2014 Amount, thous. RUR
1.	Decommissioning, renewal, reconstruction, modernization of facilities, technological equipment, technical devices and alarm warning and protection facilities	2 505 016,2
2.	Diagnostics, service and preventive maintenance	616 196,8
3.	Advanced and safe technology application	48 443,7
4.	Construction and expansion of amenities and other utility facilities	43 021,6
5.	Furnishing workers with personal protective equipment	102 677,7
6.	Training and skills development	69 680,7
7.	Industrial safety and health activity improvement	876,0
8.	Hazard and risk management, prevention of injuries, reduction of accidents, risks and contingent losses	23 236,9

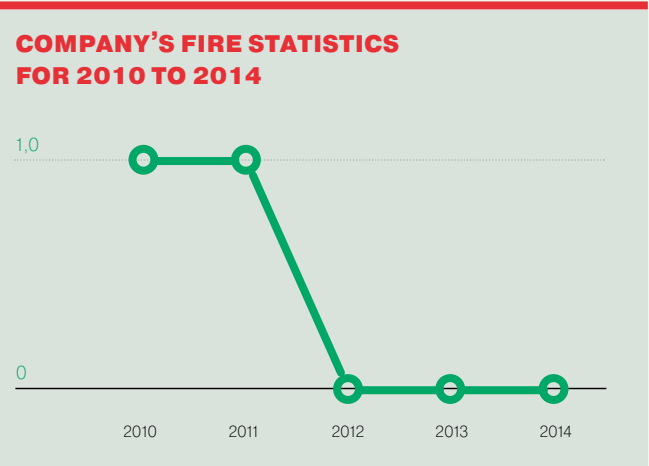
Industrial Safety Management System

The JSC TATNEFT industrial safety system is organized in accordance with the Federal Law «On industrial safety of hazardous industrial facilities», «Rules on the organization and implementation of industrial control for compliance with requirements of industrial safety at hazardous industrial facilities» and other industrial safety regulations of the Russian Federation.

The industrial control is the key element of the integrated health, safety and environment management system. Its aim is to prevent accidents and incidents and to ensure preparedness of the TATNEFT’s divisions to respond to emergencies and eliminate consequences of accidents and incidents at hazardous industrial facilities through implementation of complex of organizational and technical measures.

There is the Occupational Safety and Health Department including the Industrial Safety Group functioning in JSC TATNEFT. The Regulation on industrial control over compliance with industrial safety at JSC TATNEFT’s hazardous production facilities is in effect, which provides for the key specialists and employees from the production and technical services and departments to implement preventive measures.

In 2014, there was no fire in the Company.



ENVIRONMENTAL CONTROL

The JSC TATNEFT environmental safety activity is carried out in accordance with the requirements of the federal laws and complies with all applicable environmental rules and regulations taking into account the international, federal and regional regulation requirements, internal regulatory documentation including the JSC TATNEFT Health, Safety and Environment Policy and the JSC TATNEFT Environmental Program for the period from 2000 to 2015. JSC TATNEFT sticks to 15 precautionary principles of the Declaration adopted by the UN Conference on Environment and Development in Rio de Janeiro on 3-4 June 1992.

- The Fundamental Principles of the JSC TATNEFT Health, Safety and Environment Policy are as follows:
- recognizing the constitutional right of people to safe working conditions and healthy environment;
 - industrial and environmental safety priority as an integral part of national security;
 - energy saving and rational use of natural resources during oil production operations;
 - managerial and investment decision-making based on multi-optional scenarios, taking into account the priorities of industrial and environmental safety;
 - giving priority to preventive measures over the response actions to eliminate negative environmental impacts.

The Deputy General Director for Operations – Chief Engineer of JSC TATNEFT is in charge of Company’s environmental activities, which are carried out by the Corrosion and Environmental Control Technological Department.

ENVIRONMENTAL CONSERVATION SYSTEM

In 2000, the third environmental program up to 2015 was drafted and adopted in order to sustain the state of the environment within JSC TATNEFT’s region of operations at the normative acceptable level corresponding to self-regeneration potentials of natural ecosystems.

- JSC TATNEFT sets the following goals and objectives:
- ensuring safe working conditions, protecting health of workers and people living in the areas of the Company’s operations;
 - improving industrial and environmental safety of hazardous production facilities;
 - reduction of negative impacts on the environment by implementing new advanced technologies, equipment, materials as well as improving process control quality;
 - prevention of making of unjustified wastes in technological processes of oil production and related operations with environmentally safe handling of wastes and their maximum use as a secondary raw material;
 - rational use of natural resources and minimization of oil and gas losses

Certified in 2006, the JSC TATNEFT Integrated Health, Safety and Environment Management System (hereinafter– ISM HSE OS) successfully passed through the re-certification audit in 2012, the compliance audits in 2013 and 2014 for compliance with the international standards ISO 14001:2004 and OHSAS 18001:2007. The audit was carried out by the specialists of ZAO Bureau Veritas Certification Russia.

The Company uses a methodology of «sequential procedures» as per the standard ISO 14001:2004, which the JSC TATNEFT environmental management system is certified for compliance therewith.

The TATNEFT Company has been implementing the consistent program activities to protect the environment. The environmental programs such as “Ecology – 1990-1995” and “Environmental security in oil production operations in the southeast of the Republic of Tatarstan - 1995-2000” were successfully accomplished. As a result, the ecological situation in the region was managed to have restored to the state that had existed before the oil field development started. Currently, the Environmental program for the period 2000 to 2015 is being put into life.

Industrial Environmental Monitoring

The following sequence of procedures is established in JSC TATNEFT in the process of environmental management:

- preparation of the original environmental management reporting under a uniform form;
- identification of environmental aspects for all the Company’s activities under the same methodology and making a ranked list of significant environmental aspects;
- identification of current environmental commitments and development of measures to mitigate the impact on the environment;
- setting target and planned environmental performance indicators which specify the current environmental commitments;
- analysis and evaluation of environmental performance;
- identification of ways and possibilities to improve environmental performance and further reduce the impact on the environment.

In order to further improve the industrial environmental monitoring in 2014 JSC TATNEFT developed and put in place the following standards of organization:

- Regulation on industrial control for environmental protection (industrial environmental monitoring) in JSC TATNEFT (STO TN 128-2014);
- Procedure for industrial control for air protection in JSC TATNEFT (STO TN 129-2014);
- Regulation on water use compliance in JSC TATNEFT (STO TN 132-2015).

The JSC TATNEFT industrial environmental monitoring system is implemented in the following areas:

- taking measurements and samples related to the environment protection;
- maintenance of databases of sources of environmental impact and environmental setting,
- processing and analysis of data obtained;
- determination of impact source conformity with environmental requirements;
- analysis and forecast of the environment conditions in the region;
- development of the industrial environmental monitoring system in new operating areas.

The industrial environmental monitoring system provides the following types of monitoring:

- Laboratory and instrumental monitoring of sources of environmental impact (emissions and discharges of pollutants and waste waters);
- Laboratory and instrumental monitoring of condition of the environment components (air, surface and underground waters, lands and soils, geological environment);
- A two-level supervisory control of compliance with environmental legislation.

Biodiversity and ecosystem productivity

There is an extensive network of specially protected natural areas (PAs) of zoological, entomological, botanical, hydrological and geological profiles to save the species diversity and productivity of ecosystems within the Company’s operating area.

Use and monitoring of water bodies

The operating area of the Company is located within the basin of the Kama River and its tributaries. The southern part of the operating area adjacent to the Samara region is confined to the basin of the Volga River (The Bolshoi Cheremshan River). Moreover, the Upper Permian strata contain significant fresh groundwater reserves used by local people as drinking water. There is a network of local observation points to monitor water bodies in effect within the JSC TATNEFT license areas. The observation system currently consists of 2688 sampling points. This includes 564 observation points to monitor surface water bodies (rivers, water reservoirs) and 2 124 observation points for underground water bodies (springs, artesian wells, water wells).

Industrial environmental monitoring of water bodies is carried out by 12 chemical analytical laboratories owned by the structural units of the Company, as well as the laboratories of other organizations: OOO UPTZH dlya PPD, the Federal State-Funded Healthcare Institution “Hygienic and Epidemiological Center in the Republic of Tatarstan”, the Federal Budgetary Institution branches of the Centre of Laboratory Analysis and Technical Metrology for the Volga Federal District. Water analysis is conducted to check the following parameters, which are typically influenced by oil production: chloride ion, sulfate ion, total hardness, hydrocarbonates, pH, calcium, anionic surfactants (surfactant), and crude oil and petroleum products in dissolved and emulsified state.

The Company with the efforts of its divisions cleared, captured and architecturally rehabilitated more than 500 spring sites within its operating area. In 2014, for the nineteenth consecutive time since 1995 JSC TATNEFT had organized and held the annual contest “Maintaining beauty of landscaped spring sites and improving water quality”.

Based on the results of laboratory studies, in 2014, the water quality in major rivers within the area of the Company’s operations was stable. The content of chlorides, crude oil and oil

products in dissolved and emulsified state in the major rivers and in the vast majority of the springs did not exceed maximum permissible concentration (MPC) of harmful substances in the fishery water bodies and sanitary-hygienic norms of MPC. Now the concentrations of these harmful substances are steadily lowering in the groundwaters.

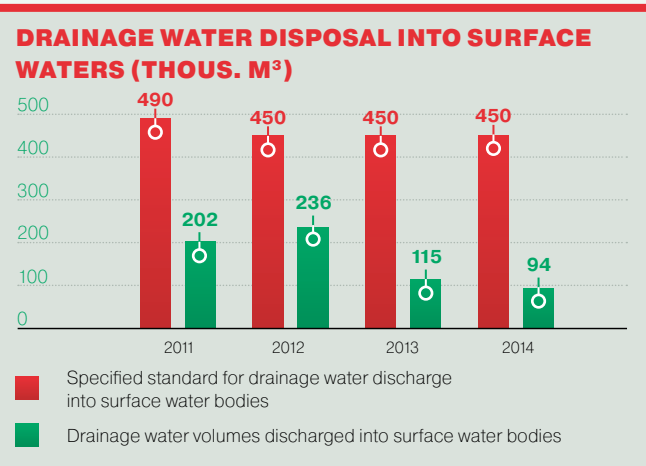
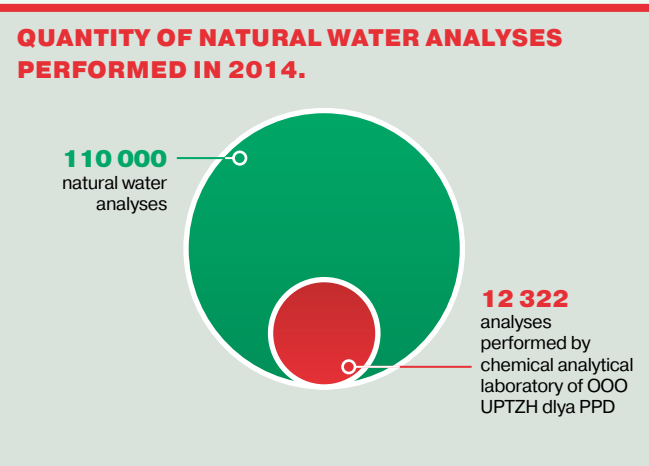
The Company’s water resources are primarily supplied by a transit flow of the Kama River. The surface waters of the Rivers of Kichuy, Ik, Sheshma, Steppe Zai are used as secondary water sources.

The company uses water in compliance with the Water Code of the Russian Federation and the Federal Law «On Subsoil». In 2014, the use of surface water bodies was carried out on the basis of 10 water use agreements concluded with the Ministry of Ecology and Natural Resources of the Republic of Tatarstan, and 7 decisions on granting of surface water bodies for use. JSC TATNEFT produced groundwater in 2014 on the basis of 49 subsoil use licenses. By implementing EOR and water resources rational use technologies, the amount of fresh water intake for reservoir pressure maintenance (RPM) for the period from 2000 to 2014 decreased by 16 mln. m³. Moreover, 100% produced water during oil production and oil treatment operations is re-injected into reservoir.

The volume of water utilized in 2014 for JSC TATNEFT’s own needs amounted to 28,864 mln. m³, including fresh water in quantity of 28,274 mln. m³. The specific amount of fresh water consumption per tonne of crude oil production amounted to 1,078 m3 (1,077 m³ in 2013).

Use and monitoring of land resources

The area of the land allotted to JSC “TATNEFT” for its production facilities from agricultural lands and forest resources covers 32.2 thousand hectares. The main area is occupied by the lands with black earth soil and gray forest soil types, which do not tend to compaction and



WATER RESOURCES USE BALANCE, mln. m³

Performance Indicators	2010	2011	2012	2013	2014
Total water volume withdrawn for Company's own needs, total	31,2	29,6	30,0	28,7	28,9
including fresh water withdrawal	30,8	29,2	29,7	28,1	28,3
of which water withdrawn from natural sources at own water intake facilities	29,1	26,4	27,0	2,3	2,0
Fresh (clean) water used for reservoir pressure maintenance	23,1	23,4	23,0	21,6	22,2
Fresh (clean) water used for production needs	6,8	4,7	5,7	5,7	5,8
Volume of produced and waste water recycled for reservoir pressure maintenance operations	128,3	129,7	130,4	133,2	119,0

structure deterioration. Water features, air and thermal regime of these soils are not damaged. The land protection measures provide for using modular build rigs equipped with tank circulation systems with three-stage mud cleaning systems. This helps prevent liquid spillage on the land surface and eliminate construction of earthen pits as well as provides reliable protection of fertile lands in the well site area against contamination from drilling fluids and formation waters.

In order to assess the state of the soil, sampling and chemical analysis was performed to determine the man-made pollution of the soil by oil products and anions (chlorides, sulphates, hydrocarbonates, carbonates), cations (Ca, Mg, K + Na), pH and total mineralization. Evaluation of the results of chemical analyzes of soil samples for pollution by oil products, anions, cations as well as pH and total mineralization indicates the local character of soil contamination by oil products, as a rule, in the parking areas for the special transport vehicles to service the wells. Outside of these areas the excess MPCs of chlorides were not recorded.

Based on many years of soil analyses it is observed that there is a slight tendency to alkalizing of the soil and its pH growth. The values of sulphate concentration in the soil remain mostly stable.

During the year under report, the extensive work was carried out to reduce the agricultural land allotment for construction of oil facilities and restore the fertility of the disturbed land, which became possible due to pad drilling and well pad construction. Currently, in JSC TATNEFT the land allotment area for a well covers 0.23 hectares. In 2014, there were no land contamination cases as a result of accidents in the area of JSC TATNEFT's operations.

In 2014, 1,643 hectares of land were reclaimed during the construction of pipelines and other oil facilities.

Air Quality Monitoring

While monitoring the compliance with the specified standards of maximum permissible emissions of pollutants into the atmosphere, JSC TATNEFT took the instrumental measurements from more than 250 stationary sources of emissions and carried out about 1100 tests in 2014. The atmospheric air was monitored in 111 inhabited locations within the area of the Company's operations and the sanitary buffer zones of 221 production facilities. 12716 tests were performed to determine the current state of the atmosphere.

The air basin was analyzed for 33 ingredients (hydrocarbons, hydrogen sulfide, nitrogen dioxide, carbon monoxide, etc.) with simultaneous meteorological observations by measuring a wind speed and direction, temperature and relative humidity.

Gross emission of harmful substances into the atmosphere in 2014 totaled 92 302.838 tonnes, which was 564.95 tonnes less than in 2013. This is primarily due to the 2014 planned preventive maintenance and repair works at the facilities of the Tatneftgazpererabotka Division in a smaller scale as compared with 2013. Specific emissions over 2014 per tonne of crude oil production amounted to 3,520 kg (in 2013 - 3,557 kg). As a result of the implementation of air protection measures across the Company for the last 20 years, the total emissions of pollutants into the air from stationary sources decreased by 1.4 times.

The applied technology to capture light hydrocarbon fractions (vapour recovery units) decreased carbon emissions by more than 1.9 times compared with 1991. Currently, the Company operates 44 vapor recovery units. All pollutant emissions into the air from the Company's stationary sources are within the established standards of maximum permissible emissions.

Geological Environment Monitoring

In order to monitor the dynamic state of the geological environment within the area of the Company's operations the geodynamic test sites are created to study the intensity of the latest movements of the regional, zonal and local levels.

Environmental Protection Measures

- Implementation of the technology to capture light hydrocarbon fractions (vapor recovery units), released from storage tank equipment;
- Reducing flared associated gas volumes;
- Associated petroleum gas cleaning at desulphurization unit;
- Repair and replacement of tanks and other storage tank equipment and anti-corrosive coating application and equipping with electrochemical protection means;
- Overhaul and replacement of commercial oil and gas pipelines;
- Reconstruction of oil treatment facilities with the optimization of technological process and product streams;
- Construction of storm water drain at industrial facilities for collection and disposal of wastes;
- Mud pit lining and equipping rigs with waterproof circulating systems;
- Overhaul and replacement of oil pipelines and their sacrificial and inhibitory protection;
- Equipping well servicing and workover crews with special equipment to prevent fluid spills;
- Monitoring production casings of wells for integrity and behind-casing crossflows;
- Sealing of production casings, bringing top of cement to surface behind surface and production casings;
- Running in additional (intermediate) casings;
- Increase lifetime of downhole equipment using protective coatings, M1-X packers, sacrificial protection, corrosion inhibitors, cathodic protection of casing wells.

A good deal of work was accomplished in order to protect gas pipelines against corrosion including active electrochemical protection, delivery of corrosion inhibitors, use of corrosion-resistant tubulars to replace gas pipelines as well as repair (replacement) of worn out sections.

During 2014 a considerable amount of efforts was made to improve reliability of various-application pipelines and well design. To ensure a leak-free operation of oilfield facilities the Company applies the technologies to:

- protect the pipes against corrosion by polyethylene lining and paint coating application;
- manufacture pipes in corrosion-resistant versions;
- construct pipelines with effective internal and external insulation and welding joint protection.

In order to protect the air, in 2014, 23.17 km of gas pipelines were overhauled. Under the capital construction program 10.8 km of gas pipelines were built and put into operation.

In order to protect the land, surface and underground waters 135.60 km of oil pipelines and 148.45 km of water lines were overhauled using corrosion-resistant pipes.

45 process tanks were lined with internal protection coating, including 11 vertical stainless steel tanks were lined with sacrificial protection, 11 vertical stock tanks – with cathodic protection and 23 horizontal flow settling tanks were lined with sacrificial protection against corrosion. The cathodic protection of the tank bottom from dirt corrosion was applied to 21 vertical tanks.

In 2014, the specific amount of polluted waste water discharged into surface water bodies per 1 tonne of oil production amounted to less than 0,004 m³ (less than 0,005 m³ in 2013).

The results of large-scale environmental measures showed that in 2014 in the area of JSC TATNEFT's operations the level of man-induced impact on the environment did not exceed the self-regeneration potential of the ecosystems. That was evidenced by lower concentration of pollutants in the air and underground and surface water sources. During the year under report, within the area of operations the Company did not let a single man-made accident happen causing environmental damage.

Reliability improvement of oilfield equipment

To ensure stable and trouble-free operation of the production facilities while improving their industrial and environmental safety the Company manufactured 1 213.7 km of corrosion-resistant pipes (metal-plastic coated steel pipe and polymer coated steel pipe) and 5 367.5 tonnes of corrosion inhibitors in 2014. Cathodic protection was applied to the casing of 948 wells, 625.6 km of pipelines were furnished with electrochemical protection. The diagnostic examination was done in the amount of 3 332.9 km of pipelines.

In order to protect gas pipelines against corrosion a good deal of work was accomplished including active electrochemical protection, delivery of corrosion inhibitors, use of corrosion-resistant tubulars to replace gas pipelines as well as repair (replacement) of worn out sections. For the purpose of protection of mineral resources and fresh groundwater the Company continues installing highly reliable M1-X packers and corrosion-resistant tubing. During 2014 M1-X packers were installed in 508 injection wells, and since the beginning of installation 4578 wells have been equipped with them, which represents 65.2% of the operating stock of injection wells. Corrosion-resistant tubing was used in 397 injectors. Since the beginning of implementation corrosion resistant tubing was installed in 6727 injection wells used in the flood pattern, representing 89.8% of the operating wastewater well stock.

In 2014, 1, 183 km of tubing with P-EP-585 internal polymer coating were manufactured. The new pipes were coated in the amount of 1015 km and 167 km of tubing were recoated after operation. The experimental work and field tests are underway to select new coatings.

Due to the ongoing JSC TATNEFT efforts to improve the oilfield facilities reliability the failure rate in the oil gathering system in 2014 decreased by 20% compared with 2013.

Oil Spill Emergency Prevention and Response System

The system of prevention and response to emergency situations (ES) due to oil spills, protection of people and the environment from the harmful impact is implemented in JSC TATNEFT in two focus areas: complex of engineering and organizational measures, which are aimed at enhancing the reliability of production equipment, timely detection of oil spills and minimizing resulting damages as well as a set of measures aimed at immediate response to this type of emergency.

In order to prevent oil pollution of surface water bodies (rivers) and water basins (reservoirs) in the working condition of about 600 stationary oil recovery facilities, booms and bio-ponds is maintained.

Associated Petroleum Gas Utilization

For the purpose of rational use of valuable natural resource such as associated petroleum gas (APG) JSC TATNEFT implemented a special “Program for associated petroleum gas utilization at the Company’s facilities for period of 2010 to 2014”.

At year-end 2014, the associated petroleum gas utilization efficiency amounted to 95. 17%.

The total expenditures for implementation of APG utilization projects for the period 2008-2014 amounted to more than 4.2 billion rubles. Implementation of the planned activities will allow to sustain the APG utilization efficiency at the rate of not less than 95% across JSC TATNEFT as well as gain additional fuel savings and profit from gas product sales. In 2014, JSC TATNEFT produced 931 430 thousand m3 of APG, collected and utilized 883636 thousand m3, flared 47,793 thousand m3 (including 2,778 thousand m3 flared during Planned Preventive Maintenance at Gas Processing Plant of Tatneftgazpererabotka Entity).

Lower Greenhouse Gas Emissions

JSC TATNEFT recognizes the need to control over green gas emissions and intends to conduct operations so that the environmental impact could be minimized including those related to the global climate change.

One of the most effective and efficient ways to reduce green gas emissions is the operation of the vapour recovery units installed at the Company’s tank batteries.

Recycling and utilization of industrial wastes

The man-induced impact on the environment is reduced due to the selective accumulation, collection and disposal of wastes generated in oil production processes.

The Company established a complex system for collection and recycling of production and consumption wastes as well as using them as a raw material for producing marketable products. The Company owns and operates three crude oil sludge treatment installations for processing crude oil sludges deployed evenly throughout the oil production operation area.

The total amount of production and consumption wastes generated in 2014 amounted to 75.3 thousand tonnes. The specific waste volume generated in 2014 per 1 tonne of crude oil was at 2.87 kg (2.66 kg in 2013).

Ecological Security and Environment Conservation Expenditures

The JSC TATNEFT focus areas of operational costs and investments in environmental conservation, ecological security and rational use of natural resources include:

- protection and rational use of water resources (waste water treatment, garbage collection from rivers, installation of water recycling systems in industrial facilities and areas, construction of storm water sewer systems, treatment plants, construction of required shoreline facilities near surface watercourses and ponds);
- air protection (installation of vapour recovery units to capture hydrocarbon vapours from different tank vessels; associated petroleum gas desulphurization, check and adjustment stations to reduce vehicle exhaust gas, use of multiphase pumps to transfer gas containing fluids);
- protection and rational use of land (land reclamation, landscaping);
- protection and rational use of forest resources;
- waste recycling and disposal;
- conservation of subsurface wealth and rational use of mineral resources.

JSC TATNEFT’s total investments in environmental safety activities by all sources of funding (operational costs, investments) in 2014 amounted to 6240 million rubles including the investments assigned for environmental protection and rational use of natural resources in the amount of 429 million rubles.

Oilfield Equipment Reliability Improvement Measures

Measure	2009	2010	2011	2012	2013	2014
Corrosion inhibitors production tonnes	5 864	7 019,6	6 048,8	6 159,6	5 934,2	5 367,5
Manufacture of metal-plastic coated pipes and polymer-coated pipes (without tubing), km	515	773	820,48	947,5	923,9	1 213,7
Corrosion protection of vertical stock tanks and horizontal flow settling tanks with paint coatings, m²	10 408	9 786	30 999	22 633	25 900	27 100
Casing cathodic protection,	1 169	917	912	1 023	986	948

The specific amount of funds allocated by the Company to ensure ecological security and environmental protection per 1 tonne of crude oil production amounted to 238 rubles (208 rubles in 2011, 230 rubles in 2012, 246 rubles in 2013).



CORPORATE MANAGEMENT

Corporate management is in line with strategic priorities of the Company and is aimed at achieving quality results in production and economic activity, ensuring financial stability and economic growth, increasing investment attractiveness and the Company's shareholder value in the long term.

MANAGING THE COMPANY

The corporate management is based on maintaining reliable and constructive interaction with the Company’s shareholders and investors, partners, public authorities, regional and local governments, research centers and industry in general, with the social environment. Following the standards of corporate responsibility the Company is open to the fair dialogue with all Stakeholders.

The Company is introducing management standards, which comply with relevant international norms and recommendations in all areas of activity. The Company cooperates on a continuous basis with the Russian Institute of Directors and the National Corporate Governance Council.

Corporate Management Priorities:

- Providing for efficient operation of the Company, including an increase in the value of assets and increase of the Company’s financial stability and profitability, while maintaining a high level of social responsibility;
- Ensuring professional and ethical responsibility of members of the Board of Directors, the Executive Directorate executive officers and employees of the Company;
- Ensuring transparency of the Company’s activities;
- Establishing mechanisms for the prevention and settlement of corporate conflicts;
- Monitoring managerial and operational risks;
- Maintaining the Company’s high business reputation.

Corporate Management Code

Corporate activities of the Company are regulated by legal standards applicable to the stock market issuers and the TATNEFT Company’s Code of Corporate Management, which formed in accordance with the Civil Code of the Russian Federation, Federal Law «On Joint Stock Companies» and other legal acts of the Russian Federation, Articles of the TATNEFT Open Joint Stock Company, Corporate Management Principles of the Organization of Economic Cooperation and Development (OECD), the Code of Corporate Management recommended by the Bank of Russia Letter No. 06-52/2463 dated Oct. 4, 2014, addressed to joint-stock companies operating in the territory of the Russian Federation. The Code takes into account the international and as well as national practice in the area of Corporate Management, as well as the Company’s experience accumulated since incorporation.

The Code reflects all basic rules relating to standards of Corporate Management, business conduct ethics and corporate social responsibility. Of fundamental importance in the Code is the description of mechanisms of risk management, preventing and the settling of corporate conflicts and conflicts of interest. The Company is devising corporate policies, standards and regulations on the basis of the Code, as well as relevant designing mechanisms to enforce them.

The Company is committed to the dissemination and introduction of principles, rules and procedures of the corporate management established by the Code on the Subsidiaries and affiliates as well as enterprises forming the TATNEFT Group of Companies.

Company’s Management System

JSC TATNEFT is the Group’s corporate center coordinating the activities of enterprises, which form business segments of the Company. The status of TATNEFT Group, forms of management and the order of interrelations between the parent Company and the Group members is regulated by the Provision on TATNEFT Group approved by the Board of Directors of JSC TATNEFT.

The organizational Management of the TATNEFT Group is based on a single mission and priorities of development while respecting the interests of all fair participants of the Group. In order to ensure unified management principles and transparency of subsidiaries and affiliates activities there are appropriate policies and regulations elaborated at the Company that shape mechanisms of corporate relations.

Organization of managing subsidiaries and affiliates of JSC TATNEFT is performed follows:

- in the event of prevailing participation in the authorized capital of the companies through the managing bodies of a subsidiary/ when there is an appropriate statement made in the foundation documents;
- through Management Companies, which are part of the Group, through the concluding agreements between the Companies and other economic entities – participants of the Group through the transfer of the Executive Directorate functions to the Managing Companies.
- other ways provided by RF legislation.

Results of financial-economic activity of the TATNEFT Group are reflected in the quarterly Consolidated reporting standards IFRS, which allows shareholders and all interested persons to objectively assess the performance of the Group.

Management Bodies

The general meeting of shareholders is the highest managing body of the Company. The general meeting of shareholders delegates general management of Company to the Board of Directors. The main Company’s executive official is the General Director of JSC TATNEFT. The collegiate executive body of the Company is the Management Board headed by the General Director. The General Director and the Management Board are accountable to the Board of Directors and the General Meeting of Shareholders.

Powers of by the activity and responsibility areas are distributed by the members of the Board of Directors and the Management Board, including General Director Deputies. A system of motivating senior executive staff is applied to ensure the Company’s effective Management. Current activities of the Company are provided by executive staff’s services, structural divisions, as well as by authorized representatives in the managing bodies of subsidiaries and affiliates.

The Competence of the Company’s management bodies is regulated by the following documents:

- Articles JSC TATNEFT;
- Provision on General Shareholders Meeting;
- Provision on Board of Directors;
- Provision on Management Board;
- Provision on General Director;
- Provision on Audit Commission;
- Provision on Committees of the Board of Directors.

General supervision over financial and economic activity of the Company is carried by the Audit Commission. According to the information available at the Company there is no conflict of interests the interests of the members of the Board of Directors and the Executive bodies.

CORPORATE MANAGEMENT DEVELOPMENT

Since its incorporation the Company has been complying with all requirements and terms of stock market regulators and corporate institutions. Qualitative development at Corporate Management Board in the Company began in the early 2000s, when the country became successively formed system of national corporate standards as a prerequisite for the integration of the Russian equity in global financial and stock markets. Company focused on the best experience of corporate relations in the international and national practice. Simultaneously Company shares personal experience and participate in the development of corporate standards in the Russian corporate environment in order to develop the most effective approaches and standards.

CORPORATE MANAGEMENT INTERNAL EVALUATION

Since its incorporation the Company has been complying with all requirements and terms of stock market regulators and corporate institutions. Qualitative development at Corporate Management Board in the Company began in the early 2000s, when the country became successively formed system of national corporate standards as a prerequisite for the integration of the Russian equity in global financial and stock markets. Company focused on the best experience of corporate relations in the international and national practice. Simultaneously Company shares personal experience and participate in the development of corporate standards in the Russian corporate environment in order to develop the most effective approaches and standards.

GENERAL MEEETING OF SHAREHOLDERS

General Shareholders Meeting is the supreme managing body the Joint Stock Company in accordance with applicable legis-lation and Articles the Joint Stock Company.

The Joint Stock Company holds the Annual General Shareholders Meeting once a year, not earlier than two months and not later than six months after the end of the fiscal year. In addition to the Annual General Shareholders Meeting there may be extraordinary shareholders meetings convened. The Company shall offer shareholders the information on the agenda of General Shareholders Meeting to the extent and in time to enable them developing a substantiated private position on the agenda items and make a decision about participation in the meeting and the manner of such participation. Each shareholder is entitled to participate in the meeting in person or through a proxy.

At the General Shareholders Meeting the shareholders receive from the Board of Directors and Executive Bodies a detailed any and reliable report on the ongoing corporate policy, production and economic activities, achievements and plans of the Company. The Company's Board of Directors shall prepare reports for the shareholders on each agenda item, reflecting the position as well as dissenting opinions of the Board of Directors members, if any were made.

The Shareholders decide on the most important aspects of the Company's activity. Such matters as election of the Board of Directors members, members of the Audit Commission, approval of the Company's Auditor Opinion, approval of the annual report, annual accounting (financial) statements, including the Report on Financial Performance of the Company, distribution of profits, including payment of dividends for the financial year are mandatory for consideration. The Annual General Share-holders Meeting may decide on other matters within its competence.

At the stage of electing the Board of Directors the Company shall provide shareholders with detailed information on biogra-phy, experience Executive Body and skills of each candidate, and shall do is best to ensure personal presence of candidates.

Decisions on the agenda items of the General Meeting of shareholders shall be made by ballot voting in the manner pre-scribed by the law and the Joint Stock Company's Articles. The Company shall endeavor to eliminate any doubts about the tally of votes. For this purpose, the Company shall provide for publishing the vote results on the official website of the Compa-ny. The meeting decisions formulation shall necessarily indicate the majority of votes for taking decisions were with indication of special opinions. The protocol authenticity is certified by the signatures of the Meeting Chairman and the Secretary of the meeting. The General Meeting of shareholders was held on June 27, 2014.

Decisions Taken by the General Meeting of Shareholders:

- The annual report of the Joint Stock Company for 2013 was approved.
- The meeting approved annual financial statements, including profit and loss statements (profit and loss accounts) of the Joint Stock Company for 2013.
- The meeting approved the distribution of profits for the financial year.
- Decision was taken to make a payment of dividends for 2013:
 - a) preferred shares JSC TATNEFT in the amount of 823% of the nominal value of the shares;
 - b) ordinary shares JSC TATNEFT in the amount of 823% of the nominal value of the shares.
- Set July 16, 2014 as the date for defining persons entitled to receive dividends. Define the term of the dividends payment in accordance with the current legislation. Dividend payment to be made in cash.
- The JSC TATNEFT's Board of Directors was elected.
- Members of the Joint Stock Company's Audit Commissson were elected.
- JSC "Energy Consulting/Audit" was approved as JSC TATNEFT's Auditor for the year for the statutory audit of the annual financial statements for 2014, prepared in accordance with Russian accounting rules.
- Changes and additions were introduce into to the Articles of JSC TATNEFT

JSC TATNEFT'S BOARD OF DIRECTORS

The Board of Directors is elected by the General Meeting of Shareholders and exercises the general management of the company in the interests of its shareholders and investors. The Board of Directors is headed by the Chairman. The Board is composed of 15 directors, including three independent directors*. Participation of the independent members in the work of the Board of Directors maintains a balance between the interests of different groups of shareholders and contributes to the objectivity of the decisions taken.

* The criteria for independence have been defined by the Listing Rules of CJSC "MICEX Stock Exchange", operating since September 06, 2014.

The Board of Directors membership did not change during the reporting period.

Activities of the JSC TATNEFT's Board of Directors are defined by applicable law, the Company's Articles and the Provision on the Board of Directors.

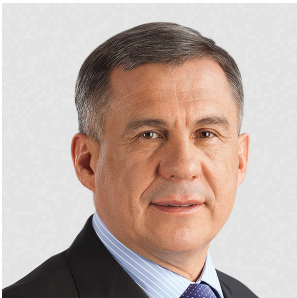
A key function of the Board of Directors of JSC TATNEFT is to determine the strategic areas and medium-term planning of the Company's operation, review and approval of annual priorities, evaluation of results and the current state of the business projects. Upon recommendation of Executive Bodies the Board of Directors considers main results of financial and economic activities of the Company; defines a list of transactions that may have an impact on results of operations, and oversees their execution; it ensures elaboration and adoption of a comprehensive risk management system, as well as compliance with internal control procedures; oversees the information disclosure of the Company's activities. The Board of Directors shall develop and approve a transparent assessment system of both the Board of Directors as a whole, and each member of the Board of Directors individually and the system of remuneration and reimbursement of expenses related to the execution of relevant functions by the Board of Directors members. It defines the requirements for candidates to the Board of Directors.

There were 13 meetings of the Board of Directors held during the year.

A list of Main Issues Discussed at the Board of Directors Meetings of in 2014

- On the Annual General Meeting of Shareholders of JSC TATNEFT on the results of 2013.
- About candidates to the Board of Directors, Revision Commission of JSC TATNEFT and proposals on the agenda items of the Annual General Meeting of shareholders jn the resuts of operation for 2013.
- On the financial performance of JSC TATNEFT for 2013.
- On the implementation of the JSC TATNEFT's investment program of for 2013 on core activities.
- On the implementation progress of the JSC TATNEFT's investment program of crude oil production in 2014 and the invest-ment program for 2015.
- On the status of introducing new technologies for the development and operation of the JSC TATNEFT's fields.
- About the plans of crude oil production and geological/technical activities JSC TATNEFT for 2015-2016.
- About the development program of extra-viscous oil.
- On the state of geological study and performance of shale oil pilot projects.
- Progress in implementing programs to improve labor productivity in the oil industry.
- On the implementation of the third phase the resource saving program in JSC TATNEFT.
- On implementing the strategy and further development of the TANECO project.
- On the strategy of product portfolio and sales of the Company's tire manufacturing complex products.
- Progress of the Nizhnekamsk CHP-2 reconstruction.
- On the results of the consolidated financial statements under IFRS for the TATNEFT Group of Companies for 2013.
- On the organization of work on the use of technology recovery and recycling of raw materials and equipment at JSC TATNEFT
- On resutns of operation of the Internal Audit Department for 2013 and approval of the Department's plan of operations for 2014
- On approval of the organization standard "Anti-corruption policy JSC TATNEFT named after V.D. Shashin".
- The effectiveness of financial and economic activities of subsidiaries and affiliates of JSC TATNEFT.
- On the implementation of projects of small and medium-sized businesses taking fiberglass plant in the SEZ "Alabuga" operation as an example.

COMPOSITION OF THE JSC TATNEFT’S BOARD OF DIRECTORS



Rustam N. MINNIKHANOV

Chairman of the Board of Directors of JSC TATNEFT

Born in 1957.
1978 – graduated from Kazan Agricultural Institute, specialty – mechanical engineer.
1986 – Institute of Soviet Trade.
Doctor of Economics.
1996-1998 – Minister of Finance of the Republic of Tatarstan.
From July 1998 till March 2010 headed the Government of the Republic of Tatarstan.
President of the Republic of Tatarstan since March 2010.

Share in the Joint Stock Company’s authorized capital – none.

Portion of the Joint Stock Company’s ordinary shares % – none.



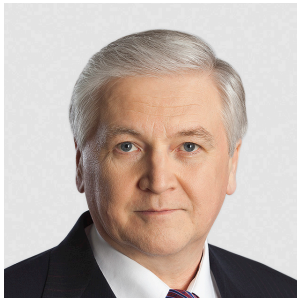
Nail U. MAGANOV

JSC TATNEFT’s Board of Directors’ Member
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.
JSC TATNEFT’s Management Board Member.

Born in 1958.
1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
From July 2000 to November 2013 – the First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of JSC TATNEFT.
He was appointed General Director of JSC TATNEFT in November 2013.

Share in the Joint Stock Company’s authorized capital – 0.000176.

Portion of the Joint Stock Company’s ordinary shares % – none.



Nail G. IBRAGIMOV

JSC TATNEFT’s Board of Directors’ Member
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.
JSC TATNEFT’s Management Board Member.

Born in 1955.
1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Doctor of Science, Engineering.
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.

Share in the Joint Stock Company’s authorized capital – 0.019749.

Portion of the Joint Stock Company’s ordinary shares % – 0.020806.



Mariya L. VOSKRESENSKAYA

Independent Member of the JSC TATNEFT’S Board of Directors
Audit Committee Member of JSC TATNEFT’s Board of Directors

Born in 1955.
Graduated from Moscow Financial Academy in 1977. She has A US CPA Certificate and she is a certified Russian Auditor.
Director of Brentcross Ltd. since 2004.

Share in the Joint Stock Company’s authorized capital – none.

Portion of the Joint Stock Company’s ordinary shares % – none.



Radik R. GAIZATULLIN

JSC TATNEFT’s Board of Directors’ Member
Audit Committee Member of the JSC TATNEFT’s Board of Directors.

Born in 1964.
1985 - graduated from Kazan Agricultural Institute specializing in “Accounting and business analysis in agriculture”.
Doctor of Economics.
Head of the Ministry of Finance of the Republic of Tatarstan since June 2002.

