

2015

ANNUAL REPORT
OF THE TATNEFT COMPANY

PJSC TATNEFT 2015 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» approved 30 December 2014, registered by the Ministry of Justice of the Russian Federation on 12 February 2015.
- Letter of Information of Bank of Russia No. IN-06-52/8 «On Disclosure of Report on Observance of the Principles and Recommendations of the Corporate Governance Code in the Annual Report of Public Joint Stock Company» dated 17 February 2016

As related to the sustainable development aspects the integrated 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 Public Joint Stock Company «TATNEFT» for 2015 has been preliminarily approved by the Board of Directors of PJSC TATNEFT. Minutes No.13 dated 25 May 2016.

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 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.

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JOINT ADDRESS TO SHAREHOLDERS, INVESTORS AND PARTNERS



Dear Shareholders, Investors and Partners!

TATNEFT Company successfully accomplished all of the planned programs in 2015. In the difficult macroeconomic environment the Company implemented a set of production and economic compensatory measures to maintain the Company's status in the group of the leaders of the Russian fuel and energy complex.

In order to ensure a sustainable economic and financial situation and improve operational profitability within the framework of the formation of the Company's Development Strategy until 2025 the work was continued on improving the corporate business model and organizational structure of the TATNEFT Group of Companies.

The volume of crude oil production of the TATNEFT Group amounted to 27.2 mln tonnes in the reporting year. The Company is developing deposits of high-viscosity oil as one of the strategic resource assets. The accumulated oil production volume from Ashalchinskoye field exceeded 930 thousand tonnes of HVO since the beginning of the development. Continuous improvement of technologies and introduction of new equipment contribute to maintaining the volume of commercial production at conventional oil fields, as well as to successful development of hard-to-recover oil reserves.

The Company controls replacement of hydrocarbon reserves by implementing appropriate comprehensive programs. The Company's proved reserves amount to 869.8 mln tonnes.

As part of accomplishing the strategic objective to increase the volumes of production and sales of new types of high value-added products the TANECO Refining and Petrochemical Plants Complex produced 1.4 mln tonnes of diesel fuel complying with the ecological «Euro-5» standard in 2015. The total volume of crude oil processed during the reporting year amounted to 8.6 mln tonnes, while the light products yield accounted for more than 70%. The construction of the second stage of the Complex is underway in order to increase the volume of oil refining up to 14 million tonnes of crude oil per year.

Expansion of the modern high-quality products output is also underway at the enterprises of the Petrochemical Complex. The products of «Nizhnekamsktekhuglerod» Factory correspond to high-quality analogs of foreign manufacturers and are popular in the domestic market. They are supplied to 28 importing countries. The tire factories of the Company manufactured 12 million tires in the reporting year with 23% of them sold on the external

market. The export deliveries geography of our tire products covers 47 countries. The production capacity of the Nizhnekamsk solid steel cord tire factory was brought to the full design level last year with the total number of the tires manufactured since the factory was put into operation amounting to 3 million pieces. The factory provides 72% of the total volume of solid steel cord tires produced in Russia.

The reporting year witnessed modernization of Nizhnekamsk CHP in order to improve the efficiency and reliability of power supply to the refining and petrochemical facilities of the Company's Nizhnekamsk industrial hub, which essentially increased the CHP plant's capacity.

The Company continues developing its retail sales network. High quality of fuel, including the Company's own production, modernization of the filling stations and introduction of additional services enhance its competitiveness and strengthen the Company's position in this business segment. By the end of 2015 the network of the TATNEFT's filling stations increased to 692 stations with the sales volumes of oil and gas products through its own network of filling stations accounting for 18.3% increase versus 2014.

The implemented investment policy provides for a qualitative improvement in the structure of the TATNEFT Group's assets. The share of proceeds from the operating segment «processing and sale of petroleum and petroleum products» is growing. The Company was holding down the rate of operating expenses growth, which allowed reducing the expenses per ruble of marketable products.

The Company's net profit amounted to 85 billion rubles in 2015. The Company's level of capitalization increased by 40% versus 2014. The Company maintains a high level of the PJSC TATNEFT's shares dividend yield.

Following the socially responsible business principles the Company complies with the high requirements of the corporate environmental and social standards. The Company implements large-scale environmental measures and programs for support of health, education, cultural and sports, which contribute to the development of the social infrastructure in the regions of the Company's activities.

The achieved status of the Company is the result of full-scale efforts of all the Company's enterprises. We express gratitude to the workforce of the TATNEFT Group of Companies for their professionalism and hard work aimed at achieving maximum results.

The Company's management appreciates the trust of the shareholders and constructive interaction with investors and partners. In future we shall strictly adhere to the accepted commitments and plans.

We consider the unstable situation in the economy related to geopolitical problems, the fall in the global price of oil, volatility of the national currency exchange rate, external constraints for Russian business to be a challenge and a stimulus to the development and search for reserves. We are sure, that the accumulated production potential, further improvement of the corporate management system and high competence of the staff are the basis for the stable operation of the Company in the future, maintenance of its position in the industry, international recognition and successful implementation of strategic initiatives!

R.N. Minnikhanov

President of the Republic of Tatarstan,
Chairman of the Board of Directors of PJSC TATNEFT

N.U. Maganov

General Director,
Chairman of the Management Board of PJSC TATNEFT

OUR MISSION CONSISTS IN ENSURING THE PROGRESSIVE DEVELOPMENT OF THE COMPANY AS ONE OF THE LARGEST RUSSIAN VERTICALLY INTEGRATED COMPANIES PRODUCING OIL AND GAS, REFINED PRODUCTS, PETROCHEMICALS BASED ON THE EFFICIENT ASSET MANAGEMENT OF THE SHAREHOLDERS, MANAGEMENT OF NATURAL RESOURCES AND CORPORATE SOCIAL RESPONSIBILITY.

The principal business assets are located in the territory of the Russian Federation, the business projects are carried out in the domestic and foreign markets.

PJSC TATNEFT is a corporate centre of the TATNEFT Group, which consolidates management of investment, financial and production processes of all business-segments in order to achieve the maximum operating performance within the Company's development strategy.

Coordination of the activity of the companies constituting the part of the Group is aimed at ensuring high efficiency of the subsidiaries' activity, transparency of decision-making and risk management.

The key function of the Group's corporate centre is to increase the shareholder value and investment attractiveness of the Company.

The Company represents the interests of about 44 thousand Russian and foreign shareholders. Stable financial position and positive financial performance provide a high level of dividend yield of the TATNEFT shares.

The dividend policy is based on the strict observance of the legitimate rights and interests of the shareholders in accordance with the mission and strategic goals aimed to increase the Company's capitalization and the level of dividend yield on invested capital as a result of efficient asset management of the shareholders.

798.7
BLN. RUBLES

TOTAL CONSOLIDATED
ASSETS OF THE TATNEFT
GROUP

545.3
BLN. RUBLES

NET ASSETS
OF PJSC TATNEFT

85.0
BLN. RUBLES

NET PROFITS
OF PJSC TATNEFT

EQUITY HOLDING STRUCTURE OF PJSC TATNEFT

Shares of PJSC TATNEFT are traded in the Russian and international stock markets for over 20 years and they are considered to be the most representative instruments in the securities market. The stock owners of the Company are shareholders from over 30 countries.

The ordinary and preferred shares of the Company are listed in the 1st level MICEX Quote List - Moscow Stock Exchange. The highest level of quotation of shares of PJSC «Tatneft» on the Moscow Stock Exchange reflects the Company’s compliance with all conditions and whether the listing rules, following the best practices of corporate governance, financial transparency and compliance with the liquidity requirements. PJSC TATNEFT shares are included in the MICEX basic index calculation base, which is the main indicator of the Russian stock market.

28.5 % of the share capital are converted into the global American Depositary Receipts (ADRs). Listing of depositary receipts on the London Stock Exchange are classified as the «standard» status (ATAD symbol). The depositary receipts are traded in the Xetra system of Deutsche Bourse Group. Since 2009 the ADRs have been traded on the US over-the- counter (OTC) market organized by OTC Markets Group – Pink Sheets.

The Company’ equity capital is equal to 2 326 199 thousand rubles, including 2 326 199 200 preferred and ordinary shares 2 326 199 200. Nominated value of each share is amounted to RUB 1.

DIVIDEND POLICY OF THE COMPANY IS BASED ON THE ECONOMICALLY SOUND APPROACH TO PROFIT DISTRIBUTION TO PROPERLY BALANCE THE SHORT-TERM INTERESTS (PROFIT-MAKING) AND LONG TERM INTERESTS (COMPANY DEVELOPMENT) OF SHAREHOLDERS.

Information on each class (type) of shares

Securities (sort and type)	preferred registered uncertified shares	ordinary registered uncertified shares
Form of issuance of securities	registered uncertified	registered uncertified
State registration number of the securities issuance	2-03-00161-A	1-03-00161-A
Date of statutory registration of the securities issuance	26.10.2001	26.10.2001
Nominal value of the securities	1	1
Currency of nominal value of the securities	RUB	RUB
Number of securities in the issuance	147 508 500 pcs.	2 178 690 700 pcs.
Total number of shares issued	147 508 500	2 178 690 700

As of December 31, 2015 there were 44 471 shareholders registered in the Register of PJSC TATNEFT shareholders. Among them the largest owners (nominal holders) of the Company’s shares were as follows:

- Non-banking Credit Organization, Closed Joint Stock Company National Settlement Depository owns 59.6013% of shares,
- Joint Stock Company “Central Depository of the Republic of Tatarstan” owns 30.4483% of shares.

PJSC TATNEFT Equity Holding Structure as of December 31, 2015

TOTAL NUMBER OF SHARES INCLUDING:	2 326 199 200
Ordinary shares	
PJSC TATNEFT	2 178 690 700
Foreign shareholders	504 860*
Russian shareholders	2 178 185 840
Preferred shares	
PJSC TATNEFT	147 508 500
Foreign shareholders	93 467*
Russian shareholders	147 415 033

*without ownership through the Russian nominee holders

As of the end of 2015 the value of one ordinary share of PJSC TATNEFT amounted to RUB 315.5 (US\$ 4.35) on the Moscow Stock Exchange, one preferred share - RUB 198.1 (US\$ 2.73).

THE COMPANY ENSURES EQUALITY OF CONDITIONS FOR ALL SHAREHOLDERS REGARDLESS OF THE NUMBER OF SHARES THEY OWN AND LOCATION OF SHAREHOLDERS, AND TREAT THEM EQUALLY IN REALIZING THEIR POSSIBILITIES TO PARTICIPATE IN THE PROFITS OF THE COMPANY BY RECEIVING DIVIDENDS.

Dividend Policy

The Company recognizes dividends as one of the key indicators of investment attractiveness of the Company and is committed to raising its dividends on the basis of consistent earnings growth. The Board of Directors while developing the recommendations on the dividend amount to the General Meeting of shareholders (per share) is based on the amount of net profits of the Company and proceeds from the premise that the amount paid out in dividends shall be at least 30% of net profits determined according to the Russian Accounting Standards (RAS).

The principles and conditions of decision-making on the payment (declaration) of dividends, the procedure for determining the dividend amount and payment are defined in the Regulations on the Dividend Policy of PJSC TATNEFT approved by the Board of Directors of the Company. The Regulations are based on observance of the shareholders’ rights, stipulated by the legislation of the Russian Federation and best practices of corporate governance.

The Company ensures maximum transparency of the dividend policy.

The amount of dividends on the ordinary and preferred shares of PJSC TATNEFT recommended by the Board of Directors to the General Meeting of Shareholders on the results of operations in 2015 will amount to RUB 10.96 (1096% of the nominal value of shares).

Dividend decision indicating payment itself, its amount and form is taken by the General Meeting of the Company’s Shareholders based on the recommendations of the Board of directors. The recommendations of the Board of directors indicating amount of the dividends according to the results of reporting period, payment order, as well as record date are presented to the shareholders in accordance with the effective legislation for taking final decision on the General Meeting of the Company’s Shareholders.