Share in the Joint Stock Company’s authorized capital – none.

Portion of the Joint Stock Company’s ordinary shares % – none.



Sushovan GOSH

Independent Member of the JSC TATNEFT’s Board of Directors
Chairman of the JSC TATNEFT’s Board of Directors Audit Committee
Member of the JSC TATNEFT’s Board of Directors HR and Remuneration Committee

Born in 1957.
Graduated from the college of Queen Maria, London University of Electric and Electronic Developments and Institute of Accountants-Experts in England and Wales. Managing Director of SGI Group Ltd. since.

Share in the Joint Stock Company’s authorized capital – none.

Portion of the Joint Stock Company’s ordinary shares % – none.



Vladimir P. LAVUSHCHENKO

JSC TATNEFT’s Board of Directors’ Member
General Director Deputy for Economics
Chairman of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1949.
1972. – from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
1984r graduated the postgraduate course of VNIOENG.
Doctor of Economics.
Deputy General Director for Economics of JSC TATNEFT since 1997.

Share in the Joint Stock Company’s authorized capital – 0.045465.

Portion of the Joint Stock Company’s ordinary shares % – 0.048194.



Renat Kh. MUSLIMOV

JSC TATNEFT’s Board of Directors’ Member

Born in 1934.
1957 – graduated from Kazan State University.
Doctor of Geological and Mineralogical Sciences.
State Consultant to President of the Republic of Tatarstan on development of crude oil and gas fields since June 2007, Professor of the Crude Oil and Gas Geology Chair of Kazan State University.

Share in the Joint Stock Company’s authorized capital – 0.057136.

Portion of the Joint Stock Company’s ordinary shares % – 0.060445.

COMPOSITION OF THE JSC TATNEFT’S BOARD OF DIRECTORS (CONT’D)

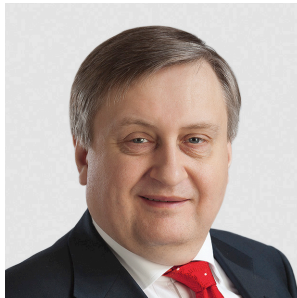


Rinat K. SABIROV

JSC TATNEFT’s Board of Directors’ Member
Member of the JSC TATNEFT’s Board of Directors Management Committee.
Member of the JSC TATNEFT’s Board of Directors HR and Remuneration Committee

Born in 1967.
1991– graduated from the physics faculty of Kazan State University.
1994 – graduated from the postgraduate course of Kazan State Technological University.
1998 – had a training course under the President’s program for managerial staff.
PhD, Chemical Science.
Since 2006 headed the Division of Oil and Gas Complex of the Cabinet of Ministers of the Republic of Tatarstan. In June 2010 he was appointed Assistant to the President of the Republic of Tatarstan.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



Valery Yu. SOROKIN

JSC TATNEFT’s Board of Directors’ Member

Born in 1964.
1986 – graduated from Kazan State University.
General Director of JSC Svyazinvestneftekhim since 2003

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



Mirgaziyan Z. TAZIYEV

JSC TATNEFT’s Board of Directors’ Member
Head of NGDU “Almetyevneft” of JSC TATNEFT

Born in 1947.
1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
PhD, Engineering.JSC TATNEFT’s Board of Directors’ Member
Head of NGDU “Almetyevneft” of JSC TATNEFT since January 2005.

Share in the Joint Stock Company’s authorized capital – 0,006448.
Portion of the Joint Stock Company’s ordinary shares % – 0,006541.



Shafagat F. TAKHAUTDINOV

JSC TATNEFT’s Board of Directors’ Member
Advisor to Chairman of the JSC TATNEFT’s Board of Directors

Born in 1946.
1971 - graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Doctor of Economics.
1999 till November 2013.- General director of JSC TATNEFT.
Starting November 2013- Assistant to President of the Republic of Tatarstan on the oil industry issues, Advisor to Chairman of JSC TATNEFT’s Board of Directors.

Share in the Joint Stock Company’s authorized capital – 0,116503.
Portion of the Joint Stock Company’s ordinary shares % – 0,123914.



Azat K. KHAMAEOV

JSC TATNEFT’s Board of Directors’ Member

Born in 1956.
1978 – graduated from Kazan Aviation Institute, specialty – mechanical engineer.
2000 – graduated from the Law Faculty of Kazan State University.
Appointed the First Deputy Minister of Land and Property Relations of the Republic of Tatarstan in December 2008.
Appointed Head of the Ministry of Land and Property Relations of the Republic of Tatarstan in March 2009.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



Rais S. KHISAMOV

JSC TATNEFT’s Board of Directors’ Member
Deputy General Director – Chief Geologist of JSC TATNEFT
Member of the JSC TATNEFT’s Board of Directors Management Committee

Born in 1950.
1978 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Doctor of Geology/Mineralogy, Professor.
Deputy General Director – Chief Geologist of JSC TATNEFT since October 1997.

Share in the Joint Stock Company’s authorized capital – 0.01876.
Portion of the Joint Stock Company’s ordinary shares % – 0.019746.



René STEINER

Independent Member of the JSC TATNEFT’s Board of Directors.
Chairman of the JSC TATNEFT’s Board of Directors HR and Remuneration Committee
Audit Committee Member of the JSC TATNEFT’s Board of Directors

Born in 1964.
He has a degree in economics and graduated from Technical High School in Zurich in 1989. Bachelor of Swiss Banking – Zurich, 1992. Since 2011, co-founder, Program Director of the Private Equity FIDES Business Partner AG, Switzerland.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



Alexander T. YUKHIMETS

Secretary of the JSC TATNEFT’s Board of Directors.
Maintenance of the JSC TATNEFT’s Board of Directors activities.

Based on proposals the Board of Directors’ Members the Secretary the Board of Directors shall prepare and submit for approval by the Board work plans of the Board of Directors and perform organizational functions for the preparation of Board meetings.
The competence of the Secretary of the Board of Directors includes the formation, preliminary examination and systematization of materials on the agenda of the meetings, as well as preparation of draft decisions.
The Secretary of the Board of Directors shall provide to the Board members the information necessary for making decisions on the agenda.

COMMITTEES OF THE BOARD OF DIRECTORS

Committees' Membership	Major Functions & Areas of the Committee's Operation
<p>Corporate Management Committee</p> <p>Chairman Viktor I. Gorodny – member of the Management Board of JSC TATNEFT, Deputy General Directors – Head of Property Department of JSC TATNEFT.</p> <p>Members of the Committee: Rais S. Khisamov – member of the Board of Directors of JSC TATNEFT, Deputy General Director – Chief Geologist of JSC TATNEFT; Rinat K. Sabirov – member of the Board of Directors of JSC TATNEFT, Assistant to President of the Republic of Tatarstan; Valery D. Ershov – member of the Management Board, Head of Legal Department of JSC TATNEFT; Rustam M. Khisamov – Head of Securities Office of the Property Department of JSC TATNEFT; Natalia E. Dorpeko – Corporate Consultant of JSC TATNEFT; Vasiliy A. Mozgovoy – Assistant to General Director of JSC TATNEFT, Corporate Finances; Denis V. Tsovma – Deputy Head of Securities Office of the Property Department, JSC TATNEFT</p>	<p>The Committee initiates and provides for the organizational improvement of corporate management procedures, adoption of new and updating of existing corporate documents in accordance with changes in the current legislation and the Company-wide standards.</p> <ul style="list-style-type: none">• Coordination of measures to ensure compliance JSC TATNEFT with new listing rules of exchange of CJSC “MICEX Stock Exchange” registered by the Bank of Russia Service for Financial Markets of February 7, 2014.• Interaction with the stock market regulator on the corporate practices process issues.• Generation of a report on corporate management and the JSC TATNEFT's practices corporate management compliance with the provisions of the Corporate Management Code recommended by the Bank of Russia letter number 06-52 / 2463 of April 10, 2014.• Analysis of the Company's annual reports compliance level with the integrated reporting standards and elaboration of positions for the transition for corporate reporting to the integrated corporate reporting basis (together with the Committee on Disclosure of Information).• Preparations for the annual general meeting of shareholders on the results of JSC TATNEFT operation in 2014.• Consideration of the Annual Report of JSC TATNEFT on the results of 2014.

<p>HR and Remuneration Committee</p> <p>Chairman René Frederic STEINER, Member of the JSC TATNEFT's Board of Directors, Independent Director, Program Director of the Private Equity FIDES Business Partner AG, Switzerland</p> <p>Members of the Committee Sushovan Ghosh, member of the Board of Directors of JSC TATNEFT, Managing Director of SGI Group LTD. Rinat K. Sabirov, member of the Board of Directors of JSC TATNEFT, Assistant to President of the Republic of Tatarstan, member of the Corporate Management Committee, member of the Corporate Management Committee.</p>	<p>The Committee assists the Board of Directors of JSC TATNEFT in improving personnel policies and strengthening of mechanisms for motivating employees and managers of the Company.</p> <ul style="list-style-type: none">• Consideration of the JSC TATNEFT's corporate system of personnel development.• Consideration of using innovative electronic simulators for training and development of JSC TATNEFT employees.• Formulation of proposals on introduction of innovative projects as tools for increasing productivity at JSC TATNEFT.• Preparation of recommendations on the Company's staff remuneration by the results of 2014.
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Committees of JSC TATNEFT's Board of Directors have been established in order to assist the Board of Directors on key issues of corporate practice and improve the mechanisms of the Company's interaction with shareholders and investors. The Committees operate on the basis of the current legislation, the Company Articles, Provision on the Board of Directors, provisions of the Committees approved by the Board of Directors. The membership of the Committees is determined by the Board of Directors. The Company provides to the Board of Directors detailed information about the biography, experience and skills of each candidate for membership of a Committee.

Committees' Membership	Major Functions & Areas of the Committee's Operation
<p>Information Disclosure Committee</p> <p>Chairman Vladimir P. Lavushchenko, member of the Board of Directors, member of the Management Board, Deputy General Director of JSC TATNEFT for Economics.</p> <p>Deputy Chairman Viktor I. Gorodny, member of the Management Board, Deputy General Director, Head of the Property Department of JSC TATNEFT, Head of the Corporate Management Committee.</p> <p>Committee Members Evgeniy A. Tikhturov – Member of the Management Board, Head of JSC TATNEFT's Financial Department Vladlen A. Voskoboynikov, member of the Management Board, Head of Consolidated Financial Reporting Department of JSC TATNEFT Vasiliy A. Mozgovoy – Assistant to General Director of JSC TATNEFT, Corporate Finances Aleksander T. Yukhimets, member of the Management Board, Secretary of the Board of Directors of JSC TATNEFT Nuriya Z. Valeyeva, Head of Technical and Economic Information and Advanced Experience Extension Office, JSC TATNEFT Denis V. Tsovma – Securities Office Deputy Head, Property Department of JSC TATNEFT</p>	<p>The Committee coordinates and monitors procedures to ensure the rights of shareholders and other stakeholders in a timely and necessary manner to fully provide information on the activities of the Company.</p> <ul style="list-style-type: none">• Control procedures for the timely disclosure of information:<ul style="list-style-type: none">– Essential facts;– the Company's quarterly reports;– the Company's Annual reports;– Reports in accordance with RAS;– Consolidated financial statements.• Formation of the priorities in the information policy in order to more fully inform stakeholders about the current activities and prospects of the Company.• Analysis of the Company's annual reports level compliance with the integrated reporting standards and elaboration of positions for the transition for corporate reporting to the integrated corporate reporting basis (together with the Committee on Disclosure of Information).• Coordination of the corporate media activities.

<p>Audit Committee</p> <p>Chairman Sushovan Ghosh, member of the Board of Directors of JSC TATNEFT, Independent Director. Managing Director of SGI GROUP LTD. Member of the HR and Remuneration Committee of JSC TATNEFT.</p> <p>Committee Members René Frederic STEINER, Member of the JSC TATNEFT's Board of Directors, Independent Director, Program Director of the Private Equity FIDES Business Partner AG, Switzerland, Chairman of the HR and Remuneration Committee. Mariya L. Voskresenskaya, member of the Board of Directors of JSC TATNEFT, Independent Director. Director of Brentcross Ltd. Radik R. Gayzatullin, member of the Board of Directors, Minister of Finance of the Republic of Tatarstan.</p>	<p>The Committee performs direct control of financial and economic activity of the Company.</p> <ul style="list-style-type: none">• Coordination of the external auditors and the Internal Audit Department activities, as well as review of their reports on a regular basis.• Review and analysis of quarterly financial statements.• Review and implementation of the independent auditors reports on the state of internal control systems of JSC TATNEFT.• Discussions with the independent auditors and the Internal Audit Department about the scope, focus areas and the timing of their audits.• Checking the independence of the external auditors.• Provide advice to the Board of Directors on the selection of independent auditors for JSC TATNEFT (IFRS and by RAS).• Release of the external auditors' financial statements in accordance with IFRS.
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The Committees carry out their activities in close cooperation with the Board of Directors, Management Board, Executive Directorate, Internal Audit Department, Corporate Control Department, and other Departments and offices of the Company.

EXECUTIVE BODIES

To ensure the management the Company's Board of Directors forms executive bodies, stipulated by the Articles: a sole executive body in the person of General Director and a collegial executive body: Management Board.

General Director and Management Board report to the Board of Directors and the General shareholders' meeting.

General Director

General Director ensures the implementation of General shareholders' meeting decisions, presents to the Board of Directors candidates for the Management Board members, distributes responsibilities among the members of the Management Board, organizes the Management Board operation, chairs the Management Board meetings defines the Company's organizational structure, supervises the efficient and economical use materials, labor and financial resources and solves other issues of the Company's everyday activity.

Management Board

The Management Board is a collegial executive body of the Company and performs management of the Company's everyday activities, coordinates the work of services and divisions of the Company, makes decisions on important issues of the current economic activity.

There is a system of powers and responsibilities of officials distribution formed at the Company's by areas of the Company's activities to ensure the performance results of business segments. The powers vested are in compliance with the management structure of the Company.

List of Issues Reviewed at Meetings of the Management Board in 2014

- Crude oil production for December and twelve months of 2014
- On the JSC TATNEFT's effectiveness of the investment program implementation in the core activities for 2013.
- Activities of JSC TATNEFT in industrial safety.
- On the current financial - economic condition of JSC TATNEFT and results of implementation of figures of Orders №1, 2 and 3 for Q I, 2, 3 of 2013, 1st half and 9 months of 2014.
- On the implementation of crude oil/liquid production and water injection rates
- Progress in working with public authorities of the Russian Federation to amend the federal legislation.
- On execution parameters of fields' development and the use of drilled and oil and gas wells well stock in 2013.
- On the organization of wells' operation, taking into account their profitability.
- On bringing the process parameters (stroke length, pump rate, plunger diameter) of the works well operated with application of sucker rod pumps (UShGN) to the optimal operating mode.
- The effectiveness of research and development and pilot operation programs in drilling, workover, waterproofing and large-scale bottomhole zone treatment of horizontal wells.
- Analysis of the investment projects execution on the production modernization of the JSC TATNEFT's Petrochemical Complex's tire factories.
- The state of geological exploration and the reserves' stocks growth of the TATNEFT Group of Companies in 2013-2014.
- On the results of the productivity growth program for 2013 and the main tasks of crude oil production in 2014.
- The progress of the "TANECO"'s facilities construction and operation.
- Comparative assessment of the JSC TATNEFT's production divisions operation.
- On the new technological and organizational solutions in the performance of geological and technical activities.
- On the results of the productivity growth program in the oil and gas production sector by the service management companies.
- Progress in the development of heavy oil. The effectiveness of developing the extra-viscous oil Ashalchinskoye deposit.
- On the progress of getting permits of governmental authorities for construction and commissioning of completed wells.
- On the results of auditing the lean production program implementation in the oil industry in 2014.
- On the implementation of the JSC TATNEFT's chain drives operation program.
- On the organization of the electrical loads control activities at NGDU "Almetyevneft" and NGDU "Nurlatneft"
- On the specific electricity consumption at NGDU "Prikamneft" and NGDU "Jalilneft."
- Outcome of labor collectives' meetings and implementation progress of the Collective Agreement for the 1st half of 2014.
- On the results of the current drilling complex revamping.
- On the formation of the JSC TATNEFT's oil production investment program for 2015.
- Plans and RATES of crude oil and liquid production and water injection in 2015 for oil and gas production divisions. On the results of selecting a set of well interventions in the investment program.
- About the plan of tree planting by structural divisions and service companies in 2014.

COMPOSITION OF THE JSC TATNEFT’S
MANAGEMENT BOARD

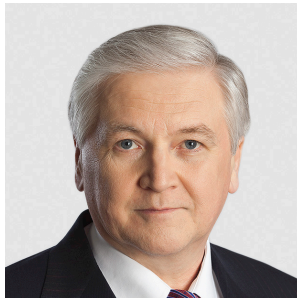


**Nail U.
MAGANOV**

JSC TATNEFT’s Board of Directors’ Member
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.
JSC TATNEFT’s Management Board Member.

Born in 1958.
1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
From July 2000 to November 2013 – the First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of JSC TATNEFT.
He was appointed General Director of JSC TATNEFT in November 2013.

Share in the Joint Stock Company’s authorized capital – 0.000176.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Nail G.
IBRAGIMOV**

JSC TATNEFT’s Board of Directors’ Member
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.
JSC TATNEFT’s Management Board Member.

Born in 1955.
1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Doctor of Science, Engineering.
First Deputy General Director for Production – Chief Engineer of JSC TATNEFT since 2000.

Share in the Joint Stock Company’s authorized capital – 0.019749.
Portion of the Joint Stock Company’s ordinary shares % – 0.020806.



**Vladimir P.
LAVUSHCHENKO**

JSC TATNEFT’s Board of Directors’ Member
General Director Deputy for Economics
Chairman of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1949.
1972. – from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
1984r graduated the postgraduate course of VNIOENG.
Doctor of Economics.
Deputy General Director for Economics of JSC TATNEFT since 1997.

Share in the Joint Stock Company’s authorized capital – 0.045465.
Portion of the Joint Stock Company’s ordinary shares % – 0.048194.



**Victor I.
GORODNY**

Deputy General Director – Head of Property Department of JSC TATNEFT
Chairman of the JSC TATNEFT’s Board of Directors Management Committee
Deputy Chairman of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1952.
1978 - graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Doctor of Economics.
Deputy General Director – Head of JSC TATNEFT’s Property Department since 1995 until present time.

Share in the Joint Stock Company’s authorized capital – 0.000254.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Nikolay M.
GLAZKOV**

Deputy General Director for Capital Construction of JSC TATNEFT

Born in 1960.
1988 – graduated from Kazan Construction Engineering Institute.
2008-2010 – Head of Construction Department of JSC TATNEFT.
Deputy General Director for Capital Construction of JSC TATNEFT since 2010 until present time.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Rifkat M.
RAKHMANOV**

Deputy General Director of JSC TATNEFT well workover, drilling and recovery enhancement

Born in 1948.
1970 – graduated from Ufa Oil Institute.
Deputy General Director of JSC TATNEFT for well workover, drilling and recovery enhancement since 2010 till January 28, 2015.
Share in the Joint Stock Company’s authorized capital – 0.020604.
Portion of the Joint Stock Company’s ordinary shares % - 0.021678.

Share in the Joint Stock Company’s authorized capital – 0.020604.
Portion of the Joint Stock Company’s ordinary shares % – 0.021678.



**Fyodor L.
SHCHELKOV**

Deputy General Director of JSC TATNEFT for General Issues

Born in 1948.
1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n. a. I.M. Gubkin.
Deputy General Director of JSC TATNEFT for General Issues since 1996 until present time.
Share in the Joint Stock Company’s authorized capital – 0.029929.
Portion of the Joint Stock Company’s ordinary shares % - 0.031524.

Share in the Joint Stock Company’s authorized capital – 0.029929.
Portion of the Joint Stock Company’s ordinary shares % – 0.031524.



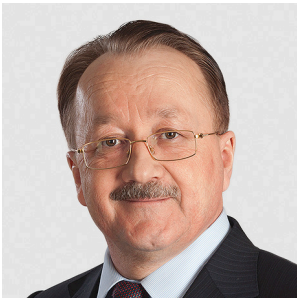
**Rustam N.
MUKHAMADEYEV**

Deputy General Director of JSC TATNEFT for HR and Social Development

Born in 1952.
1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Deputy General Director of JSC TATNEFT for HR and Social Development since 2001 until present time
Share in the Joint Stock Company’s authorized capital – 0.004204.
Portion of the Joint Stock Company’s ordinary shares % - 0.004264.

Share in the Joint Stock Company’s authorized capital – 0.004204.
Portion of the Joint Stock Company’s ordinary shares % – 0.004264.

COMPOSITION OF THE JSC TATNEFT’S
MANAGEMENT BOARD (CONTINUED)



**Iskandar G.
GARIFULLIN**

Chief Accountant – Head of Accounting and Reporting Department of JSC TATNEFT

Born in 1960.
1981 – graduated from Kazan Finance and Economics Institute named after V.V. Kuibyshev.
Chief Accountant – Head of Accounting and Reporting Department of JSC TATNEFT since 1997 until present time.

Share in the Joint Stock Company’s authorized capital – 0.014105.
Portion of the Joint Stock Company’s ordinary shares % – 0.014986.



**Evgeniy A.
TIKHTUROV**

Head of the JSC TATNEFT’s Finance Department
Member of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1960.
B 1982 – graduated from Moscow Institute of Management named after S. Ordzhonikidze.
Head of JSC TATNEFT’s Department of Finance since 1999 until present time.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.

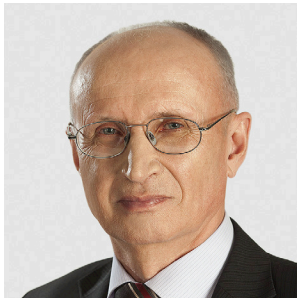


**Nurislam Z.
SYUBAEV**

Head of JSC TATNEFT’s Strategic Planning Department – Advisor to General Director on external economic activity and financial/banking issues
* Member of the Management Board since December 25, 2014

Born in 1960.
1982 – graduated from Moscow Institute of National Economy n.a. V. Plekhanov
Head of Department of Strategic Planning JSC TATNEFT – Advisor to General Director on external economic activity and Financial/banking issues since 2002 until present time -

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.

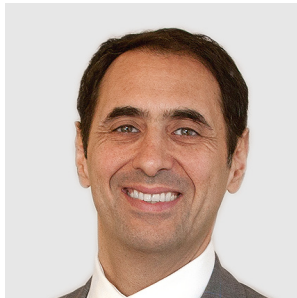


**Valery D.
YERSHOV**

Head of JSC TATNEFT’s Legal Department.

Born in 1949.
1978 – graduated from Kazan State University named after V.I. Ulyanov-Lenin.
Head of Legal Department of JSC TATNEFT since 2002 until present time

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Vladlen A.
VOSKOBOINIKOV**

Head of JSC TATNEFT’s Consolidated Financial Statements Department.
Member of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1965.
1993 – graduated from the Southern Alberta Institute of Technology in Calgary.
Head of JSC TATNEFT’s Consolidated Financial Statements Department since 2005 until present time

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Alexander T.
YUKHIMETS**

Secretary of the JSC TATNEFT’s Board of Directors
Member of the JSC TATNEFT’s Board of Directors Information Disclosure Committee

Born in 1948.
1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. I.M. Gubkin.
Secretary of the JSC TATNEFT’s Board of Directors since 1995 until present time.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Rafael S.
NURMUKHAMEDOV**

Head NGDU “Leninogorskneft of JSC TATNEFT.

Born in 1949.
1974 – graduated from the Ufa Oil Institute.
Head of the NGDU “Leninogorskneft” of JSC TATNEFT since 1989 until present time.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.



**Anwar V.
VAKHITOV**

Director of OOO “Tatneft-Neftekhim” Management Company.
Member of the Management Board with April 28, 2014.

Born in 1951.
1980 – graduated from Kazan Institute of Chemical Technology.
Director of “Tatneft-Neftekhim” Management Company since April 2014 until present time.

Share in the Joint Stock Company’s authorized capital – none.
Portion of the Joint Stock Company’s ordinary shares % – none.

CORPORATE PRINCIPLES OF INTERACTION WITH SHAREHOLDERS AND INVESTORS

Guaranteed equal ensuring and observance of legal rights and interests of all the the Company’s shareholders regardless of the number of shares they own, as set out by applicable laws of the Russian Federation, requirements and recommendations of stock markets regulators, where the shares of the Company circulate.

Continuous interaction of the Company’s management with all the shareholders in order to manage the Company effectively and ensure its sustainable and dynamic development.

Continuous improvement of existing and development of new mechanisms and forms of interaction with the shareholders and potential investors, which would increase efficiency and quality of interaction with the shareholders, taking into account emergence of new shareholders and formulation of further goals by the shareholders.

Shares of JSC TATNEFT have been traded in the Russian and International stock markets for over 20 years and they are one the most liquid instruments in the securities market.

A stable shareholder structure of JSC TATNEFT reflects the high level of the key investors’ confidence in the long-term development of the Company.

Its ordinary and preference shares participate in the A quotation list of the first level auction in the united JSC Moscow Stock Exchange. JSC TATNEFT shares are included in the index calculation base of RTS and MICEX, which are the main indicators of the Russian stock market.

JSC TATNEFT Equity Holding Structure

As of December 31, 2014 according to the register of shareholders JSC TATNEFT had 44,760 shareholders. Among them the largest owners (nominal holders) of the Company’s shares are as follows:

- Non-banking Credit Company, closed joint stock company National Settlement Depository owns 59.4831% of shares;
- Joint Stock Company Central Depository of the Republic of Tatarstan owns 30.448393% of shares.

The value of JSC TATNEFT shares amounted to:

- one ordinary share: RUR 226.55;
- one preferred share: RUR 134.60.

Dividend Policy

The company maintains a positive dividend policy increasing the level of dividend payments for several years.

In 2014, according to the results of JSC TATNEFT’s activities in 2013, the total amount of dividends for preferred and ordinary shares amounted to 30% of the net profit or 19.155 billion rubles. The dividend rate charged per 1 share amounted to 8.23 rubles (823% of the share face value).

According to the results of 2013 the Board of Directors recommended the annual general shareholders’ meeting to approve dividends on ordinary and preferred shares in the amount of 1058% of the nominal value (10.58 rubles per share).

Corporate Center to Work with Securities and Interaction with the Shareholders of JSC TATNEFT

Ensuring legitimate rights of shareholders

The Company’s shareholders possess the entirety of rights as defined by the current legislation and the Company’s Articles which observance and protection shall be ensured by the Board of Directors and executive bodies of the Company. The Company shareholders exercise their rights and responsibilities participating in the activities of the Company and also on the basis of voluntary initiatives aimed at improving the management of the Company. The actions of the shareholders must proceed from the interests of the Company.

Execution of their duties the by the shareholders will allow the Company to ensure the implementation of all the legal rights of the shareholders. The Company shall provide for timely consideration of appeals of the shareholders and the timely response.

Information Policy

The shareholders are entitled to receive information about the Company’s activities to the extent necessary for them to take well-considered and sound decisions. The procedure for the information disclosure is provided in accordance with the applicable law, requirements of the stock market and the Provision on the Information Policy and the Provision on the use of insider information and the procedure of informing on securities transactions.

The Company strives to ensure the most reliable and effective methods and forms of communication, including advanced information technologies application for reaching the highest possible quality of interaction with the shareholders. The Company shall provide for the shareholders access to documents in accordance with the current legislation

Dividend Policy

The dividend policy of JSC TATNEFT is based on balancing the interests of the Company and its shareholders in accordance with the investment attractiveness and capitalization of the Company in strict compliance with the legitimate rights of the shareholders, provided by the legislation of the Russian Federation, the Articles and internal documents JSC TATNEFT.

It is expected that the Company will spend 30% of the annual net profit of JSC TATNEFT (under RAS) in, the payment of dividends by the results of the reporting 2014. The decision on the amount of dividends on ordinary and preferred shares shall be adopted by the General shareholders’ meeting on the recommendation of the Board of Directors.

Avoidance of the Interests Conflict

The Company’s management system includes a set of rules and procedures to avoid conflicts of interest between the Company and its shareholders, as well as between the shareholders, if the conflict affects the interests of the Company, and provides for taking all necessary and possible measures in the event of a conflict arising to fully resolve it, and also creating conditions that exclude the conflict in the future.

The components of this system include the identification and resolution of all potential common specific problems related to the rights of the shareholders. This work is carried out interacting with the authorized division and Committees of the Board of Directors, Internal Audit Department and other relevant Departments of the Company.

* The authorized division to ensure interaction with the shareholders of the Company is the Office of Securities of the JSC TATNEFT’s Property Department.

History of Dividend’ Payment

Share type	2010		2011		2012		2013	
	% of the face value	Dividend amount	% of the face value	Dividend amount	% of the face value	Dividend amount	% of the face value	Dividend amount
Total dividends amount (RUR BLN)	11.7		16.5		20.0		19.2	
Ordinary shares	502%	5.02	708%	7.08	860%	8.60	823%	8.23
Preferred shares	502%	5.02	708%	7.08	860%	8.60	823%	8.23

INFORMATION DISCLOSURE

Register of Mandatorily Disclosed Information in 2014

The information subject to mandatory disclosure under the Russian standards (in the form of essential fact messages or information on the data, which could have a significant impact on the value of the Company's securities).

Ser. No.	Message Content	Date of disclosure
1.	Notice of the date of compiling the list of the Issuer's registered securities or documentary Issuer's securities holders subject to mandatory centralized custody for the purposes of implementation (realization) of rights vested by such equity securities	26.02.2014
2.	Message on the procedure of access to information contained in a quarterly report.	14.02.2014, 14.05.2014, 14.08.2014, 14.11.2014
3.	Message about disclosure of the Company's affiliated entities list on the Internet page.	09.01.2014, 01.04.2014, 01.07.2014, 02.10.2014
4.	Notice of holding the meeting of the Board of Directors (Supervisory Board) and its agenda.	Monthly
5.	On convening and holding the general meeting of members (shareholders) of the Issuer, as well as about the decisions taken by the general meeting of members (shareholders) of the Issuer.	26.02.2014
6.	Messages about accrued and/or paid income on the issuer's securities.	24.09.2014
7.	Message of the Issuer's default to the holders of the securities issued	24.09.2014
8.	Disclosure of Annual (interim) accounting (financial) statements of the Company.	28.03.2014 Annual Financial Statements, 30.04.2014, 29.07.2014, 28.10.2014
9.	Message on certain decisions adopted by the Board of Directors (Supervisory Board).	28.01.2014, 26.02.2014, 27.03.2014, 28.04.2014, 27.05.2014, 27.06.2014, 27.06.2014, 28.08.2014, 01.10.2014, 29.10.2014, 25.11.2014, 25.12.2014, 25.11.2014
10.	Message on the Issuer's related party transactions	03.02.2014 (4 ntansactions), 28.02.2014, 03.12.2014
11.	Report on the decisions taken by the General Meeting of members (shareholders) of the Issuer.	02.07.2014
12.	Report on the procedure of access to information contained in the Annual Report 2013.	02.07.2014
13.	Message about rating assignment to equity securities and (or) the issuer or about a change in by the rating agency on the basis of the agreement concluded with the Issuer	18.06.2014

According to international standards (in the form of press releases and publication of reports in accordance with the rules of the London Stock Exchange)

Ser. No.	Message Content	Date of disclosure
14.	Publication of the annual consolidated financial statements under IFRS.	02.04.2014
15.	Publication of the consolidated interim condensed financial statements under IFRS for the 1st quarter of 2014 (unaudited).	16.06.2014
16.	Publication of the consolidated interim condensed financial statements under IFRS for the six months of 2014 (unaudited).	26.08.2014
17.	Publication of the consolidated interim condensed financial statements under IFRS for the first nine months of 2014 (unaudited).	28.11.2014

Information on Major Transactions Executed by the Company in the Year Reported

JSC TATNEFT did not make any major transactions in 2014.

Information on the Related Party Transactions made by the Company in the year Reported

Transaction Execution Date : 03.02.2014. Transaction Approval Date: 24.12.2013.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Type and subject of the transaction: extension of a subordinated deposit.
The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues: interest bearing funds placement at in the bank.
Date of obligations performance under the transaction, parties and beneficiaries under the transaction, the transaction amount in money terms and in percentage of the issuer's assets:
Investor: JSC TATNEFT n.a. V.D. Shashin
Bank: JSC ZENIT Bank.
Signing date: 03.02.2014, deposit term: 15 (fifteen) years and three (3) months from the date of the deposit amount receipt to the deposit account of the Bank (12.06.2024.)
The amount deposit: 2,140,000,000.00 (two billion one hundred and forty million and 00/100) rubles of the Russian Federation.
The monetary valuation of the property under the transaction: 4,234,943,348.45 rubles accounting for 0.86% of the the Company's assets book value as of 30.09.13.

Transaction Execution Date : 03.02.2014. Transaction Approval Date: 24.12.2013.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Type and subject of the transaction: extension of a subordinated deposit.
The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues: interest bearing funds placement at in the bank.
Date of obligations performance under the transaction, parties and beneficiaries under the transaction, the transaction amount in money terms and in percentage of the issuer's assets:
Investor: JSC TATNEFT n.a. V.D. Shashin
Bank: JSC ZENIT Bank.
Date of signing: 03.02.2014, repayment date: 01.02.2027.
Deposit amount: 1700,000,000.00 (one billion seven hundred million and 00/100) rubles of the Russian Federation.
The monetary valuation of the property under the transaction: 3,594,335,616.44 accounting for 0.73% of the Company's assets book value as of September30, 2013.

Transaction Execution Date : 03.02.2014. Transaction Approval Date: 24.12.2013.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Type and subject of the transaction: extension of a subordinated deposit.
The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues: interest bearing funds placement at in the bank.
Date of obligations performance under the transaction, parties and beneficiaries under the transaction, the transaction amount in money terms and in percentage of the issuer's assets:
Investor: JSC TATNEFT n.a. V.D. Shashin
Bank: JSC ZENIT Bank.
Date of signing: 03.02.2014, repayment date: 08.03.2023.
Deposit amount: 20,200,000.00 (twenty million, two hundred thousand and 00/100 US dollars) at the rate RUR 33 per 1 US dollar amounting to 666,600,000 rubles.
The monetary valuation of the property under the transaction: 35,076,054.79 USD at the rate RUR 33 per 1 US dollar amounting to 1,157,509,808.22 rubles accounting for 0.24% of the Company's assets book value as of September 30, 2013

Transaction Execution Date : 03.02.2014. **Transaction Approval Date:** 24.12.2013.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Type and subject of the transaction: extension of a subordinated deposit.
The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues: interest bearing funds placement at in the bank.
Date of obligations performance under the transaction, parties and beneficiaries under the transaction, the transaction amount in money terms and in percentage of the issuer's assets:
Investor: JSC TATNEFT n.a. V.D. Shashin
Bank: JSC ZENIT Bank.
Date of signing: 03.02.2014, repayment date: 12.03.2023.
Deposit amount 14,000,000.00 (Fourteen million and 00/100) US Dollars at the rate RUR 33 per 1 US dollar amounting to 462,000,000 rubles.
The monetary valuation of the property under the transaction: 24,322,410.96 US Dollars at the rate RUR 33 per 1 US dollar amounting to 802,639,561.64 rubles accounting for 0.16% of the Company's assets book value as of September 30, 2013.

Transaction Execution Date : 28.02.2014. **Transaction Approval Date:** 28.01.2014.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Transaction type and subject: Supplementary Agreement No. 1 κ Subordinated Deposit Contract No. 12-001/2013 of 15.01.2013 in accordance with which, among other things, the terms of the mentioned Subordinated Deposit Contract change in order to conform to the Regulations requirements of the Central Bank of the Russian Federation "On the method of determining the value of own funds (capital) of credit institutions ("Basel III") No. 395-P, which entered into force on 01.01.2014.
Content of the transaction, including civil rights and responsibilities for the establishment, modification or termination, which the transaction pursues: Supplementary Agreement No. 1 to the Subordinated Deposit Contract No. 12-001/2013 of 01.15.2013. according to which JSC TATNEFT n.a. V.D. Shashin (Depositor) and JSC Bank ZENIT (the Bank) have agreed, among other things, to modify the terms of the Treaty in order to bring it into line with the provisions of the Central Bank of the Russian Federation "On the method of determining the value of own funds (capital) of credit organizations ("Basel III") No. 395-P, which entered into force on 01.01.2014.
Date of the obligations performance under the transaction, parties and beneficiaries under the transaction, the amount of the transaction in money terms and in percentage of the issuer's assets value:
Depositor: JSC TATNEFT n.a. V.D. Shashin
Bank: JSC ZENIT Bank,
Date of signing: 28.02.2014.
Deposit term: 15 years 1 month from the date of the deposit amount receipt to the deposit account of the Bank.
Deposit amount: 3,600,000,000.00 (three billion six hundred million and 00/100) Russian rubles.
The monetary valuation of the property under the transaction: 8,152,754,188.19 Russian rubles accounting for 1.66% of the Company's assets book value as of September 30, 2013.

Transaction Execution Date : 02.12.2014. **Transaction Approval Date:** 25.11.2014.
Company's Body approving the transaction: JSC TATNEFT's Board of Directors
Type and subject of the transaction: sale and purchase of immovable property: the facility under construction - East-West Overpass.
Content of the transaction, including civil rights and responsibilities for the establishment, modification or termination of which the transaction pursues: alienation by the Issuer of immovable property to TANECO Open Joint Stock Company with the state registration of the facility ownership transfer.
Date of obligations performance under the transaction, parties and beneficiaries under the transaction, the transaction amount in money terms and in percentage of the issuer's assets: not later than January 31, 2015.
Parties to the transaction: JSC TATNEFT (Seller) and JSC TANECO (Buyer).
Transaction amount in money terms: 7,415,068,895.05 rubles.
The transaction amount as a percentage of the Issuer's assets: 1.295% of the Company's assets book value.

As part of the voluntary information disclosure, the Company published in 2014 on systematic and regular basis detailed information on the current production, corporate and social activities of JSC TATNEFT and the Group of Companies. The information was provided in the format of publications in corporate, industry and public republican and Russian mass media.

Criteria for Determining and the Amount of Remuneration Paid to Members of Management Bodies for 2014

Remuneration to JSC TATNEFT's Board of Directors Members is paid on the basis of "Provision on payment of remuneration the Board of Directors and the Revision Commission Members of JSC TATNEFT".

The remuneration of the Board of Directors Members is formed of fixed and variable parts.

The permanent part of the remuneration is defined by the Provision and indexed along with the change in tariffs and salaries of the JSC TATNEFT's employees.

- The variable part of the remuneration of the Board of Directors Members is formed according to the following key indicators:
- ratio of the Company's capitalization level at year-end compared with the previous year;
 - ratio of expenses on dividends versus the net profit (compared with the previous year);
 - the amount of the additional margin with respect to the baseline profitability.

In 2014, the Joint Stock Company paid the remuneration to the Board of Directors and the Management Board Member in the following amount:

- short-term remuneration (wages for the period under report, taxes and other mandatory payments charged to the respective budgets and non-budgetary funds, paid annual leave, the amount of payments under contracts of voluntary health insurance) were transferred in favor of the Board of Directors and the Management Board Members) in the amount of RUR 686,530 thousand;
- long-term remuneration (sum of payments under contracts of non-governmental pension provision, long-term life insurance transferred by JSC TATNEFT in favor of the Board of Directors Member and the Management Board members) in the amount of RUR 68,249 thousand.

Information about the amount of remuneration paid to the members of the Company's management bodies is presented in accordance with the Regulation on information disclosure by issuers of securities No. 454-P approved by the Bank of Russia on Dec. 30, 2014 (registered in the Ministry of Justice of Russia under No. 35989 on Feb. 12, 2015).

REPORT ON COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE MANAGEMENT CODE

Ser. Nos.	Principle (principles) of the corporate management or a key criterion (recommendation)	Brief description of non-complying part of the principle or the key criterion
		* Explanation of the key reasons, factors and circumstances by virtue of which the principle or the key criterion is not has not been complied with or observed in full, the description of alternative mechanisms or tools of corporate management applied
1	2	3

I. SHAREHOLDERS' RIGHTS AND EQUALITY OF SHAREHOLDERS IN THE EXERCISING OF THEIR RIGHTS

1.1.	The Company must ensure fair and equitable treatment of all shareholders in the implementation of the right for participation in the management of the Company. The system and practice of corporate management shall provide for fair treatment for all shareholders: owners of shares of one category (type), including minority (small) shareholders and foreign shareholders, and equal treatment by the Company	
1.1.1.	The Company has approved an internal document that defines basic procedures for the preparation, convening and holding of a General shareholders' meeting complying with recommendations of the Corporate Management Code, including the duty of the Company: <ul style="list-style-type: none">to inform shareholders of the General shareholders' meeting and provide for access to the material, including the materials and post a notice and the materials on the Internet site at least 30 days prior to the meeting holding (unless a longer term is stipulated by the legislation of the Russian Federation);to disclose the date of compiling the list of persons entitled to attend the General Meeting of Shareholders not less than 7 days before the date occurrence;to provide additional information and materials to the General shareholders' meeting on the agenda items in accordance with the recommendations of the Corporate Management Code.	Art. 7 of JSC TATNENT's Articles Provision on General Shareholders' Meeting of JSC TATNEFT Art. 2.2.2 of the Corporate Management Code of JSC TATNEFT Section 5 of the Provision on General Meeting of JSC TATNEFT's Shareholders' Art. 7 i. 7.1 of JSC TATNEFT's Articles These materials are place on the JSC TATNEFT's and the information agency sites http://www.tatneft.ru , http://disclosure.skrin.ru/disclosure/1644003838 I.5.4 of the Provision on General Shareholders' Meeting of JSC TATNEFT
1.1.2.	The Company undertakes to provide to the shareholders in the course of preparation and holding of the General shareholders' meeting the opportunity to put questions about the Company's activities to members of the Company's management and control bodies, members of the Audit Committee, the Chief Accountant of the Company, as well as candidates for the management and control bodies. The mentioned responsibilities are enshrined in the Articles or the Company's internal documents.	These CPC recommendations are complied with
1.1.3.	The Company undertakes to adhere to the principle of inadmissibility of actions that lead to artificial redistribution of corporate control (for example, voting with "quasi" shares, taking a decision to pay dividends on preferred shares in the situation with limited financial possibilities, taking a decision on non-payment of dividends specified in the Company's Articles on preferred shares if there are sufficient resources for their payment). These responsibilities are fixed in the Articles or in internal documents of the Company.	These CPC recommendations are complied with
1.2	Shareholders shall be given an equal and fair opportunity to participate in the Company's profits by receiving dividends	
1.2.1.	The Company has approved the internal document defining the dividend policy of the Company, relevant recommendations of the Corporate Management Code, which specifically includes: <ul style="list-style-type: none">procedure for determining the net profit part (for the Company constituting consolidated financial statements the minimum part (share) of the consolidated net income) for the payment of dividends and the conditions under which the dividends shall be declared;the minimum size of dividends on the Company's shares of various categories (types);duty to disclose a document defining the dividend policy of the Company on the Company's Internet site	These CPC recommendation are complied with Chapter 6 of the Corporate Management Code of JSC TATNEFT i. 5.4-5.10 of the Articles of the Open Joint Stock Company TATNEFT named after V.D. Shashin. The principles of the dividend policy are reflected in the annual JSC TATNEFT's reports published on the Company's website and the website of the "Screen" Information Agency

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II. COMPANY'S BOARD OF DIRECTORS		
2.1	The Board of Directors determines major strategic targets of Company's activities in the long term, key performance indicators of the Company, implements the strategic management of the Company, defines basic principles and approaches to establishment of the social risks and internal controls management systems, supervises the activities of executive bodies of the Company, determines the remuneration policy of the Company for the Board of Directors and the executive bodies' members, as well as performs other key functions	
2.1.1.	The Board of Directors has been formed in the Company, which: <ul style="list-style-type: none">defines the main long term strategic benchmarks of the Company's activity and key performance indicators of Company;supervises the activities of the Company's executive bodies;defines the principles and approaches to the organization of risk management and internal control in the Company;determines the Company's policy on the remuneration of the Board of Directors, executive bodies' members and other key executives of the Company	These CPC recommendation are complied with The Board of Directors consisting of 15 persons has been formed. Section 2 of Provision on the JSC TATNEFT's Board of Directors Corporate Management Code of JSC TATNEFT The Board of Directors defines the main long term strategic benchmarks of the Company's activity and key performance indicators of Company; supervises the activities of the Company's executive bodies; defines the principles and approaches to the organization of risk management and internal control in the Company. i.4, 4.6 Provision on the Board of Directors of JSC TATNEFT
2.2.	The Board of Directors shall be an effective and professional management body of the Company, capable of making objective, independent judgments and making decisions that meet the interests of the Company and its shareholders, Chairman of the Board of Directors shall promote the most effective implementation of the functions assigned to the Board of Directors. The Board of Directors meetings, preparation for holding and participation in the meetings of the Board of Directors' Members shall ensure effective work of the Board of Directors	
2.2.1.	Chairman of the Board of Directors is an Independent Director or a senior Independent Director shall be defined among the elected independent directors, who shall coordinates the work of the independent directors and interact with the Chairman of the Board of Directors	
2.2.2.	Internal documents of the Company fix procedures for preparation and holding of the Board of Directors meetings providing the Board of Directors' Members the opportunity to adequately prepare for the meetings holding, and specifically providing for: <ul style="list-style-type: none">period of notifying the Board of Directors' Members of the forthcoming meeting;deadlines for sending the documents (papers) for voting and receiving the completed documents (papers) package for meetings in absentia;channeling and recording of a written opinion on the agenda items for the members of the Board of Directors, who are absent at the in-person meeting;the opportunity to debate and vote through a conference call and a video - conference	These CPC recommendation are complied with Art. 8.5 of the Articles, Section 5 Provision on the Board of Directors of JSC TATNEFT Compiled with Section 5 i. 5.2 Provision on the Board of Directors of JSC TATNEFT Compiled with Section 5 i. 5.4 Provision on the Board of Directors of JSC TATNEFT
2.2.3.	The most important issues are dealt with at the meetings of the Board of Directors held in person. The list of questions follows the recommendations of the Code of Corporate Management	These CPC recommendation are complied with i. 2 of the Provision on the Board of Directors of JSC TATNEFT

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2.3. The Board of Directors shall include a sufficient number of independent directors		
2.3.1.	Independent directors shall make up at least one-third of the elected members of the Board of Directors	These CPC recommendation are partially complied with The Board of Directors of JSC TATNEFT includes three independent directors.
2.3.2.	Independent directors fully meet the independence criteria recommended by the Corporate Management Code	These CPC recommendation are complied with I. 2.3.8 of the JSC TATNEFT's Corporate Management Code
2.3.3.	The Board of Directors (Nominating Committee (HR, appointments)) assesses the compliance of candidates for the Board of Directors Members' independence criteria	These CPC recommendation are complied with Combined with the H R and Remuneration Committee
2.4. Board of Directors shall set up committees for preliminary consideration of the most important issues of the Company's activity		
2.4.1.	The Board of Directors has set up the Audit Committee, consisting of independent directors, which functions are fixed in the internal documents and comply with the Corporate Management Code recommendations	These CPC recommendation are complied with Audit Committee composed of three independent directors has been set up. The Committee's functions are fixed by Provision on the Audit Committee of JSC TATNEFT's Board of Directors Art. 2 Provision on the Audit Committee of JSC TATNEFT's Board of Directors
2.4.2.	The Company's Board of Directors has established the Remuneration Committee (can be combined with the Nominating Committee (HR, Nomination)) consisting of independent directors whose functions correspond to the recommendations of the Corporate Management Code	These CPC recommendation are complied with JSC TATNEFT's Board of Directors HR and Remuneration Committee has been set up, which membership includes two independent directors. The Committee functions are fixed in the Provision on the HR and Remuneration Committee of the Board of Directors of JSC TATNEFT. The Committee includes two independent directors. Art. 8. i. 8.4 of the Articles, Art. 5, i. 5.1 of the Provision on the Board of Directors Art. 3 i. 3.1 of the Provision on the HR and Remuneration Committee of the JSC TATNEFT's Board of Directors of
2.4.3.	The Company's Board of Directors has established the Nominating Committee (HR, appointments) (can be combined with the Remuneration Committee) with most of members being independent directors, which functions correspond to the Corporate Management Code recommendations	These CPC recommendation are complied with Combined with the HR and Remuneration Committee

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III. CORPORATE SECRETARY OF THE COMPANY		
3.1. Effective current interaction with shareholders, coordination of the Company's activities for the protection of the rights and interests of shareholders, support the effective Board of Directors' work is ensured by the Corporate Secretary (special structural division headed by the Corporate Secretary)		
3.1.1.	The Corporate Secretary is accountable to the Board of Directors, is appointed and removed from office by the decision or with the consent of the Board of Directors	These CPC recommendation are complied with Board of Directors has appointed Secretary of the Board of Directors. Functions of the Corporate Secretary are distributed between the Secretary of the Board of Directors and Securities Office, which is an authorized division of JSC TATNEFT
3.1.2.	The Company approved an internal document that defines the rights and duties of the Corporate Secretary (Provision on the Corporate Secretary), which content complies with the Corporate Management Code recommendations	These CPC recommendation are complied with In accordance with i. 3.1.1 internal documents are: Provision on the JSC TATNEFT's Board of Directors (i. 3.10), Provision of JSC TATNEFT on the Securities Office

IV. SYSTEM OF REMUNERATION OF THE BOARD OF DIRECTORS, EXECUTIVE BODIES' MEMBERS AND OTHER KEY COMPANY'S EXECUTIVES		
4.1	The level of remuneration paid by the Company shall be sufficient to attract, motivate and retain individuals with competencies and qualifications necessary for the Company. Remuneration payment to members of the Board of Directors, executive bodies and other key executives of the Company shall be paid in accordance with the Remuneration policy of the Company	
4.1.1.	All payments, benefits and privileges granted to members of the Board of Directors, executive bodies and other key executives of the Company are regulated in the Company	These CPC recommendation are complied with Art. 2.5 «Corporate Management Code of JSC TATNEFT
4.2.	The system of the Board of Directors' Members remuneration shall ensure convergence of the directors' financial interests with the long-term financial interests of the shareholders	
4.2.1.	The Company does not apply other forms of remuneration the Board of Directors' Members in addition to the fixed annual remuneration	
4.2.2.	The Company's Board of Directors' Members are not given the opportunity to participate in optional programs and the right to sell their Company's shares is not conditioned by achieving certain performance results	
4.3.	The remuneration system of the executive bodies and other key executives of the Company should provide for the remuneration dependence on the results of the Company's operation and their personal contribution to this result	
4.3.1.	The Company has introduced a program of long-term incentives for members of executive bodies and other key employees of the Company	These CPC recommendation are complied with

V. SYSTEM OF RISK MANAGEMENT AND INTERNAL CONTROL		
5.1. The Company should set up a well-functioning system of risk management and internal control designed to provide reasonable assurance of the Company achieving its goals		

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5.1.1.	The Board of Directors has defined the principles and approaches to risk management and internal control in the Company	These CPC recommendation are complied with Provision on the Internal Audit Department approved by the Board of Directors of 02.02.2009. Minutes No. 4
5.1.2.	The Company has established a separate structural division for risk management and internal control	
5.1.3.	The Company has developed and implemented the anti-corruption policy of the Company, defining measures aimed at the formation of the corporate culture elements, organizational structure, rules and procedures for the corruption prevention	These CPC recommendation are complied with
5.2.	For a systematic independent evaluation of the reliability and efficiency of the risk management and internal control system and the corporate management practices the Company shall organize the internal audit	
5.2.1.	There is Company is a separate structural division at the Company performing the functions of internal audit, which is functionally subordinate to the Company's Board of Directors. The functions of this division comply with the of the Corporate Management Code recommendations and specifically the functions are: <ul style="list-style-type: none">assessment of the internal controls efficiency;evaluation of the risk management system efficiency;assessment of the corporate Management (in the absence of the Corporate Management Committee)	These CPC recommendation are complied with Internal Audit Department has been established. General Director order: "On the establishment of the Internal Audit Department" i. 2 Provision on the Internal Audit Department of JSC TATNEFT approved by the Board of Directors
5.2.2.	The head of the internal audit division reports to the Company's Board of Directors, is appointed and removed from office by the Board of Directors of the Company	These CPC recommendation are complied with i. 1 Provision on the Internal Audit Department of JSC TATNEFT approved by the Board of Directors
5.2.3.	The Company has approved a policy of the internal audit (Provision on the Internal Audit) that defines the goals, objectives and functions of the Internal Audit	These CPC recommendation are complied with i. 2 «Provision on the Internal Audit Department of JSC TATNEFT approved by the Board of Directors

VI. INFORMATION DISCLOSURE ABOUT THE COMPANY, COMPANY'S INFORMATION POLICY

6.1.	The Company and its activities should be transparent for shareholders, investors and other interested parties	
6.1.1.	The Company has approved an internal document defining the Company's information policy, the relevant recommendations of the Corporate Management Code. The Company information policy includes the following ways to interact with investors and other interested parties: <ul style="list-style-type: none">organization of the Company's special Internet pages for placing the answers to common questions from shareholders and investors, a regularly updated calendar of the Company's corporate events, as well as other useful information for shareholder and investors;regular meetings of the executive bodies' members and other key executives of the Company with analysts;regular presentations (including in the form of teleconferences, web casts) and meetings with members of the management bodies and other key executives of the Company, including the accompanying publication of accounting (financial) statements of the Company, or related to major investment projects and strategic plans of the Company development	These CPC recommendation are complied with Provision on Information Policy of Open Joint Stock named after V.D. Shashin Answers to questions from shareholders and investors, corporate events Company, useful information are posted on the Company's website; Regular meetings with analysts are arranged. Regular presentation press conferences of General Director are held

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6.1.2.	Implementation of the Company's information policy is carried out by the Company's executive bodies. Control over proper information disclosure and compliance information policy is performed by the Company's Board of Directors	These CPC recommendation are complied with The authorized body for the information disclosure is the Securities Office of JSC TATNEFT. In general, the information about the Company's operation is provided Company's Office of Technical and Economic Information of JSC TATNEFT. The Company's information policy is governed by the Provision on Information Policy of JSC TATNEFT, as well as Art. 2.3 of the Corporate Management Code of the Company. The disclosure control is provided by the Information Disclosure Committee of the JSC TATNEFT's Board of Directors
6.1.3.	The Company has established procedures to ensure coordination of all services and structural divisions of the Company related to the disclosure of information or which activities may lead to the information disclosure	These CPC recommendation are complied with There Regulations for information disclosure in the Company, approved by General Director of JSC TATNEFT. There is the Information Disclosure Committee in the Company The information disclosure is provided by the Securities Office of JSC TATNEFT.
6.2.	The Company shall promptly disclose full, relevant and accurate information about the Company to enable informed decision-making by shareholders and investors of the Company	
6.2.1.	If there is a significant share of foreign investors in the capital in the Company, then parallel with the disclosure of information in Russian the disclosed information material about the Company (including the notice of the General shareholders' meeting, the annual report of Company) shall be provided in a foreign language, which is common in the financial market	These CPC recommendation are complied with The official site of TATNEFT Company is presented in Russian and English versions. All relevant information, including the notice of the General shareholders' meeting, the annual report of Company, the annual report on the activities of the Company, IFRS, essential facts are disclosed in the Russian and the English languages.
6.2.2.	The Company shall ensure the disclosure of information not only the Company, but about legal entities under the Company's control significantly important for the Company	These CPC recommendation are complied with The Company provides disclosure of the legal entities under its control with significant importance in the framework of a quarterly report
6.2.3.	The Company discloses annual and interim (semi-annual) consolidated and individual financial statements prepared in accordance with International Financial Reporting Standards (IFRS). The annual consolidated or individual financial statements are disclosed along with the auditor's report, while interim (semi-annual) consolidated or individual financial statements shall be disclosed together with the report on the results of the overview audit or the auditor's report	These CPC recommendation are complied with The Company discloses annual and interim (semi-annual) consolidated financial statements together with the auditor report and the interim (semiannual) and consolidated financial statements - together with the report on the results of the overview audit
6.2.4.	The Company has opened a special memorandum containing plans for the Company: entities of the controlling Company. This memorandum has been compiled in accordance with the Corporate Management Code recommendations	The Company publishes strategic initiatives and objectives approved by the Board of Director of JSC TATNEFT
6.2.5.	The Company provides for disclosure of detailed information on the biographical data of the Board of Directors' members, including information on whether they are independent directors, and also prompt disclosure of information about for forfeit of the independent director status by a member of the Board of Directors	These CPC recommendation are complied with The Company provides for disclosure of detailed information on the biographical data of the Board of Directors' members, including information on whether they are independent directors. This information is disclosed in the annual report and on the TATNEFT website as well as on the website of the "Screen" information agency

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6.2.6.	The Company discloses information on the capital structure in line with the recommendations of the Corporate Management Code	These CPC recommendation are complied with
6.2.7.	The Company Annual Report contains additional information recommended by the Corporate Management Code: <ul style="list-style-type: none">● overview of the most significant transactions, including related transactions made by the Company and by the controlled entities over the last year;● report of the Board of Directors operation (including committees of the Board of Directors) for the year, containing inter alia, information on the number of in-person (correspondence) meetings, participation of each of the Board of Directors' Members in the meetings, description of the most important issues and most complex problems discussed at the meetings of the Board of Directors and the Committees of the Board of Directors, the main recommendations that the Committees provided for the Board of Directors;● information about direct or indirect ownership of the Company's shares by the Board of Directors' Members and members of the Company's executive bodies;● information about the presence of a conflict of interests of the Board of Directors and executive bodies' Members (including the one associated with participation of these persons in the management bodies of competitors of the Company);● description of the remuneration system of the Board of Directors' members, including the amount of individual remuneration for the year for each member of the Board of Directors (split into basic, additional remuneration for the Chairmanship in the Board of Directors, Chairmanship (membership) in committees of the Board of Directors, amount of participation in the long-term incentive program, extent of participation of each member of the Board of Directors in the optional program, if any), reimbursement of costs associated with participation in the Board of Directors, as well as costs for liability insurance for Company Directors as members of the management bodies;● information about the total remuneration for the year:<ul style="list-style-type: none">a) for the group of at least five highest paid members of executive bodies and other key executives by each type of remuneration;b) for all members of the executive bodies and other key executives of the Company, who are covered by Company's policy in the area of remuneration split by each type of remuneration;● information on remuneration for the year of the sole executive body, which he has received or is receivable from the Company (legal entities from the group of part of), split by each type of remuneration as for the performance of his duties as the sole executive body, as well as on other grounds	<p>These CPC recommendation are complied with</p> <p>Compiled with partially The list of issues discussed at the meetings of the Board of Directors is discloses in the annual report</p> <p>Compiled with</p> <p>Information about absence of no conflicts of interests of the Board of Directors and executive bodies' Members (including the one associated with participation of these persons in the management bodies of competitors of the Company) is disclosed in the Annual report</p> <p>Compliance</p> <p>Compliance</p>
6.3.	Provision of Company information and documents at the request of shareholders should be in accordance with the principles of fairness and not burdensome	
6.3.1.	In accordance with the information policy of the Company shareholders of the Company possessing the same number of the Company's voting shares shall have equal access to the information and the Company's documents	These CPC recommendation are complied with Section 5 Provision on Information Policy of the Open Joint Stock Company named after V.D. Shashin

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VII. ESSENTIAL CORPORATE ACTIONS		
7.1.	The actions that significantly affect or may affect the structure of the share capital and the Company's financial condition and, therefore, the position of shareholders (essential corporate actions) shall be carried out under fair conditions that ensure respect for the rights and interests of shareholders and other stakeholders	
7.1.1.	The Company's Articles define the list of (criteria) of transactions or other actions that are essential corporate actions, which consideration falls within the competence of the Company's Board of Directors: <ul style="list-style-type: none">● the Company's reorganization, acquisition of 30 percent or more of the Company's voting shares of (takeover), increasing or decreasing the Company's authorized capital, listing and delisting of the Company's shares;● sale transaction of shares (interest) of entities controlled by the Company, which are of essential importance for the Company resulting in the Company's loss of control over such legal entities;● transactions, including related transactions, with the Company's assets or the Company's controlled entities, which cost exceeds the amount specified in the Company Articles or which is essential to the economic activity of Company;● establishment of the controlled by the Company legal entity, which is of importance for the Company's activity;● alienation of treasury "quasi" shares by the Company	Compiled with According to the Articles of JSC TATNEFT and internal documents
7.2.	Company shall provide for such a procedure for making essential corporate actions, which would allow shareholders to timely receive complete information on such actions, giving them the opportunity to influence execution of such actions and ensure compliance and adequate level of their rights protection in the execution of such actions	
7.2.1.	The principle of equal opportunities for all Company's shareholders in undertaking essential corporate actions affecting the rights and legitimate interests of shareholders is provided for in the internal documents of the Company, and also there are additional measures to protect <ul style="list-style-type: none">● rights and legitimate interests of the Company's shareholders provided the Corporate Management Code, including:● involvement of an independent appraiser reputable in the market as impeccable and experienced in the relevant field evaluation or presentation reasonable grounds for non-involvement of the independent appraiser in determining the value of the assets acquired or disposed of under a major related party transaction;● determining the Company's shares price in case of acquisition and redemption by the independent appraiser reputable in the market as impeccable and experienced in the relevant field evaluation taking into account the weighted average share price over a reasonable period of time disregarding the effect associated with the Company's of a relevant transaction (disregarding changes in the shares' price in connection with the dissemination of information on the Company's execution of the relevant transaction), and without taking into account the discount for the sale of shares as part of a minority package;● expansion of the grounds list which are the basis for acknowledging the Company's Board of Directors' Members and other stipulated by the legislation persons as interested in the Company's transactions for the purpose of evaluating the actual convexity of the persons concerned	The procedure provided internal documents of Company.

Note: No other key, according to the Company's opinion, the criteria (recommendations) of the Corporate Management Code relating to this principle (the principle) of the corporate management do not apply.

INTERACTION WITH STAKEHOLDERS

Event/Activity	Stakeholders	Subjects and Issues Discussed
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JANUARY

January 16 Participation of the Company's representatives in the panel discussion "Tatarstan: creating the future" within the Gaidar Forum	State Authorities Business Partners	<ul style="list-style-type: none">Problems and challenges facing the Republic of Tatarstan and its further development
January 18 Press conference of JSC TATNEFT's General Director	Media	<ul style="list-style-type: none">Results and projects in 2013Plans for 2014The strategy of crude oil production development in the coming yearsActivities of JSC TANECOCompany's plans for the development of territories outside of Tatarstan and RussiaEncouragement of extra-viscous oil processingDevelopment of the TATNEFT's filling stations networkSocial Projects of the Company
January 21 Participation of the JSC TATNEFT's General Director in the World Economic Forum in Davos	State Authorities Business Partners Media	<ul style="list-style-type: none">Global economy situationGlobal economic and social problems
January 29 Conference of the JSC TATNEFT's labor collective	State Authorities Trade Union Employees Media	<ul style="list-style-type: none">Company's operation results in 2013Compliance with the Collective Agreement for 2013Changes to the Collective Agreement for 2014Objectives for 2014
January 31 Participation in the Company's representatives in the meeting of the Collegium of the Ministry of Ecology and Natural Resources of the Republic of Tatarstan	State Authorities Business Partners	<ul style="list-style-type: none">Experience of JSC TATNEFT in utilization of associated petroleum gas (APG)Implementation of the of local environmental monitoring mechanism in the area of theNizhnekamsk industrial hub, including the TANECO Refining and Petrochemical Plants Complex

FEBRUARY

February 7 Annual Meeting of the Volga-Kama Regional Branch of the Russian Academy of Natural Sciences	Public Organizations State Authorities	<ul style="list-style-type: none">Development of heavy oil and natural bitumen in fields the Republic of TatarstanNeed to improve the recovery the level of formations and reservoir fluids evaluation, promising areas of development and oil and gas wells design, etc.
February 18 Joint Working trip of the Republic of Tatarstan Leadership and the Company's top management to Nizhnekamsk Municipal District	State Authorities Municipalities' Adninistrations	<ul style="list-style-type: none">Investments in housing, promotion of health, education, culture and sports in the territory of the Nizhnekamsk municipality district and the city of NizhnekamskModernization of the tire manufacturing complex EnterprisesConstruction of the TANECO Refining and Petrochemical Plants Complex
February 19 Working meeting of JSC TATNEFT's General Director with S. Donskoy, Minister of Natural Resources and Environment	State Authorities	<ul style="list-style-type: none">Results of the Company's operations in the area of producing hard-to-recover hydrocarbon reserves, including bitumen and shale oilEstablishment of proving grounds for testing technologies for the extraction of hard-to-recover hydrocarbon reserves from Domanik suite at the premises of TATNEFT's enterprises

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February 21 Meeting of the JSC TATNEFT's permanent commission on work safety	Trade Union Employees State Authorities	<ul style="list-style-type: none">Operating Results for 2013 and the main activities on labor protection, industrial and fire safety, prevention of occupational injuries and accidents in 2014
February 21 Participation of the Company's representatives in the session of the Municipal Nurlat District Council	State Authorities Municipalities' Adninistrations Business Partners	<ul style="list-style-type: none">Results of the Nurlat municipal district social and economic development of in 2013 and objectives for 2014
February 26 Participation of the Company's representatives in the session of the Municipal Leninogorsk District Council	State Authorities Municipalities' Adninistrations Business Partners Public Organizations Local Communities	<ul style="list-style-type: none">Results of the Leninogorsk Municipal District social and economic development of in 2013 and objectives for 2014
February 28 Participation of the Company's representatives in the session of the Municipal Almetyevsk District Council	State Authorities Municipalities' Adninistrations	<ul style="list-style-type: none">Results of the Almetyevsk Municipal District social and economic development of in 2013 and objectives for 2014the Company's environmental programs

MARCH

March 21 Meeting of JSC TATNEFT's General Director with N. Merkushin, Governor of the Samara Region	State Authorities	<ul style="list-style-type: none">Signing of a Supplementary Cooperation Agreement between the Government of the Samara region and JSC TATNEFTImplementation of investment projects related to the development of new oil and gas fields in the Samara regionImproving the rational use of associated petroleum gasImplementation of a coherent policy in the area of social guarantees and employment of workers, the implementation of programs of voluntary health insurance, regional sports and cultural projects
March 24-27 Visit of the JSC "Ozemunaygas" delegation	Business Partners	<ul style="list-style-type: none">Specifics of highly depleted fields developmentInformation technologies of the CompanyEnvironmental protectionProduction control of industrial health and safetyEnergy ManagementPersonnel training system
March 26 Participation of Company's representatives in the round table of the efficient energy technologies cluster in the area of oil production at the "Skolkovo" Innovation Center	Business Partners Expert and Scientific Communities	<ul style="list-style-type: none">Approaches of major Russian oil companies to search, selection and performance of pilot testing new technologiesPerspective areas of technological development and specific technologies developed by innovative companies in the area of oil production

APRIL

April 14-17 Working visit of Tatarstan delegation to China with the participation of General Director JSC TATNEFT	Business Partners Investors	<ul style="list-style-type: none">Investment and economic potential of the Republic of TatarstanAdvantages of doing business in Tatarstan for investors
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April 16 Company's representatives participation in the third international conference "INNO-WAVE 2014" (“Corporate innovation process: from idea to results”)	Business Partners	<ul style="list-style-type: none">• Management of innovative projects• Staff involvement of in innovational activity• Efficiency assessment of innovative projects and etc.
	State Authorities Business Partners Educational Institutions	<ul style="list-style-type: none">• Replenishment of mineral resources base• Involvement of hard-to-recover hydrocarbon reserves in the development• Cooperation between governmental authorities, business representatives and experts the expert community in addressing relevant issues of the oil and gas sector
	State Authorities Public Organizations Expert and Scientific Communities Educational Institutions	<ul style="list-style-type: none">• Federal Law on the special assessment of working conditions• Guarantees and compensation to employees engaged in hazardous labor conditions• Main Board areas of improving the regulatory framework for occupational safety and health• Prospects of increasing the role and responsibility of the labor protection expert in the overall structure of the HSE management organization• Problems in vocational education, scientific research and employment of graduates of the higher educational institutions on related with occupational health and safety at work
April 23 Visit the Company's operation facilities in Nizhnekamsk by the participants of the International Conference “Partnership for development of clusters” organized by the Association of innovative regions of Russia with the support of Ministry of Economic Development	Public Organizations State Authorities Educational Institutions Expert Communities	<ul style="list-style-type: none">• Models of territorial innovation clusters development• Development of Partnership of the Russian and European regions and innovation clusters
MAY		
May 14 Participation of Company's representatives in the round table on the issues of sanitary cleaning, collection and removal of debris in Almet'yevsk	State Authorities Municipalities' Administrations Media	<ul style="list-style-type: none">• Work on the collecting and disposal of solid waste in. Almet'yevsk and in rural areas of the Almet'yevsk district
May 16 Participation of Company's representatives in the VII Congress of the NGO “Society of Inventors and Innovators Republic of the Republic of Tatarstan	Public Organizations Business Partners	<ul style="list-style-type: none">• Practice of license agreements registration• Opening of innovation technology support centers at enterprises and organizations of the Republic of Tatarstan
May 22-24 Visit the Company's operation facilities by deputies, members of the Russian Federation State Duma Committee for Natural Resources, Environment and Ecology	State Authorities	<ul style="list-style-type: none">• Environmental facilities the TANECO Refining and Petrochemical Plants Complex• Engineering solutions and new capacities for production, treatment and transportation of EVO• Recycling of oil sludge

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JUNE		
June Visit of the NGDU “Bystrinskneft” delegation of JSC Surgutneftegaz“	Business Partners	<ul style="list-style-type: none">• Application of water/oil swellable TAM packers
June Participation of experts from JSC TATNEFT and JSC TANECO in an international symposium on the refining and petrochemicals, organized by Chevron Lummus Global (USA)	Business Partners	<ul style="list-style-type: none">• Crude oil refining projects, their commercial success and competitiveness
June 2-3 Visit to the Company's operation facilities of the stock market analysts, representing 14 leading international and Russian investment banks	Investment Community	<ul style="list-style-type: none">• Main strategic initiatives aimed at increasing the Company's capitalization: maintaining crude oil production in existing fields, increasing the volume of heavy oil production and the development of other hard-to-recover reserves, development of the TANECO complex, the increase in primary processing• Activities aimed at strengthening the innovative potential of TATNEFT
June Visiting the tire manufacturing enterprises of the Company's petrochemical complex by Representatives of the Public Chamber of the Republic of Tatarstan	Public Organizations	<ul style="list-style-type: none">• Development of the scientific and industrial cluster in the JSC TATNEFT's petrochemical complex
June 5 Visit of the JSC “NK”Rosneft” delegation	Business Partners	<ul style="list-style-type: none">• Pace of development and long-term plans for JSC TANECO• Environmental activities at JSC TANECO• Possible areas of cooperation related to the expansion of refining capacity
June 5-7 Participation of the Company's top managers in the VIth International economic summit of Russia and the Organization of Islamic Cooperation (OIC) countries of the KazanSummit-2014	State Authorities Business Partners Investment Community	<ul style="list-style-type: none">• Food Security of the Organization of Islamic Cooperation countries• Cooperation between investors, business and governments of OIC countries and Russia in solving issues of strategic security
June Visit of the OOO “LUKOIL-PERM” delegation	Business Partners	<ul style="list-style-type: none">• Introduction of new technologies for production, treatment and transportation of oil and gas• Maintenance and repair of oilfield equipment• Organization of operation and maintenance of the associated petroleum gas run power plants• Personnel management practices
June 15-19 Participation of the Company's top managers of in the twenty-first World Petroleum Congress	Business Partners Public Organizations Expert Communities	<ul style="list-style-type: none">• Usage of the world's oil resources, innovative and technological achievements• Investment attractiveness of oil and gas regions of Russia, including the Republic of Tatarstan• Development of old fields using new technical solutions• Unconventional oil and gas resources• Improving the conversion ratio of hydrocarbons produced in Tatarstan

1	2	3
June Working visit of the Federal Agency for Subsoil Use, headed by V. Pak, Deputy Minister of Natural Resources and Ecology of the Russian Federation - Head of the Federal Agency for Subsoil Use, delegation	State Authorities	<ul style="list-style-type: none">● Implementation of the program for the study of unconventional hydrocarbon deposits in Tatarstan● Experience of the Company's Oil and Gas Producing Divisions in the extraction of oil from non-conventional rocks● Establishment of proving grounds on search and exploration of unconventional hydrocarbons in the Republic of Tatarstan● Advanced conversion of hydrocarbon raw materials
	Shareholders	<ul style="list-style-type: none">● Results of the Company's activities in 2013● Approval of the Company's Board of Directors, annual report and financial statements for 2013,● Adoption of the decision on payment of dividends for 2013
JULY		
July 4 Participation in the oil summit in the Republic of Tatarstan	State Authorities Business Partners Municipalities' Administrations	<ul style="list-style-type: none">● Results of JSC TATNEFT operation in the first half of 2014● Results of small oil companies operation in Republic of Tatarstan in the first half of 2014● Actualization of the "Program of development of the fuel and energy complex of the Republic of Tatarstan for 2006-2030" on oil exploration and production● Introduction highly efficient oil production technologies by enterprises of the Republic of Tatarstan
July 8 Meeting with the administration of the Sarmanovsky municipal district	Municipalities' Administrations	<ul style="list-style-type: none">● Providing quality drinking water for residents Jalil Township
AUGUST		
August Meeting of the JSC TATNEFT's General Director with Head of the Almet'yevsk municipal district, public figures, residents and visitors to Almet'yevsk	Municipalities' Administrations Local Communities	<ul style="list-style-type: none">● Social support of population in the south-eastern part of the Republic of Tatarstan● Construction of new sewage treatment facilities in. Almet'yevsk● Construction of the sports complex in Lower Maktama Township● Repair of kindergartens● Additional environmentally friendly public transport lines in the "Yashlek" district etc.
August 18 Meeting of the JSC TATNEFT's Deputy General Director Human Resources and Social Development with residents of Aznakaevo	Municipalities' Administrations Local Communities	<ul style="list-style-type: none">● Support for rural producers● Construction of autoroads in the Aznakaevsky district.

1	2	3
SEPTEMBER		
September Study tour of Rosprirodnadzor representatives for the Republic of Tatarstan the JSC TATNEFT's wells under construction	Supervision Bodies	<ul style="list-style-type: none">● Technology of handling cuttings in the well construction process
September 3-5 Participation in the Tatarstan petrochemical forum	State Authorities Business Partners Public Organizations	<ul style="list-style-type: none">● Hard-to-recover and unconventional hydrocarbon reserves: experiences and forecasts● Industrial ecology and safety● Major development trends in the petrochemical and refining industries● Geodesy and geoinformation systems● Metrological support of liquids and gas flow measurement● Industrial automation● Increased usage of chemical and petrochemical products Produced in the Republic specifically in road construction
September The working visit of the Turkmen delegation headed by B. Khojamuhmadow, Deputy Chairman of the Cabinet of Ministers	Business Partners	<ul style="list-style-type: none">● Organization of development of highly depleted fields● System of occupational safety and labor protection, ways of learning safe production principles● Personnel training system, youth policy of JSC TATNEFT● Operation of JSC TANECO and the Company's tire manufacturing complex enterprises● Opportunities for closer cooperation between Turkmenistan and the Company
September 17 The delegation of Turkmenistan's oil and gas industry, composed of representatives of the State-run "Turkmennebit" Corporation, "Turkmengeologiya" and State-run "Turkmengaz" visit	Business Partners	<ul style="list-style-type: none">● Technology and equipment applied for the control of oil facilities● Mobile video recording system● Electronic document management● Forming relationships with contractors, etc
September Visit of the delegation composed of senior officials of the Ministry of Natural Resources and Environment and the Ministry of Ecology and Natural Resources to JSC TANECO	State Authorities	<ul style="list-style-type: none">● Environmental monitoring system functioning at the Company's
September 23-24 Conference/Seminar "Effective technologies and equipment for production, transportation and processing of crude oil" for oil companies, manufacturers of tubular products and pumping equipment	Business Partners	<ul style="list-style-type: none">● New Technologies and Equipment of the Company● Strategy of mutually beneficial cooperation of the TATNEFT Group of Companies with the leading oil companies in Russia
September 29-30 Participation of top managers headed by JSC TATNEFT's General Director in the XI Forum of Interregional Cooperation of Russia and Kazakhstan	State Authorities Business Partners Expert Communities	<ul style="list-style-type: none">● Innovations in production, transportation and processing of hydrocarbons

1	2	3
OCTOBER		
October Visit of the “Yokogawa Electric Corporation delegation to NPiNHZ Complex in Nizhnekamsk	Business Partners	<ul style="list-style-type: none">Prospects of further cooperation in the process of the TANECO Refining and Petrochemical Plants Complex development
October Meeting with attendance of representatives of JSC TATNEFT, OOO “Tatneft-Aktiv” Southeast Chamber of Commerce of the Republic of Tatarstan, executive committees of municipal districts, small and medium-sized businesses of the south-eastern part of RT	Municipalities’ Adnin-istrations Business Partners Local Communities	<ul style="list-style-type: none">Promotion of Small and Medium Business developmentPurchase of goods for the needs of TATNEFT Group of Companies
October 22-24 Participation of Company’s representatives in the second national oil and gas forum	State Authorities Expert Communities Public Organizations Media	<ul style="list-style-type: none">Preparation of the new version of the Energy Strategy of Russia for the next forecast periodLong-term goals and objectives of the national oil and gas industryImproving the prediction of world hydrocarbon pricesModern technologies and innovations in the oil and gas sectorImproved processing efficiency of raw materials
NOVEMBER		
November 13 Visit of the Turkmenistan delegation headed by M. Meredov, Deputy Minister of Petroleum and Mineral Resources, to JSC TANECO	Business Partners	<ul style="list-style-type: none">Operation of JSC TANECO
November 16 Working visit of the National Oil Corporation of Libya (Libyan National Oil Company delegation	Business Partners	<ul style="list-style-type: none">Technology of dual completion and production (DCP) of two or more layers through one well, the method of dual injection (DI)Balancer-free chain drivesActivities of service enterprises of Tatarstan
November 16-21 Visit of the Kazakhstan delegation: young professionals of JSC NC “KazMunayGas” and affiliated service companies	Business Partners	<ul style="list-style-type: none">Youth policy of the CompanyInteraction with school pupils and students of universities and collegesProduction of extra-viscous oil etc.
November 21 Participation in the forum organized in the framework of the IX International lean conference “Efficient processes - high performance”	State Authorities Business Partners Expert Community	<ul style="list-style-type: none">Implementation of methods and tools of lean production at domestic enterprisesRole of leaders in the implementation of Lean projectsImpact of lean production on the efficiency of production systems and labor productivitySpecifics of inducting new products on the Lean basis of etc.