Information about the decision taken by the General Meeting of the Company’s Shareholders regarding dividends payment, its amount and payment order is published on the official web-site of the Company (www.tatneft.ru) in Russian and English, as well as on the web-site of the news agency authorized for carrying out activities related to disclosure of the Company’s information.

History of the dividend payments for the last five completed fiscal years

Type of Shares	2010		2011		2012		2013		2014	
	% of the face value	Dividend amount, RUB	% of the face value	Dividend amount, RUB	% of the face value	Dividend amount, RUB	% of the face value	Dividend amount, RUB	% of the face value	Dividend amount, RUB
Total amount of dividends (RUB BLN)	11.7		16.5		20.0		19.2		24.6	
Net proceeds share (according to RAS) allocated at dividends payment	30%		30%		30%		30%		30%	
Ordinary shares	502%	5.02	708%	7.08	860%	8.60	823%	8.23	1058%	10.58
Preferred shares	502%	5.02	708%	7.08	860%	8.60	823%	8.23	1058%	10.58
Date of decision on dividends payment	Annual General Meeting of Shareholders at year-end 2010 held June 23, 2011. Minutes No. 18 dd. 28.06.2011		Annual General Meeting of Shareholders at year-end 2011 held June 29, 2012. Minutes No. 19 dd. 03.07.2012		Annual General Meeting of Shareholders at year-end 2012 held June 28, 2013. Minutes No. 20 dd. 02.07.2013		Annual General Meeting of Shareholders at year-end 2013 held June 27, 2014. Minutes No. 21 dd. 02.07.2014		Annual General Meeting of Shareholders at year-end 2014 held June 26, 2014. Minutes No. 22 dd. 30.07.2015	
Date of payment	August 21, 2011		August 27, 2012		August 26, 2013		July 29, 2014 (payment to the nominee shareholder). August 19, 2014 (payments to the registered shareholders).		July 29, 2015 (payment to the nominee shareholder). August 19, 2015 (payments to the registered shareholders).	

EFFICIENCY

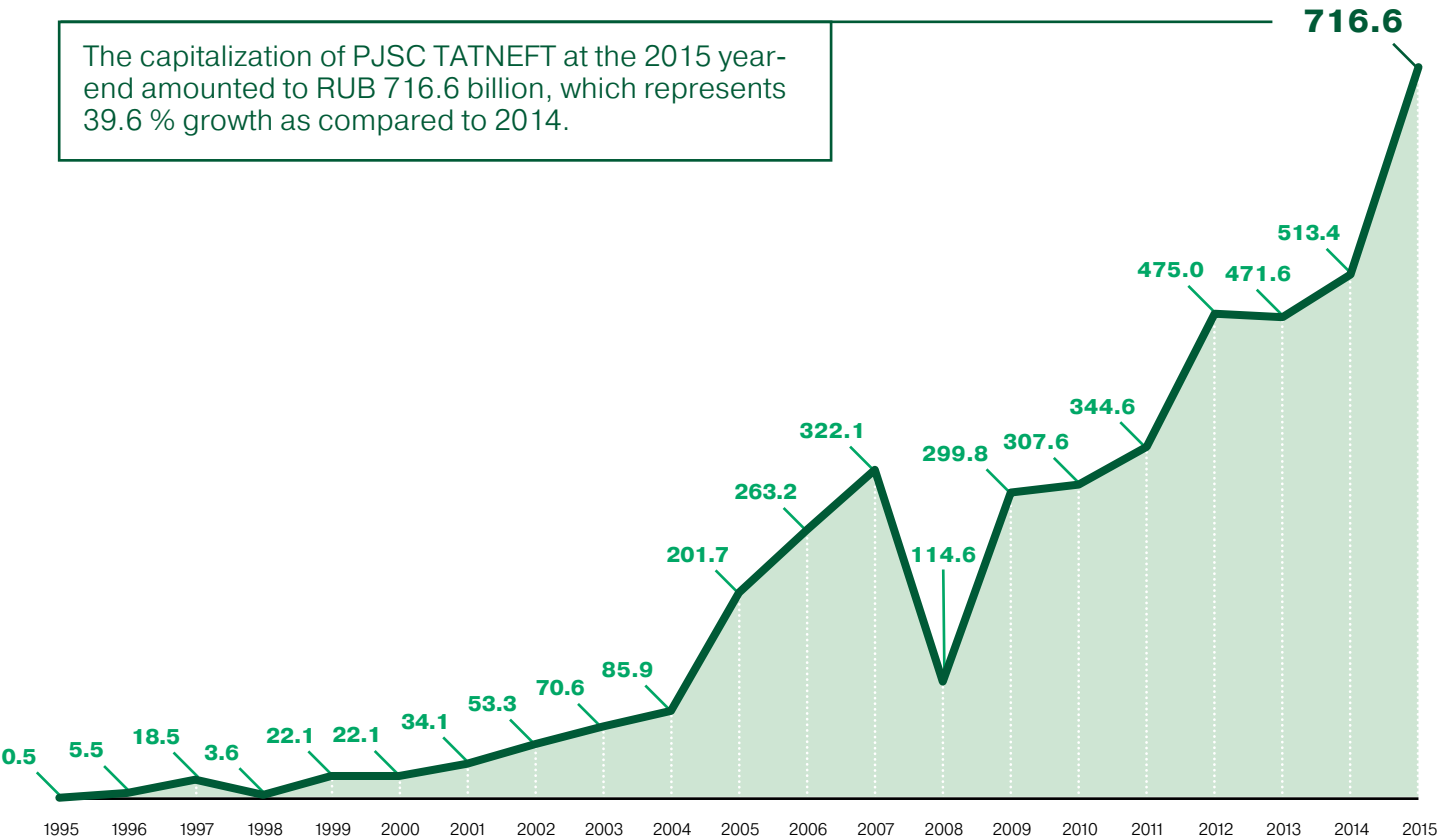
THE CONSISTENT IMPLEMENTATION OF THE COMPANY’S STRATEGIC OBJECTIVES PROVIDES SUSTAINABLE OUTPUT GROWTH AND POSITIVE FINANCIAL PERFORMANCE FOR MORE THAN 20 YEARS.

SUSTAINABILITY AND STABILITY

THE POSITIVE PERFORMANCE RESULTS OF THE COMPANY IN DIFFICULT MACROECONOMIC CONDITIONS OF THE LAST PERIOD OF 2014-2015 REFLECT THE QUALITY POTENTIAL OF ITS BUSINESS MODEL ABLE TO WITHSTAND IMPACT OF THE NEGATIVE SECTORAL AND MARKET FACTORS.

RESPONSIBILITY

STRICT OBSERVANCE OF THE RIGHTS AND LEGAL INTERESTS OF SHAREHOLDERS AND ALL THE STAKEHOLDERS IS EXPRESSED IN THE FULFILLMENT OF THE COMPANY UNDERTAKEN OBLIGATIONS IN THE PRINCIPAL ACTIVITY AND VOLUNTARY SOCIAL INITIATIVES.



DEVELOPMENT AND CONTINUITY
OF THE COMPANY’S STRATEGIC INITIATIVES

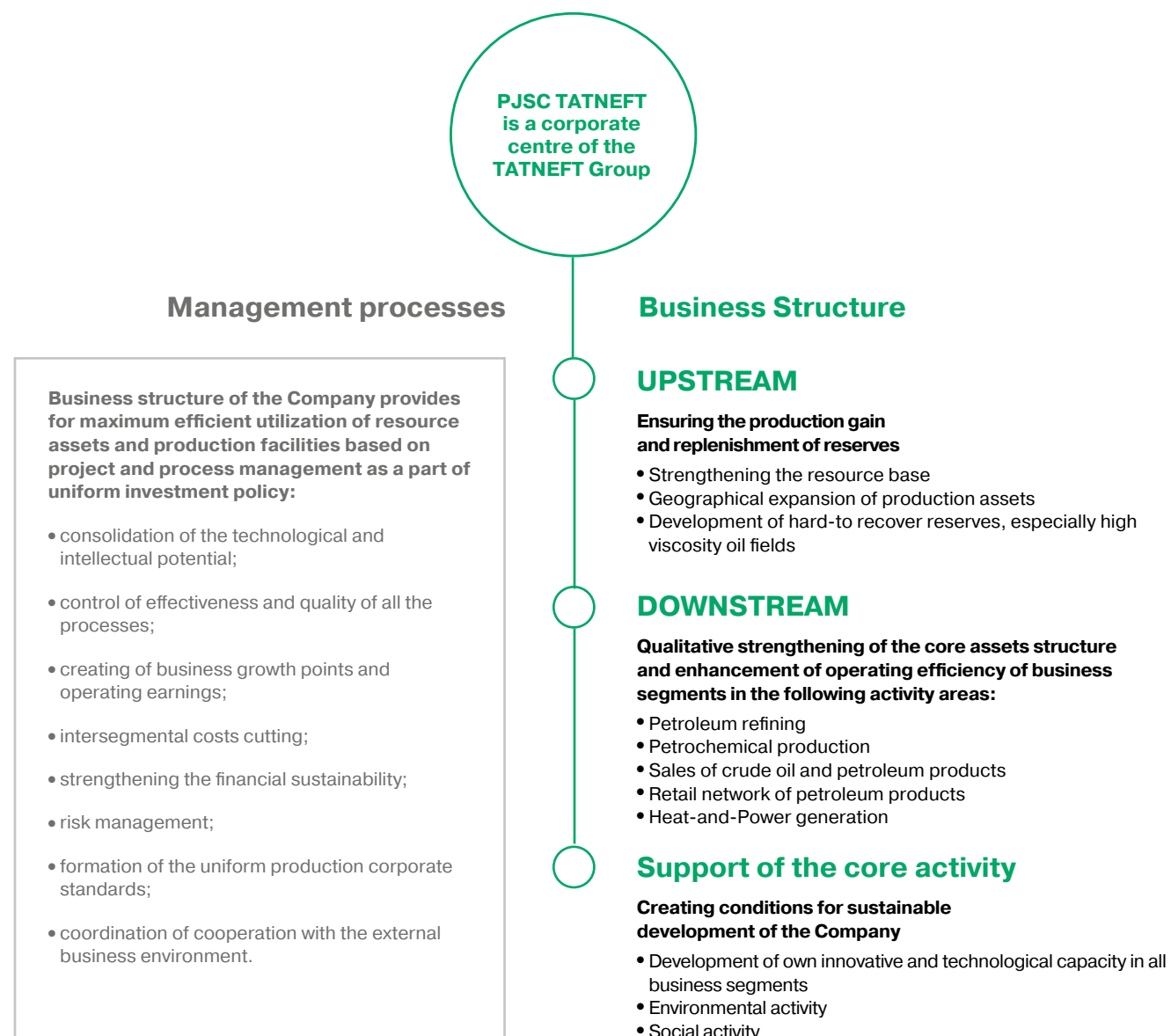
Icons	STRATEGIC INITIATIVES	АКТУАЛИЗАЦИЯ СТРАТЕГИЧЕСКИХ ИНИЦИАТИВ В 2015 ГОДУ
	Ensure the financial sustainability and economic stability	Increasing the long-term shareholder value of the Company and ensuring high operating return on the investment of the business segments on the basis of effective corporate management of natural resources, industrial, intellectual and professional assets
	Stabilize the volumes of profitable oil & gas production on the developed license fields and development of new fields including high viscosity oil fields and hard-to-recover oil fields in the territory of the Republic of Tatarstan	Increase the commercial oil & gas production of oil & gas fields, oil recovery enhancement on the developed license fields and development of new fields including high viscosity oil fields and hard-to-recover oil fields in the territory of the Republic of Tatarstan while cutting the operating unit costs and investment expenditures
	Expand the hydrocarbon resource portfolio outside the Republic of Tatarstan and the Russian Federation	Expand the hydrocarbon resource portfolio outside the Republic of Tatarstan and the Russian Federation
	Increase the production volumes and sales of highly competitive finished products through development of refineries and petrochemical plants	Increase the production volumes and sales of highly competitive finished products - high value-added goods according to the international environmental standards and long-term market requirements, develop in-house refinery and petrochemical production capacities.
	Formulate and implement the innovative engineering policy	Strengthen the technological capacity of the Company through effective investments in the development and modernization of the production capacities, advanced technology development and enhancement of efficient use of facilities and technologies, improvement of efficiency of resource saving programs.
	Ensure a high level of the corporate social responsibility and environmental responsibility	Ensure a high level of the corporate social responsibility and support environmental balance during carrying out production and commercial activities of the Company.