The Company believes that it is of the utmost importance to maintain a constructive dialogue with stakeholders, using various forms of bilateral communications. Such a dialogue is developing consistently, improving methods of information presentation, feedback and interaction. The Company arranges press conferences and meetings with analysts on a regular basis.

1	2	3
November 24 VII report-election trade union conference of the TATNEFT Group Companies		
	State Authorities Employees Trade Union Educational Institutions	<ul style="list-style-type: none">Results of the Trade Union Committee activityProtection of social and labor and employment rightsOperation of the JSC TATNEFT’s Occupational Safety Committee onOrganization of feedback with the employees team
November 28 XV report and election conference of young employees of JSC TATNEFT	Employees Trade Union	<ul style="list-style-type: none">Results of the Company’s youth organization operation in 2014Further course of youth policy
DECEMBER		
December 17 Participation of Company’s representatives in the joint session of the Almetьевsk Municipal District and City Council	State Authorities Municipalities’ Adnin-istrations Business Partners	<ul style="list-style-type: none">Results of 2014, forward-looking indicators of social and economic development for 2015 and 2016-2017Company’s contribution to the development of the Almetьевsk Municipal District
December 26 Participation of Company’s representatives in the joint session of the Almetьевsk Municipal District and City Council	State Authorities Municipalities’ Adnin-istrations	<ul style="list-style-type: none">Modernization of Nizhnekamsk CHPConstruction of delayed coking unit, naphtha hydrotreating, heavy coker gas oil hydrotreating, and isomerization and Aromatics Complex units of JSC TANECO
December 29 Press conference of the JSC TATNEFT’s General Director	Media	<ul style="list-style-type: none">Evaluation of Results and Projects in 2014. Plans for 2015Crude oil production strategy for the coming yearsProject of the extra-viscous oil developmentDraft project of crude oil production from low-permeability Domanik sediments or “shale oil”Activities of JSC TANECOCompany’s plans for the development of territories outside of Tatarstan and RussiaSocial Projects of the CompanySwitchover of the Company’s charitable activities to the grant system, and etc.

The main ways of communication and interaction with stakeholders are the TATNEFT Group Internet portal, press releases, press conferences, publications in media, Corporate Media, sending information messages (letters, information booklets and brochures), consultations, negotiations, surveys, establishment of working groups and permanent acting commissions, and etc.

AWARDS AND NOMINATIONS

PUBLIC ASSESSMENT OF THE COMPANY’S OPERATIONS IN 2014

International and All-Russian Awards/ Nominations	Contest/Rating	Organizers
Winner Diploma	The nationwide campaign "Philanthropist of the Year"	Ministry of Culture of the Russian Federation and the Council under President of the Russian Federation on culture and art
22 professionals of the Company were awarded	The award named after academician I.M. Gubkin	Interregional public organization "Scientific and Technical Society of oil and gas industry n.a. Academician I.M. Gubkin"
Diplomas in the nominations "Reporting in the area of Sustainable Development and Environmental Management", "Environment in the industry"	National Environmental Prize named after V.I. Vernadsky for 2014	Non-governmental environmental fund named after V.I. Vernadsky, with the support of the State Duma Federal Assembly of the Russian Federation, Ministry of Natural Resources and Environment, Ministry of Energy of the Russian Federation, Federal Service for Supervision of Natural Resources of the Russian Academy of Sciences
Honorary Prize and diploma in the nomination "For outstanding contribution to improving the environment in the Russian Federation"	All-Russian Ecological clean-up day "Green Spring 2014"	Non-governmental environmental fund named after V.I. Vernadsky with the support of the international "GREENLIGHT" environmental organization and the Interregional environmental organization "Greenlife" etc.
Eight gold, seventeen silver and nine bronze medals Regions' Cup for the active work on the development of invention and rationalization in the Republic of Tatarstan Diploma of respect and gratitude for active participation in organizing and conducting the Salon	XVIth Moscow International Salon of Invention and Innovation Technologies "Archimedes-2014"	Moscow city VOIR organization, OOO "InnovEkspo" with the support of the Department of Science, Industrial Policy and Entrepreneurship of Moscow, Moscow City Government, the World Intellectual Property Organization, and etc.
Second place in the category "Equipment and technologies, which implementation allow reducing operating costs of fuel and energy resources, as well as materials used, and (or) reducing the harmful impact on the environment throughout the life cycle"	XVth International Specialized Exhibition "Energy. Resource Saving"	Ministry of Industry and Trade of the Republic of Tatarstan, Center for energy-saving technologies under the Cabinet of Ministers of the Republic of Tatarstan, Kazan city administration, JSC "Kazan Fair"
Grand Prix in the category "Products with new or improved characteristics" First degree Diplomas in the category "Enhanced oil recovery", "Energy-saving technologies and equipment"	XXIst International Exhibition "Oil and Gas. Petrochemicals 2014" in the frame of the Tatarstan	JSC "Kazan Fair" supported by President of the Republic of Tatarstan, Government of the Republic of Tatarstan
Diplomas of the Ministry of Energy for the project "Technology of dual operation of two or more layers through one well", "Technical and economic simulator": Energy Crude Oil Production" Diploma of the Republic of Kazakhstan's Ministry of Energy	XIth Forum of Interregional Cooperation of Russia and Kazakhstan with Heads of State participation of	RF Ministry of Regional Development, Ministry of Foreign Affairs, Ministry of Economy and Budget Planning of the Republic of Kazakhstan and others.

International and All-Russian Awards/ Nominations	Contest/Rating	Organizers
V.I. Gorodny, Deputy General Director for Property - Head of the JSC TATNEFT's Property Department, joined the top ten best Directors of the Russian Federation in the area of corporate management	XVth annual ranking of the "Top 1000 Russian Managers"	Russian Managers Association, "Kommersant" publishing house
9 Company's professionals were named winners in the "Professional Engineers" category (according to the results of round II) 5 professionals of the Company were awarded the title "Professional Engineer of Russia" (according to the results of round I) 2 Company's professionals were awarded the title winners in the "Engineering Art of the Young" nomination	XVth All-Russian contest "Engineer of the Year 2014"	Russian Union of Scientific and Engineering Public Associations, International Union of Scientific and Engineering Associations, the Academy of Engineering Sciences named after A.M. Prokhorov, the Interregional Public Fund to promote scientific and technical progress
JSC TATNEFT was included in the TOP- 10 with the highest level of information transparency	Information transparency rating of the Russian energy companies	Agency of Political and Economic Communications (APEC)
The Company took the 9th place in the final rating (of more than 700 companies)	The second annual survey of the Russian companies corporate transparency largest	Russian Regional Network of integrated reporting, "Da- Strategy" Group of Companies, Downstream Technologies (JSC "Telescoping technologies")
The Company has been recognized the best in the special nomination of the Russian Institute of Directors "Effective management of corporate assets"	Contest of annual reports at the XIIIth International Investment Forum "Sochi-2014"	Department of Financial and Stock Market of the Krasnodar Area
Report on sustainable development and social responsibility of JSC TATNEFT for 2013 won in the category "Best Report on Corporate Social Responsibility and Sustainable Development of 2013."	XVIth Annual Report Contest	JSC "Moscow MICEX-RTS Exchange ", JSC "RZB Forum
Grand Prix of the Contest "For contribution to the development of comprehensive and systematic approach in the preparation of the corporate annual reporting"	XVIIth Annual Report Contest	"Expert RA" rating agency
Diploma in the nomination "Oil and gas industry companies" for the outstanding contribution to the development of information technologies in Russia	XIIth Annual National Award «IT-LEADER"	Russian Managers Association, information resource IBusiness, CROC, business IT magazine Intelligent Enterprise/RE ("Corporate systems") and others.
Partner solution in the area of personnel management on the SAP ERP HCM, platform designed by experts of JSC TATNEFT and Energy Consulting has been recognized as the best	"The best partner solution" contest	Summit on the Russian localization of SAP-2014 solutions
Digital "Oil Newspaper" and "Oil and Life" magazine of JSC TATNEFT were named among the top 10 corporate newspapers and magazines Digital "Oil newspaper" took second place in the individual industry category "Oil and Gas Industry Complex"	Rating of the industrial companies' corporate editions in 2014	"Operations Management" Portal

International and All-Russian Awards/ Nominations	Contest/Rating	Organizers
Social objects of the Company were awarded medals and diplomas in eight categories	All-Russian forum "Health Resort-2014"	Federation Council Committee on Social Policy and Public Health Committee of the State Duma on health protection, management of the affairs of President of the Russian Federation, Government of Moscow, Russian Academy of Sciences, the National Medical Chamber and others.
Title of winners in the nominations "Industrial and technology products": (JSC "Nizhnekamskshina", LLC "Nizhnekamsk SSC Tire Factory"); and "Services": (Medical Center of JSC TATNEFT and the city of Almet'yevsk) Diplomas in the nominations: "Industrial and technology products" (BMZ of JSC TATNEFT, OOO "Nizhnekamsk SSC Tire Factory, JSC TANECO); and "Services" (sanatorium "Romashkino" of "Tatneftegazpererabotka" Administration)	XVllth All-Russian contest "100 best goods of Russia"	Interregional public organization "Academy of quality problems" with the support of Federal Agency for Technical Regulation and Metrology, Editing Board of "Standards and Quality" Magazine
Diplomas of the Program (TANECO's diesel)	"Russian Quality" Program	ANPO "Expert programs Center of the Russian Organization for Quality"
Diploma winner JSC «Nizhnekamskshina")	Xth All-Russian contest "Leader of environmental activity in Russia-2014"	Organizing Committee of the International Forum "World Experience and Russian Economy"
Contest prizewinner the in the nomination "Best enterprise in the area of ecology and environmental protection activities" (JSC "Nizhnekamskshina")	All-Russian contest "100 best enterprises and organizations of Russia-2014"	International Forum "Innovation and Development"
Contest diploma winner (JSC "Nizhnekamskshina")	All-Russian contest "100 best organizations of Russia in 2014. Ecology and Environmental Management"	Federation Council and the State Duma of the Federal Assembly of the Russian Federation, Ministry of Natural Resources, etc.
The "Best Russian Exporter 2013" prize ("KAMA" Trading House)	Vth International Exhibition "INNOPROM 2014"	Ministry of Industry and Trade of the Russian Federation, Government of the Sverdlovsk region
Certificate and a bronze medal in the ranking of Russian exporters (OOO "Tatneft-AZS Center")	All-Russian contest "Exporter of the Year 2014"	Ministry of Industry and Trade of the Russian Federation under the patronage of "Industrial and Commercial rating", "Research and Information Center for Strategic Studies" and the international rating of Union National Business Ratings

Awards and Nominations of the Republic of Tatarstan	Contest/Rating	Organizers
Winner diploma of the in the nomination "Fuel industry" for active participation in the implementation of the republican energy conservation program and the achievement of high energy efficiency economy of Republic of Tatarstan	Republican contest "Resource Efficiency. Energy Saving "	Ministry of Industry and Trade, Energy Saving Technologies Center at under the RT Cabinet of Ministers, Kazan Mayor's Office, JSC "Kazan Fair"
Winner diploma in the nomination "Best printed edition" (newspaper "Oil News")	Republican contest among the media to promote the implementation of the long term target-oriented program "Energy conservation and energy efficiency increasing in the Republic of Tatarstan for 2010-2015 and until 2020"	Ministry of Industry and Trade, Energy Saving Technologies Center under the RT Cabinet of Ministers, Republican Agency for Press and Mass Communications
Diploma of Merit of the Ministry of Economy of the Republic of Tatarstan	Review-contest for the best arrangement of invention, rationalization and patent/ licensing activities among enterprises, organizations and institutions of the Republic of Tatarstan	Society of Inventors and Innovators of the Republic of Tatarstan
Company's Engineering developments were awarded 3 prizes	Republican contest "Best invention in the Republic of Tatarstan"	Society of Inventors and Innovators of the Republic of Tatarstan jointly with the Academy of Sciences of the Republic of Tatarstan
23 specialist Company's professionals have become the contest's laureates and prizewinners	Contest "Young Innovator and Inventor of the Republic of Tatarstan-2014"	Ministry of Industry and Trade of RT, Society of Inventors and Innovators of Tatarstan, Youth Union of enterprises and organizations of the Republic of Tatarstan
Prizewinner title in the "Industrial and technology products" nominations (JSC TANECO, JSC «Nizhnekamskshina", OOO "Nizhnekamsk SSC Tire Factory"); and "Services" (JSC TATNEFT's and Almet'yevsk Medical Center and "Romashkino" sanatorium of "Tatneftegazpererabotka" Administration, "Dzhaililsky" sanatorium of NGDU "Jalilneft"). Diplomas in the "Industrial and technology products" nominations (BMZ of JSC TATNEFT) and "Services" (JSC TATNEFT's and Almet'yevsk Medical Center)	Republican contest "Best Goods and Services of the Republic of Tatarstan"	Ministry of Industry and Trade, Ministry of Agriculture and Food of the Republic of Tatarstan, FGU "Tatarstan Center of Standardization, Metrology and Certification", JSC "Kazan Fair"
12 projects of JSC TATNEFT were named winners of the contest	Xth Republican contest "50 best innovative ideas for the Republic of Tatarstan"	Academy of Sciences of Republic of Tatarstan jointly with the Investment and Venture Fund of the Republic
The Company's top managers were named the contest's winners in the categories "For ecological safety of production", "For arranging of safe and healthy working conditions"	Republican public contest "Manager of the Year"	Ministry of Economy of the Republic of Tajikistan, the Regional Association of Employers' and Entrepreneurs Association of Republic of Tatarstan"
The team of JSC TATNEFT's professionals awarded the prize and the title "Laureate of the State Prize of Republic of Tatarstan in the field of science and technology"	State Prize of the Republic of Tatarstan in the field of science and technology	Commission under the President Republic of Tatarstan on State Prizes of the Republic of Tatarstan in the field of science and technology
Diploma and Cup absolute winner First place in the category "Oil-producing and petrochemical industry" (JSC TANECO)	Republican "ECOleader" contest	Ministry of Ecology and Natural Resources, RT Cabinet of Ministers
First place in the category "Best TV spot" ("Time TATNEFT") studio)	Republican contest "Man and Nature"	Cabinet of Ministers of the Republic of Tatarstan, Ministry of Ecology and Natural Resources of the Republic of Tatarstan
Contest winner in the category "Large and medium-sized enterprises"	Republican contest "Philanthropist of the Year 2014"	Republican Council on charitable activities



FINANCIAL RESULTS

Positive financial performance resulted from the reporting year. The financial and economic potential of the Company allows continuing implementation of major investment projects.

AUDIT OPINION
TO SHAREHOLDERS OF OPEN JOINT STOCK COMPANY TATNEFT
NAMED AFTER V.D. SHASHIN ABOUT THE FINANCIAL STATEMENTS OF
OPEN JOINT STOCK COMPANY TATNEFT NAMED AFTER V.D. SHASHIN
FOR THE PERIOD FROM THE 1ST OF JANUARY
TO THE 31ST OF DECEMBER 2014

AUDIT OPINION
To Shareholders of Open Joint Stock Company TATNEFT named after V.D. Shashin

Audited Entity

Full name – Open Joint Stock Company TATNEFT named after V.D. Shashin (hereinafter referred to as the Company).
Abbreviated name – JSC TATNEFT n.a. V.D. Shashin.
State Registration Number 1021601623702.
Location: 75, Lenin Street, Almetyevsk 423450, Republic of Tatarstan, Russian Federation

Auditor

Name: ZAO ENERGY CONSULTING/Audit
State Registration Number: 1047717034640.
Location: 7 Pavlovskaya Street, Moscow 115093, Russia.
Postal address: 7 Pavlovskaya Street, Moscow 115093, Russia.
Member of NP “Institute of Professional Auditors of Russia” (IPAR)
Basic State Registration Number 10202014620.

We have audited the enclosed financial statements of the Company comprising the balance sheet as of December 31, 2014, profit and loss statement, attachments to the balance sheet and profit and loss statement (the statement of changes in equity and cash flow statement for the year of 2014), other attachments to the balance sheet and profit and loss statement (notes to the accounts) for 2014.

Responsibility of the Audited Entity for the Financial Statement

The Company management is responsible for accounting and authenticity of the specified financial statements in accordance with the accounting rules in the Russian Federation and for the internal control system necessary for preparation of financial statements free of material misstatement due to fraud or errors.

Responsibility of the Auditor

Our responsibility is to express an opinion on authenticity of the financial statements based on our audit results. We have carried out the audit in accordance with the federal auditing standards of the Russian Federation. These standards require that we comply with relevant ethical requirements and perform the audit to obtain reasonable assurance that the financial statements are free of any material misstatement.

The audit included performance of audit procedures aimed at obtaining audit evidence supporting the numerical indicators of the financial statements and disclosure of the information contained therein. The choice of the audit procedures is the subject of our judgment, which is based on the assessment of the risk of material misstatements, made due to fraud or errors. In assessing this risk, we considered the system of internal control, providing for compiling and authenticity of the financial statements in order to select the relevant conditions for setting the auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the internal control system.

The audit also included the assessment of appropriateness of the accounting policies applied and the reasonableness of the estimated figures received by the management of the audited entity as well as the overall assessment of the financial statements presentation in general.

We believe that the audit evidence provides a reasonable basis for expressing an opinion on the authenticity of the financial statements.

Opinion

In our opinion, the financial statements authentically present in all material respects the financial position of JSC TATNEFT named after V.D. Shashin as of December 31, 2014, the results of its financial and business performance and cash flows for the year 2014 in accordance with the established rules of compiling financial statements in the Russian Federation.

March 27, 2015

L.N. Antonenko

General Director
ZAO ENERGY CONSULTING/Audit



BALANCE SHEET OF JSC TATNEFT, FY 2014

THOUSAND RUR.				
Indicator Description	Line Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
ASSETS				
I. FIXED ASSETS				
Intangible assets	1110	307 744	215 462	199 915
Research and development results	1120	324 110	232 576	140 782
Intangible exploration assets	1130	4 256 953	4 254 890	4 239 122
Tangible exploration assets	1140	1 133 728	894 863	765 985
Fixed assets	1150	121 311 933	118 889 632	101 570 073
incl. incomplete capital investments	1151	25 992 571	25 387 506	13 099 510
advance payments given for procurement and construction of fixed assets	1152	10 111 660	11 968 206	16 984 575
Income-bearing investments in tangible assets	1160	1 888 783	2 353 517	6 170 675
Financial investments	1170	61 629 704	54 497 250	43 601 420
Deferred tax assets	1180	-	-	-
Other non-current assets	1190	33 232 298	49 742 838	39 138 216
assets retirement obligations	1191	29 232 592	29 507 230	30 057 677
TOTAL for section I	1100	224 085 253	231 081 028	195 826 188
II. CURRENT ASSETS				
Reserves	1210	35 695 104	28 302 330	25 974 622
incl. raw materials and supplies	1211	1 994 190	2 224 589	1 203 359
Work in progress costs	1212	7 572 066	7 124 819	7 038 008
Finished products and goods for resale	1213	18 800 040	15 449 610	15 259 334
Goods shipped	1214	6 700 323	2 783 281	1 673 416
Other reserves and expenses	1215	628 485	720 031	800 505
Value added tax on acquired assets	1220	4 308 690	4 209 301	3 667 200
Accounts receivable	1230	82 513 760	78 343 675	76 043 949
incl. noncurrent nondelinquent accounts receivable (that are due beyond 12 months after the reporting date)	1231	4 537 482	3 500 446	5 091 597
incl. buyers and customers	1232	582 784	1 535 471	2 952 290
Advances paid	1233	188	-	539
Other debtors	1234	3 954 510	1 964 975	2 138 768
incl. current nondelinquent accounts receivable (that are due in the next 12 months after the reporting date)	1235	77 976 278	74 843 229	70 952 352
incl. buyers and customers	1236	47 652 992	51 062 327	44 701 410
Advances paid	1237	19 050 344	13 487 835	15 217 166
Other debtors	1238	11 272 942	10 293 067	11 033 776
Financial investments (except for cash equivalents)	1240	197 518 161	170 528 846	195 409 775
Cash and cash equivalents	1250	34 916 922	20 649 731	7 396 963
Other current assets	1260	315 630	202 354	301 640
TOTAL for section II	1200	355 268 267	302 236 237	308 794 149
BALANCE	1600	579 353 520	533 317 265	504 620 337

THOUSAND RUR.				
Indicator Description	Line Code	As of December 31, 2014	As of December 31, 2013	As of December 31, 2012
LIABILITIES				
III. CAPITAL AND RESERVES				
Authorized capital (share capital, registered fund, contributions of partners)	1310	2 326 199	2 326 199	2 326 199
Repurchased shares	1320	(-)	(-)	(-)
Revaluation of noncurrent assets	1340	9 799 512	8 753 243	9 548 876
Capital surplus (without revaluation)	1350	252 710	30 813	10 353
Reserve capital	1360	1 341 864	1 144 326	1 265 940
Undistributed profit (uncovered loss)	1370	471 369 384	409 441 456	365 305 770
TOTAL for Section III	1300	485 089 669	421 696 037	378 457 138
IV. LONG-TERM LIABILITIES				
Borrowings	1410	3 144 387	7 067 728	34 026 859
Deferred tax liabilities	1420	10 372 405	7 808 535	7 433 542
Estimated liabilities	1430	29 975 977	29 554 090	29 854 065
Other liabilities	1450	-	-	17 931
TOTAL for Section IV	1400	43 492 769	44 430 353	71 332 397
V. SHORT-TERM LIABILITIES				
Borrowings	1510	8 739 722	29 855 108	25 831 964
Accounts payable	1520	38 648 323	33 729 497	25 390 863
incl. suppliers and contractors	1521	19 086 327	11 027 550	9 903 302
Liabilities to the state non-budgetary fund	1522	337 717	294 098	276 771
Taxes and dues payable	1523	8 982 193	11 295 169	9 106 492
Advances received	1524	6 731 261	3 222 161	1 859 202
Dividends payable	1525	117 215	102 707	101 477
Other creditors	1526	3 393 610	7 787 812	4 143 619
Deferred revenues	1530	4 478	5 389	6 433
Estimated liabilities	1540	1 722 462	1 494 557	1 625 372
Other liabilities	1550	1 656 097	2 106 324	1 976 170
TOTAL for Section V	1500	50 771 082	67 190 875	54 830 802
BALANCE	1700	579 353 520	533 317 265	504 620 337

PROFIT AND LOSS STATEMENT FY 2014

THOUSAND RUR.			
Indicator Description	LineCode	FY 2014	FY 2013
Revenues	2110	392 357 674	363 531 273
Cost of goods sold	2120	(273 175 758)	(228 539 354)
Gross profit (loss)	2100	119 181 916	134 991 919
Selling expenses	2210	(27 499 377)	(37 252 177)
Administrative expenses	2220	-	-
Mineral exploration and evaluation expenses	2230	(2 199)	(2 026)
Profit (loss) on sales	2200	91 680 340	97 737 716
Participation capital	2310	2 477 770	179 295
Interest receivable	2320	6 462 835	3 282 143
Interest payable	2330	(3 307 602)	(4 337 004)
Other income	2340	75 906 110	26 372 397
Other expenses	2350	(69 161 023)	(39 749 600)
Profit (loss) before taxation	2300	104 058 430	83 484 947
Current income tax	2410	(20 643 017)	(19 712 285)
incl. permanent tax liabilities (assets)	2421	(2 395 201)	(3 390 289)
Changes in deferred tax liabilities	2430	(2 563 870)	(374 993)
Changes in deferred tax assets	2450	-	-
Miscellaneous	2460	(611)	(117 095)
Adjusted tax on the profit for the consolidated group of taxpayers	2465	1 210 130	569 566
Net profit (loss)	2400	82 061 062	63 850 140

INFORMATIONAL

Surplus on revaluation of fixed assets not included in the net income (loss) for the period	2510	1 241 831	423 247
Result from other operations not included in the net income (loss) for theperiod	2520	221 897	20 460
Total profit/loss for the period	2500	83 524 790	64 293 847
Basic earnings (loss) per share	2900	36,95	28,75
Diluted earnings (loss) per share	2910	-	-

ESSENTIAL ASPECTS OF THE ACCOUNTING POLICY AND PRESENTATION OF FINANCIAL STATEMENTS FOR 2014

Main Approaches to Preparation of Annual Financial Statements

Financial accounting in the Company is performed in accordance with Federal Law No.402-FZ of December 06, 2011 “On Accounting”, Provision on Accounting and Reporting in the Russian Federation approved by Order of the Russian Federation Ministry of Finance No.34n dated July 29, 1998, current accounting regulations (RAS), as well as the accounting policy of the Company. Financial statements of the Company for 2014 were prepared in compliance with mentioned Law, accounting regulations and policy, as well as the assumption of the organization activity continuity. Annual financial statements for 2014 were compiled according to the forms developed and approved by the Company in accordance with the Order of the Ministry of Finance No. 66n of July 02, 2010 “About formats for corporate financial statements”. The data in financial statements is presented in thousands of rubles.

Assets and Liabilities Denominated in Foreign Currency

Accounting for assets and liabilities denominated in foreign currencies is carried out in accordance with RAS 3/2006 “Accounting of Assets and Liabilities Denominated in Foreign Currencies”, and approved by Order No. 154n of November 27, 2006 of the Finance Ministry of the Russian Federation.

The exchange rate difference is reflected in the accounting and financial statements for the concerned reporting period with the due date of payment or which the financial statements were executed for.

The exchange rate difference arising from conversion of the organization’s assets and liabilities denominated in foreign currency used for performing activities outside the Russian Federation into rubles is credited to the organization’s capital surplus.

The exchange rate difference on other activitiesis credited to financial results of the organization as other income and expenses. The currency exchange rate gains and losses are recognized in the Profit and Loss account in the “Other income” or “Other expenses”.

For accounting business transactions in foreign currencies there was the official exchange rate applied of the foreign currency to the ruble valid on the date of transaction. Cash on foreign currency accounts in banks and on hand, financial investments (except shares), and settlement funds in foreign currencies (except the funds received and paid advances and pre-payment or earnest money) are reflected in the financial statements as amounts calculated on the basis of the currency official exchange rates valid on December 31, 2013. The currency exchange rates on this date amounted to RUR 56.2584 to USD 1.00 (RUB 32.7292 as of December 31, 2013; RUR 30.3727 as of December 31, 2012); RUR 44.9699 to EURO 1.00 (RUR 44.9699 as of December 31, 2013; RUR 40.2286 as of December 31, 2012).

Intangible Assets

As a part of intangible assets there are software programs for computers reflected; inventions; useful models; production secrets (know-how); trademarks and service marks, licenses for mineral geological exploration and production, licenses for mineral production, exploration and evaluation expenditures of mineral resources (transferred from the intangible exploration assets after confirmation of the commercial viability of oil production in the field).

Intangible assets are reflected in the accounting records at historic cost in that reporting period when received the documents confirming the Company’s exclusive rights to the results of intellectual activity or means of individualization irrespective of intangible assets used in production, performance of works or rendering of services, for administrative purposes.

The value of intangible assets shall be repaid by the straight-line depreciation method at the rates specified on the basis of the due date of the useful life.

Depreciation is not charged for intangible assets with an indefinite period of the useful life.

Depreciation charging is performed through accumulation of appropriate amounts in a separate account. Depreciation on intangible assets is reflected in the accounting period, which they refer to and is charged regardless of the organization's operating results in the reporting period.

The useful life of intangible assets is annually verified for the purpose of clarification. In case of substantial change of the period duration (by more than twenty percent) within which the asset is intended to be used, its useful life is defined. The resulting adjustments are reflected in the accounting and financial reporting at the beginning of the year as changes in the estimated values.

Value adjustment of intangible assets of homogeneous groups is not performed.

Expenses for Research & Development, Development and Engineering Works

Expenses for the research & development, development and engineering works are accounted in the amount of actual expenses incurred during performance of these works.

The expenses for the research & development, development and engineering works which have produced positive results and started to be used in the work are expensed written off as expenses of ordinary activities starting with the month following the month when the company started the actual application of the mentioned works results in the production manufacturing (work performance, service rendering) or for administrative needs of the organization.

Writing off the costs of each performed research & development, development and engineering work which have produced positive results is made during the useful life of R & D results (which should not exceed 5 years).

The expenses for the research & development, development and engineering works which have not produced positive results are written off to the financial result as miscellaneous expenses in the reporting period.

Exploration assets

The Company considers the following to be exploration assets as a part of tangible exploration assets:

- expenses for acquisition and construction of prospecting, exploration and advance producing wells, as well as other oilfield facilities;
- expenses for acquisition and rig-up of the equipment for prospecting, exploration and advance producing operation wells.

According to the Company the intangible exploration assets include the following types of exploration costs:

- acquisition costs of licenses for geological study of subsurface, licenses for geological exploration and production of mineral resources;
- costs of prospecting, evaluation and exploration of mineral resources: expenses for geological, geochemical, geophysical works, as well as expenses for acquiring geological information on the subsurface from the third parties, including state authorities, and expenses for drilling key, appraisal and structure wells.

The Company considers the following exploration costs as expenses for regular types of activity: expenses for maintenance of the structural divisions organized solely for or performance and coordination of works on exploration, evaluation and prospecting of mineral resources, as well as expenses for maintenance and repair of tangible exploration assets.

Tangible exploration assets are depreciated by straight-line depreciation method during the period of their useful life.

Depreciation costs for targets of tangible exploratory assets are included in the costs of prospecting, evaluation and exploration of mineral resources for relevant license blocks.

Intangible exploration assets as licenses for geological subsurface study are depreciated by straight-line method during the period of their useful application. Depreciation costs for aforementioned targets are included in the costs of prospecting, evaluation and exploration of mineral resources for relevant subsurface areas.

Acquisition costs incurred for exploration and mining licenses, as well as the costs of prospecting, evaluation and exploration of mineral resources are not depreciated until the commercial feasibility of oil production is confirmed in the relevant license block of mineral resources and approval of the order of commercial field development.

The commercial feasibility of oil production is considered to be confirmed at the moment of approval of the reservoir management plan in the license area of mineral resources.

The Company performs annual verification of exploration assets depreciation as of December 31 of the calendar year, as well as in the case of cessation of their recognition when confirming commercial feasibility of oil production in the relevant license block.

For the purposes of verifying exploration assets for depreciation the aforementioned assets are categorized by mineral resource blocks indicated in the licenses.

Impairment loss of exploration assets is reflected in the profit-and-loss statement in line code "Other expenses". Furthermore the Company applies the reversal of impairment loss to exploration assets.

The Company ceases recognition of exploration assets in relation to a certain licensed block of mineral resources when confirming commercial feasibility of oil production in the relevant licensed block or recognizing lack of prospects of mineral resources production in this area.

When confirming the commercial feasibility of oil production in the licensed block of mineral resources the Company performs reclassification of exploration assets:

- tangible exploration assets are included in the category of fixed assets at residual value;
- intangible exploration assets are included in the category of intangible assets at residual value.

JSC TATNEFT writes off the exploration assets to other expenses, if they are not able to provide economic benefits in the future.

Fixed Assets

Land plots, buildings, facilities, machinery, equipment, transport vehicles and other relevant assets of over 12 months asset life and cost over 40,000 rubles are reflected in the fixed assets.

The Company annually reevaluates fixed assets based on the current value (replacement asset value) at the end of the reporting period.

The fixed assets put into operation before January 1, 2002 are depreciated at uniform depreciation rates approved by Decree No. 1072 of the USSR Council of Ministers dated October 22, 1990 "On Uniform Depreciation Rates of Full Cost Recovery of Fixed Assets of the USSR National Economy"; and those assets put into operation from January 1, 2002 are depreciated at the rates calculated on the basis of useful life. The classification of fixed assets included in depreciation groups approved by the Order No. 1 of the Government of Russian Federation dated January 01, 2002 is used as one of the information sources about the useful life periods.

For this purpose the following useful life periods are specified for fixed assets (put into operation starting from January 1, 2002) by depreciation groups:

1 group	13 months;
2 group	30 months;
3 group	48 months;
4 group	72 months;
5 group	96 months;
6 group	132 months;
7 group	192 months;
8 group	252 months;
9 group	312 months;
10 group	372 months.

The straight line depreciation method is used for depreciation calculations.

Depreciation is not charged on land plots and natural resources sites.

Changing the original value of fixed assets as they were included for accounting purposes is allowed in cases of completion, retrofit, renovation, modernization, partial liquidation and revaluation of the fixed assets.

Repair expenses of fixed assets items are included at actual costs and referred to the reporting period in which they were done.

The line of “Construction in progress” includes the costs of construction and erection works, acquisition of buildings, facilities, equipment and other tangible objects of long-term use, other capital works and expenses. This line reflects the cost of capital construction projects before their putting into operation, after which the structures are transferred into fixed assets.

In addition to this, the “Construction in progress” line reflects the costs associated with the lease of land for construction of future wells.

Leased fixed assets are reflected in the line of “Income-bearing Investments in Tangible Assets”.

Financial Investments

Financial investments are accepted for accounting at original cost.

Financial investments defining the fair market value are reflected in the financial statements as of the end of the reporting year at current market value by adjusting their evaluation on the previous reporting date.

Financial investments for which there is no definition of the fair market value are reflected in financial statements as of the reporting date at original cost after deduction of the reserve amount formed for their depreciation.

Financial investments are reflected as part of the current assets if the expected duration of their possession is less than 12 months after the reporting date. Other financial investments are included in fixed assets.

The costs of information, advisory services, valuation services and other similar services related to taking a decision on acquisition of financial investments made prior to the acquisition of financial investments are recorded in the line of “Other Non-Current Assets” (in case it is planned to acquire long-term investments), in the line of “Other Current Assets” (in case it is planned to acquire short-term investments).

On disposal of financial investments for which the current market value cannot be determined, their value is formed on the basis of the assessment determined by:

- on disposal of shares or bonds - at original cost of the first-time financial investments acquisition (FIFO method);
- on disposal of bills - at original cost of each unit of financial investments accounting.

The cost of information, advisory services, valuation services and other similar services related to the disposal of financial investments made prior to the financial investments disposal are reflected in the line of “Other Current Assets”.

On disposal of financial investments, for which the current market value is not determined, their value is determined by the organization on the basis of the last assessment.

Gains and losses of financial investments disposal are reflected in the profit and loss statement as part of other income and expenses.

Inventories

“Raw Materials and Supplies” line of the balance sheet reflects raw materials, basic and auxiliary materials, purchased semi-finished products and components, fuel, packaging, spare parts, construction and other materials.

The line of the inventories also reflects the assets, which meet the conditions necessary for the recognizing them as fixed assets of the cost no more than 40,000 rubles per unit.

The inventories are recorded at the actual cost of their acquisition with the exception of VAT and other recoverable taxes (except as provided by the legislation of the Russian Federation). Disposal of the inventories is carried at the average cost.

The inventories, which are obsolete, wholly or partially have lost their original quality, or which current market value is decreased, are reflected in the balance sheet less the reserve provision for impairment of the material values.

Work in progress, Finished Products, Goods and Sales Expenses

Expenditures incurred for performance of activities under the Agreement for the exploration and production sharing with Libya during the exploration period are reflected as part of the production in progress. The plans provide that the mentioned expenditures for petroleum operations will be offset through delivery of finished products (crude oil, liquid hydrocarbon by-products and natural gas), which JSC TATNEFT will receive as a result of production sharing during the operational period.

Finished products are reflected in the balance-sheet at the full actual production cost (including management expenses).

In shipment of oil, petroleum products and gas products assessment is carried out by the average cost method for each group of products.

Sales expenditures are written off to the results of the Company’s financial and economic activities without differentiating between the sold and unsold products.

Goods Shipped

The accounting item “Goods Shipped” reflects shipped products, the title for which was not transferred to buyers.

This line also reflects the real estate property transferred to the buyer by the delivery-acceptance act before the moment of state registration of the transfer ownership.

Accounts receivables

Indebtedness of buyers and customers is determined on the ground of prices established by contracts concluded between the Company and buyers (customers) taking into account all discounts (extra charges). Indebtedness unrealistic to be recovered is written off from the balance if it is proved to be such.

The indebtedness not paid within the time limits stipulated in contracts and not secured with respective guarantees is shown after deduction of accrued reserves for bad debts. These reserves constitute a conservative assessment carried out by the Company with regard to the part of debts which is likely not to be paid. The reserve is created for each doubtful debt outstanding (depending on the financial condition (solvency) of the debtor and an estimated probability of debt repayment in whole or in part) on the basis of the receivables inventory, made for the last day of the reporting month.

Income and expenses generated in the creation and recovery of allowance for doubtful debts in one financial year are reflected in the profit and loss statement in the lines “Other Income” or “Other Expenses”.

Cash and Cash Equivalents

In accordance with the regulations on accounting, “Report of Cash Flows,” approved by Order No. 11n of the Ministry of Finance of Russia dated February 02, 2011 the cash equivalents include highly liquid investments that can easily be converted into the known in advance amount of cash and are subject to an insignificant risk of value change.

The Company refers the bank deposits placed for maximum 3 months period under the contracts the terms of which provide for acceleration possibility to the cash equivalents.

In the Statement of Cash Flows:

- cash balances and cash equivalent balances in a foreign currency at the beginning and at the end of the reporting period are reflected in the rubles amount, which is determined in accordance with RAS 3/2006. Differences arising in connection with the conversion of the organization’s cash flows and cash equivalents in foreign currency exchange rates on different dates are reflected in the cash flows statement as the impact of foreign currency exchange rate changes against the ruble.
- indirect taxes (VAT and excise duties) as part of the proceeds from buyers and customers, payments to suppliers and contractors and payments to the budget system of the Russian Federation or reimbursement of out of it are reflected as balanced result in the line of “Other Income” (“Other Payments”).

Authorized Capital and Capital Surplus

The authorized capital is reflected in the amount of the face value of ordinary and preferred shares purchased by the shareholders.

The surplus capital of the Company includes exchange differences arising from the conversion of the organization’s assets and liabilities value expressed in foreign currency used to perform activities outside the Russian Federation into rubles. In addition, the revaluation surplus of fixed assets resulting from revaluation classified in the additional capital is reflected in the “Revaluation of Fixed Assets” line. Revaluation surplus in case of the fixed asset item disposal is transferred from the capital surplus to the undistributed profit of the Company.

In accordance with the legislation the Company established a reserve fund in the amount to 5% of the authorized capital formed out of net profits of the Company. The reserve fund is intended to cover the losses of the Company for bonds redemption and repurchase of the Company’s shares if other funds are unavailable.

In accordance with the constituent documents the Company establishes the Employee share ownership fund which is formed out of net profits of the. Contributions to this fund are made in accordance with the methodology approved by “Regulations on Bonus Certificates of JSC TATNEFT.

Estimated Liabilities

The Company acknowledges its estimated liability for remuneration payment based on the results of the year. The amount of monthly payments under the estimated liability is determined based on the monthly deduction payments and the actual expenses amount of the labor costs. Percentage of contributions under the estimated liability is calculated by the ratio of the annual planned expenditure for the labor payment to the planned total labor costs.

Based on the Provision “Estimated Liabilities, Contingent Liabilities and Contingent Assets (RAS 8/2010)” becoming effective the Company introduced amendments in terms of recognizing estimated liabilities to the employees for unused vacations.

The estimated liability value of unused employees’ vacation for accrual of relevant allowance is determined based on the total number of days of the unused vacation for each employee of the average daily earnings and insurance premiums accrued on the specified reserve.

The actual amount of the vacation allowance (including the compensation amount for unused vacation) accrued to the employee in the accounting is ascribed due to the acknowledged amount of the estimated liability to the unused vacation payment.

An inventory of the estimated liability for unused vacation payment is carried out as of the last day of each quarter, which results are reflected by the estimated liability adjustments.