The compliance of indicators to the strategic initiatives is indicated by appropriate marking in the report text

BUSINESS MODEL

PJSC TATNEFT GROUP STRUCTURE PROVIDES THE OPERATIONAL PROCESSES FROM OBTAINING PRODUCTION LICENSES TO SALES OF PETROLEUM AND PETROCHEMICAL PRODUCTS IN THE DOMESTIC MARKET AND FOR EXPORT. THE COMPANY ASSETS ARE ALLOCATED AMONG THE BUSINESS SEGMENTS OF UPSTREAM AND DOWNSTREAM.

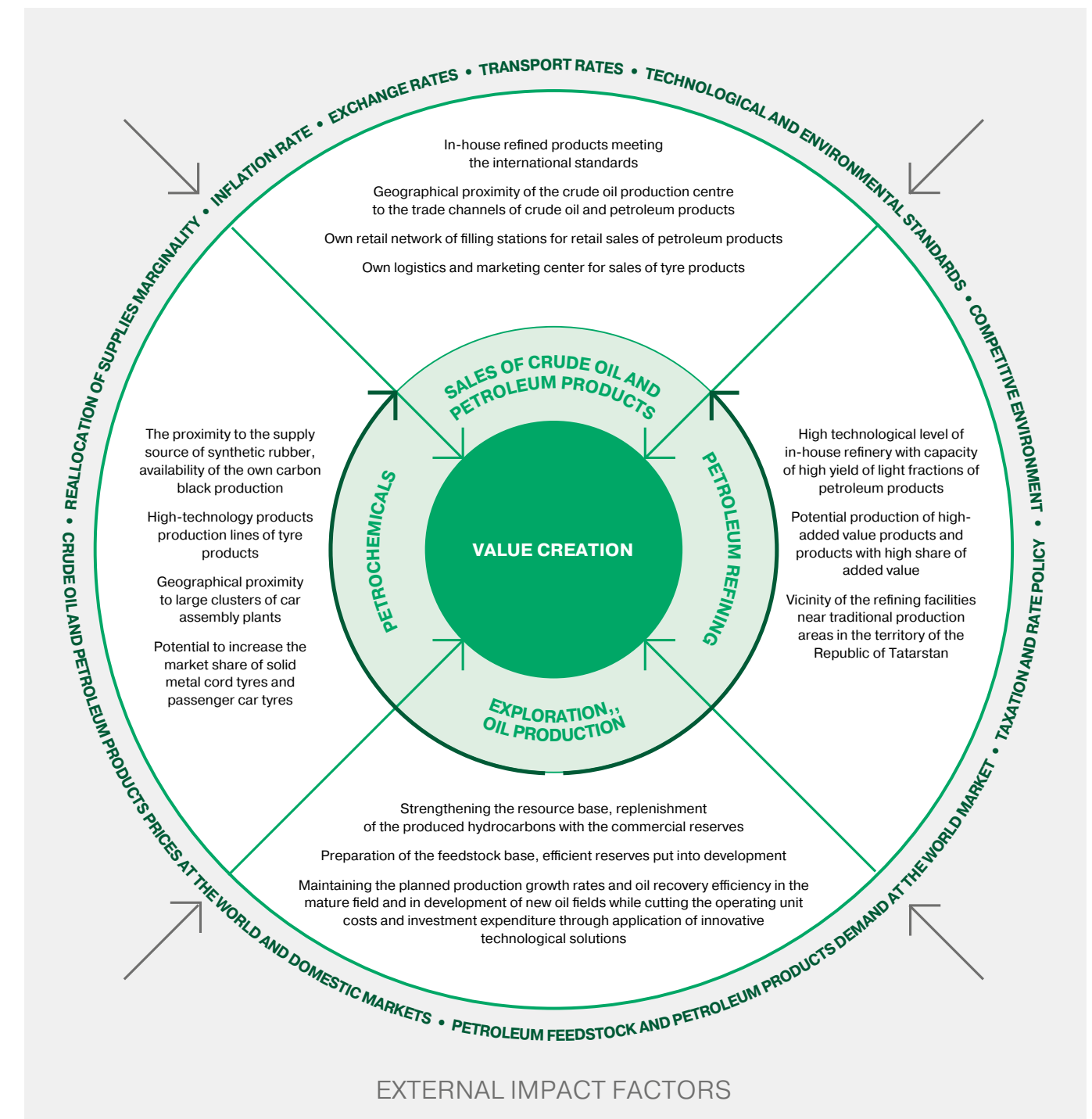
In 2015, the Company successfully achieved its objectives to strengthen the quality and profitability of the corporate assets, ensure the production level growth and replenishment of reserves, improve the added value through the production of high quality refined products and the efficient allocation of resource and production potential, development of in-house refinery capacity, enhancement of returns on the investments made in the tyre production. The result of the year was the achievement of all the planned production volumes and positive financial performance.



THE COMPANY'S STRATEGIC GOAL IS TO DOUBLE ITS VALUE UP TO 2025:

- INCREASE ANNUAL OIL PRODUCTION VOLUME OUT TO 30 MLN TONNES
- INCREASE PETROLEUM REFINING VOLUME UP TO 14 MLN TONNES UP TO 2018
- INCREASE VOLUME OF PETROLEUM PRODUCTS SALES THROUGH THE RETAIL NETWORK OF FILLING STATIONS BY 1,5 TIMES
- STRENGTHEN PETROCHEMICALS BUSINESS SEGMENT

THE BUSINESS MODEL BASED ON THE UNIFIED STRATEGY INTEGRATES THE POTENTIAL OF CORE DIVERSIFIED ASSETS IN THE EXPLORATION AND PRODUCTION, PETROLEUM REFINING, PETROCHEMICAL PRODUCTION, SALES OF CRUDE OIL AND PETROLEUM PRODUCTS, ENSURING THE VALUE CREATION AND PROVIDING CONDITIONS OF LONG-TERM SUSTAINABLE DEVELOPMENT TAKING INTO ACCOUNT EXTERNAL INFLUENCING FACTORS.



FINANCIAL POSITION AND STRENGTHENING THE ASSETS STRUCTURE

Priorities of the corporate financial policy comprise the provision of reliable funding sources at minimum cost with maximum efficient utilization of the circulating capital. The financial and economic potential of the Company ensured timely investment in the priority projects and funding of all expenses and payments, including capital expenditures, repayment of long-term loans and dividends. The total amount of investment in the Company amounted to 97.2 billion rubles in 2015. Revenue of the TATNEFT Group amounted to 552.7 billion rubles in 2015. Net profit and EBITDA of the Group amounted to 105.8 billion rubles and 155.6 billion rubles, respectively in 2015.

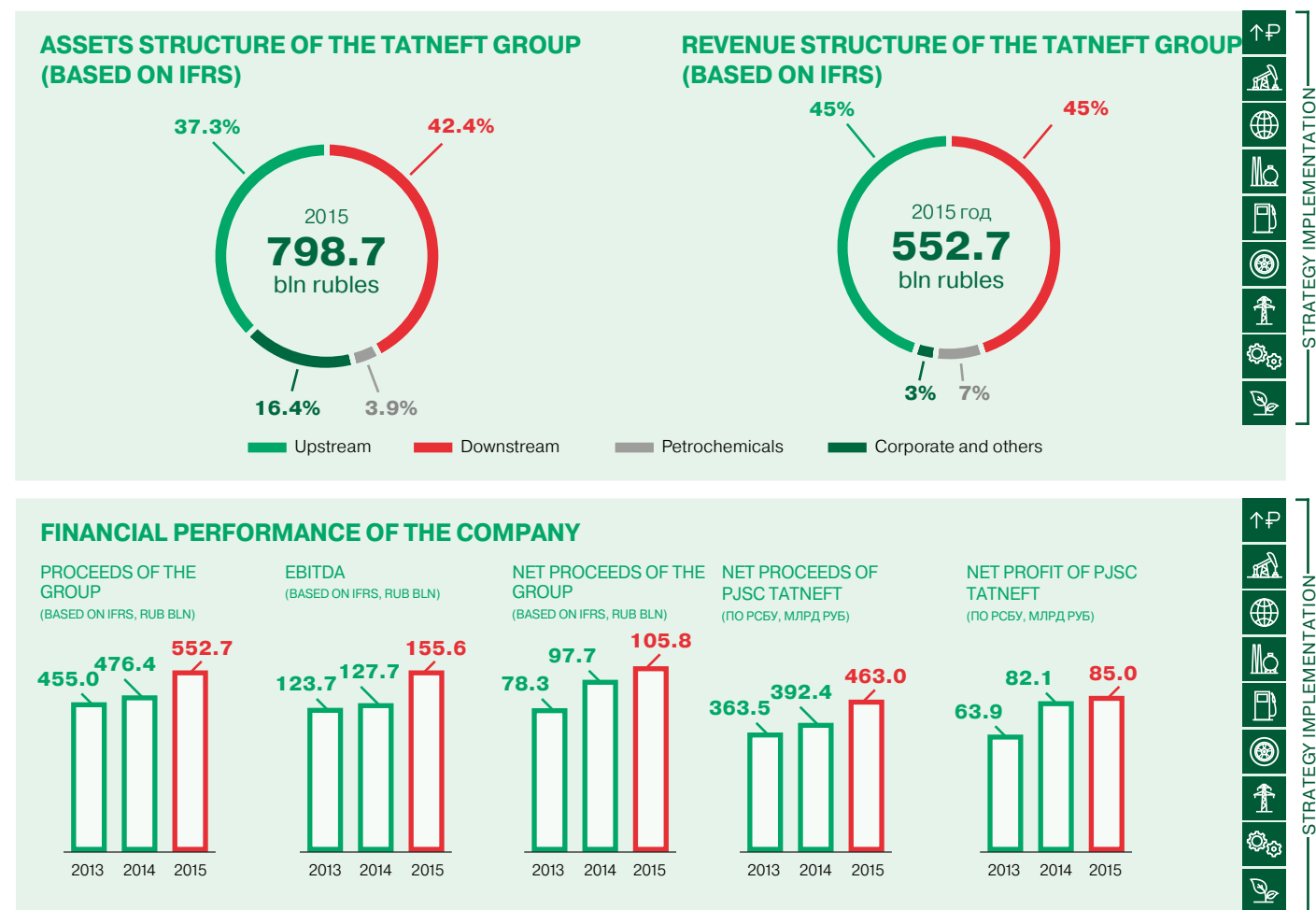
Revenue of PJSC TATNEFT (net of VAT, excise duties and export duties) amounted to 463 billion rubles in 2015, which is up by 18% as compared to the level of 2014. The increase of revenues in 2015 as compared to 2014 year was due to production increase, as well as growth of light petroleum products sales share in the whole sales structure.

Profit before income tax in 2015 increased by 7.2% as compared to the corresponding period of the previous year and amounted to 111.5 billion rubles. The key profit increase driver in 2015 as compared to 2014 was the growth of the revenue from sales in the reporting period.

In 2015 PJSC TATNEFT gained 85 billion rubles of net profit, up 3.6% as compared to 2014 index (according to RAS).

The total amount of accrued taxes and payments of PJSC TATNEFT in 2015 amounted to 263 billion rubles..