In accordance with the requirements of the regulations (Federal Law No. 2395 “On Subsoil”, No. 7-FZ “On Environmental Protection” etc.), the terms of license agreements for the right to use the subsoil JSC TATNEFT recognizes in the accounting records and financial statements the estimated liabilities on liquidation of fixed assets, as well as commitments for remediation of lands in the fields after completion of the oil and gas production.

Estimated liabilities are formed for all real estate oil & gas assets. Estimated liabilities on fixed assets retirement and restoration of natural resources are calculated by groups of fields. The value of estimated liability is recorded at the present (discounted) value.

Accrued estimated liabilities at initial recognition, as well as the newly introduced fixed assets are included in the “Other non-current assets”.

Accrual of interest due to the increased present value as we approach the period of performance estimated liability is recorded in the profit and loss statement in the line of “Interest payable”.

Adjustment of estimated liabilities on the fixed assets retirement and restoration of natural resources due to the review of core indicators of calculation (forecast inflation rate, discount rate, discount period) is recorded in the profit and loss statement in the line of “Other income”.

Loans and Borrowings

In accordance with RAS 15/2008 “Accounting of expenses on loans and borrowings” approved by Order No. 107n of the Ministry of Finance of Russia dated October 06, 2008 the principal amount of the loan (credit) received from the lender is accounted in accordance with the terms of the loan agreement (credit agreement) in the amount of actually received monetary assets or in cost estimate of other items stipulated by the contract.

Indebtedness under received loans and borrowings as well as accrued interest is reflected in the balance sheet line of “Borrowings”.

Indebtedness under the received loans and borrowings as well as accrued interest for accounting is subdivided into short-term indebtedness (which repayment period does not exceed 12 months under the terms of contract) and long-term indebtedness (the repayment period of which is over 12 months under the terms of contract).

The long-term indebtedness is transferred to short-term indebtedness at the moment when there are 365 days left before repayment of the principal amount.

Interest on received loans and borrowings is recognized as other expenses of that period in which they were made, except for the part to be included in the value of the investment asset.

Expenses of received loans and credits are directly attributable to acquisition and/or creation of the investment asset are included in the cost of the asset and are repaid through depreciation except where charging of the asset depreciation is not provided by the accounting rules.

Inclusion of expenses on received loans and borrowings in the original value of the investment asset is terminated on the first day of the month following the month of accepting the asset for accounting as a fixed asset, intangible asset or R & D expenses.

Sales Revenue Recognition

Revenue from sales of goods, products and service rendering (execution of works) is recognized when the products are shipped to the buyers (services are rendered to customers).

Revenue from the sales under contracts providing for fulfillment of obligations (payment) by non-monetary assets is determined at the cost of the values received or receivable by the Company calculated on the basis of the prices which are usually used by the Company in comparable circumstances to determine the cost of similar values.

According to hydrocarbons sales contracts the settlement documents should be mainly submitted to the buyers no later than 15 days after the month of shipment, while the price of raw materials is determined by the settlement method based on the market quotations or it is fixed in the contract as agreed by the parties.

Expenses

Administrative expenses are written off for production in full on a monthly basis.

Administrative expenses in the oil-and-gas production divisions are distributed between the calculation items for production of oil, associated petroleum gas, production of other goods (works, services) on a pro rata basis to their total production expenses net of deductions, taxes and other obligatory payments. Administrative expenses in other structural divisions are distributed on a pro rata basis to the actual expenses of the direct labor costs.

Accounting of Profit Tax Calculations

In preparation of the financial statements the balanced (net) amounts of deferred tax asset and deferred tax liability are reflected in the balance sheet.

Correction of errors in the accounting and reporting

An error identified in the accounting and financial statements is recognized to be essential if the ratio of the error to the numerical indicator of the relevant group of balance sheet items of JSC TATNEFT, or item of the financial statement of JSC TATNEFT for the reporting period is minimum five percent. Otherwise the error is insignificant.

IFRS CONSOLIDATED FINANCIAL STATEMENTS AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2014



Independent Auditor's Report

To the Shareholders and Board of Directors of OAO Tatneft

We have audited the accompanying consolidated financial statements of OAO Tatneft and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2014, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the fair presentation of these consolidated financial statements based on our audit. We conducted our audit in accordance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to express an opinion on the fair presentation of these consolidated financial statements.

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Independent Auditor's Report (Continued)

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2014, and its financial performance and its cash flows for 2014 in accordance with International Financial Reporting Standards.

ZAO PricewaterhouseCoopers Audit

31 March 2015

Moscow, Russian Federation



L. S. Khodakova, Senior Manager (licence no. 01-000990), ZAO PricewaterhouseCoopers Audit

Audited entity: OAO 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, 423400

Independent auditor: ZAO PricewaterhouseCoopers Audit

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

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

Certificate of membership in self regulated organisation non-profit partnership "Audit Chamber of Russia" № 870. ORNZ 10201003683 in the register of auditors and audit organizations

(ii)

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2014	31 December 2013
ASSETS			
Cash and cash equivalents	6	41,548	29,535
Restricted cash		1,635	917
Accounts receivable, net	7	46,059	52,098
Short-term financial assets	8	25,323	16,693
Inventories	9	32,462	29,538
Prepaid expenses and other current assets	10	31,157	22,139
Prepaid income tax		2,418	1,078
Total current assets		180,602	151,998
Long-term accounts receivable, net	7	1,364	1,016
Long-term financial assets	11	29,893	25,814
Investments in associates and joint ventures	12	7,212	7,778
Property, plant and equipment, net	13	507,586	481,883
Deferred income tax assets	18	2,982	2,049
Other long-term assets	14	3,295	3,551
Total non-current assets		552,332	522,091
Total assets		732,934	674,089
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	15	15,859	36,561
Accounts payable and accrued liabilities	16	37,999	28,444
Taxes payable	18	14,440	16,706
Income tax payable		166	1,462
Total current liabilities		68,464	83,173
Long-term debt, net of current portion	15	12,888	12,785
Other long-term liabilities	17	2,960	3,839
Decommissioning provision, net of current portion	13	44,779	54,511
Deferred income tax liability	18	21,599	15,799
Total non-current liabilities		82,226	86,934
Total liabilities		150,690	170,107
Shareholders' equity			
Preferred shares (authorized and issued at 31 December 2014 and 2013 – 147,508,500 shares; nominal value at 31 December 2014 and 2013 – RR1.00)	19	746	746
Common shares (authorized and issued at 31 December 2014 and 2013 – 2,178,690,700 shares; nominal value at 31 December 2014 and 2013 – RR1.00)	19	11,021	11,021
Additional paid-in capital		87,482	87,482
Accumulated other comprehensive income		1,888	889
Retained earnings		457,915	384,376
Less: Common shares held in treasury, at cost (55,514,000 shares and 55,592,000 shares at 31 December 2014 and 2013, respectively)		(3,087)	(3,102)
Total Group shareholders' equity		555,965	481,412
Non-controlling interest	19	26,279	22,570
Total shareholders' equity		582,244	503,982
Total liabilities and equity		732,934	674,089

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT
CONSOLIDATED STATEMENTS OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014	Year ended 31 December 2013
Sales and other operating revenues, net		476,360	454,983
COSTS AND OTHER DEDUCTIONS			
Operating	20	(102,614)	(89,634)
Purchased oil and refined products		(54,478)	(50,312)
Exploration		(2,100)	(1,839)
Transportation		(23,209)	(30,388)
Selling, general and administrative	20	(43,355)	(44,123)
Depreciation, depletion and amortization	13	(21,121)	(19,323)
(Loss)/gain on disposals of property, plant and equipment, investments and impairments		(1,799)	1,209
Taxes other than income taxes	18	(117,060)	(111,336)
Maintenance of social infrastructure and transfer of social assets		(4,091)	(4,828)
Total costs and other deductions		(369,827)	(350,574)
OTHER INCOME/(EXPENSES)			
Foreign exchange gain/(loss)		14,876	(438)
Interest income	21	6,944	3,365
Interest expense, net of amounts capitalized	21	(5,482)	(6,924)
(Loss)/earnings from equity investments	12	(313)	350
Other income, net		1,415	529
Total other income/(expenses)		17,440	(3,118)
Profit before income taxes		123,973	101,291
INCOME TAXES			
Current income tax expense		(21,376)	(21,645)
Deferred income tax expense		(4,920)	(1,302)
Total income tax expense	18	(26,296)	(22,947)
Profit for the year		97,677	78,344
OTHER COMPREHENSIVE INCOME:			
Items to be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		649	530
Unrealized holding losses on available-for-sale securities, including share of associates, net of tax		(270)	(43)
Items that will not be reclassified to profit or loss:			
Actuarial gain/(loss) on employee benefit plans		620	(324)
Other comprehensive income		999	163
Total comprehensive income for the year		98,676	78,507

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT
CONSOLIDATED STATEMENTS OF PROFIT
OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	Note	Year ended 31 December 2014	Year ended 31 December 2013
PROFIT ATTRIBUTABLE TO:			
- Group shareholders		92,227	70,832
- Non-controlling interest		5,450	7,512
		97,677	78,344
TOTAL COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:			
- Group shareholders		93,226	70,995
- Non-controlling interest		5,450	7,512
		98,676	78,507
BASIC AND DILUTED NET EARNINGS PER SHARE (RR)			
Common	19	40.61	31.19
Preferred		40.58	31.16
WEIGHTED AVERAGE SHARES OUTSTANDING (MILLIONS OF SHARES)			
Common	19	2,123	2,123
Preferred		148	148

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Group shareholders										
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Unrealized holding gain/(losses) on available-for-sale securities, including share of associates, net of tax	Retained earnings	Total shareholders' equity	Non-con-trolling interest	Total equity
Balance at 1 January 2013	2,270,656	11,767	87,482	(3,093)	(494)	754	466	333,072	429,954	16,279	446,233
Profit for the year	-	-	-	-	-	-	-	70,832	70,832	7,512	78,344
Other comprehensive (loss)/income for the year	-	-	-	-	(324)	530	(43)	-	163	-	163
Total comprehensive (loss)/income for the year	-	-	-	-	(324)	530	(43)	70,832	70,995	7,512	78,507
Treasury shares	(49)	-	-	(9)	-	-	-	-	(9)	-	(9)
- Acquisitions	(175)	-	-	(36)	-	-	-	-	(36)	-	(36)
- Disposals	126	-	-	27	-	-	-	-	27	-	27
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(237)	(237)
Dividends declared	-	-	-	-	-	-	-	(19,528)	(19,528)	(984)	(20,512)
Balance at 31 December 2013	2,270,607	11,767	87,482	(3,102)	(818)	1,284	423	384,376	481,412	22,570	503,982
Profit for the year	-	-	-	-	-	-	-	92,227	92,227	5,450	97,677
Other comprehensive income for the year	-	-	-	-	620	649	(270)	-	999	-	999
Total comprehensive income for the year	-	-	-	-	620	649	(270)	92,227	93,226	5,450	98,676
Treasury shares	78	-	-	15	-	-	-	-	15	-	15
- Acquisitions	(302)	-	-	(63)	-	-	-	-	(63)	-	(63)
- Disposals	380	-	-	78	-	-	-	-	78	-	78
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	78	78
Dividends declared	-	-	-	-	-	-	-	(18,688)	(18,688)	(1,819)	(20,507)
Balance at 31 December 2014	2,270,685	11,767	87,482	(3,087)	(198)	1,933	153	457,915	555,965	26,279	582,244

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2014	Year ended 31 December 2013
OPERATING ACTIVITIES		
Profit for the year	97,677	78,344
Adjustments:		
Depreciation, depletion and amortization	21,121	19,323
Income tax expense	26,296	22,947
Loss/(gain) on disposals of property, plant and equipment, investments and impairments	1,799	(1,209)
Transfer of social assets	1	23
Effects of foreign exchange	10,036	3,282
Equity investments loss/(earnings) net of dividends received	313	(350)
Change in provision for impairment of financial assets	(165)	633
Change in fair value of trading securities	(283)	(351)
Interest income	(6,944)	(3,365)
Interest expense	5,482	6,924
Other	31	736
Changes in operational working capital, excluding cash:		
Accounts receivable	7,456	1,094
Inventories	(4,054)	(1,630)
Prepaid expenses and other current assets	(9,206)	4,733
Trading securities	1,294	3,159
Accounts payable and accrued liabilities	6,423	(1,659)
Taxes payable	(2,094)	3,490
Notes payable	(2)	256
Other non-current assets	205	674
Net cash provided by operating activities before income tax and interest	155,386	137,054
Income taxes paid	(24,012)	(19,634)
Interest paid	(1,378)	(2,636)
Interest received	6,487	3,365
Net cash provided by operating activities	136,483	118,149

	Year ended 31 December 2014	Year ended 31 December 2013
INVESTING ACTIVITIES		
Additions to property, plant and equipment	(62,574)	(56,827)
Proceeds from disposal of property, plant and equipment	1,248	1,539
Proceeds from disposal of investments	77	564
Purchase of investments	(117)	(17)
Purchase of certificates of deposit, net	(7,598)	(5,034)
(Issuance)/repayment of loans and notes receivable, net	(2,176)	1,457
Change in restricted cash	(718)	452
Net cash used in investing activities	(71,858)	(57,866)
FINANCING ACTIVITIES		
Proceeds from issuance of debt	16,742	30,258
Repayment of debt	(50,501)	(53,820)
Dividends paid to shareholders	(18,674)	(19,526)
Dividends paid to non-controlling shareholders	(1,819)	(984)
Purchase of treasury shares	(37)	(27)
Proceeds from sale of treasury shares	37	27
Proceeds from issuance of shares by subsidiaries	60	-
Net cash used in financing activities	(54,192)	(44,072)
Net change in cash and cash equivalents	10,433	16,211
Effect of foreign exchange on cash and cash equivalents	1,580	241
Cash and cash equivalents at the beginning of the period	29,535	13,083
Cash and cash equivalents at the end of the period	41,548	29,535

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

TATNEFT

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organisation

AO 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 and refined products as well as production and marketing of petrochemicals (see Note 22).

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 31 December 2014 and 2013 AO Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan, together with its subsidiary, holds approximately 36% of the Company’s voting stock. These shares were contributed to AO Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. Tatarstan also holds a “Golden Share”, a special governmental right, in the Company (see Note 19). 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, including through AO Svyazinvestneftekhim, also controls or exercises significant influence over a number of the Company’s suppliers and contractors.

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

Note 2: Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Group first adopted IFRS for the fiscal year ended 31 December 2012, with a date of transition to IFRS on 1 January 2011.

These consolidated financial statements have been prepared on a historical cost basis, except certain financial assets and liabilities measured at fair value.

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”). The accompanying consolidated 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.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas in-

volving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Reclassifications. Certain reclassifications have been made to previously reported balances to conform to the current year presentation; such reclassifications had no effect on net income profit for the year, shareholders’ equity or cash flows.

Note 3: Summary of Significant Accounting Policies

Functional and Presentation Currency. The presentation currency of the Group is the Russian rouble.

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

Under IAS 21 revenues, costs, capital and non-monetary assets and liabilities are translated at historical exchange rates prevailing on the transaction dates. Monetary assets and liabilities are translated at exchange rates prevailing on the reporting date. Exchange gains and losses arising from re-measurement of monetary assets and liabilities that are not denominated in Russian Roubles are recognized in the profit or loss for the year.

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 Roubles 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 Russia (“CBR”), of the Russian Rouble (“RR”) to the US Dollar (“US \$”) at 31 December 2014 and 2013 was RR 56.26 and RR 32.73 to US \$, respectively. Average rate of exchange for the years ended 31 December 2014 and 2013 were RR 38.42 and RR 31.85 per US \$, respectively.

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.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition – related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest’s proportionate share of the acquiree’s net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit and loss for the year.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

Associates and joint ventures. Associates and joint ventures are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates and joint ventures reduce the carrying value of the investment in associates and joint ventures. Other post-acquisition changes in Group's share of net assets of an associate and joint ventures are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures.

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group reviews equity method investments for impairment on an annual basis, and records impairment when circumstances indicate that the carrying value exceeds the recoverable amount.

Current/Non-current Presentation. Group presents current and non-current assets, and current and non-current liabilities, as separate classifications in its Consolidated Statement of Financial Position.

Group discloses for each asset and liability line item that combines amounts expected to be recovered or settled in period no more than 12 months after the reporting period are disclosed as current; and more than 12 months after the reporting period as non-current.

Cash and cash equivalents. Cash represents cash on hand and in bank accounts, which can be effectively withdrawn at any time without prior notice. Cash equivalents include highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. They are recognized based on the cost of acquisition which approximates fair value.

Restricted cash. Restricted cash represents cash deposited under letter of credit arrangements, which are restricted under various contractual agreements. Letters of credit are used to pay contractors for materials, equipment and services provided. Restricted balances are excluded from cash and cash equivalents for the purposes of the consolidated statements of financial position and of the consolidated statement of cash flows and disclosed separately.

Financial Assets. All financial assets are initially recognised when an entity becomes a party to the contract, they recognised at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group's financial assets include cash and cash equivalents, deposits, securities, trade and other receivables, loans issued.

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets at fair value through profit or loss.

Loans and receivables. Loans and receivables is a category of financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. The accrued interest is included in the profit and losses for the year.

Allowances are provided for estimated losses and for doubtful debts based on estimates of uncollectible amounts. These estimates require the exercise of judgment and the use of assumptions.

The losses arising from impairment are recognized as selling, general and administrative expenses in the consolidated statements of profit or loss and other comprehensive income.

Financial assets at fair value through profit or loss. A financial asset is classified at fair value through profit or loss category if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognized in profit and loss for the year.

Available-for-sale financial assets. Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets include investment securities which the Group intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments, are recognized in other comprehensive income and presented within equity. Unquoted equity instruments whose fair value cannot be measured reliably are carried at cost less any impairment losses. When an investment is derecognized the cumulative gain or loss in equity is also reclassified to profit and loss for the year.

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the other comprehensive income) is recognized in the profit and loss for the year as a reclassification adjustment from other comprehensive income.

Financial liabilities. All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs. The Group's financial liabilities include trade and other payables, loans and borrowings.

Financial liabilities are recognised initially at fair value. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit and loss for the year.

The Group does not use derivative financial instruments.

The Group does not offset assets and liabilities unless required or permitted to by an IFRS.

Inventories. Inventories of crude oil, refined oil products, materials and supplies, and finished goods are valued at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The Group uses the weighted-average-cost method. Costs include both direct and indirect expenditures incurred in bringing an item or product to its existing condition and location.

Prepaid expenses. Prepaid expenses include advances for purchases of products and services, insurance fees, prepayments for export duties, VAT and other taxes. Prepayments are carried at cost less provision for impairment.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments for services such as insurance, transportation and others are written off to profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the profit or loss for the year.

Mineral extraction tax. Mineral extraction tax (MET) on crude oil is defined monthly as an amount of volume produced per fixed tax rate (RR 493 and RR 470 per ton in 2014 and 2013, respectively) adjusted depending on the monthly average market prices of the Urals blend and the RR/US \$ exchange rate for the preceding month. The base tax rate formula for MET is modified by benefit for fields whose depletion rate exceeds 80% of proved reserves as determined under Russian resource classification. The Company receives a benefit of 3.5% per field for each percent of depletion in excess of the 80% threshold.

The ultimate amount of the MET on crude oil depends also on geographic location of the oil field (for certain regions zero tax rate may be applied depending on the volume of crude oil produced and period of field development). Also a zero MET tax rate applies to the production of highly viscous crude oil (defined as crude oil of more than 200 Megapascal second in reservoir conditions).

MET is recorded within Taxes other than income tax in the Consolidated Statements of Profit or Loss and Other Comprehensive Income.

Value added tax. Value added tax (VAT) at a standard rate of 18% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT can be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met.

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities.

VAT related to sales and purchases is recognized in the Consolidated Statements of Financial Position on a gross basis and disclosed separately as Prepaid expenses and other current assets and Taxes payable.

Oil and gas exploration and development cost. Oil and gas exploration and development activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property as well as costs of drilling and equipping productive wells, including development dry holes, and related production facilities are capitalized.

Other exploration expenses, including geological and geophysical expenses and the costs of carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalized as exploration and evaluation assets on a “field by field” basis pending determination of whether proved reserves have been found. In an area requiring a major capital expenditure before production can begin, exploratory well remains capitalized if additional exploration drilling is underway or firmly planned. Exploration costs not meeting these criteria are charged to expense.

Exploration and evaluation costs are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured.

If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of respective exploration and evaluation assets, is classified as development assets. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Property, Plant and Equipment. Property, plant and equipment are carried at historical cost of acquisition or construction less accumulated depreciation, depletion, amortization and impairment.

Proved oil and gas properties include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of maintenance, repairs and replacement of minor items of property are expensed when incurred within operating expenses; renewals and improvements of assets are capitalised and depreciated during the remaining useful life. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Advances made on property, plant and equipment and construction in progress are accounted for within Construction in progress.

Long-lived assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with IAS 36 Impairment of assets, which requires long-lived assets with recorded values that are not expected to be recovered through future cash flows to be written down to their recoverable amount which is the higher of fair value less costs to sell and value-in-use.

Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets - generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at a site level for service stations. Impairment losses are recognised in the profit or loss for the year.

Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. The reversal of impairment would be limited to the original carrying value less depreciation which would have been otherwise charged had the impairment not been recorded.

Long-lived assets committed by management for disposal within one year, and meet the other criteria for held for sale, are accounted for at the lower of amortized cost or fair value, less cost to sell. Costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

The Group calculates depreciation expense for oil and gas proved properties using the units-of-production method for each field based upon proved developed oil and gas reserves, except in the case of significant asset components whose useful life differs from the lifetime of the field, in which case the straight-line method is applied.

Oil and gas licenses for exploration of unproved reserves are capitalised within property, plant and equipment; they are depreciated on straight-line basis over the period of each license validity.

Depreciation of all other property, plant and equipment is determined on the straight-line method based on estimated useful lives which are as follows:

	Years
Buildings and constructions	30-50
Machinery and equipment	10-35

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds, if any, with the carrying amount. Gains and losses are recorded in Gain/(loss) on disposals of property, plant and equipment, investments and impairments in the Consolidated Statements of Profit or Loss and Other Comprehensive Income.

Capitalisation of Borrowing Costs. Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalised as part of the costs of those assets.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group’s average funding cost (the weighted average interest cost is applied to the expenditures on the qualifying assets), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs incurred less any investment income on the temporary investment of those borrowings are capitalised.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Capitalisation of borrowing costs includes capitalising foreign exchange differences relating to borrowings to the extent that they are regarded as an adjustment to interest costs. The gains and losses that are an adjustment to interest costs include the interest rate differential between borrowing costs that would be incurred if the entity borrowed funds in its functional currency, and borrowing costs actually incurred on foreign currency borrowings.

The portion of the foreign exchange movements is estimated based on interest rates on similar borrowing in the Group's functional currency. The foreign exchange gains and losses eligible for capitalisation are assessed on a cumulative basis.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

Employee Benefits, Post-employment and other long-term Benefits. Wages, salaries, contributions to the social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has various pension plans covering substantially all eligible employees and members of management. The pension liabilities are measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the same currency and terms to maturity approximating the terms of the related liability. Pension costs are recognised using the projected unit credit method.

The cost of providing pensions is accrued and charged to staff expense within operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income reflecting the cost of benefits as they are earned over the service lives of employees.

Remeasurements of the net defined benefit liability arose as the actuarial gains or losses from changes in assumptions and from experience adjustments with regard to post employment benefit plans are recognised immediately in other comprehensive income. Actuarial gains and losses related to other long-term benefits are recognised immediately in the profit or loss for the year.

Past service costs are recognised as an expense immediately.

Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group contributes to the Russian Federation State Pension Fund on behalf of its employees. Mandatory contributions to the Fund are expensed when incurred and are included within staff costs in operating expenses.

Stock-based compensation. The Company has a share-based compensation plan (the "Plan") for senior management and directors of the Company. Under the provisions of the Plan, share-based bonus awards ("Awards") are issued on an annual basis to the Company's directors and senior management as approved by the Board of Directors. Each Award provides a cash payment at the settlement date equal to one of the Company's common shares multiplied by the difference between the lowest share price for the preceding three years as of the grant date and the highest share price for the preceding three years as of each year-end. Share prices are measured based on the weighted average daily trading price as reported on the Moscow Exchange MICEX-RTS (MOEX). Awards are subject to individual annual performance conditions and are generally settled within 90 days after the Company's Management Committee approval.

The liability at 31 December 2014 and 2013 is determined based on the final expected bonus payments. The Awards are recognized as expense over the annual service period, net of forfeitures, with a corresponding liability to accounts payable and accrued liabilities.

Decommissioning provisions. The Group recognizes a liability for the fair value of legally required or constructive decommissioning provisions associated with long-lived assets in the period in which the retirement obligations are incurred. The Group has numerous asset removal obligations that it is required to perform under law or contract once an asset is per-

manently taken out of service. The Group's field exploration, development, and production activities include assets related to: well bores and related equipment and operating sites, gathering and oil processing systems, oil storage facilities and gathering pipelines. Generally, the Group's licenses and other operating permits require certain actions to be taken by the Group in the abandonment of these operations. Such actions include well abandonment activities, equipment dismantlement and other reclamation activities. The Group's estimates of future abandonment costs consider present regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Group using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability. Most of these costs are not expected to be incurred until several years, or decades, in the future and will be funded from general Group resources at the time of removal.

The Group capitalizes the associated decommissioning costs as part of the carrying amount of the long-lived assets. Changes in obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset to the extent of the carrying amount of the asset; the excess is recognised immediately in profit and loss.

The Group's petrochemical, refining and marketing and distribution operations are carried out at large manufacturing facilities. The nature of these operations is such that the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for liabilities related to the liquidation of such manufacturing facilities or of retail fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

Income Taxes. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are recognised for all deductible or taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- Where it is not probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised.

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Income tax penalties expense and income tax penalties payable are included in Taxes other than income tax in the Consolidated Statements of Profit or Loss and Other Comprehensive Income and Taxes payable in the Consolidated Statement of Financial Position, respectively. Income tax interest expense and payable are included in Interest expense in the Consolidated Statements of Profit or Loss and Other Comprehensive Income and other accounts payable and accrued expenses in the Consolidated Statement of Financial Position, respectively.

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity.

(IN MILLIONS OF RUSSIAN ROUBLES)

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Dividends paid to shareholders are determined by the Board of directors and approved at the annual shareholders' meeting. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Treasury shares. Common shares of the Company owned by the Group at the reporting date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Earnings per share. Preference shares are not redeemable and are considered to be participating shares.

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preference share holders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares. The remaining profit or loss is allocated to common and preferred shares to the extent that each class may share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.

Revenue recognition. Revenues from the production and sale of crude oil, petroleum and petrochemical products and other products are recognized when title has transferred and collectability is reasonably assured. Revenue is measured at the fair value of the consideration received or receivable taking into account the amount of any discounts and other incentives. Purchases and sales of inventory which are of a similar nature and value with the same counterparty that are entered into in contemplation of one another are combined, considered as a single arrangement and netted against each other in the Consolidated Statements of Profit or Loss and Other Comprehensive Income. Revenue includes only economic benefits which flow to the Group. Taxes and duties arising on the sale of goods to third parties do not form part of revenue.

Transportation expenses. Transportation expenses recognised in the Consolidated Statements of Profit or Loss and Other Comprehensive Income represent all expenses incurred by the Group to transport crude oil and other products to end customers (they may include pipeline tariffs and any additional railroad costs, handling costs, port fees, sea freight and other costs). Compounding fees are included in Selling, General and administrative expenses.

Interest income. Interest income is recognised on a time-proportion basis using the effective interest method.

Note 4: Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated 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.

Management of the Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated 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 long-lived assets;
- Consolidation.

Estimation of oil and gas reserves. Oil and gas development and production assets are depreciated on a unit-of-production (UOP) basis for each field or group of fields with similar characteristics at a rate calculated by reference to proved or proved developed reserves. Estimates of proved reserves are also used in the determination of whether impairments have arisen or should be reversed. Also, exploration drilling costs are capitalized pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked. Proved and proved developed reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. The Group estimates its oil and gas reserves in accordance with rules promulgated by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) for proved reserves.

Changes to the Group's estimates of proved and proved developed reserves affect prospectively the amounts of depreciation, depletion and amortization charged and, consequently, the carrying amounts of oil and gas properties. It is expected, however, that in the normal course of business the diversity of the Group's portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalized exploration drilling costs being written off in the profit and loss for the year.

Useful life of property, plant and equipment. Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs. As a result of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the period.

Other property, plant and equipment are depreciated on a straight-line basis over their useful economic lives. Management periodically, at the end of each reporting period, reviews the appropriateness of the assets useful economic lives and residual values. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and the estimated residual value.

Decommissioning provisions. Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future decommissioning provisions is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognized as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

The Group's petrochemical, refining and marketing and distribution operations are carried out at large manufacturing facilities. The nature of these operations is such that the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for liabilities related to the liquidation of such manufacturing facilities or of retail fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

(IN MILLIONS OF RUSSIAN ROUBLES)

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	Change in	Impact on decommissioning provision	
		At 31 December 2014	At 31 December 2013
Discount rate	+1%	(9,890)	(11,436)
	-1%	13,103	15,384

Information about decommissioning provision is presented in Note 13.

Impairment of Long-lived Assets. The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions, including future oil prices, expected production volumes and refining margins appropriate to the local circumstances and environment. It is reasonably possible that these assumptions may change and may then require a material adjustment to the carrying value of the Group’s assets.

At 31 December 2014 management assessed whether there is any indication of impairment of long-lived assets. Management believes that there is no any impairment loss that should be recognized at 31 December 2014.

Consolidation. The Company made significant judgements related to significant subsidiaries which are controlled by the Group, even though the Group holds less than half of the voting rights of these subsidiaries.

The Company considers that the Group has control over several entities even though it has less than 50% of the voting rights. This is because the Company has power over the investee, has rights to variable returns of the investee, and has the power to affect variable returns.

Additional information is disclosed in Note 25.

Note 5: Adoption of New or Revised Standards and Interpretations

A number of amendments to current IFRS and new IFRIC became effective for the periods beginning on or after 1 January 2014:

- amendments regarding offsetting rules to IAS 32 Financial Instruments,
- amendments to IAS 36 Impairment of Assets, regarding additional disclosure,
- IFRIC 21 – Levies.

The amended standards and new IFRIC have no significant impact on the Group’s consolidated financial statements.

The amendments to current IFRS and annual improvements became effective for the periods beginning on or after 1 July 2014:

- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014). The amendment allows entities to recognise employee contributions as a reduction in the service cost in the period in which the related employee service is rendered, instead of attributing the contributions to the periods of service, if the amount of the employee contributions is independent of the number of years of service.
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

The amended standard and annual improvements have no significant impact on the Group’s consolidated financial statements.

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2015 or later, and which the Group has not early adopted.

IFRS 9 Financial Instruments: Classification and Measurement (issued in July 2014 and effective for annual periods beginning on or after 1 January 2018). The standard reflects all phases of the financial instruments project and replaces all previous of IFRS 9. The standard introduces new requirements for classification and measurement,

impairment, and hedge accounting. The Group is considering the implications of the standard, the impact on the Group and the timing of its adoption by the Group.

Amendments to IFRS 11 – Joint Arrangements (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on accounting for acquisitions of interests in joint operations. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

Amendments to IAS 16 – Property, Plant and Equipment and IAS 38 Intangible Assets (issued in May 2014 and effective for annual periods beginning on or after January 1, 2016) on clarification of acceptable methods of depreciation and amortization. In this amendment the IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

IFRS 15 – Revenue from Contracts with Customers (issued in May 2014 and effective for annual periods beginning on or after January 1, 2017). The new standard introduces the core principle that revenue must be recognized when the goods and services are transferred to the customer, at the transaction price. Any bundled goods and services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint ventures (issued in September 2014 and effective for annual periods beginning on or after January 1, 2016) on the accounting for acquisitions of an interest in a joint venture. Full gain or loss will be recognised by the investor where the non-monetary assets constitute a ‘business’. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors’ interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture, not to a joint operation.

Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016). The amendments impact 4 standards.

IFRS 5 was amended to clarify that change in the manner of disposal (reclassification from «held for sale» to «held for distribution» or vice versa) does not constitute a change to a plan of sale ore distribution, and does not have to be accounted for as such. The amendment to IFRS 7 adds guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement, for the purposes of disclosures required by IFRS 7. The amendment also clarifies that the offsetting disclosures of IFRS 7 are not specifically required for all interim periods, unless required by IAS 34.

The amendment to IAS 19 clarifies that for post-employment benefit obligations, the decisions regarding discount rate, existence of deep market in high-quality corporate bonds, or which government bonds to use as a basis, should be based on the currency that the liabilities are denominated in, and not the country where they arise. IAS 34 will require a cross reference from the interim financial statements to the location of “information disclosed elsewhere in the interim financial report”.

Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify the concept of materiality and explains that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, even if the IFRS contains a list of specific requirements or describes them as minimum requirements. The Standard also provides new guidance on subtotals in financial statements, in particular, such subtotals (a) should be comprised of line items made up of amounts recognised and measured in accordance with IFRS; (b) be presented and labelled in a manner that makes the line items that constitute the subtotal clear and understandable; (c) be consistent from period to period; and (d) not be displayed with more prominence than the subtotals and totals required by IFRS standards.

(IN MILLIONS OF RUSSIAN ROUBLES)

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Investment Entities: Applying the Consolidation Exception Amendment to IFRS 10, IFRS 12 and IAS 28 (issued in December 2014 and effective for annual periods on or after 1 January 2016). The Standard was amended to clarify that an investment entity should measure at fair value through profit or loss all of its subsidiaries that are themselves investment entities. In addition, the exemption from preparing consolidated financial statements if the entity's ultimate or any intermediate parent produces consolidated financial statements available for public use was amended to clarify that the exemption applies regardless whether the subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with IFRS 10 in such ultimate or any intermediate parent's financial statements.

The Group is currently assessing the impact of the amendments on its consolidated financial statements.

Note 6: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 December 2014	At 31 December 2013
Cash on hand and in banks	8,077	8,012
Term deposits with original maturity of less than three months	33,471	21,523
Total cash and cash equivalents	41,548	29,535

As of 31 December 2014 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Sberbank, Raiffeisenbank, VTB and Ak Bars Bank. As of 31 December 2013 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Ak Bars Bank, Credit Europe Bank and Sberbank. Bank deposits represent deposits with original maturities of less than three months. The fair value of cash and term deposits approximates their carrying value.

The credit quality of cash and cash equivalents balances may be summarised as follows:

	At 31 December 2014		At 31 December 2013	
	Cash on hand and in banks	Term deposits	Cash on hand and in banks	Term deposits
Investment grade rating	287	-	1,056	4,825
Non-investment grade rating	6,486	33,264	5,026	15,537
No external rating	1,304	207	1,930	1,161
Total	8,077	33,471	8,012	21,523

Investment grade ratings classification referred to as Aaa to Baa3 for Moody's Investment Services, as AAA to BBB- for Fitch Rating and as AAA to BBB for Standard and Poor's Rating, respectively.

Note 7: Accounts receivable

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

	At 31 December 2014	At 31 December 2013
Short-term accounts receivable:		
Trade receivables	61,591	60,395
Other financial receivables	4,748	4,259
Less provision for impairment	(20,280)	(12,556)
Total short-term accounts receivable	46,059	52,098

Long-term accounts receivable:		
Trade receivables	650	251
Other financial receivables	761	835
Less provision for impairment	(47)	(70)
Total long-term accounts receivable	1,364	1,016
Total financial assets within trade and other receivables	47,423	53,114

In accordance with the Group's policies for recorded provision for impairment the Group fully provided for receivables from ChMPKP Avto of US \$334 million as of 31 December 2014 and 2013, relating to the sale of crude oil to Ukraine (Kremenchug refinery) (Note 24).

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

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

	At 31 December 2014		At 31 December 2013	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Not over due and not impaired	40,784	4,803	46,686	4,484
Past due but not impaired				
- less than 90 days overdue	1,333	134	1,652	19
- 91 to 180 days overdue	246	40	200	26
- over 180 days overdue	-	83	-	47
Total past due but not impaired	1,579	257	1,852	92
Individually determined to be impaired (gross)				
- less than 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- over 180 days overdue	19,880	447	12,110	517
Total individually impaired	19,880	447	(12,110)	(517)
Less provision for impairment	(19,880)	(447)	48,538	4,576
Total	42,363	5,060	48,538	4,576

Movements in the provision for impairment for trade and other receivables are as follows:

	2014		2013	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Provision for impairment at 1 January	(12,110)	(517)	(10,637)	(567)
(Provision for impairment)/recovery during the year	(4)	58	(850)	(13)
Amounts written off during the year as uncollectible	9	6	-	-
Foreign exchange loss	(7,813)	-	(788)	-
Change in Group structure	38	6	165	63
Provision for impairment at 31 December	(19,880)	(447)	(12,110)	(517)

(IN MILLIONS OF RUSSIAN ROUBLES)

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Note 8: Short-term financial assets

Short-term financial assets comprise the following:

	At 31 December 2013	At 31 December 2013
Loans and receivables:		
Notes receivable	3,536	2,178
Other loans (net of provision for impairment of RR 50 million and RR 18 million as of 31 December 2014 and 2013)	3,156	2,026
Certificates of deposit	16,111	8,973
Financial assets at fair value through profit or loss:		
Held-for-trading	2,520	3,516
Total short-term financial assets	25,323	16,693

During the year ended 31 December 2014 purchases of certificates of deposit and cash proceeds from certificates of deposit were RR 78,425 million and RR 71,287 million, respectively.

During the year ended 31 December 2013 purchases of certificates of deposit and cash proceeds from certificates of deposit were RR 13,024 million and RR 8,302 million, respectively.

During the year ended 31 December 2014 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 5,185 million and RR 6,485 million, respectively.

During the year ended 31 December 2013 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 2,569 million and RR 5,213 million, respectively.

The estimated fair value of loans and receivables approximates their carrying value.

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

	At 31 December 2014	At 31 December 2013
Held-for-trading:	152	18
Russian government debt securities	1,705	1,762
Corporate debt securities	663	1,736
Equity securities	2,520	3,516
Total financial assets at fair value through profit and loss		

Information on trading securities issued by related parties is disclosed in Note 23.

Note 9: Inventories

	At 31 December 2014	At 31 December 2013
Materials and supplies	10,924	11,354
Crude oil	8,799	5,657
Refined oil products	7,634	6,495
Petrochemical supplies and finished goods	5,105	6,032
Total inventories	32,462	29,538

Note 10: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are as follows:

	At 31 December 2014	At 31 December 2013
Prepaid export duties	14,177	8,311
VAT recoverable	5,788	5,728
Advances	7,972	5,626
Prepaid transportation expenses	938	668
Other	2,282	1,806
Prepaid expenses and other current assets	31,157	22,139

Note 11: Long-term Financial Assets

Long-term financial assets comprise the following:

	At 31 December 2014	At 31 December 2013
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 31 December 2014 and 2013)	3,571	1,019
Loans to employees	2,636	2,493
Other loans	2,353	3,197
Certificates of deposit	16,581	14,445
Available-for-sale investments	4,752	4,660
Total long-term financial assets	29,893	25,814

The fair value of long-term financial assets is estimated by discounting the future contractual cash outflows at the market interest rate available to the Group at the end of the reporting period. The carrying amounts and fair values of long-term financial assets are as follows:

	Carrying amounts		Fair values	
	At 31 December 2014	At 31 December 2013	At 31 December 2014	At 31 December 2013
Notes receivable	3,571	1,019	3,292	1,122
Loans to employees	2,636	2,493	2,636	2,493
Other loans	2,353	3,197	1,852	3,156
Certificates of deposit	16,581	14,445	11,578	15,163
Total long-term financial assets	25,141	21,154	19,358	21,934

During the year ended 31 December 2014 purchases of long-term certificates of deposit were RR 460 million.