The Company’s balanced policy provides for gradual reduction of the level of funding raised by the parent company TATNEFT. The loan balance on foreign currency credits as of 31.12.2015 decreased to USD 204.6 million to USD 49.3 mln, in the complete absence of ruble loans.

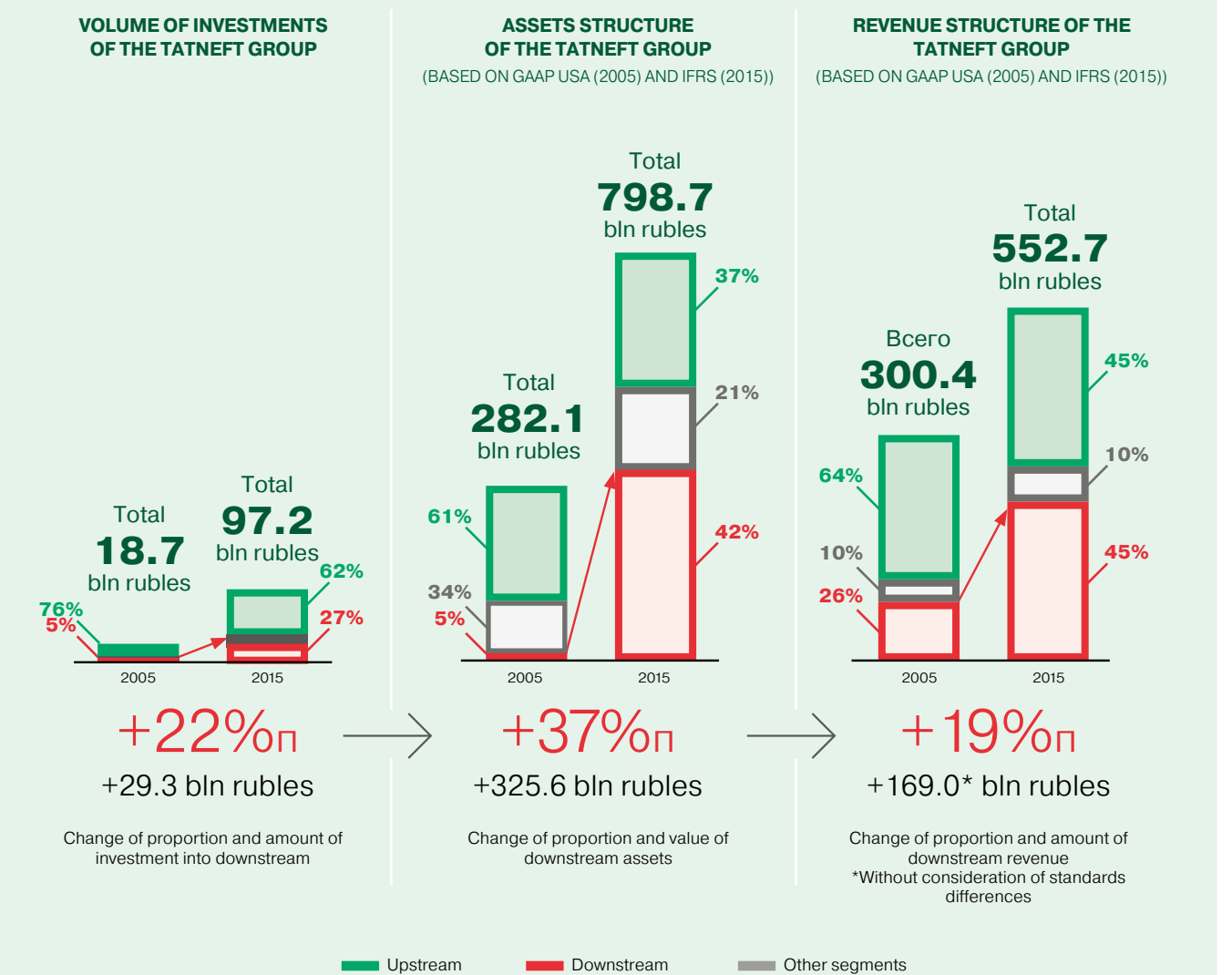


THE COMPANY CONSISTENTLY STRENGTHENS THE STRUCTURE OF ITS CORE ASSETS AS PART OF THE VERTICAL INTEGRATION STRATEGY IN ORDER TO ACHIEVE AN OPTIMAL BALANCE OF THE CORE OPERATIONAL SEGMENTNS: UPSTREAM AND DOWNSTREAM.

INVESTMENT POLICY IMPLEMENTED BY THE COMPANY ENSURED POTENTIAL OF THE FURTHER DOWNSTREAM PROCEEDS GROWTH DUE TO ADDED VALUE, PRODUCED ON THE BASIS OF DOWNSTREAM PROCESSING OF HYDROCARBON RESOURCES

The period since 2005 until 2015 saw quality changes of the Company’s investment policy related to formation of own downstream block. Share of investment allocated to downstream development increased by 22 percentage points from 5% in 2005 to 27% in 2015, while maintaining level of investment into upstream among the total investment amount. This allowed to increase value of consolidated assets of the Company by 2.8 times from 282.1 bln rubles in 2005 to 798.7 bln rubles at 2015 year-end with simultaneous growth of both segments.

Currently share of upstream segment in the assets structure of the TATNEFT Group is amounted to 37%, while share of downstream segment is amounted to 42%. Strengthening of the assets structure has allowed the Company to approach optimal balance of these business segments in the terms of proceeds, reached 45%/45% ratio in 2015 with significant increase of total amount of consolidated proceeds (552.7 bln rubles at 2015 year-end).



Upstream

Historically, the main resource base of the Company is located within the Republic of Tatarstan, where in 2015 the Company had reached a record high oil production across PJSC TATNEFT over the last two decades in the amount of 26.9 mln tonnes that was up 704 ths tonnes as compared with 2014. Overall, the total oil production across the Group amounted 27.2 mln tonnes.

Even though most of the oil fields the Company owns are mature, for the time being TATNEFT has been the only oil producing company in Russia ensuring since 2000 a sustainable production growth with ongoing improved oil production and enhanced oil recovery techniques. At year-end 2015, in terms of oil production addition, the Company ranked second (+2.7%) only to Bashneft (+11%) among the Russian vertically integrated oil companies.

In spite of the challenging economic situation and plunging oil prices the Company continued realization one of its activities of strategic importance i.e. ultra-viscous oil (UVO) development project at the Ashalchinsky field: in 2015, production amounted 376.4 ths tonnes and was up 60% versus last year; overall, since the beginning of pilot commercial development at year-end 2015 the ultra-viscous oil produced totaled as high as 930 ths tonnes. For 2016, the UVO production is targeted at the level not less than 531 ths tonnes.

The proved oil reserves were estimated by Miller & Lents Ltd. in the quantity of 869.8 mln tonnes. In 2015, the proved oil reserve replacement ratio showed 166%.

Outside the Republic of Tatarstan within the Russian Federation, the licensed areas held by the Company produced 322 ths tonnes of oil with 4.9 % growth.

The key element of TATNEFT's operations is improvement and development of new oil recovery techniques. Development of advanced and science intensive technologies as well as expansion of scope and range of production services rendered consolidate innovation capacity of the Company and ensure one of the significant competitive advantages of PJSC TATNEFT in the industry. Large-scale implementation of tertiary EOR techniques, high level of operating management culture as well as improved service contractor management model position the Company as a leader among the largest vertically integrated oil companies. The Company has the lowest weighted average tariff for oil transportation to European markets among other Russia's large vertically integrated oil companies.

For 2016 and the coming years the Company's top strategic priorities in this business segment are as follows:

- boost oil production and enhance oil recovery efficiency at conventional oil fields in Tatarstan through extensive implementation of novel equipment and technologies;
- develop UVO deposits at the Ashalchinsky field and attain production level up to 2 mln of tonnes;
- realize a pilot operation program for the Domanikovian oil production;
- provide cost-effective oil production growth with lowering specific operating and investment costs.

Downstream

The Company continues implementing its business diversification strategy. In 2015, the overall refinery feedstock across the Group totaled 9.4 mln tonnes, of which 9.2 mln tonnes of petroleum feedstock were processed at the TANECO Complex including 8.6 mln tonnes of crude oil.

The primary processing capacity utilization of the refinery was 115%. TANECO ranks first among Russia's oil refineries as regards this performance parameter (the industry average performance is about 89 %).

In 2015, 18 off-site facilities were commissioned, and the lube base stock plant, which is unique by the Russian standards, increased its output. The tests run prove that TATNEFT's lube base stocks have good cold flow properties, volatility and color properties and high viscosity index.

Based on the results of the All-Russian Competition «Russia's Top 100 Products 2015» the TANECO product such as Euro-5 diesel fuel was listed among the best commodities. The high-quality of the diesel fuel was proved by the results of the independent tests run by the KAMAZ Research and Development Center at the central laboratory of fuels and lube oils. The Chevron Lummus Global (US) Licensor acknowledged the output quality as well, indicating that it meets all up-to-date world requirements.

In the year under report, installation of new processing units as well as start-up operations of the commissioned processing units were going on at the Refinery Complex.

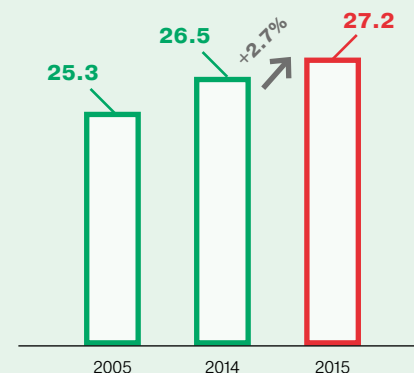
In 2016, it is planned that the work will continue as regards to competitive growth: finish construction and installation operations and begin integrated testing operation of the process units such as naphtha hydrotreatment, delayed coking with coke shipping yard, isomerization, naphtha splitter, first stage of aromatics production complex.

Currently, the second phase of TANECO is being constructed that is another crude oil distillation unit CDU-VDU-6. Plans for 2016 provide for starting up the catalytic reforming and light naphtha isomerization units and launching the production of Regular-92 and Premium-95 motor gasolines of the Euro-5 emission standard.

It is very important for the Company's downstream business efficiency to have an access to the Sever product pipeline that will make it possible to significantly cut down the costs for diesel fuel transportation to the foreign markets.

TATNEFT GROUP OIL PRODUCTION (MLN TONNES)

Thanks to advanced and innovative EOR implementation the Company has been incrementing its oil production over the years in spite of the high reserve depletion rate while maintaining competitive expenditure level. Creating the long-term high-quality producing asset portfolio the Company produces the historical oil fields within the Republic of Tatarstan and expands its geographic reach prospecting and exploring for oil beyond Tatarstan.



STRATEGY IMPLEMENTATION

TANECO'S PORTION IN PRIMARY CRUDE OIL PROCESSING IN THE RUSSIAN FEDERATION ACCOUNTED FOR 3%.

As at the beginning of 2016, the petroleum feedstock conversion rate was 74.4% (average for Russian refineries – 73.9%), light product cut was 71.87% (average for Russian refineries – 58.1%).

Petroleum product output across the TATNEFT Group made up 9.3 mln tonnes. Over 2010 through 2015 petroleum product output to crude oil production ratio increased from 0,8% to 34,1%.

THE COMPANY SETS OUT THE FOLLOWING PRIORITIES FOR THE UPCOMING YEARS IN THE DOWNSTREAM BUSINESS:

- full completion of the first phase of TANECO and beginning of its second phase construction;
- reaching of conversion depth as high as 97.0% after full commissioning of the Complex, while having Nelson complexity index not less than 12;
- full conversion to light petroleum products production in the future;
- development of high margin marketing channels for TANECO's new high quality products in the Russian regions and abroad.