During the year ended 31 December 2013 purchases of long-term certificates of deposit were RR 312 million. During the year ended 31 December 2014 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 5,235 million and RR 1,759 million, respectively.

During the year ended 31 December 2013 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 2,582 million and RR 1,395 million, respectively.

(IN MILLIONS OF RUSSIAN ROUBLES)

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Note 12: Investments in associates and joint ventures

Investments in associates and joint ventures comprise the following:

Name of an investee	Ownership percentage at 31 December		Net book value as 31 December		Group's share of profit/ (loss) for	
	2014	2013	2014	2013	2014	2013
Associates and joint ventures:						
Bank Zenit	25	25	7,131	6,984	402	555
Other	20-75	20-75	81	794	(715)	(205)
Total			7,212	7,778	(313)	350

The country of incorporation or registration is also their principal place of business. For all major associates and joint ventures the country of incorporation is the Russian Federation.

The table below summarises the movements in the carrying amount of the Group's investment in associates and joint ventures:

	2014	2013
Net book value at 1 January	7,778	6,711
Share of result of associates and joint ventures	(313)	350
Share of other comprehensive loss of associates and joint ventures	(270)	(21)
Reclassification on loss of control/disposal of associates (reclassification on obtaining control)	(14)	801
Others	31	(63)
Net book value at 31 December	7,212	7,778

The condensed financial information of the Group's equity basis investments is as follows:

	Year ended 31 December 2014		Year ended 31 December 2013	
	Bank Zenit	Other	Bank Zenit	Other
Sales/interest income	26,617	6,513	23,425	3,107
Net income	1,636	(722)	2,258	(473)
Total assets	335,097	6,406	299,856	7,736
Total liabilities	305,447	6,074	270,685	7,060

Note 13: Property, Plant and Equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
Cost					
As of 31 December 2012	322,629	148,170	108,216	92,166	671,181
Additions	163	1	1	59,730	59,895
Disposals	(1,990)	(596)	(1,078)	(1,835)	(5,499)
Changes in Group structure	-	(1,574)	(2,193)	(241)	(4,008)
Transfers	21,674	7,769	13,568	(43,011)	-
Changes in decommissioning provision	(1,751)	-	-	-	(1,751)
As of 31 December 2013	340,725	153,770	118,514	106,809	719,818
Depreciation, depletion and amortisation					
As of 31 December 2012	151,723	20,477	50,078	-	222,278
Depreciation charge	8,437	3,898	7,164	-	19,499
Disposals	(1,633)	(355)	(1,045)	-	(3,033)
Changes in Group structure	-	(361)	(448)	-	(809)
As of 31 December 2013	158,527	23,659	55,749	-	237,935
Net book value					
As of 31 December 2012	170,906	127,693	58,138	92,166	448,903
As of 31 December 2013	182,198	130,111	62,765	106,809	481,883
Cost					
As of 31 December 2013	340,725	153,770	118,514	106,809	719,818
Additions	38	-	825	64,912	65,775
Disposals	(3,199)	(1,723)	(1,355)	(3,313)	(9,590)
Changes in Group structure	-	(6)	(2)	(7)	(15)
Transfers	23,882	27,525	26,615	(78,022)	-
Changes in decommissioning provision	(12,988)	-	-	-	(12,988)
As of 31 December 2014	348,458	179,566	144,597	90,379	763,000
Depreciation, depletion and amortisation					
As of 31 December 2013	158,527	23,659	55,749	-	237,935
Depreciation charge	8,928	4,570	8,394	-	21,892
Disposals	(2,975)	(309)	(1,127)	-	(4,411)
Changes in Group structure	-	(2)	-	-	(2)
As of 31 December 2014	164,480	27,918	63,016	-	255,414
Net book value					
As of 31 December 2013	182,198	130,111	62,765	106,809	481,883
As of 31 December 2014	183,978	151,648	81,581	90,379	507,586

(IN MILLIONS OF RUSSIAN ROUBLES)

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For the years ended 31 December 2014 and 2013 the Group recorded RR 683 million and RR 1,248 million of capitalized borrowing cost as property, plant and equipment additions, respectively. The capitalisation rate was 3.5% (2013: 3.5%).

Included within construction in progress are advances for construction of RR 11,841 million and RR 14,716 million at 31 December 2014 and 2013, respectively.

As stated in Note 3, the Group calculates depreciation, depletion and amortization for oil and gas properties using the units-of-production method over proved or proved developed oil and gas reserves depending on the nature of the costs involved. The proved or proved developed reserves used in the units-of-production method assume the extension of the Group’s production license beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

The Group’s oil and gas fields are located principally on the territory of Tatarstan. The Group obtains licenses from the governmental authorities to explore and produce oil and gas from these fields. The Group’s existing production licenses for its major fields expire, after their recent extension, between 2026 and 2038, with other production licenses expiring between 2018 and 2044. The economic lives of many of the Group’s licensed fields extend beyond these dates. Under Russian law, the Group is entitled to renew the licenses to the end of the economic lives of the fields, provided certain conditions are met. Article 10 of the Subsoil Law provides that a license to use a field “shall be” extended at its scheduled termination at the initiative of the subsoil user if necessary to finish production in the field, provided that there are no violations of the conditions of the license. The legislative history of Article 10 indicates that the term “shall” replaced the term “may” in August 2004, clarifying that the subsoil user has the right to extend the license term so long as it has not violated the conditions of the license. In August 2006, the term of the Group’s license to produce oil and gas from the Group’s largest field, Romashkinskoye, was extended through 2038. And the license to produce oil and gas from the Group’s second largest field, Novo-Elkhovskoe, was extended through 2026. The Group’s right to extend licenses is, however, dependent on the Group continuing to comply with the terms of the licenses, and management has the ability and intent to do so.

Management plans to request the extension of the licenses that have not yet been extended. The Group’s current production plans are based on the assumption, which management considers to be reasonably certain, that the Group will be able to extend all existing licenses.

These plans have been designed on the basis that the Group will be producing crude oil through the economic lives of the fields and not with a view to exploiting the Group’s reserves to maximum effect only through the license expiration dates.

Management is reasonably certain that the Group will be allowed to produce oil from the Group’s reserves after the expiration of existing production licenses and until the end of the economic lives of the fields. “Reasonable certainty” is the applicable standard for defining proved reserves under the SEC’s Regulation S-X, Rule 4-10.

Exploration and evaluation assets included in Oil and Gas assets above, net book value:

At 1 January 2013	11,285
Additions	1,363
Reclassification to development assets	(351)
Charged to expense	(67)
At 31 December 2013	12,230
Additions	904
Reclassification to development assets	(823)
Charged to expense	(988)
At 31 December 2014	11,323

For the years ended 31 December 2014 and 2013, operating and investing cash flows used for exploration and evaluation activities amounted to RR 2,100 million and RR 904 million and RR 1,839 million and RR 1,363 million, respectively.

Social assets. During the years ended 31 December 2014 and 2013 the Group transferred social assets with a net book value of RR 1 million and RR 23 million, respectively, to local authorities. At 31 December 2014 and 2013 the Group held social assets with a net book value of RR 5,442 million and RR 5,276 million, respectively, all of which were constructed after the privatization date.

The social assets comprise mainly dormitories, hotels, gyms and other facilities. The Group may transfer some of these social assets to local authorities in the future, but does not expect these to be significant. The Group incurred social infrastructure expenses of RR 4,090 million and RR 4,805 million for the years ended 31 December 2014 and 2013, respectively, for maintenance that mainly relates to housing, schools and cultural buildings.

Decommissioning provisions.

The following tables summarize the Group’s decommissioning provisions and decommissioning costs activities:

	2014	2013
Balance, beginning of period	55,037	52,450
Unwinding discount	4,397	4,503
New obligations	328	350
Release of existing obligations	(708)	(166)
Changes in estimates	(13,316)	(2,100)
Balance, end of period	45,738	55,037
Less: current portion of decommissioning provisions (Note 16)	(959)	(526)
Long-term balance, end of period	44,779	54,511

In 2014 the Group recorded the change in estimate for oil and gas properties decommissioning due to the change in discount rate and expected long-term inflation rate.

Key assumptions used for evaluation of decommissioning provision were as follows:

	At 31 December 2014	At 31 December 2013
Discount rate	11.67%	7.99%
Inflation rate	7.75%	4.70%

Note 14: Other long-term assets

Other long-term assets are as follows:

	At 31 December 2014	At 31 December 2013
Prepaid computer programs	1,985	2,347
Prepaid license agreements	90	124
Other long-term assets	1,220	1,080
Total other long-term assets	3,295	3,551

(IN MILLIONS OF RUSSIAN ROUBLES)

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Note 15: Debt

	At 31 December 2014	At 31 December 2013
Short-term debt		
Foreign currency denominated debt		
Current portion of long-term debt	11,887	31,595
Other foreign currency denominated debt	382	-
Rouble denominated debt		
Current portion of long-term debt	75	36
Other rouble denominated debt	3,515	4,930
Total short-term debt	15,859	36,561
Long-term debt		
Foreign currency denominated debt		
US \$2.0 bln 2010 credit facility	10,779	14,771
US \$1.5 bln 2009 credit facility	-	2,328
US \$550 mln 2011 credit facility	-	17,961
US \$75 mln 2011 credit facility	2,573	1,529
US \$144.5 mln 2011 credit facility	4,273	2,762
EUR 55 mln 2013 credit facility	3,521	2,018
Other foreign currency denominated debt	2,830	2,122
Rouble denominated debt		
Other rouble denominated debt	874	925
Total long-term debt	24,850	44,416
Less: current portion of long-term debt	(11,962)	(31,631)
Total long-term debt, net of current portion	12,888	12,785

Foreign currency debts are primarily denominated in US Dollars.

Long-term debt had the following maturity profile (based on the discounted contractual cash flows):

	At 31 December 2014	At 31 December 2013
Due for repayment:		
Between one and two years	2,848	5,535
Between two and five years	5,021	3,554
After five years	5,019	3,696
Total long-term debt, net of current portion	12,888	12,785

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures.

Short-term Russian Rouble denominated debt. Russian Rouble denominated short-term debt is primarily comprised of loans with Russian banks. Short-term Rouble denominated loans of RR 3,515 million and RR 4,930 million bear contractual interest rates of 8% to 14.85% per annum as of 31 December 2014 and 1.1% to 8.75% per annum as of 31 December 2013.

Long-term foreign currency denominated debt. In October 2009, the Company entered into a dual (3 and 5 year) tranches secured syndicated pre-export facility for up to US \$1.5 billion arranged by WestLB AG, Bayerische Hypo-und Vereinsbank AG, ABN AMRO Bank N.V., OJSC Gazprombank, Bank of Moscow and Nordea Bank. This credit facility is collateralized with the contractual rights and receivables under an oil export contract between Tatneft and Tavit B.V. under which Tatneft supplies no less than 360,000 metric tons of oil and refined products 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 3-year tranche was fully repaid. The 5-year tranche bore interest at LIBOR plus 4.10%. The loan was fully repaid in October 2014.

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 PLS, 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 3-year tranche was fully repaid. The 5-year tranche has the margin of LIBOR plus 3.40%, while the 7-year tranche bears the interest of LIBOR plus 5%.

In June 2011, the Company entered into a US \$550 million unsecured financing with a fixed rate of 3.50% per annum with bullet repayment in three years. The loan was arranged by BNP Paribas (Suisse) SA, The Bank of Tokyo Mitsubishi UFJ LTD., Commerzbank Aktiengesellschaft, ING Bank N.V., Natixis, Open Joint Stock Company Nordea Bank, Sumitomo Mitsui Banking Corporation and WestLB AG London Branch. The loan agreement required compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. The loan was fully repaid in June 2014.

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 EUR 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.

Management believes that for the year ended 31 December 2014 and 2013 the Group was in compliance with all covenants required by the above loan agreements.

(IN MILLIONS OF RUSSIAN ROUBLES)

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The carrying amounts and fair-values of long-term debt are as follows:

	Carrying amounts		Fair values	
	At 31 December 2014	At 31 December 2013	At 31 December 2014	At 31 December 2013
US\$ denominated fixed rate	2,830	20,083	2,830	20,083
US\$ denominated floating rate	17,625	21,390	13,910	21,390
EUR denominated floating rate	3,521	2,018	2,015	2,018
RR denominated fixed rate	874	925	874	925
Total long-term debt	24,850	44,416	19,629	44,416

The fair value of long-term debts was determined based on future cash flows discounted at the market interest rate available to the Group at the end of the reporting period.

Note 16: Accounts payable and accrued liabilities

	At 31 December 2014	At 31 December 2013
Trade payables	17,269	14,260
Dividends payable	117	103
Other payables	1,347	980
Total financial liabilities within trade and other payables	18,733	15,343
Salaries and wages payable	4,187	4,109
Advances received from customers	6,883	1,045
Current portion of decommissioning provisions (Note 13)	959	526
Other accounts payable and accrued liabilities	7,237	7,421
Total non-financial liabilities	19,266	13,101
Accounts payable and accrued liabilities	37,999	28,444

The fair value of each class of financial liabilities included in short-term trade and other payables at 31 December 2014 and 2013 approximates their carrying value.

Note 17: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2014	At 31 December 2013
Pension liability	2,749	3,768
Other long-term liabilities	211	71
Total other long-term liabilities	2,960	3,839

Pension liabilities

The Group has various pension plans covering substantially all eligible employees and members of management. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the “Statement of Organization of Non-Governmental Pension Benefits for OAO Tatneft Employees” and the contracts concluded between the Company or its subsidiaries, management, and the non-profit organization “National Non-Governmental Pension Fund”. In accordance with these contracts the Group is committed to make certain contributions on behalf of all employees and guarantees a minimum benefit upon retirement. Contributions or benefits are generally based upon grade and years until official retirement age (age 60 for men and 55 for women), and in the case of management are based upon years of service. In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obligated to pay certain post-employment benefits, the amounts of which are generally based on salary grade and years of service at the time of retirement.

Principal actuarial assumptions are as follows:

	At 31 December 2014	At 31 December 2013
Discount rate	12.75%	8.0%
Rate of increase in salary levels	7.5%	7.2%
Actuarial rate of NPF	3.0%	3.0%
Statutory insurance contributions rate	30.47%	30.85%

Management has assessed that reasonable changes in the principal significant actuarial assumptions will not have a significant impact on the consolidated statements of profit of loss and other comprehensive income or the liability recognized in the consolidated statement of financial position.

Amounts recognized in the consolidated statement of financial position:

	At 31 December 2014	At 31 December 2013
Present value of defined benefit obligation	4,379	5,598
Less: Fair value of plan assets	(1,630)	(1,830)
Net defined benefit liability	2,749	3,768

Change in the defined benefit obligation amount:

	2014	2013
Defined benefit obligation at beginning year	5,598	5,441
Effect of exchange rate changes	50	8
Current service cost	189	181
Interest cost	448	392
Benefits paid	(531)	(487)
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	(1,510)	58
Actuarial losses arising from changes in demographic assumptions	30	6
Actuarial losses/(gains) - Experience	56	(3)
Past service cost	101	-
Other	(52)	2
Defined benefit obligation at the end of the year	4,379	5,598

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

The amounts recognized in profit or loss are as follows:

	2014	2013
Service cost	272	181
Net interest expense	301	261
Remeasurement (gains)/losses:		
Actuarial (gain)/losses arising from changes in financial assumptions	(323)	17
Actuarial losses arising from changes in demographic assumptions	10	2
Actuarial gains – Experience	(100)	(91)
Other	(52)	2
Total included in ‘employee benefits expense’	108	372

The amounts recognized in other comprehensive income are as follows:

	2014	2013
Remeasurement (gains)/losses:		
Actuarial (gains)/losses arising from changes in financial assumptions	(845)	224
Actuarial losses arising from changes in demographic assumptions	20	4
Actuarial losses – Experience	155	88
Effect of exchange rate changes	50	8
Total included in other comprehensive income	(620)	324

Reconciliation of the opening and closing balances of plan assets' fair value:

	2014	2013
Plan assets at beginning of year	1,830	1,819
Interest income	146	131
Contributions	229	230
Benefits paid	(232)	(167)
Actuarial loss	(342)	(183)
Other	(1)	-
Plan assets at year end	1,630	1,830

The annual contributions made by the Group are managed by the Fund. The primary investment objectives of the Fund are to achieve the highest rate of total return within prudent levels of risk and liquidity, to diversify and mitigate potential downside risk associated with the investments, and to provide adequate liquidity for benefit payments and portfolio management.

Plan assets structure:

	At 31 December 2014	At 31 December 2013
Russian corporate bonds and equity securities of Russian issuers	34.61%	51.74%
Russian government and regions bonds	8.51%	11.61%
Bank deposits	33.84%	33.12%
Foreign government securities	10.11%	-
Other	12.93%	3.53%
Total plan assets	100%	100%

Expected contributions to be paid during the next annual reporting period are RR 547 million.

Note 18: Taxes

Income tax expense comprises the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Current income tax expense	(21,376)	(21,645)
Deferred income tax expense	(4,920)	(1,302)
Income tax expense for the year	(26,296)	(22,947)

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% (for the year ended 31 December 2013: 20%) to income before income taxes:

	Year ended 31 December 2014	Year ended 31 December 2013
Profit before income taxes and non-controlling interest	123,973	101,291
Theoretical income tax expense at statutory rate	(24,795)	(20,258)
Increase due to:		
Non-deductible expenses, net	(2,545)	(2,689)
Other	1,044	-
Income tax expense	(26,296)	(22,947)

No provision has been made for additional income taxes on RR 24,311 million of undistributed earnings of certain subsidiaries. These earnings have been and will continue to be reinvested. These earnings could become subject to additional tax of approximately RR 1,550 million if they were remitted as dividends.

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following:

	At 31 December 2014	At 31 December 2013
Tax loss carry forward	4,508	3,824
Decommissioning provision	8,956	11,007
Other	778	624
Deferred income tax assets	14,242	15,455
Property, plant and equipment	(27,458)	(24,146)
Inventories	(2,370)	(1,847)
Accounts receivable	(319)	(152)
Long-term investments	(94)	(95)
Undistributed Earnings	-	(1,044)
Other liabilities	(2,618)	(1,921)
Deferred income tax liabilities	(32,859)	(29,205)
Net deferred tax liability	(18,617)	(13,750)

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

	At 31 December 2014	At 31 December 2013
Deferred income tax asset	2,982	2,049
Deferred income tax liability	(21,599)	(15,799)
Net deferred tax liability	(18,617)	(13,750)

Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilized.

(IN MILLIONS OF RUSSIAN ROUBLES)

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Tax losses carry forward. At 31 December 2014, the Group had recognized deferred income tax assets of RR 4,508 million (RR 3,824 million at 31 December 2013) in respect of unused tax loss carry forwards of RR 22,541 million (RR 19,119 million at 31 December 2013). Tax losses can be carried forward for relief against taxable profits for 10 years after they are incurred, subject to certain limitations. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments including expectations regarding the Group’s ability to generate sufficient future taxable income and the projected time period over which deferred tax benefits will be realized.

The Group doesn’t have any unrecognised potential deferred tax assets in respect of deductible temporary differences.

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

	Year ended 31 December 2014	Year ended 31 December 2013
Mineral extraction tax	110,416	105,302
Property tax	5,161	4,518
Penalties and interest	53	40
Other	1,430	1,476
Total taxes other than income taxes	117,060	111,336

For mineral extraction tax for fields whose depletion rate exceeds a certain threshold the Group received a benefit of approximately RR 29.7 billion and RR 24.4 billion for the years ended 31 December 2014 and 2013, respectively.

At 31 December 2014 and 2013 taxes payable were as follows:

	At 31 December 2014	At 31 December 2013
Mineral extraction tax	7,300	9,485
Value Added Tax on goods sold	2,694	2,205
Export duties	596	1,765
Property tax	1,419	1,195
Other	2,431	2,056
Total taxes payable	14,440	16,706

Note 19: Shareholders’ equity

Authorized share capital. At 31 December 2014 the authorized share capital consists of 2,178,690,700 voting common shares and 147,508,500 non-voting preferred shares; both classes of shares have a nominal value of RR 1.00 per share. The nominal value of authorised share capital differs from its carrying value due to effect of the hyperinflation of capital contributions made before 2003.

Golden share. OAO Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan, as of 31 December 2014 holds approximately 33.59% of the Company’s capital stock (approximately 36% of voting stock). These shares were contributed to Svyazinvestneftekhim by the Ministry of Land and Property Relations of Tatarstan in 2003. 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 Revision Commission of the Company and to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization and “major” and “interested party” transactions as defined under Russian law.

The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Company’s suppliers, contractors and customers (see also Note 1).

Rights attributable to preferred shares. Unless a different amount is approved at the annual shareholders meeting, preferred shares earn dividends equal to their nominal value. The amount of a dividend for a preferred share may not be less than the amount of a dividend for a common share. Preferred shareholders may vote at meetings only on the following decisions:

- the amendment of the dividends payable per preferred share;
- the issuance of additional shares with rights greater than the current rights of preferred shareholders; and
- the liquidation or reorganization of the Company.

The decisions listed above can be made only if approved by 75% of preferred shareholders.

Holders of preferred shares acquire the same voting rights as holders of common shares in the event that dividends are either not declared, or declared but not paid, on preferred shares. On liquidation, the shareholders are entitled to receive a distribution of net assets. Under Russian Joint Stock Companies Law and the Company’s charter in case of liquidation, preferred shareholders have priority over shareholders holding common shares to be paid declared but unpaid dividends on preferred shares and the liquidation value of preferred shares, if any.

Amounts available for distribution to shareholders. Amounts available for distribution to shareholders are based on the Company’s non-consolidated statutory accounts prepared in accordance with RAR, which differ significantly from IFRS (see Note 2). The statutory accounts are the basis for profit distribution and other appropriations. Russian legislation identifies the basis of distribution as the current period net profit calculated in accordance with RAR. However, this legislation and other statutory laws and regulations dealing with distribution rights are open to legal interpretation. For the years ended 31 December 2014 and 2013, the Company had a statutory current profit of RR 82,061 million and RR 63,850 million, respectively.

In June 2014 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2013 in amount of RR 8.23 per preference and ordinary share. In June 2013 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2012 in amount of RR 8.6 per preference and ordinary share.

Earnings per share. Preference shares are not redeemable and are considered to be participating shares. Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preference shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares. The remaining profit or loss is allocated to common and preferred shares to the extent that each class may share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.

	Year ended 31 December 2014	Year ended 31 December 2013
Profit attributable to Group shareholders	92,227	70,832
Common share dividends	(17,474)	(18,260)
Preferred share dividends	(1,214)	(1,268)
Income available to common and preferred shareholders, net of dividends	73,539	51,304
Basic and diluted:		
Weighted average number of shares outstanding (millions of shares):		
Common	2,123	2,123
Preferred	148	148
Combined weighted average number of common and preferred shares outstanding	2,271	2,271
Basic and diluted earnings per share (RR)		
Common	40.61	31.19
Preferred	40.58	31.16

Non-controlling interest. Non-controlling interest is adjusted by dividends paid by the Group’s subsidiaries amounting to RR 1,819 million and RR 984 million at 31 December 2014 and 2013, respectively.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Note 20: Employee benefit expenses

	Year ended 31 December 2014	Year ended 31 December 2013
Wages and salaries	35,144	32,479
Statutory insurance contributions	10,197	9,045
Bonus certificates granted to directors and employees	1,235	1,038
Pension costs – defined benefit plans (Note 17)	108	372
Other employee benefits	2,467	2,655
Total employee benefit expense	49,151	45,589

Employee benefit expenses are included in operating expenses, selling, general and administrative expenses and Maintenance of social infrastructure and transfer of social assets and other expenses in the Consolidated Statements of Profit or Loss and Other Comprehensive Income.

Note 21: Interest income and interest expense

Interest income comprises the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Interest income from loans and receivables	6,852	3,315
Unwinding of the present value discount of long-term financial assets	92	50
Total interest income	6,944	3,365

Interest expense comprises the following:

	Year ended 31 December 2014	Year ended 31 December 2013
Bank loans	1,660	2,204
RR denominated non-convertible bonds	-	261
Unwinding of the present value discount of decommissioning provision	4,123	4,494
Unwinding of the present value discount of long-term financial assets and liabilities	45	590
Total interest expense	5,828	7,549
Less capitalised interest costs	(346)	(625)
Total interest costs recognised in profit or loss	5,482	6,924

Note 22: 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 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,
- Petrochemical products include production and sales of tires and petrochemical raw materials and refined products, which are used in production of tires.

Other sales include revenues from ancillary services provided by the specialized subdivisions and subsidiaries of the Group, such as sales of oilfield equipment and drilling services provided 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, expense, and earnings from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating segments. For the year ended 31 December 2014, revenues of RR 61,719 million or 13% of the Group’s total sales and operating revenues is derived from one external customer.

For the year ended 31 December 2013, revenues of RR 88,807 million or 20% and RR 51,424 million or 11% of the Group’s total sales and operating revenues are derived from two external customers, respectively.

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 MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

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

	Year ended 31 December 2014	Year ended 31 December 2013
Exploration and production		
Domestic own crude oil	75,601	57,262
CIS own crude oil	8,825	7,057
Non-CIS own crude oil	105,411	137,495
Other	4,263	4,300
Intersegment sales	107,869	90,628
Total exploration and production	301,969	296,742
Refining and marketing		
Domestic sales		
Crude oil purchased for resale	12,218	394
Refined products	126,967	98,623
Total Domestic sales	139,185	99,017
CIS sales		
Refined products	12,087	7,176
Total CIS sales(1)	12,087	7,176
Non-CIS sales		
Crude oil purchased for resale	10,083	14,999
Refined products	62,329	73,542
Total non-CIS sales(2)	72,412	88,541
Other	5,105	3,496
Intersegment sales	3,399	3,487
Total refining and marketing	232,188	201,717
Petrochemicals		
Tires – domestic sales	25,027	24,395
Tires – CIS sales	6,579	6,714
Tires – non-CIS sales	1,486	1,321
Petrochemical products and other	2,794	2,359
Intersegment sales	933	846
Total petrochemicals	36,819	35,635
Total segment sales	570,976	534,094
Corporate and other sales	17,585	15,850
Elimination of intersegment sales	(112,201)	(94,961)
Total sales and other operating revenues	476,360	454,983

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

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

Segment earnings.

	Year ended 31 December 2014	Year ended 31 December 2013
Segment earnings		
Exploration and production	90,778	92,746
Refining and marketing	21,046	16,321
Petrochemicals	320	338
Total segment earnings	112,144	109,405
Corporate and other	(5,611)	(4,996)
Other income/(expenses)	17,440	(3,118)
Profit before income tax	123,973	101,291

Segment assets.

	At 31 December 2014	At 31 December 2013
Assets		
Exploration and production	280,081	281,384
Refining and marketing	294,658	259,879
Petrochemicals	30,094	29,830
Corporate and other	128,101	102,996
Total assets	732,934	674,089

As of 31 December 2014 and 2013 corporate and other segment comprised RR 7,212 million and RR 7,778 million, respectively, investments in associates and joint ventures.

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

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

	Year ended 31 December 2014	Year ended 31 December 2013
Depreciation, depletion and amortization		
Exploration and production	11,633	11,424
Refining and marketing	5,516	4,203
Petrochemicals	1,741	1,682
Corporate and other	2,231	2,014
Total segment depreciation, depletion and amortization	21,121	19,323
Additions to property, plant and equipment		
Exploration and production	12,186	25,696
Refining and marketing	32,633	23,791
Petrochemicals	1,254	942
Corporate and other	6,714	7,715
Total additions to property, plant and equipment	52,787	58,144

For the years ended 31 December 2014 and 2013 additions to property, plant and equipment of exploration and production segment include a reduction of RR 12,988 million and RR 1,751 million, respectively, associated with changes in the decommissioning provision.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Note 23: 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 affiliates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales of crude oil and refined products, purchases of electricity and banking transactions.

Associates, joint ventures and other related parties

The amounts of transactions for each year and the outstanding balances at each year end with affiliates and other related parties are as follows:

	Year ended 31 December 2014	Year ended 31 December 2013
Revenues and income		
Sales of refined products	15	15
Other sales	324	226
Costs and expenses		
Purchases of crude oil	148	124
Other services	527	629
Other purchases	1,644	1,105

For the years ended 31 December 2014 and 2013, the Group sold crude oil on a commission basis from related parties for RR 148 million and RR 124 million, respectively.

For the year ended 31 December 2014 and 2013 the Group has entered into transactions with related parties for purchases of equipment in the amount of RR 0 million and RR 1,986 million, respectively, which is included in our property, plant and equipment.

At 31 December 2014 and 2013 the outstanding balances with related parties were as follows:

	At 31 December 2014	At 31 December 2013
Assets		
Cash and cash equivalents	6,258	11,342
Restricted cash	1,554	912
Accounts receivable	421	332
Notes receivable	3,459	2,164
Short-term certificates of deposit	4,394	4,300
Trading securities	176	7
Loans receivable	515	310
Prepaid expenses and other current assets	189	107
Due from related parties short-term	16,966	19,474
Long-term accounts receivable	6	-
Long-term certificates of deposit	16,006	14,341
Long-term loans receivable	4,974	2,366
Due from related parties long-term	20,986	16,707
Liabilities		
Accounts payable and accrued liabilities	(162)	(503)
Short-term debt	(1,991)	(2,130)
Due to related parties short-term	(2,153)	(2,633)
Long-term debt	(66)	(23)
Due to related parties long-term	(66)	(23)

As of 31 December 2014 and 2013, the Group had RR 7,719 million and RR 3,879 million, respectively, in loans and notes receivable due from Bank Zenit or its wholly-owned subsidiary Bank Devon Credit. These loans and notes mature between 2015 and 2022, bearing interest between 2.48% and 8.5%. As of 31 December 2014 and 2013, the Group has short and long-term certificates of deposit of RR 20,400 million and RR 18,641 million, respectively, held with Bank Zenit or its wholly-owned subsidiary Bank Devon Credit.

In March 2009 the Group placed a long-term deposit with Bank Zenit for RR 2,140 million payable in 10 years bearing interest 10.85%. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years with a new interest rate of 9.35% per annum.

The Group entered into a subordinated deposit agreement with Bank Zenit in January 2013 in the amount of RR 3,600 million payable in 10 years bearing interest of 9% per annum. In February 2014 an additional agreement was signed, as result of which this deposit will be payable in 15 years without a change of interest rate.

(IN MILLIONS OF RUSSIAN ROUBLES)

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Russian Government bodies and state organizations

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

	Year ended 31 December 2014	Year ended 31 December 2013
Sales of crude oil	1,292	-
Sales of refined products	2,841	1,848
Other sales	330	304
Purchases of refined products	18,821	8,771
Purchases of electricity	11,037	10,115
Purchases of transportation services	15,061	22,489
Other services	3,287	4,067
Other purchases	204	136

Compensation to key management personnel

As of 31 December 2014 and 2013 total remuneration, including pension cost, for key management personnel was RR 1,582 million and RR 1,625 million, respectively.

For the year ended 31 December 2014, the Company issued 9,264,850 Awards to senior management and directors, all of which are expected to be settled at a price of RR 133.28 per Award. Final settlement is subject to approval at the Company’s Management Committee meeting in July-September 2015. For the year ended 31 December 2013, the Company issued 10,138,230 Awards to senior management and directors, all of which are expected to be settled at a price of RR 102.4 per Award. The amount of related compensation expense recognized in Selling, General and administrative expenses of the Consolidated Statements of Profit or Loss and Other Comprehensive Income for the years ended 31 December 2014 and 2013 was RR 1,235 million and RR 1,038 million, respectively.

Note 24: 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.

During 2014 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 31 December 2014 and 2013 the Group has outstanding capital commitments of approximately RR 36,977 million and RR 23,180 million, respectively, for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2015 and 2017.

Management believes the Group’s current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company’s cash flow with the support of the bank facilities (Note 15). Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the TANECO refinery project, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

Taxation. Russian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. Management’s interpretation of such legislation as applied to the transactions and activity of the Group may be challenged by the relevant authorities. The Russian tax authorities may be taking a more assertive position in their interpretation of the legislation and assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

Tax authorities have completed the tax review of the Company’s consolidated taxpayers group for the 2012. The results of this review did not have a material effect on the Group’s results of operations or cash flows.

Amended Russian transfer pricing legislation took effect from 1 January 2012. The transfer pricing rules appear to be more technically elaborate and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not arm’s length.

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.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the impact of any challenge of the Group’s transfer prices cannot be reliably estimated; however, it may be significant to the financial conditions and/or the overall operations of the Group.

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 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.

Guarantees. The Group has no outstanding guarantees at 31 December 2014 and 2013.

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Transportation of crude oil. The Group benefits from the blending of its crude oil in the Transneft pipeline system since the Group’s crude oil production is generally of a lower quality than that produced by some other regions of the Russian Federation (mainly Western Siberia) which supply through the same pipeline system. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme is not determinable at present. However, if this practice were to change, the Group’s business could be materially and adversely affected.

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.

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 31 December 2014 the Group had approximately RR 5,731 million of assets associated with its Libyan operations of which RR 5,503 million is related to capitalized exploration costs, RR 210 million of inventories and RR 18 million of cash. As of 31 December 2013 the company had approximately RR 5,673 million of assets associated with its Libyan operations of which RR 5,455 million is related to capitalized exploration costs, RR 210 million of inventories and RR 8 million of cash.

Note 25: Principal subsidiaries

Set out below are the Group’s principal subsidiaries at 31 December 2014. Unless otherwise stated, the subsidiaries as listed below have share capital consisting solely of ordinary shares, which are held directly by the Group and the proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business. For all principal subsidiaries the country of incorporation is the Russian Federation, except for Tatneft Europe AG, which is incorporated in Switzerland.

Name of entity	Principal activity	At 31 December 2014		At 31 December 2013	
		% of ownership Interest held by the Group	% of ownership Interest held by the NCI	% of ownership Interest held by the Group	% of ownership Interest held by the NCI
Tatneft Europe AG	Export oil sales	100	-	100	-
Taneco OAO	Oil refinery	91	9	91	9
TMS group OOO	Oil lifting services	-	100	-	100
Burenie OOO	Drilling services	-	100	-	100
Nizhnekamskshina OAO	Tires production	58	42	61	39
Nizhnekamskiy zavod shin CMK OOO	Tires production	100	-	100	-
Trade House Kama OOO	Tires sales	100	-	100	-
Tatneft AZS-Centr OOO	Oil products sales	100	-	100	-
Tatneft AZS-Zapad OOO	Oil products sales	100	-	100	-

The total non-controlling interest for the year ended 31 December 2014 is RR 5,450 million, of which RR 1,560 million is attributed to TMS group OOO and Burenie OOO. The total non-controlling interest for the year ended 31 December 2013 is RR 7,512 million, of which RR 3,167 million is attributed to TMS group OOO and Burenie OOO. As of 31 December 2014 and 2013 accumulated non-controlling interest in TMS group OOO and Burenie OOO was RR 9,527 million and RR 8,571 million, respectively.

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

	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/
Year ended 31 December 2014						
Taneco OAO	14,628	183,403	179,424	13,352	37,488	6,786
TMS group OOO	1,380	29,344	1,450	4,902	26,866	2,012
Nizhnekamskshina OAO	963	3,276	4,935	504	13,596	(131)
Burenie OOO	456	970	1,426	-	14,472	(113)
Total	17,427	216,993	187,235	18,758	92,422	8,554
Year ended 31 December 2013						
Taneco OAO	8,920	144,521	148,193	6,779	20,620	3,607
TMS group OOO	380	28,302	1,384	4,225	23,862	2,060
Nizhnekamskshina OAO	2,500	2,891	5,692	751	16,256	218
Burenie OOO	499	797	1,144	1	14,943	1,329
Total	12,299	176,511	156,413	11,756	75,681	7,214

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

Note 26: Financial risk management

Financial risk management objectives and policies.

The accounting policies for financial instruments, as described in Note 3, have been applied to the financial statements line items below:

	Note	At 31 December 2014	At 31 December 2013
Financial assets			
Current			
Cash and cash equivalents	6	41,548	29,535
Restricted cash		1,635	917
Accounts receivable	7	46,059	52,098
Short-term financial assets	8	25,323	16,693
Non-current			
Long-term accounts receivable		1,364	1,016
Long-term financial assets	11	29,893	25,814
Total financial assets		145,822	126,073
Financial liabilities			
Current			
Trade and other payable	16	(18,733)	(15,343)
Short-term debt and current portion of long-term debt	15	(15,859)	(36,561)
Non-current			
Long-term debt, net of current portion	15	(12,888)	(12,785)
Total financial liabilities		(47,480)	(64,689)

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and commodity price risk), credit risk and liquidity risk. The Group’s overall risk management program focuses on the unpredict-ability of financial markets and seeks to minimize potential adverse effects on the Group’s financial performance. The Group has introduced a risk management system and developed a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future perfor-mance of a business.

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest rate risk and (c) commodity price risk.

a) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures primarily with respect to the US dollar and the Euro. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

The table below summarises the Group’s exposure to foreign currency exchange rate risk at the end of the reporting period:

At 31 December 2014	Russian Rouble	US dollar	Other	Total
Financial assets				
Current				
Cash and cash equivalents	37,686	3,778	84	41,548
Restricted cash	-	127	1,508	1,635
Accounts receivable	34,974	10,242	843	46,059
Short-term financial assets	22,184	3,139	-	25,323
Non-current				
Long-term accounts receivable	1,364	-	-	1,364
Long-term financial assets	24,381	5,512	-	29,893
Total financial assets	120,589	22,798	2,435	145,822
Financial liabilities				
Current				
Trade and other payable	(15,964)	(1,661)	(1,108)	(18,733)
Short-term debt and current portion of long-term debt	(3,590)	(11,484)	(785)	(15,859)
Non-current				
Long-term debt, net of current portion	(799)	(8,971)	(3,118)	(12,888)
Total financial liabilities	(20,353)	(22,116)	(5,011)	(47,480)
At 31 December 2013	Russian Rouble	US dollar	Other	Total
Financial assets				
Current				
Cash and cash equivalents	26,121	3,346	68	29,535
Restricted cash	20	106	791	917
Accounts receivable	24,443	25,841	1,814	52,098
Short-term financial assets	13,934	2,759	-	16,693
Non-current				
Long-term accounts receivable	1,016	-	-	1,016
Long-term financial assets	22,305	3,509	-	25,814
Total financial assets	87,839	35,561	2,673	126,073
Financial liabilities				
Current				
Trade and other payable	(13,450)	(1,798)	(95)	(15,343)
Short-term debt and current portion of long-term debt	(4,966)	(31,387)	(208)	(36,561)
Non-current				
Long-term debt, net of current portion	(890)	(10,086)	(1,809)	(12,785)
Total financial liabilities	(19,306)	(43,271)	(2,112)	(64,689)

(IN MILLIONS OF RUSSIAN ROUBLES)

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Effect on pre-tax profit	Increase/decrease in exchange rate	Year ended 31 December 2014	Year ended 31 December 2013
US \$/RR loss	+10%	(68)	(771)
US \$/RR gain	-10%	68	771

b) Interest rate risk.

The majority of the Group’s borrowings is at variable interest rates (linked to the LIBOR rate). To mitigate the risk of significant changes in the LIBOR rate, the Group’s treasury function performs periodic analysis of the interest rate environment. The Group does not have a formal policy of determining how much of the Group’s exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether to obtain financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

Effect on pre-tax profit	Year ended 31 December 2014	Year ended 31 December 2013
Increase by 100 basis points	(264)	(372)
Decrease by 100 basis points*	50	25

* - floating rate decrease capped at zero.

The sensitivity analysis is limited only to variable rate loans and borrowings and is conducted with all other variables held constant. The analysis is prepared assuming the amount of variable rate liability outstanding at the reporting date was outstanding for the whole year. Interest rate on variable rate loans and borrowings will effectively change throughout the year in response to fluctuations in market interest rates.

The impact measured through the sensitivity analysis does not take into account other potential changes in economic conditions, which may accompany the relevant changes in market interest rates.

c) Commodity price risk

Commodity price risk is the risk or uncertainty arising from possible movements in prices for crude oil and related products, and their impact on the Group’s future performance and results of the Group’s operations. A decline in the prices could result in a decrease in net income and cash flows. The Group’s overall strategy in production and sales of crude oil and related products is centrally managed. Substantially all the Group’s crude oil export sales to Europe are sold under long-term contracts.

The Group assesses on a regular basis potential scenarios for future fluctuation in commodity prices and their impacts on operational and investment decisions.

However, in the current environment management estimates may materially differ from actual future impact on the Group’s financial position. Actual results, and the impact on the Group’s operations and financial position, may differ from management’s estimates of potential scenarios.

Credit risk

Credit risk refers to the risk exposure that a potential financial loss to the Group may occur if a counterparty defaults on its contractual obligations. The Group’s exposure to credit risk is limited to the carrying amount of financial assets recognized in the Consolidated Statement of Financial Position.

Credit risk arises from cash and cash equivalents, certificates of deposits, loans and notes receivables, as well as credit exposures to customers including outstanding trade and other receivables.

Credit risks related to accounts receivable are systematically monitored taking into account the customer’s financial position, past experience and other factors. Management systematically reviews ageing analysis of receivables and uses this information for calculation of provision for impairment. A significant portion of the Group’s accounts receivable is due from domestic and export trading companies. The Group does not always require collateral to limit the exposure to loss; however, in most cases letters of credit and prepayments are used, especially with respect to accounts receivables from non-CIS sales of crude oil. The Group operates with various customers and a substantial part of its sales relate to major customers. Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded.

The Company performs an ongoing assessment and monitoring of the risk of default.

In addition, as part of its cash management and credit risk function, the Company regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash.

The Group deposits available cash mostly with financial institutions in the Russian Federation. To manage this credit risk, the Group allocates its available cash to a variety of Russian banks. Management periodically reviews the credit worthiness of the banks in which it deposits cash. As of 31 December 2014 and 2013 the majority of loans and receivables (Note 8, Note 11) are held in Bank Zenit which is related party to the Group (Note 23) and other non-investment grade entities with credit rating not less than BB- according to Standard and Poor’s.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group’s approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation. In managing its liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities.

The Group prepares various financial plans (monthly, quarterly and annually) which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities for a period of 30 days or more. To fund cash requirements of a more permanent nature, the Group will normally raise long-term debt in available international and domestic markets.

All of the Group’s financial liabilities represent non-derivative financial instruments.

The following tables summarise the maturity profile of the Group’s financial liabilities based on contractual undiscounted payments, including interest payments:

At 31 December 2014	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term debt, current portion of long-term and long-term debt	16,662	3,465	5,869	5,496	31,492
Trade and other payable	18,733	-	-	-	18,733

At 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Short-term debt, current portion of long-term and long-term debt	37,971	6,174	4,506	4,271	52,922
Trade and other payable	15,343	-	-	-	15,343

As the amounts included in the table are contractual undiscounted cash flows which include future interest payments, these

(IN MILLIONS OF RUSSIAN ROUBLES)

(IN MILLIONS OF RUSSIAN ROUBLES)

amounts will not reconcile to the amounts disclosed in the consolidated statement of financial position for borrowings.

Fair value hierarchy

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 the reporting entity 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 the Russian domestic 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 Company’s own assumptions about the as-
sumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

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

	At 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Total carrying value	Level 1	Level 2	Level 3	Total carrying value
Held-for-trading investments	1,160	-	1,360	2,520	2,522	-	994	3,516
Available-for-sale investments	-	4,752	-	4,752	-	4,660	-	4,660
Total	1,160	4,752	1,360	7,272	2,522	4,660	994	8,176

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 measure-
ments at 31 December 2014:

	Fair value	Valuation technique	Inputs used
Available-for-sale investments	4,752	Quoted prices for similar investments in active markets, net assets valuation	Publicly available information
Total	4,752		

Available-for-sale financial assets, comprise of RR 3,585 million (11.7%) AK Bars Bank shares which are not quoted in any Stock Exchange and the fair value are measured on AK Bars Bank Group per IFRS Financial Statements (Net assets value) and other publicly available information.

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2014 (2013: none).

There have been no transfers between Level 1, Level 2 and Level 3 during the period.

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 31 December 2014				At 31 December 2013			
	Level 1	Level 2	Level 3	Total carrying value	Level 1	Level 2	Level 3	Total carrying value

Assets

Cash and cash equivalents	41,548	-	-	41,548	29,535	-	-	29,535
Restricted cash	1,635	-	-	1,635	917	-	-	917
Accounts receivable	-	-	47,423	47,423	-	-	53,114	53,114
Financial assets	-	-	42,162	47,944	-	-	35,112	34,332
Total assets	43,183	-	89,585	138,550	30,452	-	88,226	117,898

Liabilities

Debt	-	-	(23,526)	(28,747)	-	-	(49,346)	(49,346)
Trade and other payable	-	-	(18,733)	(18,733)	-	-	(15,343)	(15,343)
Total liabilities	-	-	(42,259)	(47,480)	-	-	(64,689)	(64,689)

The fair values in Level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed and floating interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Management of Capital

The primary objective of the Group’s capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group considers equity and debt to be the principal elements of capital management. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, revise its investment program, attract new or settle existing debt or sell certain non-core businesses.

The Group monitors capital on the basis of its gearing ratio.

Description	Year ended 31 December 2014	Year ended 31 December 2013
Consolidated total borrowings:	29,006	49,607
Short-term debt and current portion of long-term debt	15,859	36,561
Long-term debt, net of current portion	12,888	12,785
Notes payable	259	261
Consolidated shareholders’ equity	555,965	481,412
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders’ equity)	5%	10%



SOCIAL RESPONSIBILITY

Corporate social responsibility is integrated into the Company's operations and is a voluntary initiative, based on the awareness of business's role in the state's social and economic stability strengthening.

The Company implements special programs to support health, education, culture and sports

The priority for 2014 was to increase the efficiency of the Company's human resources usage, and to develop work experience exchange and personnel training system.

HR MANAGEMENT

HR Management Policy

JSC TATNEFT’s employees are the main asset and the key factor of stable development in the Company. Therefore, TATNEFT gives special attention to educational and professional growth of the personnel, attracting and retaining highly-skilled specialists, training of prospective young people.

Main objectives, principles and approaches in HR Management, as well as the Company’s values towards employees, are defined in the HR Management Policy of JSC TATNEFT.

HR Management Policy is the Company’s fundamental document in the field of human resource management, which is consistently, fulfilled corporate standards, regulating certification of the personnel, work with the candidate pool, procedure of rewarding, etc.

Corporate HR Management Policy establishes the order of personnel hiring, opportunities for professional and career growth of the employees, proved program of material and non-material reward of the employees, and social support.

In 2014, the average number of employees in JSC TATNEFT was 20,502 people. The aggregate number of employees in TATNEFT Group is approximately 77 thousand people (at the enterprises consolidated in the report in compliance with the IFRS standard).

The Company hired 3,144 people in 2014. That makes 15,3% of average number of employees. Stuff turnover in JSC TATNEFT figured up to 4,7% in the reporting year, and this number doesn’t exceed average number in the industry.

Unified hiring procedure was established in JSC Tatneft. Preference in filling vacancies is given to the Company’s employees whose characteristics perfectly meet the imposed requirements. When hiring employees, preference is given to local residents having appropriate qualification and practical experience in the field of the Company’s activity. The share of top managers from local population in the basic regions of the Company’s activity makes up about 100%.

Personnel Motivation

JSC TATNEFT considers wages as a component of an integrated system for employees’ material and non-material incentives, which allows the Company to maintain high competitiveness, attracting and retaining qualified and motivated employees.

Main principles of the Company’s wages policy are the following:

- linkage with work results and goal achievement;
- fairness and transparency;
- ensuring competitiveness of wages.

Wages system is focused on employees’ motivation for qualitative and productive labor, and defined by:

- importance and complexity of objectives achieved by an employee;
- work results of a structural subdivision and the Company as a whole;
- individual work results of an employee;
- professional qualification level and certification results of an employee.

Indicators helping when making decisions on wages increases are the following:

- consumer price index (inflation rate);
- minimum wage in the country;
- minimum consumer budget in the region;
- rate of remuneration in other companies of the industry;
- increase in labor productivity in the Company.

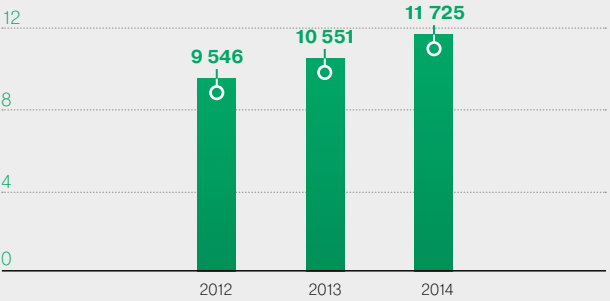
Main income of the employees consists of the wage and social package. Wage includes base (constant) part, according to the scale of wages, and bonus (variable) part. Social package provides employees with relevant value of medical and other social guarantees.

Structure of JSC TATNEFT Employees’ Income in 2014

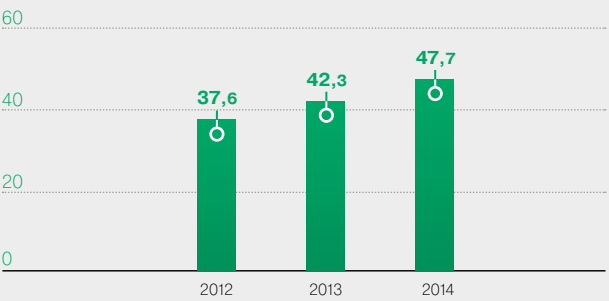
Index	Values
Wage share, incl.:	89%
constant component	60%
variable component	40%
Social payments share	11%

JSC TATNEFT PERSONNEL

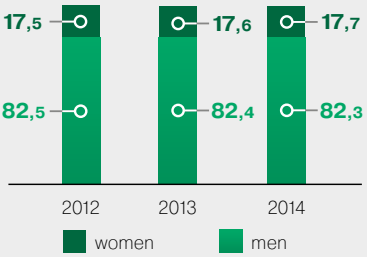
WAGES FUND (RUR MILLIONS)



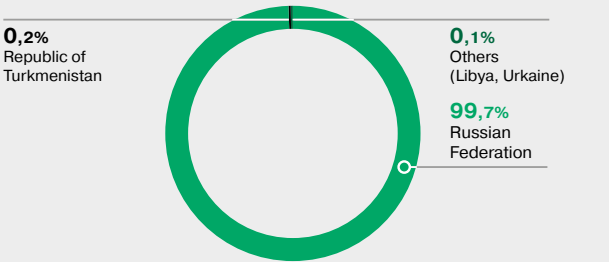
AVERAGE MONTHLY SALARY (THOU. RUR)



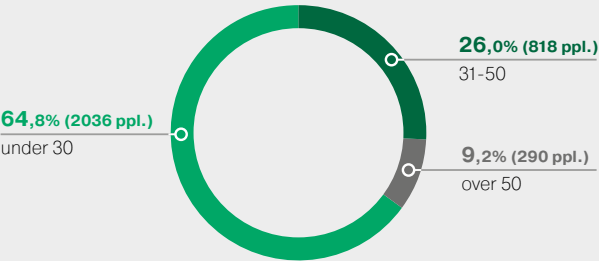
GENDER BALANCE DYNAMICS IN MANAGERIAL BODIES OF THE COMPANY (%)



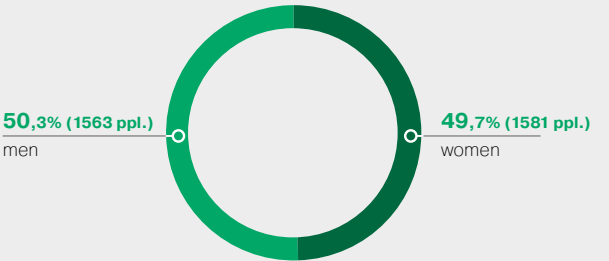
REGIONAL DISTRIBUTION OF STAFF



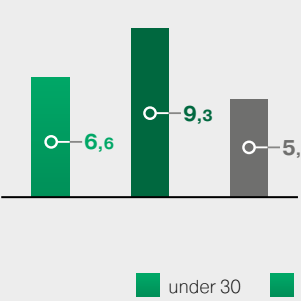
EMPLOYEES HIRING ACCORDING TO AGE (PPL.)



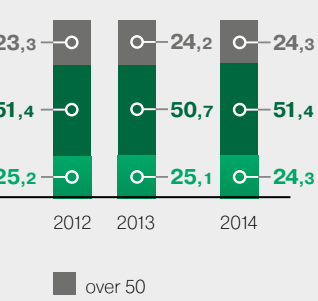
EMPLOYEES HIRING ACCORDING TO GENDER



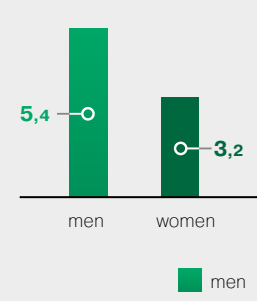
STAFF TURNOVER ACCORDING TO AGE (%)



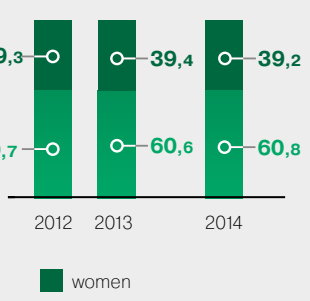
STAFF STRUCTURE ACCORDING TO AGE (%)



STAFF TURNOVER ACCORDING TO GENDER (%)



STAFF STRUCTURE ACCORDING TO GENDER (%)



Personnel Training and Development

The Company is focused on creation of an integrated system for continuous education aimed at constant improvement and development of employees, experts, middle and top managers. Employees' training is carried out in the corporate personnel training center in 286 occupations, from drilling to filling station servicing.

Training and skill improvement of specialists are carried out in specialized educational establishments of the region and the Russian Federation. Over a number of years, the Company's specialist participate in the Program on Training of Managerial Human Resources for National Economic Enterprises of the Russian Federation ("President Program"). 150 finished their learning in the period between 1998-2014. In 2014, 75 chiefs of main production workshops in oil and gas production boards passed education under international module program "Chief of oil and gas production workshop" of Oil and Gas Business Institute. 45 managers and specialists of oil and gas drilling services and supervising services passed their education on "Wells drilling and completion" program. The Institute has also developed module educational program "Young leader of oil and gas company" for young specialists and winners of science and practice conferences organized by TATNEFT and Lukoil companies. There are 15 young specialists of JSC TATNEFT oil and gas production board among the program participants.

84 managers took part in the seminars on lean manufacturing in August 2014. After considering the results of the seminars, its participants initiated over 100 projects on reducing of all kinds of losses, improvement of conducted works quality, costs optimization and income increasing.

In 2014, vocational training and skill improvement courses were taken by 15,300 employees of the Company (72.4% of personnel listing). This number includes 8,116 workers, 4,135 managers, 3,049 specialists and office employees. Over RUR 129 million was allocated for this purpose. Average number of hours of education for each JSC TATNEFT employee amounted to 74,9 hours in 2014.

Corporate e-University

The Company continues developing Corporate e-University founded in 2011 (www.ec-univer.ru). It is an innovative educational resource facilitating continuous professional development of specialists using advanced educational forms and technologies.

Main objectives of Corporate e-University include intellectual and professional development of employees, identification and selection of talented specialists into the Company's candidate pool, cooperation with higher educational establishments in the field of distance training of would-be specialists of the Company, professional adaptation of young specialists, work with schoolchildren on professional orientation.

The main advantage of Corporate e-University is its strict adherence to the Company's goals. Due to the fact that theoretical, practical and training courses are developed by the Company's leading specialists, students of Corporate e-University study in accordance with the development strategy of JSC TATNEFT. Nowadays Corporate e-University continues developing and increasing educational basis. At the moment, Corporate e-University offers over 20 educational courses, training and case studies. Over 18.5 thousand people underwent training in the university in 2012.

It's planned to update courses and trainings bank of Corporate e-University in according with the applications of the Company's employees in 2015. The other project, which the Company os going to carry out in 2015, is the organization of specialized courses and trainings for the OJSC TANECO in order to organize developmental teaching of its employees.

Corporate e-University's Projects in 2014

- Course for young specialists
- Course for modern managers
- Special purpose courses
- Training and simulators
- Corporate e-University for school children

Career Center for Students

Project of Career Center for Students (www.sbt-univer.ru), started in 2014, continued its development as a part of Corporate e-University. In 2014, 39,438 people visited Career Center website, 1,589 applicant registered, including 909 graduates of higher educational establishments. 42 employer posted 152 vacancies.

Crowdsourcing Diploma Project

In 2014 web-portal JSC TATNEFT's Business Ideas Auction launched new project called Crowdsourcing Diploma. The project works on the following principle: graduate student publishes his final work and the information on issue, studied in his work. The Company's experts carry out online-examination of the work, assess timeliness of the topic, effectiveness of the idea on problem solution proposed by student, and propose alternative ways of its solution.

19 final projects of students of Economics and Management Faculty of AGNI were chosen for the technology approbation in 2014. During 3 weeks of Crowdsourcing Diploma Project work over 200 experts of the Company participated in it as the experts and consultants, and they proposed over 500 ideas and comments, which helped students to improve quality level of their final projects.

Online Defense of Final Projects

In order to enhance quality of training of young specialists and to reinforce cooperation between enterprises and higher educational establishments, a systematic work with graduating students on preparation of their final projects was organized.

In 2014, graduating students of Kazan (Privolzhsk) Federal University majoring in geology, computing mathematics and cybernetics, and graduating students of Almet'yevsk State Oil Institute majoring in different subjects participated in the project. In the reporting year, 77 graduating students participated in online defense of their final projects.

Personnel Certification

Issues of Personnel Certification in the Company are regulated by Personnel Certification Standard of JSC TATNEFT. The Standard establishes a unified personnel certification procedure in all subdivisions of the Company and is recommended for application in affiliate and subsidiary companies.

Personnel certification is an integral part of the HR management system directed at implementation of the corporate strategy and performed in compliance with the Labor Code of the Russian Federation and relevant regulatory documents.

The purpose of personnel certification is to check correspondence of employees' competence to their position and skill requirements, as well as to assess opportunities to their further career promotion. Obligation to undergo certification lies on managers, specialists and office employees of the Company (making up about 33% of personnel capacity).

Outreach of Young People

Work with young people in JSC TATNEFT is carried out along several main lines: professional and labor fulfilment, social protection, creative fulfilment, cooperation in the informational field, development of tolerance and civil position of the Company's young employees.

The activity of the Central Council of Young Specialists acts to raise level of production and creative activity of the Company's young experts.

In order to involve young employees in the Company's innovative activity, the Central Council of Young Specialists annually holds seminars on innovation and invention.

The Company has coaching system for the purposes of systematic and focused work with every young worker or expert early hired by the Company during one year. The final aim of coaching process is to make young specialist full member of the industrial collective.

Cooperation with the Trade Union

The interregional trade union of JSC TATNEFT unites 158 primary trade unions, 664 shop trade unions and 2,774 professional groups. 99,7% of the Company's employees are members of the trade union.

One of the primary approaches to regulation of labor agreements is cooperation of the trade union with the Company's administration on implementation of coordinated policy in the sphere of labor relations based on the principle of social partnership. The Collective Agreement, annually concluded to embrace all employees of the Company, serves as the basis for such cooperation.

Each employee has the right and the opportunity to participate in formation of the Collective Agreement by sending proposals to the trade union organization. A conciliation commission including representatives of the management of JSC TATNEFT and the trade union committee reviews each proposal.

The trade union representatives participate in reviewing of all social-and-labor issues relevant to employees, from restructuring to changes in the field of wages and working hours. 9 commissions were created for goal-oriented control over fulfillment of the liabilities stipulated in the Collective Agreement:

- commission for social and economic protection of the trade union members;
- legal protection commission;
- workplace protection commission;
- mass organization commission;
- young people's affairs commission;
- commission for labor and World War II veterans;
- culture, sports and health commission;
- housing and public services commission;
- public catering control commission.

In 2014, the trade union committee held 11 sessions, where different issues related to protection of interests of the trade union members were reviewed, including issues related to strengthening of labor discipline, arrangement of hot meals catering, arrangement of summer holidays for the employees' children etc. The trade union committee in cooperation with the Company's representatives participates in elaboration, discussion and implementation of proposals aimed at reduction of occupational injuries and disease rates.

In order to ensure public control in the field of workplace protection, 892 workplace protection agents were elected in primary trade unions of structural subdivisions of JSC TATNEFT (for more information see Health Protection and Occupational Safety). In 2014, the trade union's personnel actively participated in meeting and seminars organized by the Trade Union Federation of the Republic of Tatarstan, Russian Federation of Independent Trade Unions, Russian Council of Oil, Gas and Construction Worker's Union and International Confederation of Trade Unions.

The Company has a "mobile legal advice office" providing consultations and support on legal issues. In 2014, 134 people received legal assistance. Apart from the office, work with letters and notes from the trade union members was continued. 28 applications were overviewed, including applications related to the payment under the Collective Agreement, payment of year-end bonus, prosecution etc. Over 200 members of the trade union obtained explanations and consultations in 2014. Specialists of the trade union committee of JSC TATNEFT continue to meet the trade union members regarding different issues related to protection of their rights and interests, 159 people were met in the reporting year. The trade union committee has trust line, which received 113 calls from the trade union members in 2014. Consultations and practical assistance with all issues and notes was provided for the trade union members.

Information on cooperation of the administration and the trade union committee of JSC TATNEFT is regularly reported to personnel at meetings and conferences, covered in federal, republican, regional and corporate mass-media. Tribuna is information bulletin issued by the trade union monthly.

JSC TATNEFT creates conditions necessary for operation of the trade union, providing free offices, equipment, vehicles, communication facilities and services, personal computers and other hardware.

Employees representing the trade union bodies obtain all social benefits stipulated for employees of JSC TATNEFT.

The Company holds seminars on issues connected with employees' rights protection for the members of the trade union on a regular basis. In the reporting year, the Company held 14 seminars, and 1,200 employees completed their trainings at these seminars.

Business Ethics

Reputation of JSC TATNEFT, as a responsible public company, strictly following high standards of business ethics, is the important key to its success.

The employees must be guided only by the Company's interests when taking decisions on any issues connected with the Company's activity. The employees use assets of the Company only for its further development and don't look for self-profit.

The Company's employees can perform own duties and take important decisions only in case they have high enough proficiency level.

The Company's employees always have to act in compliance with the effective legislation, and understand legal acts which regulate their professional activity, as well as in compliance with inner corporate regulations.

The employees have to avoid conflicts of interests, which may arise in case if employee pushes not the Company's, but personal advantages while executing production tasks. Decisions made in case of conflict of interests may reflect upon an employee's and the Company's reputation, so they are unacceptable.

The employees have to follow affirmative professional approach and generally accepted rules of behavior in their relationship between managers and subordinates, with business partners, consumers, representatives of government institutions, and other parties.

Delivery and receipt of funds by the Company's employees, as well as receipt of presents and providing of services in order to affect on the decisions connected with the Company's activity are unacceptable.

The Company's employees avoid participating in activities which:

- are not compliant with activity of the Company;
- conflict with the Company's interests;
- can give a rise to doubt in the Company's honesty and confidence

Human Rights

The activity of JSC TATNEFR is based on recognition and observance of human rights. The Company observes all labor and employment right of its employees stipulated by the International Labor Organization (ILO) and Russian legislation. The Company respect right to form unions and the right to hold collective bargaining. In JSC TATNEFT these right are exercised by cooperation between employees and the trade union organization, and during formation of the Collective Agreement (for more information see Cooperation with the Trade Union).

The Company does not exploit forced or compulsory labor. Moreover the Collective Agreement of JSC TATNEFT stipulates the employee's right to refuse unsafe work, in case of faulty equipment or conditions which can cause emergency situations, with retention of the employee's position and average monthly income. The Company provides equal opportunities to all employees regardless of gender, age, ethnicity or religion. Employee's personal qualities determined by knowledge, experience and skills matter the most for making decisions on employment, position agreement training and employment termination. The Company enforces the principle of equal remuneration for men and women for the work of equal value. The principle is exercised by use of a unified wages tariff schedule for all employee categories regardless of gender.

The Company respects family obligations of its employees and establishes working hours in strict compliance with employment legislation of the Russian Federation, provides parental leaves, social leaves in case of marriage registration, child birth and other benefits and protection assisting achievement of the balance between work and private life.

The Company observes requirements of the Labor Code of the Russian Federation and the ILO Convention, which prohibit exploitation of juvenile labor at works with harmful and/or hazardous conditions. Moreover, JSC TATNEFT does not carry out any activities exploiting child labor. The Company regularly monitors observance of its employees' rights, takes measures to prevent possible violations of rights. The Committee on legal protection of Trade Union members conducted inspections on labor legislation compliance by the Company's subdivisions in the reporting year. In 2014, there were no claims or cases known to the public arising from violation of human rights or discrimination of the Company's employees.

Social Benefits and Protection

JSC TATNEFT takes care of well-being and social security of its employees and their families. The Company provides its employees with a package of social benefits and protection. Obligations on their fulfillment are stipulated in the Collective Agreement annually concluded between JSC TATNEFT and the staff including all employees of the Company.

The Collective Agreement stipulates:

- employees' benefits and guarantees;
- social protection of young employees;
- support of veterans and pensioners.

Structure of social benefits and protection is stipulated by the Collective Agreement Standard of the TATNEFT Group which is advisory for all enterprises of the Group.

In 2014, the Company increased the size of financial aid for women taking care of minor children aged 1,5-3; for families of late employees to cover funeral-related expenditures; for retiring employees; for employees celebrating their anniversaries; for employees in connection with provision of annual paid leave. Besides that the Company increased size of financial aid for multi-child families, lone-parent families, orphaned children and children whose parents died as a result of occupational accident.

The amount of payment to the employees and pensioners under the Collective Agreement in 2014 amounted to RUR 329 million; the total amount of funds allocated to the implementation of social programs on the social support of employees and pensioners amounted more than RUR 1,5 billion.

A system of personnel's non-material incentives, including Russian, republican and corporate awards, is another motivating factor. The best employees' photos are placed on the Board of Honor.

Through opinion polls, the Company studies needs and expectations of its workers, and their satisfaction with working conditions. Giving such attention helps to provide for the most complete involvement and the strongest motivation of employees.

Voluntary Medical Insurance

Since 1997 JSC TATNEFT has been implementing the voluntary medical insurance program which gives employees an opportunity for high-quality medical services and therapeutic-resort treatment, if needed. In 2014, the total number of insured employees made up 21,461 people, RUR 224.7 million was allocated for the program implementation. In order to reduce the rate of infectious diseases, seasonal immunoprophylaxis was held within the framework of the program (vaccination against seasonal flu and tick-borne encephalitis).

Housing Policy

Providing employees with support in housing improvement is one of important lines of social policy in JSC TATNEFT. Eight residential houses were commissioned in 2014 in Almetyevsk, Dzhailil, Leninogorsk, Nizhnekamsk for the TATNEFT Group employees under the social mortgage program. Company employees were provided with 1,010 apartments with total area of 67.9 thousand m². In 2015, the Company will continue constructing houses under the social mortgage program in almost all cities at the south-east of the Republic, in which the Company operates. In order to support employees participating in the social mortgage program, the Company provides a non-recurrent interest-free loan for 10 years meant for the first mortgage installment. It amounts to 15 to 30% of the housing price. Repayment of this loan from the Company's profit is possible, if the mortgagor is employed by JSC TATNEFT. In 2014, the funds loaned to employees of structural subdivisions amounted to RUR 147.8 million in total. For the purpose of social support for young people, 30% of apartments commissioned under the mortgage program are allocated to young families.

Arrangement of Therapeutic-Resort Activities for Employees

Structural subdivisions and affiliates of JSC TATNEFT have 11 health-resorts on their balance sheets. 3,700 employees of the Company improved their health in therapeutic-and-recreation establishments during the year, including health-resorts of JSC TATNEFT visited by 3,300 people. In 2014, RUR 6,3 million was allocated to the organization of therapeutic-resort recreation for employees of JSC TATNEFT's structural subdivisions and their children ("Mother and child").

Arrangement of Health-Improving Activities for Children

Within the bounds of maternity and childhood protection program, the Company annually arranges health-improving activities for employees' children at thirteen recreation camps with the capacity of 2289 beds. All recreation camps offer cozy and modern blocks, gyms, playgrounds, swimming pools, proper equipment and assistance of well-trained staff. During 2014, recreation camps were visited by 9,038 children of employees. JSC TATNEFT annually provides recreation opportunities for children whose parents are employed by state-budgeted organizations and compensates half of the recreation package price. 300 children whose parents are employed by state-budgeted organizations had this opportunity in 2014.

Involvement of Employees in Sports and Healthy Lifestyle

Due to favorable conditions created in the Company, sports has become an inherent part of oilmen's everyday life. Modern ice palaces and sports complexes were built in every city of the oil region. During summer time, the Company offers its employees an opportunity to have active rest together with their families at recreation centers located on banks of the Kama and Karabash Reservoir. Over 17 thousand people spent their vacations at summer camps in 2012.

The XXVII Corporate Spartakiad of JSC TATNEFT was held in 2014. During the year, competitions in 10 different sports - table tennis, alpine skiing, cross-country skiing, volleyball (for women and men), futsal, swimming, kurash wrestling, rope pulling and triathlon - were held. RUR 7.4 million was allocated for the arrangement of the Spartakiad in 2014.

Non-governmental Pension Provision

For the purpose of social support for retiring employees, the Company has been implementing a non-governmental pension provision program since 1997. The program provides employees with an opportunity to form their pension capital on a parity basis securing respectable level of living at the advanced age. Provisions "On non-governmental pension provision" stipulates rules, criteria and procedures for non-governmental pension granting, as well as three main pension schemes. In 2014, the number of the JSC TATNEFT employees that joined the non-governmental pension provision program amounted to 9,256 people. About 9 thousand retired people receive additional non-governmental pension. In the reporting year Company allocated RUR 188 million for non-governmental pension provision. The Company performs regular communication and explanatory work on terms of the corporate pension program as well as on rules of involvement. Information is published at the Internet portal of the TATNEFT Group. Every employee of the Company gets annual reports on the pension account status. Main partner of JSC TATNEFT in implementation of the corporate pension program is the National Non-Governmental Pension Fund (NNPF) – one of the biggest Russian cross-industry NPFs (among the top ten of more than 150 Russian non-governmental pension funds)

Support for Non-working Pensioners

Non-working pensioners who worked in JSC TATNEFT for at least 10 years and retired before the foundation of the National Non-Governmental Pension Fund are quarterly supported by the Company with extra financial aid to their government pensions. There are veteran committees established in subdivisions of JSC TATNEFT that continuously support pensioners together with the administration and the trade union committee. When it is necessary, the Company covers pensioners' medical and surgery bills, therapeutic-resort treatment and provides aid for housing renovation and replacement of household appliances. In 2014, RUR 16.9 million was allocated to health improvement of non-working pensioners in health-resorts. Financial aid is provide on holiday and anniversaries.

Health Protection and Occupational Safety

Creation of safe working conditions is a key priority of the Company’s social responsibility program.

Taking into consideration the priority of employees’ life and health as compared to results of production activity, the Company strives to reduce any risks at workplaces, to prevent industrial accidents and to achieve a higher level of industrial safety and workplace protection. These objectives are implemented through an integrated management system for industrial safety, labor and environmental protection certified for compliance according to the requirements of ISO 14001:2004 and OHSAS 18001:2007. In accordance with international standard OHSAS 18001 the Company developed “Program (Plan of Works) in the field of industrial safety and workplace protection for injuries prevention, accident risk reducing and unscheduled losses for 2013-2015” (p.38 herein).

Employees’ Health Protection

Employees’ health protection is ensured due to functioning of a complex medical care system, industrial injury and occupational disease prevention, as well as extensive attention given to healthy life-style fostered among employees. This system includes the following elements:

- employees’ sickness rate record and analysis;
- monitoring of labor and rest conditions;
- regular medical examinations;
- implementation of preventive health care programs including vaccination and therapeutic-resort treatment;
- control over canteen and personnel facility conditions;
- physical training and recreation activity;
- promotion of healthy lifestyle.

Great attention is given to sanitary conditions. Permanent subdivision committees check technical conditions, provision with furniture and aesthetic state of personnel facilities according to approved schedules.

An important role in the sickness rate reduction is played by preemployment and routine medical examinations of employees performing physically-challenging works, works with harmful hazardous working conditions, as well as works connected with transport traffic. 17,494 employees passed medical examination in 2014, RUR 34.6 million was allocated for that purpose. The Collective Agreement of JSC TATNEFT makes provision for female medical examinations, RUR 4.7 million was allocated to medical examination of 3,966 women in 2014.

No cases of occupational diseases were revealed among employees of JSC TATNEFT in 2014.

Supply of Protective Means

One of high-priority managerial lines of the Company’s activity on creation of healthy and safe working conditions is supplying employees with necessary workwear and other individual protective means. When working in harmful, hazardous or extreme temperature conditions, or conditions connected with contamination, employees are provided with certified workwear, footwear and other individual protective means, as well as detergents and disinfectants according to the existing standards.

In 2014, RUR 102,677.7 thousand was allocated to providing employees with the individual protective means.

Workplace Protection Committee

Workplace Protection Committee has been functioning in JSC TATNEFT since 1997, comprising on parity basis representatives of the employer and the trade union committee. The Committee consists of 10 people.

The Committee’s main objectives include control over working conditions and occupational safety, provision of employees with individual protective means, arrangement of compensation payments for working in harmful or hazardous conditions; appraisal of potential risk to employees’ health and working out of measures on preventing industrial injuries and occupational diseases.

There are workplace protection committees in 16 structural subdivisions o JSC TATNEFT, which consist on a parity basis of the employer’s representatives, as well as representatives of primary trade unions. In 2014, workplace protection committees considered 137 issues on the meetings.

For the purposes of public control in the field of workplace protection in the primary trade unions of JSC TATNEFT’s structural subdivisions, 892 labor protection agents are elected and carry out their duties. In 2014, labor protection agents conducted over 50 thousand inspections of work conditions state.

In order to help labor protection agents Guideline on Carrying Out Public Control of Workplace Protection was developed. In addition to that, the Company approved Provision on labor protection agents of JSC TATNEFT Trade Union, developed and manufactured distinctive sign for Labor protection agents of JSC TATNEFT Trade Union.

Year over year the Company organizes “The best labor agent of JSCT TATNEFT” contest. Contest winners successfully represent JSC TATNEFT Trade Union at the republic and industry contests.

Workplace Protection Agreement

In order to improve healthy and safe working conditions at production facilities, in accordance with the Labor Code of the Russian Federation and recommendations on planning of workplace protection measures (appendix to the decree of Ministry of Labor No. 11 dd. 27.02.95) in departments of JSC TATNEFT, the employer and the trade union organization annually conclude Workplace Protection Agreements. These Agreements are attached to the Collective Agreement of JSC TATNEFT in the form of appendix. Therein, workplace protection measures, time lines, cost of works, persons responsible for the measure execution, as well as the number of employees whose working conditions are being improved and the number of employees released from physically-challenging works, are recorded.

Systematic work is executed by the Company on assessment of workplaces according to working conditions with further certification of works according to workplace protection. As of today, 12 structural subdivisions of the Company received certificates verifying conformity of works with workplace protection requirements. 93.6% of workplaces in the Company have been assessed to date. Number of employees occupying assessed workplaces amounted to 18,930 people. Employees having high risk of occupational illness, i.e. working on workplace with 3.1, 3.2, 3.3 and 3.4 hazard classes according to harmfulness and hazard of manufacturing variables and work process, are provided with all guarantees and amends prescribed with Labor Code of the Russian Federation.

In 2014, funds allocated to workplace protection per capita amounted to RUR 17,851. Total amount of funds allocated to workplace protection measures amounted to RUR 366 million in 2014.

Dynamics of Expenses for Labor Safety, Including Expenses Per Capita		
Year	Funds spent on labor safety RUR thous.	Funds spent on events on labor safety per capita, RUR
2010	207 121,2	9 727
2011	265 780,4	12 635
2012	319 827,3	15 122
2013	329 659,0	15 863
2014	365 824,6	17 851

Dynamics of Industrial Accidents in 2012-2014 According to Gender

Year	Accidents number			Including lethal effects			Incident frequency factor
	Total	men	women	Total	men	women	
2012	4	3	1	1	1	0	0,19
2013	1	1	0	0	0	0	0,05
2014	2	1	1	0	0	0	0,10

SOCIAL INVESTMENT

Goals and Priorities of the Social Policy in the Activity Regions

The Company develops and implements social programs relying on the following principles:

Openness	Consistency	Significance	Efficiency
The Company strives for development and implementation of social programs on the basis of dialog and collaboration with the concerned parties.	Social programs are of regular and systematic character.	The Company aspires to make social programs targeted as much as possible, timely and corresponding to vital demands of the society.	Funds spent on implementation of the programs must sensibly help in solving problems. Results of the programs are liable to regular assessment and record.

The Company aspires to make its social programs to targeted as much as possible and corresponding to vital demands of the society. Target groups of the social programs developed by JSC TATNEFT are children and young people, veterans, those in need of medical care and rehabilitation, as well as other socially vulnerable population groups.

Target Audiences of the Company’s Social Programs	
Program on infrastructure development in cities and settlements	<ul style="list-style-type: none">Residents of the activity regions
Program on health care support in the southeast of the Republic of Tatarstan	<ul style="list-style-type: none">The Company’s employees
Program on development of popular sports and physical culture in the oil region of the Republic of Tatarstan	<ul style="list-style-type: none">ChildrenAdultsCoachesThe Company’s employees
Program on hockey development in the southeast of the Republic of Tatarstan	
Program on social support for population of districts of the Republic of Tatarstan	<ul style="list-style-type: none">Orphaned childrenHandicapped peopleVeteransOther socially vulnerable population groups
Program on education support	<ul style="list-style-type: none">SchoolchildrenStudentsTeachers, professors
Program on culture support	<ul style="list-style-type: none">TheatersMuseumsLibrariesCultural establishments
Program on spiritual revival	<ul style="list-style-type: none">MosquesChurchesResidents of the activity regions
Program on agricultural development	<ul style="list-style-type: none">Residents of rural areas
Program on workplace creation	<ul style="list-style-type: none">UnemployedGraduates of higher educational establishments and other educational establishments

In 2014, the Company allocated RUR 2,5 billion on implementation of social programs.