STRATEGY IMPLEMENTATION

Retail Business (retail network of filling stations)

PJSC TATNEFT retail network of filling stations is the fourthlargest retailer ranked after Lukoil, Rosneft and Gazpromneft.

The competitive advantage of the Company's retail network is the large-scale and broad covering of almost all the most attractive regions of Russia, especially the Volga region and Central Federal District with high growth prospects and attractive retail margins.

An additional competitive advantage is availability of its own high-quality and highly competitive product - TANECO diesel fuel, which has no analogues in Russia and in many ways superior to the Euro-5 fuel standard.

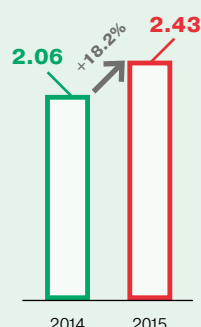
After completion of the motor gasoline production block at TANECO the retail network of the Company will be fully provided with its own high-quality products and that will allow to significantly strengthen its competitive position.

The main strategic objectives of the Company in the Retail Business segment are as follows in the coming years:

- modernization of filling stations;
- expansion of the retail network of filling stations;
- increase of daily output of filling stations;
- quality improvement of sales proposition at the filling stations, including through the development of non-fuel offer at the filling stations.

SALES OF OIL AND GAS PRODUCTS THROUGH RETAIL FILLING STATIONS (MLN TONNES)

The competitive advantages include in-house production of petroleum products, including TANECO diesel fuel superior to Euro-5 standard in many aspects. Construction and modernization of filling stations are conducted with high level of technical equipment.



Tire Industrial Complex

The 2015 year proved to be difficult in general for the tire production complex of the TATNEFT Group. The main negative factor was the reduction of the tire market due to the crisis developments in the economics. There was a growing trend of shift in demand towards cheaper tires of B and C segments in the Russian tire market due to the decline in personal income.

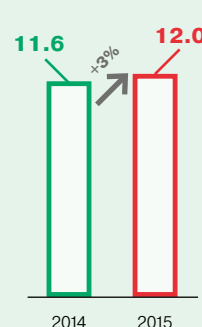
The long-term prospects of the tire market remain encouraging, and the competition among the tire manufacturers in the market of the Customs Union will increase. At the same time, the devaluation of the national currency creates certain advantages for the domestic tire manufacturers in the local market as related to the price competition with imported products, as well as new opportunities to increase exports. The anti-dumping duties were introduced for import of truck tires into the countries of Eurasian Economic Union in December of 2015, which can potentially reduce the import of cheap low-quality tires from Asia.

Despite the industry-wide negative factors, the tire production rose in 2015 due to increased demand for the Company's products, which resulted in improved financial and economic performance of the petrochemical segment. This increase was especially noticeable in demand for modern solid metal cord truck tires – Kama brand.

KAMA Scientific & Technical Center, which is a part of the TATNEFT Group's Tire Industrial Complex developed and put into production over 40 models of new tires of various sizes and purposes in 2015.

PRODUCTION OF TIRE PRODUCTS (MLN PCS)

Production of the competitive products allowed to raise tire production by 3% as compared to 2014 and to retain market share, despite negative dynamics of the market in general, and to ensure the positive dynamics of financial indicators.



Heat and Power Generation

The Company has its own generating assets enabling to improve energy supply sustainability of the production divisions and TANECO as well as boosting competitive edges of the Group in general. The utilities realizes activities to improve reliability and efficiency of heat and power generation as well as reduce energy resource loss and consumption.

In 2015, the Nizhnekamsk CHP completed the project to increase its power capacity from 380 to 730 mW. Commissioning of the turbine units will demothball the long-term forcedly suspended generating facilities of the Nizhnekamsk CHP, which in the future will increase power energy supply and enhance the plant operating flexibility to the market fluctuations.

Modernization of the Nizhnekamsk CHP allows to generate some part of the power energy in a condensing mode in other words no matter how much heat is supplied to heat consumers.

In 2015, the Almetyevsk Heat Networks Company put into service three small CHPs with overall power capacity of 24 mW. Small CHP's produces heat and power energy cogeneration with high combustion efficiency.

IN 2015, NIZHNEKAMSK CHP GENERATED POWER ENERGY 1.28 BLN KWH

The Company is implementing feedstock source diversification programs (natural gas, oil fuel, oil coke) for the Nizhnekamsk CHP which will make it possible to improve operating efficiency of the plant through optimum fuel type selection according to the market situation as well as reduce power and heat delivery disruption risks.

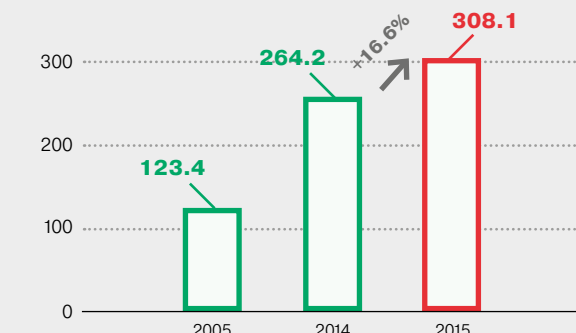
ADDED VALUE

OVER THE PERIOD BEGINNING FROM 2005 IN THE COURSE OF THE COMPANY'S VERTICAL INTEGRATION CONSOLIDATION THE ADDED VALUE OUTPUT HAS GROWN 2.5 TIMES AS MUCH.

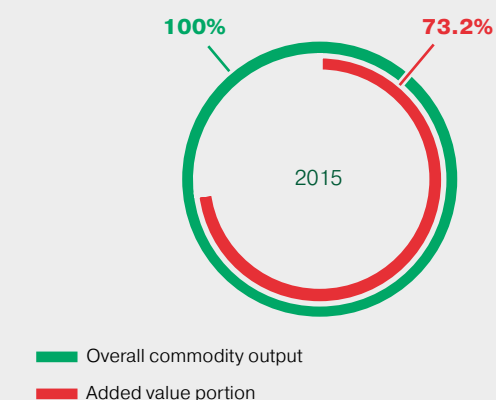
In 2015, the added value production including petroleum product output amounted to 308.1 bln rubles that was up 16.6 % against 264.2 bln rubles in 2014.

In 2015, the added value portion in overall commodity output accounted for 73.2% versus 71.9% in 2014.

ADDED VALUE OUTPUT GROWTH, BLN RUBLES.



ADDED VALUE PORTION IN OVERALL COMMODITY OUTPUT



MAJOR INDUSTRIAL FACTORS AFFECTING THE COMPANY'S ACTIVITY IN 2015

TATNEFT COMPANY IS A MAJOR SUBSURFACE USER, OPERATOR AND SUPPLIER OF OIL AND GAS RESOURCES, 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 Tatneft Company is a registered taxpayer and conducts most of its activities in the Russian Federation, including the Republic of Tatarstan, federal subject of the Russian Federation.

The Company considers all macroeconomic and industry factors when planning and carrying production, treatment, transportation and storage of oil & gas, oil & gas products, as well as materials used in production.

Proceeds, profitability and growth of the Company significantly depends on crude oil and petroleum products prices. World oil prices are historically exposed to significant changes caused by many factors, including supply and demand at the world and regional markets, reflecting expectations regarding future supply and demand for crude oil and petroleum products, world and regional economic situation, possibilities and wishes of Organization of Petroleum Exporting Countries (OPEC) members and other oil producing countries to set and maintain defined production and pricing level, national and foreign government regulation, prices and availability of alternative fuels, prices and availability of new technologies, political and economic events in the oil producing regions, especially in the Far East and in the North Africa, regulations and actions of the country governments and international organizations, including export restrictions, taxes and sanctions.

The general situation in the industry during the reporting period was determined by global macroeconomic factors conditioned by the sharp drop in oil prices in the world market. In 2015, the average price for Urals oil was USD 51.2/bbl versus USD 97.3/bbl of the previous year. By the end of 2015, world oil prices reached minimum value (in dollar terms) over the last 10 years. Meanwhile the oversupply of oil in the world market reached record high.

The general political situation and the economic sanctions had a negative impact on the domestic economy, which led to the devaluation of the national currency. Industrial production index was 96.6% in 2015 as compared to 2014. Meanwhile the index of fossil fuels extraction made 100.3%

versus the 2014 year. The foreign policy did not significantly change in 2015: the sanctions imposed by Western countries against some Russian companies and sectors are still binding. There are still difficulties with the Russian companies' access to external financing. Protracted drop in oil prices led to a partial reduction of the investment programs of the Russian oil producing companies and refineries, which had a negative impact on the equipment manufacturers for oil and gas industries. At the same time, the Russian crude oil production reached another historical peak owing to development of new deposits and enhanced oil recovery of brownfields.

The oil production volume increased to 534 million tonnes in the Russian Federation (including gas condensate) in 2015 (101.4% as compared to 2014). Most of the vertically integrated oil companies maintained the positive dynamics of the crude oil production. Increase in production was provided in new regions of the Eastern Siberia, the North of Krasnoyarsk territory, Far East and stabilization of production in the brownfields. According to the data from the Central Control Administration of the Fuel and Energy Complex of the Russian Ministry of Energy the production drilling meterage increased by 11.7 % in 2015, and the exploration drilling meterage decreased by 17.7%. At the same time the capital investments in this period increased by 9.6 % on current basis.

January 1, 2015 saw the entry of fundamental changes of the tax system, the so-called "big tax maneuver", provided for by Federal Law No. 366-FZ of November 24, 2014 "On Amendments to Part Two of the Tax Code of the Russian Federation and Certain Legislative Acts of the Russian Federation".

It implies the gradual significant reduction of export duties on crude oil and light oil products with a simultaneous increase in the export duty on dark oil products and the mineral extraction tax rate (MET) on oil and gas condensate. These changes will lead to greater profitability of high-technology oil refining in Russia and partial shutdown of outdated refineries. At the end of 2015 the Stated Duma on the proposal of the Government of the

Russian Federation decided to freeze the export duty for 2016 at the rate of 42% on the level of 2015, instead of planned reduction to 36% (Federal Law No. 324 FZ dated November 28, 2015, Russian Federation Government Regulation No. 1290 dated November 30, 2015), in this respect the changes will not affect 2017, required legal export duty will be 30%. This fact mitigated the impact of the tax maneuver on refining margins, however, has a negative impact on profitability of crude oil production.

The primary crude oil processing in the Russian Federation amounted to 282 million tonnes in 2015 (down 2% as compared to 2014). Reduction of the processing was connected with the increased tax burden on exports of black oil products, which takes place in the framework of the «big tax maneuver».

The Russian oil companies continued the large-scale modernization of the refineries aimed at improving the processing depth, increasing yield of motor gasoline components and improving the fuel environmental standards. Over the past year, within the framework of the so-called quadripartite agreement concluded between the Federal Antimonopoly Service of Russia (FAS), Federal Service for Ecological, Technological and Nuclear Supervision, Federal Agency for Technical Regulation and Metrology and the oil companies the Company put into operation and completed the reconstruction of 11 facilities. The commissioning periods of 16 facilities were postponed by the Ministry of Energy of Russia from 2015 to 2016-2020.

Motor gasoline production amounted to 39.8 million tonnes in 2015, up 4% as compared to 2014. Production of Euro-5 gasoline amounted to 33.1 million tonnes, which is up 17% as compared to the previous year. The production volume of diesel fuel production totalled 76.1 million tonnes, decreased by 1.6%, of which compliant with Euro-5 – 55.7 million tonnes (23% more compared to the previous year). Production of jet fuel amounted to 9.7 million tonnes in 2015, which is 11% lower than the volume of its production in 2014.

Main trends observed in the Russian retail market of petroleum products include continuing consolidation of retail networks by the vertically integrated oil companies (VIOC), construction of new filling stations and the purchase of existing independent operators, development of fuel and non-fuel offers, continued strengthening the role of the State, improved quality environmental requirements to petroleum products.