Registry of Corporate Social Projects for 2014

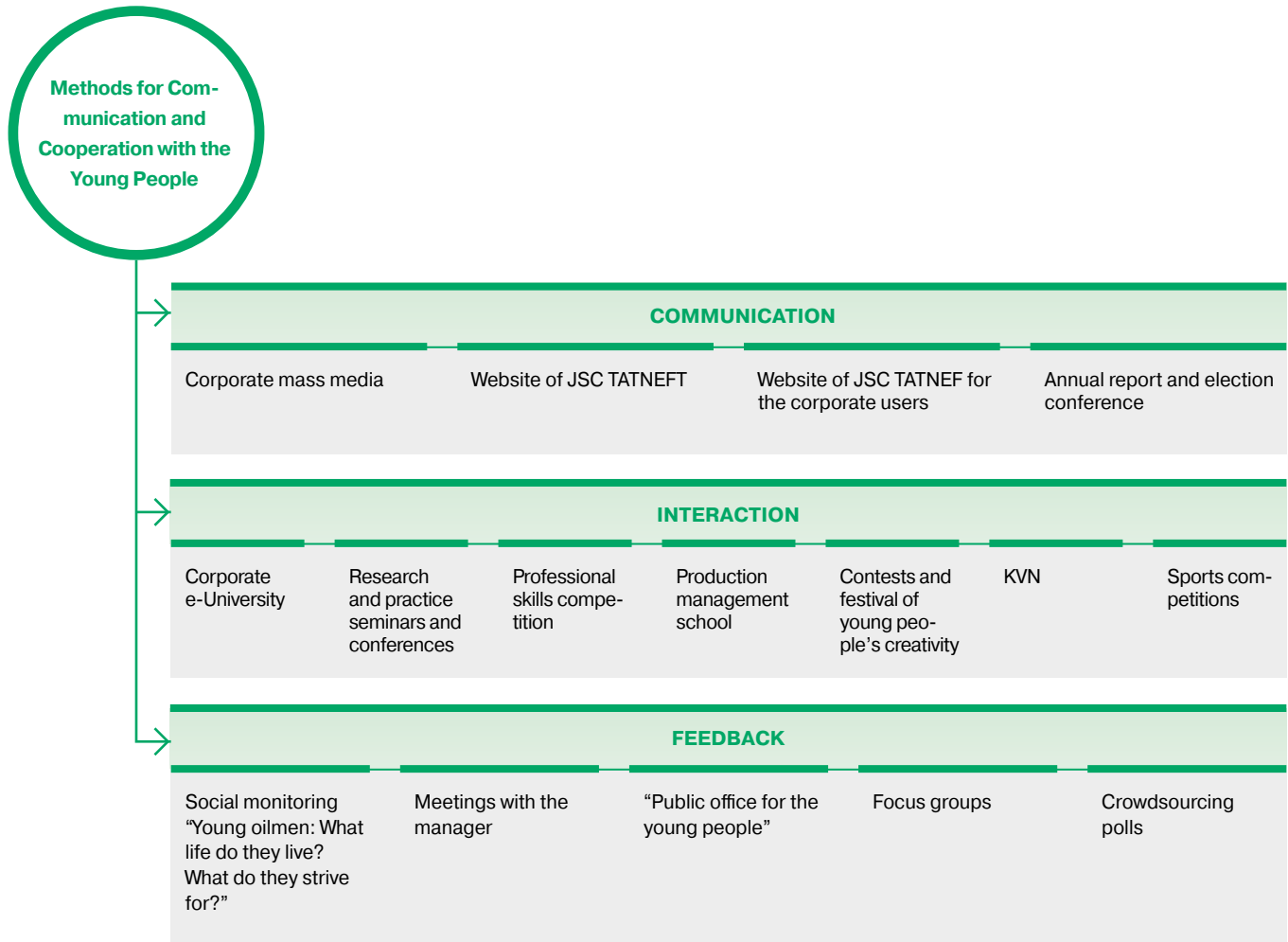
Lines of Social Investments	Projects	Places of implementation
1	2	3
Program on infrastructure development in cities and settlements	Repair of urban streets and roads	Almetyevsk, Bavly, Bugulma, Nizhnekamsk, Sarmanovo, Cheremshan districts
	Improvement of urban quarters and territories of local administration boards	Almetyevsk, Yelabuga, Leninogorsk, Karabash (Bugulma district)
	Overhaul of water conduits	oil region of the Republic of Tatarstan
	Renovation of the pond cascade	Almetyevsk
	Overhaul of residential houses’ roofs	Nurlat
Program on development of popular sports and physical culture in oil region of the Republic of Tatarstan	Holding of the Spartakiad of JSC TATNEFT	oil region of the Republic of Tatarstan
	Organization and holding of physical culture and recreational events	oil region of the Republic of Tatarstan
	Purchasing of minibus for transporting sports teams of Youth Sports School №2	Dzhaliil (Sarmanovo district)
	Chess and checks development	Almetyevsk
	Support for the Federation of Greko-Roman Wrestling “Tushe”, Volleyball Federation and Boxing Federation of the southeast of the Tatarstan Republic	Almetyevsk
	Participation in holding kurash wrestling competitions	Almetyevsk
	Purchasing of parachute system for ANO “Almetyevsk Aeroclub”	Almetyevsk
	End of construction of a sports center with tennis courts	Leninogorsk
Program on hockey development in the southeast of the republic	Installation and renovation of hockey rinks	oil region of the Republic of Tatarstan
	Overhaul of Sports Palace “Jubileyny”	oil region of the Republic of Tatarstan
	Installation of observation systems in 30 Ice Palaces	oil region of the Republic of Tatarstan
	Purchasing of hockey equipment for the municipal entities	oil region of the Republic of Tatarstan
	Remuneration for coaches	oil region of the Republic of Tatarstan
Program on housing improvement	Remuneration for hockey team “Neftyanik”	Almetyevsk district
	Participation in a republican social mortgage program	oil region of the Republic of Tatarstan
	Furnishing of apartments acquired by social mortgage	oil region of the Republic of Tatarstan
Program on skill improvement and development of the Company’s personnel	Provision of loans for employees to cover the first installment under the social mortgage program	oil region of the Republic of Tatarstan
	Training and skill improvement of the personnel	oil region of the Republic of Tatarstan
	Science and practice conference for young employees	oil region of the Republic of Tatarstan
	Work with the candidate pool	oil region of the Republic of Tatarstan
	Work with target groups	oil region of the Republic of Tatarstan
Program on social insurance of employees of JSC TATNEFT	Young people’s policy	oil region of the Republic of Tatarstan
	Personnel certification	oil region of the Republic of Tatarstan
	Voluntary medical insurance	oil region of the Republic of Tatarstan

1	2	3
Program on education support	Construction of general school No.2	Leninogorsk
	Renovation of general schools	Almetyevsk, Aznakaevo, Aksubaevo, Mendeleevsk, Menzelinsk, Cheremshan, Sarmanovo districts
	Purchasing of sports uniform, sports equipment and hockey equipment for the schools	oil region of the Republic of Tatarstan
	Payment of anniversary scholarships to the students of AGNI, APT, LNT, BMT	Almetyevsk, Leninogorsk, Bugulma
	Coverage of transportation expenditures of students of Almetyevsk State Oil Institute	Almetyevsk
	Purchasing of 3D-printers for general schools equipping	oil region of the Republic of Tatarstan
	Overhaul of B-206 lecture hall and its equipping	Almetyevsk
	Overhaul of Almetyevsk Polytechnic College	Almetyevsk
	Purchasing of the instructional replicas of the weapon and military uniform for Almetyevsk Polytechnic College	Almetyevsk
	Overhaul of the front of gymnastic hall in Almetyevsk Physical Education College	Almetyevsk
	Overhaul of the sports hall and events hall in Almetyevsk State Institute of Municipal Services	Almetyevsk
	Overhaul of Bugulma Machine Building College	Bugulma
	Overhaul of Leninogorsk Oil College	Leninogorsk
	Overhaul of Child School of Arts	Bavly
	Purchasing of musical instruments for Almetyevsk Music College named after F.Z.Yarullin	Almetyevsk
	Purchasing of musical instruments for Leninogorsk Music School named after N.M.Kydashev	Leninogorsk
Program on spiritual revival	Payment for public services of Central Mosque named after Rizaeddin Fakhreddin	Almetyevsk
	Construction of building for Diocesan Administration of Almetyevsk Diocese of Russian Orthodox Church	Almetyevsk
	Renovation of the temple in Novaya Mikhaylovka village	Almetyevsk district
	Financial aid for construction of a mosque	Nurlat
	Financial aid for reconstruction of “Rizvan” mosque	Kazan
	Financial aid for the Saints Peter and Paul Cathedral’s curacy	Almetyevsk
	Financial aid for the curacy of Saint Xenia of Saint-Petersburg	Kazan
Program on social protection provided for the personnel	Collective agreement	oil region of the Republic of Tatarstan
Program on support for veterans of the Great Patriotic War and labor of JSC TATNEFT	Program on non-governmental pension provision	oil region of the Republic of Tatarstan
	Targeted support for retired people	oil region of the Republic of Tatarstan
	Therapeutic-resort recreation	oil region of the Republic of Tatarstan
	Financial aid for veterans, widows, homefront workers	oil region of the Republic of Tatarstan
	Holding of festive events dedicated to Victory Day	oil region of the Republic of Tatarstan
	Solving of housing problems of veterans	oil region of the Republic of Tatarstan
	Asphalting of roads to the houses of veterans of the Great Patriotic War	Urussu settlement (Yutaza district)

1	2	3
Program on culture support	Holding of festive events	oil region of the Republic of Tatarstan
	Holding of young people’s events	oil region of the Republic of Tatarstan
	Holding of cultural events	oil region of the Republic of Tatarstan
	Repair of the monument in honor of the production of 3rd billion ton of oil in the Republic of Tatarstan	Almetyevsk
	Reconstruction of “Iske Elmet” district Culture House	Almetyevsk
	Reconditioning of the Great Patriotic War soldiers’ monuments under preparation for 70th anniversary of the Victory in the Great Patriotic War	oil region of the Republic of Tatarstan
	Purchasing of artificial central X-mas tree with the decoration	Dzhalil (Sarmanovo district)
	Overhaul of Culture Houses and cinemas	Almetyevsk, Aksubaevo, Sarmanovo, Cheremshan districts
	Overhaul of the «Youngs’ Center» building’s face	Almetyevsk
	Manufacturing and renovation of the monuments and steles	Bavly and Leninogorsk districts, Kazan
	Renovation of the squares, alleys and parks	Aznakaevo, Leninogorsk
	Reconstruction of the fountains	Bavly, Leninogorsk
	Equipping of museums with the necessary facilities and exhibits	Kazan
	Equipping of village Culture Houses with the furniture	Cheremshan district
Program on health care support in the southeast of the republic	Overhaul of bacteriological laboratory in infectious disease ward of Almetyevsk Central District Hospital	Almetyevsk
	Overhaul of TB dispensary	Almetyevsk
	Overhaul of psychoneurologic dispensary	Almetyevsk
	Construction of medical and obstetric center (FAP) in the “Ursala” neighborhood	Almetyevsk
	Site improvement and purchasing of equipment for the medical and obstreic centers in Ersubaykino settlement and Minnibaev station	Almetyevsk district
	Overhaul of district hospitals and polyclinics	Almetyevsk, Bugulma, Bavly, Sarmanovo districts
	Purchasing of medical equipment for central district hospitals	Zainsk and Sarmanovo districts
	Purchasing of medical uniform and operating room drapes for the hospitals	Naberezhnye Chelny, Kazan, oil region of the Republic of Tatarstan
	Financial aid for carrying out stenting and coronarography surgeries in Regional medical-diagnostic center of Medical Sanitary Station of JSC TATNEFT and Almetyevsk	Almetyevsk
	Equipping of Regional medical-diagnostic center of Medical Sanitary Station of JSC TATNEFT and Almetyevsk with the modern equipment	Almetyevsk
Program on occupational safety	Provision of employees with workwear	oil region of the Republic of Tatarstan
	Assessment of workplaces	oil region of the Republic of Tatarstan
Program on workplace creation	Creation of new prospective productions of goods and services	oil region of the Republic of Tatarstan
Program on agriculture development	Purchasing of agricultural equipment, agriculture development, reduction of fuel prices	oil region of the Republic of Tatarstan
	Repair of “Case” harvesters	Almetyevsk district
	Purchasing of feed stuff, seeds, mineral fertilizers and breeding stock	Aznakaevo and Almetyevsk districts

SOCIAL BENEFITS UNDER THE COLLECTIVE AGREEMENT

1	2	3
Program on maternity and child welfare	Overhaul of kindergartens	Aznakaevo, Almetyevsk, Sarmanovo districts
	Equipping of kindergartens	Cheremshan, Zainsk district
	Construction of "Childhood Planet" kindergarten in the "Yashlek" neighborhood	Almetyevsk
	Construction of a kindergarten for 100 places	Shugurovo settlement (Leninogorsk district)
	Land improvement of the kindergarten No. 14	Leninogorsk
	Arrangement of recreation for children in children's recreation camps	oil region of the Republic of Tatarstan
	Recreation for children, whose parents are employed by state-budgeted organizations, in recreation camps	oil region of the Republic of Tatarstan
	Organization of therapeutic-resort recreation for employees and their children ("Mother and child")	oil region of the Republic of Tatarstan
	Participation in campaign "Help to get prepared for school"	Almetyevsk district
Program on social support for the population of districts of the Republic of Tatarstan	Equipping of orphanages and boarding schools with the simulators for conducting training on road traffic regulations	oil region of the Republic of Tatarstan
	Financial aid for the Societies of Disabled and Blind Associations for conducting statutory activity	Almetyevsk and Bugulma districts



Employees' benefits and guarantees
Financial aid for female employees having parental leave and caring for children aged under 3 years
Financial aid at child birth or adoption of a child under 14
Granting a three-day paid vacation to an employee (father) at the release of a baby from the maternity hospital with retention of his average monthly income
Financial aid in the event of death of an employee's close relatives
Financial aid for the family of a late employee to cover funeral-related expenditures
Financial aid for orphaned children under 18 who lost both parents, if one of them was employed in JSC TATNEFT
Financial aid for multi-child families
Financial aid for an employee having dependent disabled children under 18
Financial aid upon retirement
One-time payment in connection with the provision of annual paid leave
Granting at least two hours off weekly or one day off monthly to an employee having children under 16 (disabled children under 18)
Financial aid for an orphaned child under 18 whose parents (or one of them) died in the line of duty at JSC TATNEFT
Financial aid for single-parent families
Financial aid for an employee in connection with anniversary celebration
Funds allocation: <ul style="list-style-type: none">– for buying New Year presents for children of the JSC TATNEFT employees– for women on International Women's Day
Financial aid for family having twins or triples
Benefits for young employees
Interest-free loan for furniture acquisition
Financial aid for an employee dismissed for military service in the Armed Forces of the Russian Federation after their return to the same workplace
Financial aid for the first marriage
Benefits for pensioners and veterans
Financial aid on Victory Day for the Great Patriotic War participants, widows and homefront workers
Quarterly financial aid for non-working pensioners who used to work in the system of JSC TATNEFT for at least 10 years and retired before the foundation of the National Private Pension Fund
Providing employees who worked in JSC TATNEFT for at least 10 years with an opportunity of early retirement at the Company's expense with retention of the Company's benefits and guarantees for pensioners
Financial aid in the event of death of a pensioner's close relatives
Financial aid for the family of a late pensioner to cover funeral-related expenditures
Financial aid for pensioners in connection with anniversary celebration
Funds allocation: <ul style="list-style-type: none">– on Elderly People's Day– for women on International Women's Day– on International Disabled People's Day

SOCIAL ASPECT OF THE COMPANY’S ACTIVITY

Development of Infrastructure in Cities and Settlements

JSC TATNEFT gives great attention to infrastructure development in cities and settlements of the activity regions.

We are very grateful to the oil workers. **Schools, sport facilities, establishment of additional education, kindergartens, hospitals, culture buildings – the entire social complex in Dzhaliil was overhauled by efforts of our oil producers.** And repair of the water lines is the extension of good deeds, which have been realized at the expense of TATNEFT for years.

Nafis Zakirov,
Head of Sarman municipal district

Support for Education

JSC TATNEFT annually allocates significant amount of funds to construction, reconstruction, repair, provision of material and technical facilities of preschool and general educational establishments, art and music schools, secondary special and higher educational establishments.

160 children aged from 10 to 17 study in the school. In the new academic year, they met updated school. **The roof was changed, linoleum was laid in the workshops, as well as tile on the first floor. The school, which will soon celebrate its 35th anniversary, has changed and became younger.** We are grateful for all this to the oil workers, as well as the administration of our district and republic.

Gulzira Gilmutdinova,
Director of MBOU DOD «Dzhaliil Child Art School»

Collaboration with Higher and Secondary Educational Establishments

In order to attract young workers of the most demanded professions, JSC TATNEFT in cooperation with the leading higher educational establishments of the Republic of Tatarstan has organized apprenticeship training of the specialist by means of the federal and republic budgets.

In 2014, 1, 117 students passed onsite training and 509 students passed pre-graduation training at the Company’s enterprises.

The total sum of financial aid provided by the Company to educational establishments of higher vocational education in 2014 amounted to RUR 29,096 thousand, and RUR 76,355 thousand to educational establishments of secondary vocational education.

Support for Gifted Children and Teenagers

“Gifted children” Foundation

Since 2004, JSC TATNEFT has implemented the program on gifted children support through a specially created foundation “Gifted Children”.

It is one of the founders of regional conference “Schoolchildren to science of the 21st century”.

Oil worker’s support gives our children a chance to participate in the competitions outside the republic and to win, as well as to share experiences with the strongest masters.

Nail Badykshanov,
Head of Almetyevsk Station of Young Technicians

Foundation for Spiritual Revival “Rukhiyat”

Support for talented children in the field of culture is carried out by foundation for spiritual revival “Rukhiyat” founded in 1997.

Special place in the activity of “Rukhiyat” foundation is held by the children creativity festival “Land of Singing Nightingales”, which held since 1998.

In the summer of 2014, in the park of “60th anniversary of Tatarstan oil” (in Almetyevsk) concerts of “Land of Singing Nightingales” festival’s graduates and scholars were held. It was made as the part of the special project called “Hello! This is us!”. Prior to the Oilman’s Day concert of the festival’s awardees was held. Over 200 children from the 7 districts of Tatarstan’s oil region participated in it.

Support of Popular Sports and Healthy Lifestyle

Health promotion of employees and people living in the activity regions, fostering a healthy lifestyle through participation in physical culture and sports are considered to be the main objectives of JSC TATNEFT in the course of implementation of the popular sports and healthy lifestyle development program. The Company gives special attention to regular engagement of children and teenagers in sports, providing a long-term and firm basis for bringing up a healthy generation.

Support for Health Care

Assisting health care development in the activity region, the Company annually allocates funds to construction, repair and enhancement of material and technical facilities in medical establishments.

In the new ambulance we will be able to provide first medical aid. It’s equipped with the modern equipment and all the necessities.

We want to express our deep gratitude to TATNEFT, because we know, that not everybody is able to construct such high-level medical establishment in such a short term. It is certainly a great gift to the people of Ursala.

Azat Agliullin
General practice doctor in the ambulance of Almetyevsk’s “Ursala” neighbourhood

Support for Culture

JSC TATNEFT executes great work on support for and development of culture and arts, restoration and consolidation of national and cultural traditions of all peoples populating the Republic of Tatarstan.

During its activity, the foundation has published over 1800 books with a total circulation of more than 320 thousand copies. There are scientific and bibliographic publications, writings of famous Tatar poets and writers, works of the young

We want express our deep gratitude to oil workers for supporting of the culture and such huge projects. **We hope that “Iske Elmet” will make a comeback after the overhaul, and will become the most demanded culture and leisure center for the people of Old Almetyevsk.**

Chulpan Gazymova,
Director of “Iske Elmet” Culture House

authors among them. Books published by the foundation are freely transferred to the libraries of republic, educational establishments, museums, as well as to another Russia regions. 7 books with a total circulation of 11.2 thousand copies were published in 2014.

Social Support

Rendering social support for the most vulnerable social groups is a line of the Company’s social activity. Over a number of years, the Company has been providing aid and support for orphanages and boarding houses, special schools and boarding houses for older and disabled people in Almetyevsk and Bugulma districts.

On behalf of the Board and the Executive Committee of Leninogorsk municipal district, I express deep gratitude to the general director of JSC TATNEFT Mr. Nail Ulfatovich Maganov and to whole personnel of JSC TATNEFT for the support provided to the children from families being in reduced circumstances under charitable action “Help to get ready for a school”. Through your support, 50 pupils of Leninogorsk district have received school packs prior to the beginning of the new academic year.

Ryagat Khusainov,
Head of Leninogorsk municipal district, mayor of Leninogorsk.

Plans for 2015

In 2015, works on development of infrastructure in cities and settlements of the oil region of the Republic of Tatarstan will be continued. It’s planned to finance construction and restoration of number of sport facilities and schools. Financial aid as a part of celebrating 70th anniversary of Victory in the Great Patriotic War, financial aid for Almetyevsk Centre of Rehabilitation of Disabled People “Veteran”, as well as financial aid for the Councils of Veterans in the cities of oil region of the Republic of Tatarstan for organizing anniversary events are prescribed. Construction and installation works in the Victory Park and renovation of the monument at the Victory Square will be finished in Azna-kaevo. JSC TATNEFT will start carrying out huge project on creating of green areas, parks and alleys in the regions of activity in the framework of Parks and Squares Year in the Republic of Tatarstan.

There is complete information on social-directed programs of the Company at www.TATNEFT.ru.

CORPORATE STANDARDS AND REGULATION FOR INTERACTION WITH CONCERNED PARTIES

Concerned Parties	Regulatory Documents
1	2
Shareholders	Bylaws of JSC TATNEFT named after V.D.Shashin
	Provisions on TATNEFT Group. “Holding” Chapter.
	Corporate management code of JSC TATNEFT
	Provisions on the General Meeting of Shareholders of JSC TATNEFT
	Provisions on the Board of Directors of JSC TATNEFT
	Provisions on the committees under the Board of Directors of JSC TATNEFT
	Regulation on the development and update of Corporate strategy of TATNEFT Group
	Provisions on the information policy of JSC TATNEFT
	Regulation on the disclosure and provision of information on activities performed by the Company and the TATNEFT Group
	Provisions on the Internet portal of the TATNEFT Group
	Regulation on the information content of the Internet portal of the TATNEFT Group
	Provisions on the use of insider information and on the procedure for security transaction information distribution
	Corporate standard Anti-Corruption Policy of JSC TATNEFT named after V.D.Shashin*
Employees	Corporate culture code of JSC TATNEFT
	HR management policy of JSC TATNEFT
	Standard for the Collective Agreement of JSC TATNEFT
	Standard for personnel hiring and transfer to another job
	Standard for personnel dismissal
	Standard for personnel adaptation
	Provisions on coaching
	Standard for working with the candidate pool
	Standard for personnel certification
	Standard for personnel training and development*
	Standard for labor discipline in JSC TATNEFT
	Standard for personnel rewarding
	Standard for business trips of JSC TATNEFT’s employees
	Standard for corporate culture management in JSC TATNEFT
	Standard for the provision of information on candidates (internal and external) for vacant positions in JSC TATNEFT
	Rules of internal work order for employees of JSC TATNEFT
	Regulation on the preparation and holding of the JSC TATNEFT employee conferences
	Provisions on the insurance of employees of JSC TATNEFT against industrial accidents
	Provisions on the arrangement of therapeutic-resort activities for employees of the TATNEFT Group
	Policy of JSC TATNEFT in the field of industrial safety, labor and environmental protection
	Provisions on the system of industrial safety management in JSC TATNEFT
	Programs and lections of the induction training for employees and experts being hired by structural subdivisions and affiliates of JSC TATNEFT*
	Provisions on production control over observance of sanitary rules in JSC TATNEFT
	System for the assurance of industrial safety in JSC TATNEFT

1	2
Employees	Provisions on production control over compliance with industrial safety requirements at the JSC TATNEFT hazardous production facilities*
	Provisions on the arrangement of training for employees of JSC TATNEFT on workplace protection and industrial safety
	Procedure for the arrangement of preemployment and routine medical examinations of employees involved in heavy and harmful works, as well as works with harmful and/or hazardous production factors, in JSC TATNEFT
	System of JSC TATNEFT employees’ personal responsibility for occupational safety
	Provisions on non-recurrent loans provided for employees of JSC TATNEFT to cover initial installments for housing bought through the social mortgage system of the Republic of Tatarstan
	Provisions on the allocation of loans for private housing constructing or participation in joint housing construction (with other entities involved in housing constructing)
	Corporate code of JSCT TATNEFT. “Disciplinary and Financial Responsibility for the Violations In the Field of Finances” chapter*
	Corporate standard Anti-Corruption Policy of JSC TATNEFT named after V.D.Shashin*
Veterans and Pensioners	Standard for the collective agreement of JSC TATNEFT
	Provisions on the arrangement of non-governmental pension provision for employees of JSC TATNEFT
	Provisions on the arrangement of therapeutic-resort activities for non-working pensioners and disabled workers at the expense of JSC TATNEFT
	Corporate project of targeted support for pensioners of JSC TATNEFT
Trade Union	Standard for the collective agreement of JSC TATNEFT
	Provisions on the workplace protection committee of JSC TATNEFT
	Workplace protection agreement
Business Partners	Corporate management code of JSC TATNEFT
	Provisions on the procedure for registration of suppliers of goods/works/services in JSC TATNEFT
	Regulation on the logistics of structural subdivisions and affiliates of JSC TATNEFT
	Provisions on the organization of contractual work in JSC TATNEFT*
	Provisions on the organization of goods purchasing using electronic trading platform
	Regulation on work in “Trading Procurement Platform” system of JSC TATNEFT
	Corporate standard on the accreditation order for prospective suppliers when organizing goods purchasing using electronic trading platform
	Provisions on the order of the Company’s subdivisions interaction on handling of complaints received by the Hotline of JSC TATNEFT’s trading procurement platform
	Provisions on the organization, execution, and automated record keeping of claim-related work in JSC TATNEFT
	Regulation on the organization of goods purchasing from the companies manufacturing unique (custom-made) goods (monopolist manufacturers)
	Provisions on the safe execution of works performed by third parties at the JSC TATNEFT facilities
	Corporate standard “Requirements on environmental safety for the organizations involved in providing works and services at JSC TATNEFT’s facilities”
	Standard for the interaction of JSC TATNEFT with external service providers during service rendering
	Standard of the investment and technical policy of JSC TATNEFT for diversification and quality enhancement of oil services
	Provisions on the block of oil services provided by JSC TATNEFT

INTERACTION WITH CUSTOMERS

1	2
Consumers	Regulation on the introduction of changes and approving of changes introduced in the layout of production facilities, defining limits of liability sharing between service providers and structural subdivisions under the process of service providing for JSC TATNEFT
	Regulation on interaction during the creation of investment programs by service providers necessary for the JSC TATNEFT production program implementation
	Standard for the creation of JSC TATNEFT presentation materials distributed among business partners and investors
	Provisions on the JSC TATNEFT information technology department
	Corporate standard on the organization of equipment purchasing
	Tendering guidelines for the procurement of goods and materials, supplementary to the provisions on tenders for the submission of goods supply, work performance, and service rendering orders according to the needs of JSC TATNEFT
	Regulation on the interaction of enterprises within the TATNEFT Group concerning the sales of goods via OOO TTD TATNEFT
	Regulation on pretender and posttender activities concerning goods supply, work performance, and service rendering according to the needs of JSC TATNEFT
	Corporate standard on order of collecting and accounting of the data related to negative history of the relationship with the suppliers
	Management of the results of intellectual activity
	Provisions on the marketing assessment of materials and equipment with regard to the JSC TATNEFT logistics
	Temporary instructions for control and preservation of oil products
	Rules of JSC TATNEFT's trade practice in respect of diesel fuel realization in the Russian Federation*
	Rules for service rendering at filling stations
	Standard for production control over products and manufacturing processes
	Standard for final inspection and product testing
	Procedure for reviewing of claims and requests submitted by tire product consumers
	Procedure for the collection and processing of information on consumer satisfaction
	Provisions on the TATNEFT trademark and its use
Local Communities	Agreements with municipal administrations of the cities and settlements in activity regions
	Provisions on work with boarding schools graduates and orphaned students of establishments of specialized education
	Provisions on the information policy of JSC TATNEFT
	Regulation on the disclosure and provision of information on activities performed by the Company and the TATNEFT Group
	Specialized corporate project of JSC TATNEFT aimed at the support for small and medium-sized business development in the Republic of Tatarstan
	Policy of JSC TATNEFT in the field of industrial safety, labor and environmental protection
Public Organizations	Corporate standard Anti-Corruption Policy of JSC TATNEFT named after V.D.Shashin*
	Standard for corporate social responsibility
	Provisions on the participation of JSC TATNEFT in public organizations

* approved or overviewed in 2014

Current market conditions caused JSC TATNEFT to set a new objective of paramount importance: to enhance quality of inter-action and to establish long-term relationships with consumers. A smoothly-running system for product quality assessment, high level of service and increased consumers’ awareness play a greater role in creating competitive advantages of the Company.

In the process of communication with product and service consumers, the Company adheres to the United Nations Guidelines for Consumer Protection and International Covenant on Economic, Social and Cultural Rights.

Main principles of interaction with customers include:

Safety. Protection of customer’s health and safety implies provision of such products and services, which are safe and do not pose any unacceptable risks of damage while using or consuming them. JSC TATNEFT strictly controls observance of all regulatory requirements governing product and service quality. The Company assesses the impact of offered products and services on customer’s health and safety in order to identify possible lines for improvement on all stages of their life cycle. No cases of non-compliance with regulatory requirements relating to the impact of products and services on health and safety were fixed in 2014.

Information acquisition. The Company ensures consumers’ access to full, accurate and understandable information, which facilitates information-based decision-making according to individual preferences. Concluded product supply contracts are written in clear, straightforward and understandable language, does not contain unfair contractual liabilities, provide straightforward and comprehensive information on product price, peculiarities and on contractual terms and conditions. No cases of non-compliance with regulatory requirements relating to the customers informing of the products and services’ features were fixed in 2014.

Opportunity to choose. Consumers of the Company’s products and services have an opportunity to choose from a range of products and services offered at competitive prices and with guaranteed satisfactory quality.

Reparation of damages. JSC TATNEFT has precise mechanisms for settlement of claims and disputes with consumers, as well as measures for their prevention. All instances of providing consumers with products or services of inappropriate quality are recorded, reasons for inappropriate quality are analyzed, measures for their elimination are developed. Consumer’s damages are repaired in compliance with the effective legislation.

Favorable environment. JSC TATNEFT takes a wide range of measures to minimize any negative impact of offered products and services on the environment.

Right to privacy. The Company ensures compliance with this principle by using reliable systems for consumers’ data collection and protection. Consumers’ data are collected without violation of any effective legislation. Collection of personal data of the Company’s product and service consumers is limited with information necessary for providing products or services and communicated with consumers’ consent on a voluntary basis. Protection of collected personal data is performed with the help of efficient safety means. No claims related to violation of privacy or loss of consumers’ data were reported in 2014.

Honest and responsible marketing policy. The Company exercises only fair marketing practices and protects its consumers against unfair or deceiving advertising and marking. The Company’s activity in the field of product and service promotion, advertising and marketing complies with legislation of the Russian Federation. No cases of non-compliance of the Company’s activity with the legislation on products and services promotion, advertisement and marketing were reported in 2014.

No penalties for violation of the legislation or regulations related to products provision and usage were charged in respect of the Company in the reporting year.

INFORMING ON THE ACTIVITY RELATED TO SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

JSC TATNEFT has been elaborating annual reports on sustainable development and social responsibility since 2005. Report on sustainable development and social responsibility for 2013 was published in June 2014. Since 2014, disclosure of information on the activity related to corporate social responsibility is carried out as a part of preparation of JSC TATNEFT's Integrated Report.

The Report was elaborated based on the Guidelines on Reporting in the Field of Sustainable Development of Global Reporting Initiative (GRI), Standard of Interaction with Concerned Parties AA 1000, International Standard ISO 26000 and Social Articles of the Russian Business Community (RUIE). The Report for 2014 contains standard elements of GRI Guideline version G4 reporting. In addition to the GRI Sustainability Reporting Guidelines, Oil and Gas Sector Supplement was applied.

GRI Principle	Our actions
Coverage of concerned parties	The Company makes considerable efforts in order to involve the concerned parties into discussion of issues related to elaboration of the report, such as selection of performance indicators, determination of the Report format and boundary. To do that, consultations with representatives of the concerned parties, conferences and seminars are held, questioning is carried out.
Context of sustainable development	The information on the Company' activity results is presented in the Report in close connection with its contribution to the sustainable development. The Report shows all key points, indexes and initiatives related to economic stability maintenance, environmental safety improvement and strengthening of the social stability.
Information significance and relevance	We strive to include only those issues and indicators in the report that are significant to the concerned parties and are capable of influencing their decisions. While we determine significance of the issues, we take into account such factors as goal and objectives of the Company, risks and capabilities, industry-specific problems, etc.
Information completeness	The Company strives to achieve full disclosure of information in economic, environmental and social spheres of the activity. The bulk of issues reviewed in the report is enough for the readers to assess the Company's performance and its contribution to sustainable development of the society.
Principle of balance	In the framework of the principle of balance, the report covers both favorable results of the Company's activity and problems that the Company faces. Amount of attention given to various issues corresponds to their relevance.
Information compatibility	The report ensures comparability of the activity results from year to year. Each significant change related to boundary, coverage or reporting period is explained. To ensure comparability of the Company's performance with the results achieved by other companies, indicators included in the GRI guidelines and technical protocols were used in elaboration of the report.
Information accuracy	We strive to make information provided in the report accurate and detailed enough for the concerned parties to use it in decision-making with a high level of reliability. Error of quantitative data is minimized. Proportions and specific values used in the report are complimented with respective absolute values. Data are provided using common international units and are calculated with standard coefficients.
Timeliness	The Company is aware of the necessity to present timely information in the report, that is why the report is issued with equal periodicity once a year prior to the annual meeting of shareholders.
Clarity	We make efforts to make information provided in the report clear, understandable and useful for different concerned parties. The report contains a glossary and a list of abbreviations, which make science and technology terms and abbreviations clear.
Reliability	Information and data provided in the report are based on internal documentation, which can be assessed by independent parties. Data that cannot be supported by documents are not included in the report.

LIST OF ABBREVIATIONS

ABI	Auction of business ideas
AGZS	Autogas filling station
AGNI	Almetyevsk State Oil Institute
AZ	Anodic grounding electrode
AZS	Filling station
AIS	Automated Information System
AO	Joint-Stock Corporation
APT	Almetyevsk Polytechnic College
ARMITS	Automated work place of engineering technological service
ASPO	Asphalt, resin and paraffin deposition
ASF	Emergency response team
BVU	Basin Water Administration
BMZ	Bugulma mechanical plant (structural subdivision of JSC TATNEFT)
BMO VOS	Bugulma local organization of the All Russia Society of the Blind
BMRZ	Microprocessor protection relay unit
BMT	Bugulma mechanical-engineering college
BPTsUiA	Power supply unit for control circuit and automatic equipment
VL	Overhead line
VOIR	All-Russian Society of Inventors and Innovators
GZNU	Pump-measuring group unit
GZU	Measuring group unit
GIBDD	Main Directorate for Road Traffic Safety
GKPZ	State Complex Nature Zakaznik
GO	Horizontal Settler
GOST	State Standards
GRP	Hydraulic Fracturing
GSM	Fuels and lubricants
GTS	Hydraulic structures
DNS	Booster pump station
DOL	Children's holiday camp
YeS	European Union
YeEK OON	United Nations Economic Commission for Europe
JBR	Reinforced concrete tank
ZAO	Closed Joint-Stock Company
IS	Information system
KVN	Club of the funny and inventive
KIS	Corporate Information System
KNS	Cluster pump station
K(P)FU	Kazan (Privolzhsk) Federal University
KSO	Corporate social responsibility
KTPN	Packaged Transformer Substation for outdoor installation
KTPU	Packaged Transformer Substation (undersized)
LNT	Leninogorsk oil college
MGPZ	Minnibaev Gas Processing Plant
MGTU	Bauman Moscow State Technical University
MGU	Moscow State University
MMVB	Moscow Interbank Currency Exchange
MOT	International Labor Organization
MPT	Metal-reinforced plastic pipes
MRP	Overhaul time
MSOP	International Union for Conservation of Nature
MUN	Oil recovery enhancement methods

MFN	Multiphase pump
MFTI	Moscow Institute of Physics and Technology
MchS	Ministry of Emergency Situations
NGDU	Oil and Gas Production Administration (structural division of JSC TATNEFT)
NGSP	Trade Union of Oil, Gas and Construction Workers
NDPI	Mineral extraction tax
NDS	Value added tax
NZSh TsMK	Nizhnekamsk All Steel Tires Plant
NIOKR	Research and experimental works
NKO	Non-bank credit organization
NKT	Oil-well tubing
NMA	Intangible assets
NNPF	National non-governmental pension fund
NOU	Non-state educational establishment
NP i NKhZ	Oil refining and petrochemical complex
NPZ	Oil refinery
NPU	Oil refining installation
NTTs	Scientific and Educational Center
NKhK	Petrochemical Complex
JSC TATNEFT	Open Joint Stock Company TATNEFT named after V.D.Shashin
OON	The United Nations
OOO	Limited Liability Company
OOPT	Protected area
OPR	Industrial experiment works
ORD	Dual Production
ORDiZ	Dual Production and Injection
ORZ	Dual Injection
ORE	Dual Completion
OEZ	Special Economic Zone
PDK	Maximum Permissible Emission
PNG	Associated Petroleum Gas
PP	Industrial site
PPD	Formation pressure maintenance
PPT	Polymer coated pipes
PS	Substation
PTs	Chain drive
RAN	Russian Academy of Sciences
RVS	Steel vertical tank
RID	Russian Institute of Directors
RMOO	Regional Yong People’s Social Organization
RSPP	Russian Union of Industrialists and Entrepreneurs
RT	Republic of Tatarstan
RF	Russian Federation
SBT	Career Center for Students
SVN	Extraviscous oil
SEM-ChvZ	Technology of sedimentative capacitive modelling of natural oil and gas reservoirs
SKZ	Cathodic protection station
SKU	Corporate Management Standard
Mass media	Mass media
SMK	Quality Management System
SNG	Commonwealth of Independent States
STO	Corporate Standard

SED	Electronic Document Management System
t.u.t.	ton of reference fuel
TASSR	Tatar Autonomous Soviet Socialist Republic
TD	Trading House
TK	Labor Code
TOSMS	Local administration board
TTD	Trading and Technical House
TU	Technical Specifications
TEK	Fuel and energy complex
TETs	Heat Power Plant
UZI	Ultrasonic examination
UZK	Delayed coking unit
UK	Administration Company
ULF	Light hydrocarbon fraction recovery
UPVSN	High-Sulfur Oil Treatment Installation
UPN	Oil Treatment Installation
UPS	Preliminary Water Removal Installation
UPTZh for PPD	Administration of Process Fluid Preparation for Formation Pressure Maintenance (structural subdivision of JSC TATNEFT)
USO	Sulfur Removal Installation
UTNGP	Tatneftegazpererabotka Administration (structural subdivision of JSC TATNEFT)
FBU	Federal State-Funded Establishment
FGBU	Federal State and State-Funded Establishment
FGU	Federal State Establishment
FRD	Motion study
TsLATI in PFO	Centre of Laboratory Analysis and Technical Metrology in Volga Federal District
TsMK tires	All-steel tires
TsPK	Personnel Training Center
TsRB	Central District Hospital
ShFLU	Broad light hydrocarbon fraction
EIS	Electroinsulating connections
EKU	Corporate e-University

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