Despite the trends towards import substitution, the share of imported tire products in Russia is still high, particularly high proportion of Asian manufacturers, particularly China. It is important to note that the decline in rubber prices continued in 2015 both in dollars and in rubles (despite of the national currency devaluation), which allowed manufacturers to avoid a profit slump due to sales slowdown.

In 2015, the growth rates of energy demand in the Russian Federation (+ 0.2%) were lower than rates planned by the Government (+1.1% forecast of the Ministry of Energy 2014). Large-scale introduction of new and retrofit power generating capacities, as well as insufficient disposal rates of outdated capacities (installed capacity of power plants in Russia increased by 1.3% or 3.1 GW in 2015) against the background of the general economic slowdown in the Russian Federation and the Republic of Tatarstan have led to increased competition in the industry.

Due to the negative macroeconomic factors and fall in oil prices, the Company has formed a bailout program of anti-crisis measures including priority projects ranking subject to maintaining full-scale production plans, measures to optimize general and administrative expenses, reduce production costs, increases in labor productivity, strengthen control to prevent vendor-prices growth and improve the tender procedures. The Company has identified the imported equipment substitution as the most important priority to reduce costs, which was also connected with introduction of economic sanctions in 2014.

MODEL OF SUSTAINABLE DEVELOPMENT OF THE COMPANY

THE TATNEFT COMPANY BUILDS ITS BUSINESS IN ONE OF THE MOST CAPITAL-INTENSIVE INDUSTRIES OF THE SUBSOIL MANAGEMENT AND REPRODUCTION OF ENERGY RESOURCES REQUIRING ENHANCED CORPORATE RESPONSIBILITY IN ALL THE SEGMENTS OF PRODUCTION AND ECONOMIC ACTIVITIES, FINANCIAL, SOCIAL, ENVIRONMENTAL ACTIVITY. THE COMPANY CONSISTENTLY DEVELOPS ITS CORPORATE PRACTICES.

The oil & gas sector in the structure of the national economy determines the overall dynamics of its development, including the formation of financial resources and stable social sphere. This imposes additional responsibility on the Company, which is implemented in the targeted programs and voluntary corporate social initiatives.

In the context of the world energy market transformation the Company recognizes its responsibility to shareholders, investors, partners, employees and society as a whole and is committed to maximize the use of its capacity for sustainable development.

The Company considers the long-term prospects and short-term plans for core business operations – development of in-house resource and production potential and improvement of the financial results in direct interrelation with the social and environmental aspects.

Society

Planning the Company's activities is including the social aspects:

- support of social and economic development of the regions of the business activity;
- support development of healthcare, education, culture and sports;
- support of socially vulnerable segments of the population;
- provision of high quality products and services;
- continuous quality improvement of the products;
- commitment to follow changing requirements of the Customers;
- provision of reliable information about the Company's products.

Economics

The Company's activities provide for:

- participation in infrastructure development of domestic Fuel & Energy complex;
- value added chain;
- support of local economies;
- innovation;
- ensuring financial stability and economic resilience for the TATNEFT Group's enterprises;
- development of own R&D base, integrated with the leading industry scientific centers.

Environment

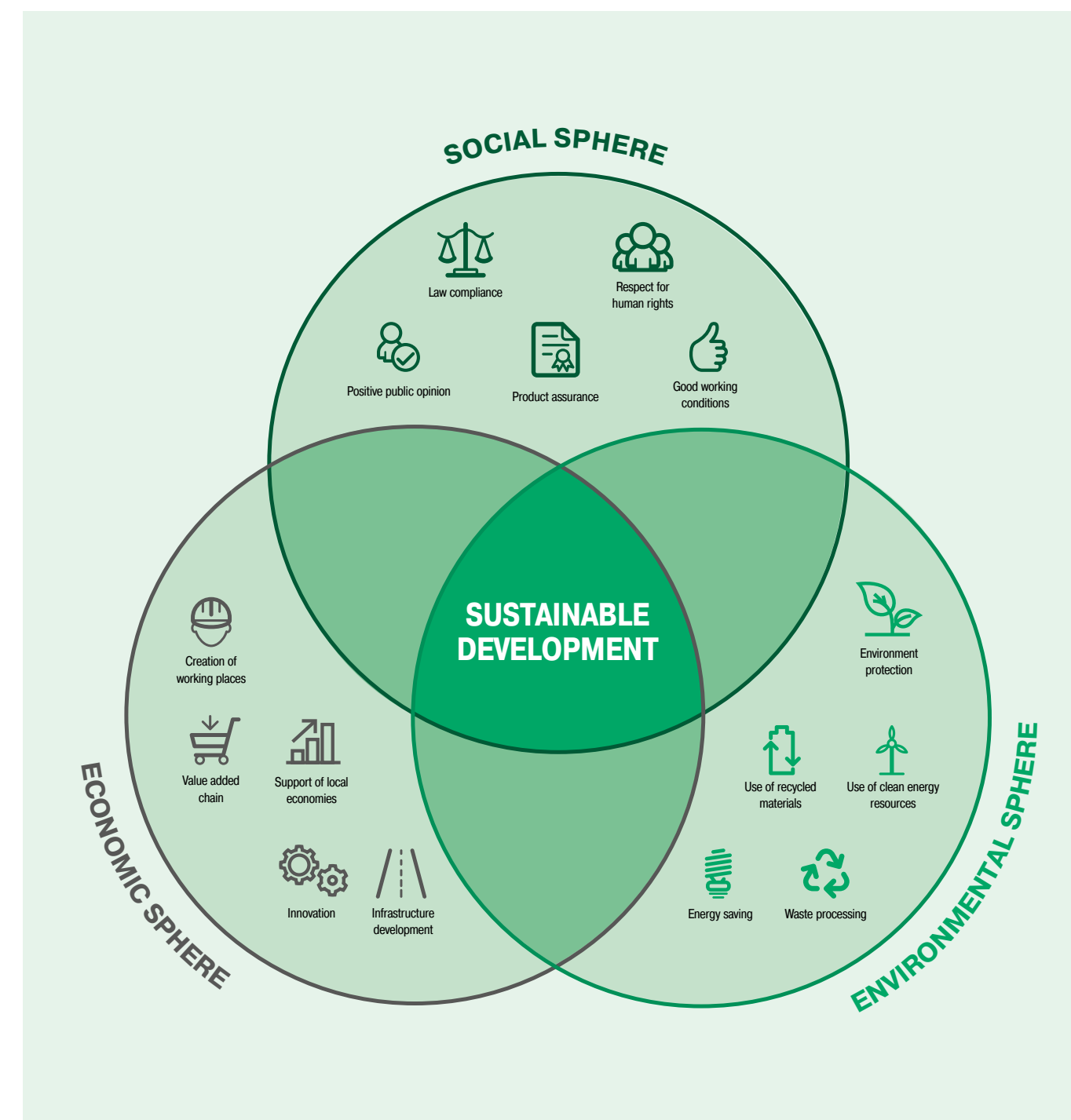
Key priorities of the Company:

- ensure safe working conditions, health protection of the personnel and communities living in the regions of the Company's business activity;
- reduce the technological environmental impact;
- rational use of natural resources.

The Company performs a package of measures aimed at maintaining the environmental conditions in the regions within the normative allowable level, corresponding to self-recovery potential of natural ecosystems.

CORPORATE SOCIAL RESPONSIBILITY IS A CRUCIAL PART OF THE COMPANY'S STRATEGY. PRINCIPLES OF THE SOCIAL RESPONSIBILITY ARE INTEGRATED INTO THE COMPANY'S ACTIVITIES AND IMPLEMENTED IN ITS RELATIONS WITH THE STAKEHOLDERS. SOCIAL RESPONSIBILITY POLICY IS IMPLEMENTED IN ACCORDANCE WITH ISO 26000 STANDARD.

THE COMPANY IS AWARE THAT THE LONG-TERM SUSTAINABLE BUSINESS DEVELOPMENT IS INSEPARABLE FROM SOCIAL PROGRESS AND SUSTAINABLE DEVELOPMENT OF THE WHOLE SOCIETY, AND CONTRIBUTES SIGNIFICANTLY TO THE SOCIAL AND ECONOMIC DEVELOPMENT OF THE BUSINESS ACTIVITY REGIONS AND THE COMMUNITY AS A WHOLE. TATNEFT MAKES DECISIONS TAKING INTO ACCOUNT SOCIAL, ENVIRONMENTAL AND OTHER POTENTIAL IMPACTS.



OPERATIONS

166⁰%

PROVED RESERVE
REPLACEMENT RATIO

2.7⁰%

INCREMENTAL OIL
PRODUCTION ACROSS
TATNEFT GROUP

34.2⁰%

PETROLEUM PRODUCT
OUTPUT TO CRUDE OIL
PRODUCTION RATIO
ACROSS TATNEFT GROUP

18.2⁰%

PETROLEUM PRODUCT
SALES INCREASE THROUGH
OWN FILLING STATION
NETWORK

14.5⁰%

PETROCHEMICAL
COMPLEX'S COMMODITY
OUTPUT GROWTH

UPSTREAM

As at the beginning of 2016, the Company's proved hydrocarbon reserves stood at 869.8 mln tonnes according to the independent evaluation made by Miller and Lents as per the Petroleum Resources Management System of the Society of Petroleum Engineers (SPE-PRMS) standards. The proved reserves to the current oil production ratio amounted to 30 years that is a secured potential for long-term and sustainable development. In 2015, proved reserve replacement ratio accounted for 166%.

The Company has been implementing the programs targeted at a rapid building up its producing assets and their diversification including exploration activities using advanced oil prospecting techniques as well as ensuring increased efficiency and improved practices to develop producing fields with cost control.

The primary goals are strengthening the resource base, replacing hydrocarbon production with commercial reserves, creating a raw material base and efficient bringing reserves into development, sustaining production at mature fields through application of innovative technology solutions and ensuring planned rates of production growth while reducing specific operating and capital expenditures.

UPSTREAM BUSINESS SEGMENT
KEY COMPETITIVE ADVANTAGES

HIGH RESERVES-TO-PRODUCTION RATIO.

ADVANCED OIL PRODUCTION TECHNIQUES AND INNOVATIVE ENGINEERING TOOLS AND EQUIPMENT IMPLEMENTATION INCLUDING THOSE TO DEVELOP ULTRA-VISCOUS OIL FIELDS.

GEOGRAPHIC PROXIMITY OF UPSTREAM CENTER TO KEY DOWNSTREAM REGIONS.

IMPROVED ECONOMIC EFFICIENCY PROGRAMS. LOWER SPECIFIC OPERATING AND INVESTMENT EXPENDITURES.

Creating the long-term high-quality producing asset portfolio, the Company, concurrently with producing the historical oil fields within the Republic of Tatarstan as well as developing the ultra-viscous oil reservoirs, has been expanding its geographic reach carrying out its oil search and exploration operations within the licensed areas in the Republic of Kalmykia, Orenburg, Samara and Ulyanovsk Regions, Nenets Autonomous District and beyond the Russian Federation. The activities are underway to determine the Domanikovian oil production prospects.

Reserves Growth Dynamics

Key Indicators	2013	2014	2015
Proved Oil Reserves (pursuant to evaluation by Miller & Lents), mln. tonnes	847.3	851.5	869.8

The Company's total investment in hydrocarbon exploration, development and production amounted to 60.6 bln rubles in the year under report.

In 2015, the Company together with its eight (8) subsidiaries held 98 licenses within the Russian Federation.

In 2015, the oil production across PJSC TATNEFT totaled 27.2 mln tonnes and was 2.7% higher against previous year's output level. The oil output has reached its peak over the last twenty-three years. PJSC TATNEFT produced 26.9 mln tonnes of oil in 2015. The oil production at the Company's licensed areas within the Russian Federation outside the Republic of Tatarstan amounted to 322 ths tonnes (307 ths tonnes in 2014).

The meterage covered by development drilling at PJSC TATNEFT fields totaled 738.5 ths m in the year under report. 352 new producing wells were brought into operation.

The average production rate of new wells was 10 tonnes per day. 347 wells were completed as water injectors.

The Company yearly gains the additional production thanks to highly efficient well intervention programs implemented at the oil fields, improved operational efficiency using the state-of-the-art technologies and production profitability control.

COMPANY PURSUES ITS TARGETED PROGRAMS TO BOOST COST-EFFECTIVE OIL AND GAS PRODUCTION, IMPROVED OIL RECOVERY AT ITS PRODUCING LICENSED OIL FIELDS AND ROBUST DEVELOPMENT OF NEW OIL FIELDS INCLUDING ULTRA-VISCOUS AND HARD-TO-RECOVER OIL WITHIN REPUBLIC OF TATARSTAN

Oil Production over 2013 through 2015

Key Indicators	2013	2014	2015
TATNEFT Group Oil Production, mln tonnes	26.4	26.5	27.2
PJSC TATNEFT Oil Production, mln tonnes	26.1	26.2	26.9

PJSC TATNEFT Well Stock as at 1.01.2016

Well Category	Well Count
Operating Producing Wells, including:	22258
Active producing wells	20191
Inactive producing wells	2058
Producing well testing & completion and waiting on testing & completion	9

PJSC TATNEFT Exploration and Production Segment
Key Performance Indicators over 2013 through 2015

Indicators	2013	2014	2015
Average Daily Oil Production, t/d	71526	71843	73773
Active Producers' Average Daily Oil Production Rate, t/d	3.8	3.8	3.9
Operating Injecting Wells	10369	10399	10692
Active Injecting Wells	9501	9558	9871
Total Drilling, ths m	450.2	430.4	757.3
Development Drilling, ths m	430.5	410.2	738.5

Sustaining Production within Republic of Tatarstan

In the year under report, the Company invested 27.7 bln rubles in primary resource base, which is historically located within the Republic of Tatarstan.

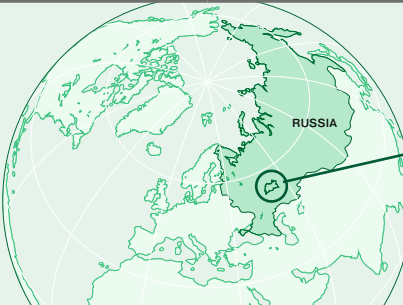
In Tatarstan the Company owns five (5) exploration licenses for geological prospecting and subsequent development of discovered oil fields on the western and northern slopes of the South Tatar Arch, in the northeast of the Republic of Tatarstan and on the slopes of the South Tatar Arch, in the north-eastern part of the Republic of Tatarstan, on the south-eastern slope of the North Tatar Arch, on the eastern flank of the Melekessky Depression. One (1) license is granted for the Apastovsky area located in the west of the Republic of Tatarstan for geological prospecting, exploration and production of hydrocarbons. In addition, the Company holds one (1) geological prospecting license to explore for and appraise hydrocarbons within the Agbyazovsky area located in the northeast of Tatarstan.

In the year under report, six (6) structures were brought into deep drilling and 11 structures were prepared for deep drilling.

LARGE OIL FIELDS WITHIN REPUBLIC OF TATARSTAN

Oil Production by PJSC TATNEFT's Largest Oil Fields within Tatarstan in 2015

Oil Fields	Oil Production, ths t
Romashkinskoye	15513
Novo-Yelkhovskoye	2646
Bavlinskoye	1152
Bonduzhskoye	264
Pervomaiskoye	363
Sabanchinskoye	534



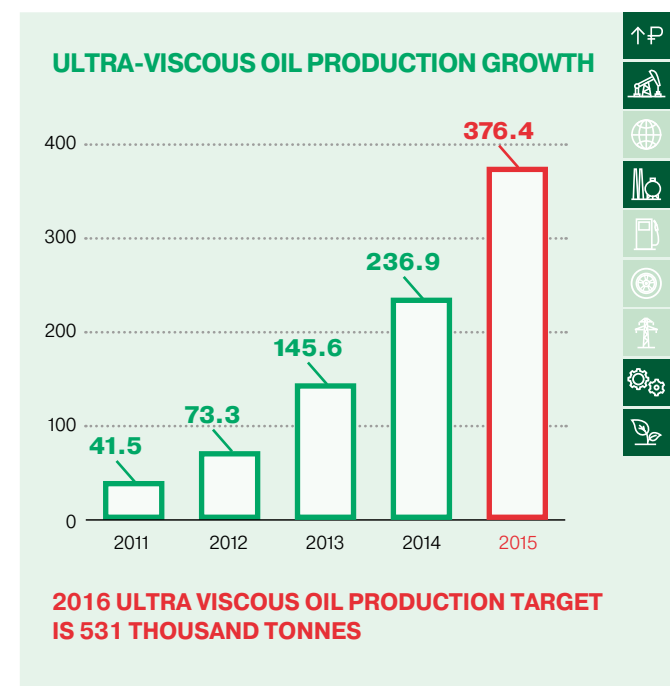
Ultra-Viscous Oil Field Development (Sheshminski Horizon)

The Company invested over 30 bln rubles in ultra-viscous oil development during the year under report.

Five (5) ultra-viscous oil deposits of the Sheshminsky horizon are under development (4 deposits of the Ashalchinskoye field and 1 deposit of the Langujevskoye field). A great deal of appraisal and development drilling was accomplished in 2015 along with oilfield surface facilities construction operations.

As at January 1, 2016, 441 producing wells were completed by drilling at the ultra-viscous oil fields (including 332 wells in 2015), 1 596 appraisal wells were drilled (including 976 wells in 2015). Bitumen drilling operations are performed by 15 crews.

Overall, since the beginning of the pilot development, in 2015, cumulative ultra-viscous oil production totaled 930 ths tonnes, including as many as 376.4 ths tonnes produced in 2015. The average daily oil production in December 2015 was 1 177 tonnes.



Sustaining oil production within Russian Federation outside Republic of Tatarstan

The investments in oil production in the Russian Federation outside the Republic of Tatarstan amounted to 2.3 billion rubles, of which 20% invested in development and exploratory drilling, 64% in capital construction of infrastructure facilities and completion of Gas Treatment Plant installation at the Irgizskoye oil field, 7.5% in seismic survey techniques and exploration issue-related activities, 5% in well intervention programs. The Company has its operations in the Samara, Orenburg, Ulyanovsk Regions, the Nenets Autonomous District and the Republic of Kalmykia.

During 2015, 24 oil fields were operated, including two (2) fields, which were placed into test production (North Hayahinskoe and Podveryuskoe fields) in the Nenets Autonomous Okrug. Oil was produced from 122 wells, including 118 wells and 4 wells operated in the Samara and Orenburg Regions, respectively. The Company made a lot of efforts for drilling and completion of new wells in the Samara Region. One structure was placed into deep drilling and three structures were prepared for deep drilling. Four new wells were put on-stream. The average production rate of new wells was 14.4 tonnes per day.

BENEFITS GRANTED BY GOVERNMENT OF RUSSIAN FEDERATION ARE SIGNIFICANT INCENTIVES FOR COMPANY TO SET UP PROGRAMS TO PRODUCE ULTRA-VISCOUS OIL AS PRODUCING FEEDSTOCK ASSET RESERVE

In 2015, preferential tax rates with a reduction factor were enjoyed for 80 % or higher depleted fields, small fields with the reserves (Initial Recoverable Reserves) being less than 5 million tonnes and the depletion of less than or equal to 5%, fields with in-situ oil viscosity of more than 200 and less than 10 000mPa*s, as well as zero mineral recovery tax rates applied for the crude oil with a viscosity of more 10 000mPa*s for the Domanikovian deposits and oil fields in the Nenets Autonomous District. The oil production for such fields totaled 20 890.5 thousand tonnes, including ultra-viscous oil with over 10000mPa*s viscosity produced in the amount of 376.425 thousand tonnes.

CREATING LONG-TERM HIGH-QUALITY PRODUCING ASSET PORTFOLIO, COMPANY OPERATES HISTORICAL OIL FIELDS AS WELL AS CARRIES OUT ITS OIL PROSPECTING AND EXPLORATION ACTIVITIES WITHIN LICENSED AREAS OUTSIDE REPUBLIC OF TATARSTAN AND RUSSIAN FEDERATION

Oil and Gas Production outside Russian Federation

Contract blocks in Libya and Syria

PJSC TATNEFT had to suspend the exploration program within its contract blocks in Libya and Syria since 2011 to date due to the unstable political situation.

Force majeure has been in place for all contract blocks in Libya since 18.08.2014. Based on the previously performed 3D seismic survey (350.2 km² of 547 km²) processing and interpretation of obtained field data was performed. The final report was made for 3D seismic data interpretation results. Based on the results three prospects were projected for drilling.

Plans for 2016 call for keeping monitoring the unfolding situation closely in these countries in order to resume operations once the situation turns for the better and the safety has been secured for the field operating staff.

Contract between PJSC TATNEFT and Turkmenoil State Concern

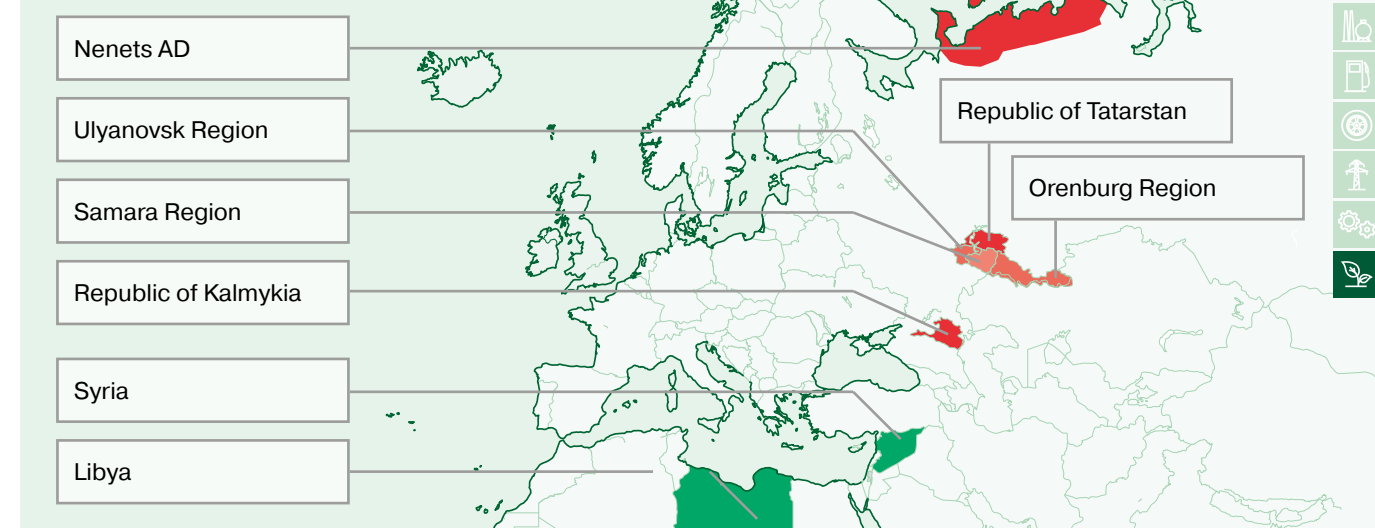
Since the beginning of the production program realization under the service contract for IOR and oil production at the Goterdepe oil field being effective from 2010, as at January 1, 2016, the oil production had totaled 123.1 tonnes (against the target of 94.7 thousand tonnes).

Altogether, 63 workovers were performed in 40 wells, including primarily inactive wells and those waiting on abandonment. Downhole pumping units were run and set in 32 wells, of which 26 operating wells yield additional daily production of 104 tonnes per day.

All wells were completed with surface facilities and automation equipment using the PJSC TATNEFT affiliated company's manpower. Teleautomation and dispatching control with displaying the real-time data in the central control station was implemented. The area with reservoir maintenance system was placed into operation in the periodic duty consisting of two (2) injecting wells and two (2) bore pits on five (5) responding wells.

IN CONTEXT OF COMPANY'S STRATEGY DEVELOPMENT UP TO 2025, QUANTITATIVE TARGETS ARE CURRENTLY BEING SET UP FOR OIL PRODUCTION AT FIELDS UNDER EXPLORATION AND IN NEW HYDROCARBON PROMISING AREAS OUTSIDE REPUBLIC OF TATARSTAN.

PJSC TATNEFT GEOGRAPHIC REACH IN EXPLORATION AND PRODUCTION OUTSIDE REPUBLIC OF TATARSTAN



IMPROVED OIL AND GAS PRODUCTION EFFICIENCY

Oil Field Exploration and Development

The hydrocarbon prospects are predicted using the artificial intelligence techniques and the leads are defined by field seismic and geochemical methods using a complex probability parameter (CPP) for hydrocarbon potential.

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

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

COMPANY’S OPERATIONS ARE FOCUSED ON
ATTAINING MAXIMUM EFFICIENCY OF ALL
TECHNOLOGICAL PROCESSES

TATNEFT MAINTAINS ONE OF BEST MEAN TIME
BETWEEN REPAIRS (MTBR) PERFORMANCE FOR
WELL OPERATIONS AMONG LARGE COMPANIES
IN RUSSIA’S OIL INDUSTRY.

2015 MTBR PERFORMANCE SHOWED
1 074 DAYS ACROSS PJSC TATNEFT.

This high performance was attained thanks to implementing highly efficient and innovative technologies as well as high-quality and timely maintenance of oilfield equipment.

Well Drilling

Silicate baths are placed within productive intervals as well as G-grade cement and stage-cementing collars are used to improve well cementing quality.

Horizontal and multilateral wells are used to sustain and boost oil production from oil fields that predominantly contain hard-to-recover reserves. Horizontal completions help to 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 2015, 129 horizontals (including 32 slim holes) and 4 multilaterals were brought into operation.

Lightweight cement slurry technology is applied for well casing cementing using a lightweight foamglass made from the P-D Tatneft-Alabuga Fiberglass, LLC product with the quality being highly competitive with its import analogues. In 2015, the lightweight foam glass was used in construction of six (6) wells.

Well Workover

Formation hydraulic fracturing technology makes it possible to stimulate oil producing well operation and improve well injection capacity. Total of 3 901 fracs had been performed since the beginning of hydrofracing technique implementation. In 2015, 649 frac jobs were done with 62 new wells fractured immediately after drilling. As a result of fracturing the flow rate increased by 4.5 tonnes per day. The additional oil production amounted to more than 11.1 mln tonnes.

APRS-40N Workover Rigs are designed to perform workover jobs on ultra-viscous oil wells: running tubing for steam injection (1 and 2 lifting string assemblies), installation of downhole pumps (ESP and PCP units), changing-over of CSS wells for production/steam injection, well servicing (ESP replacement, preparing for well logging). These workover rigs were purchased as a part of import substitution program (as substitute for Canadian workover rigs K-54). Totally, these workover rigs performed 405 workover jobs in 2015..

COMPANY’S OPERATIONAL POLICY IS FOCUSED ON IMPLEMENTING HIGHLY
EFFICIENT AND ECONOMICALLY JUSTIFIED WELL INTERVENTION PROGRAMS AND
ENSURING IMPROVED OIL RECOVERY EFFICIENCY

Oil and Gas Production

PJSC TATNEFT has been vigorously developing dual completions technologies to produce multiple reservoirs using one well to improve oil field development efficiency.

Dual completion to produce two and multiple reservoirs with one well allows to simultaneously produce zones with variable reservoir properties and parameters and improve economic efficiency of individual wells and reduce amount of drilling operations. As at January 1, 2016, dual completion production technology was used to operate 1 641 wells. Since the beginning of dual completion operation the cumulative additional production for dual completion producing wells totaled 10 442 thousand tonnes of oil. Since the beginning of dual completion operation the average oil production rate increased by 3.1 tonnes per day per well. In 2015, dual completions were installed in 222 wells. Dual completion injection improves economic viability of individual wells by bringing other development targets or different property zones of same reservoir in production and reduces the amount of drilling operations due to using a single wellbore. Dual completion injection technology was implemented in 716 injection wells, including 76 wells in 2015. Additional oil produced by responding producing wells since the beginning of implementation had amounted to 1 966.2 thousand tonnes. More than 2 thousand dual completion installations for both production and injection are currently in operation with the cumulative additional oil production exceeding 12 mln tonnes of oil.

Chain drive for sucker-rod down-hole pumps PC 60 (with 3m stroke length) is effective to reduce hydrodynamic drag forces in a downhole section of a sucker-rod pumping unit by 1,7 times, ensure continuous operation of marginal wells, lower specific energy consumption to lift 1 m3 oil production by 10-20 %, extend the service life of downhole equipment, minimize well repairs.

PC 80 (with 6m stroke length) allows sucker rod pumping operation of high flow rate wells (up to 100 m3/d), including high viscosity oil with high salt content and asphalt, resin, and paraffin materials, wells with additional small-size production casings without compromising the productivity, lowering the dynamic loads, extending the service life of downhole equipment during prolific well operations reducing specific energy consumption to lift 1 m3 oil production by 50% and more as compared with ESP unit. By the end 2015, the chain drive count made 2 027 units.

Ultra-Viscous Oil Treatment

Ultra-viscous oil is treated by the Company to the marketable condition using a process of «hard» thermochemical heat dehydration at the temperature of 90°C using coalescers and electrical dehydrators, which makes it possible to upgrade ultra-viscous oil to the 1-st quality group and lower capital costs for sedimentation equipment.

Reservoir Pressure Maintenance

Corrosion-resistant tubing extends tubing service life by 2-2.5 times in injection wells. The corrosion-resistant tubing strings were installed in 6 979 wastewater and produced water wells (90% of the total well stock), including 294 injection wells in 2015.

M1-X Packer is designed to protect production casings from a high pressure and corrosion damage. The packer allows to lower work time expenditures for workovers and well service operations, downhole logging and injection well tests.

The M1-X packers were installed in 4 904 injection wells, including 440 injection wells in 2015. Altogether, a variety of packer designs ensures a trouble-free operation of 69.2% of the injection well stock.

IN OIL FIELD EXPLORATION AND DEVELOPMENT
ALONG WITH CONVENTIONAL TECHNOLOGIES,
NEW TECHNOLOGIES ARE APPLIED TO IMPROVE
PRODUCTIVITY AND ECONOMIC EFFICIENCY
OF ALL OIL AND GAS PRODUCTION PROCESSES.

ACCORDING TO THOMSON REUTERS BASED ON
RESULTS 2015 TATNEFT WAS LISTED AMONG
TOP TEN GLOBAL LEADERS AS REGARDS TO OIL
EXPLORATION AND PRODUCTION INVENTION
QUANTITY. MOREOVER, COMPANY WAS
RECOGNIZED AS ABSOLUTE LEADER IN REGION
ENCOMPASSING EUROPE AND MIDDLE EAST

DOWNSTREAM

The Company has been developing its Downstream Business Segment committed to achieve the maximum vertical integration synergy i.e. balance of crude oil production and refining, optimum crude oil placement on domestic and foreign markets in highly competitive environment to gain the maximum operating profit margin.

Ongoing monitoring of key drivers and trends of global and domestic markets including crude oil and oil product prices, taxation and rate policy of the state, foreign exchange rates, ability to optimize transportation costs enable the Company to determine marginality of delivery destinations in uncertain market conditions.

Over the past years, the downstream business segment has been consolidated leading to increase in the total value of the Group's assets. Currently, it contributes 42 % of the total value of the Group's assets.

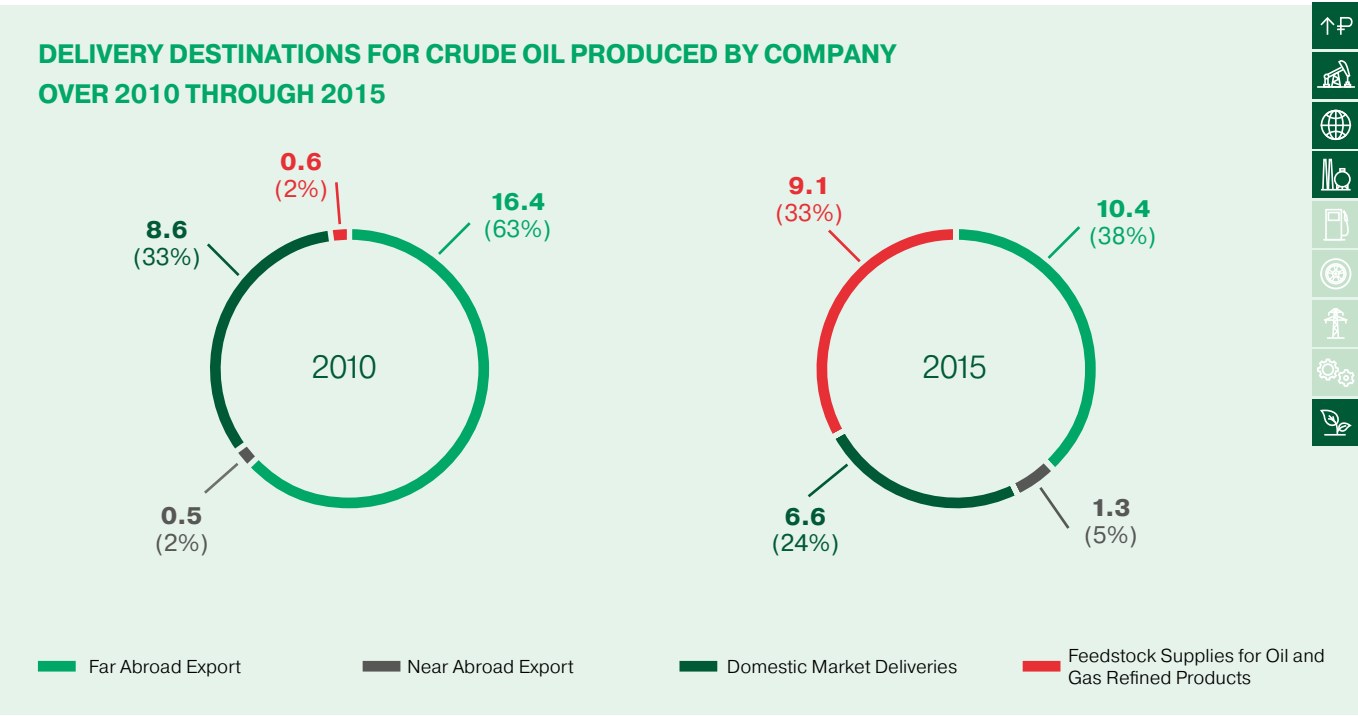
The downstream assets make up a block of oil refining and gas processing capacities, crude oil and petroleum product sales resources, Company's own chain of filling stations.

In 2015, the total investments in the downstream business amounted to 30.2 billion rubles that is more than 30% of Group's total investments. The downstream business portion in the TATNEFT Group's consolidated revenue in the year under report accounted for 45%, which corresponds to 45% of the upstream segment revenue portion.

One of the key priorities to ensure the long-term sustainable development of the Company is manufacturing and marketing highly competitive commodity products with high added value.

In 2015, the TATNEFT Group produced the petroleum products in amount of 9.3 million tonnes. Over the period of 2010 through 2015, the petroleum products to crude oil production ratio across the Group increased from 0.8% to 34.1%.

COMPANY'S PLANS TO INCREASE OUTPUT OF LIGHT OIL PRODUCTS RESPOND TO RUSSIAN LEGISLATION IMPROVEMENT ENCOURAGING PRODUCTION OF PREMIUM CLEAN FUELS.



COMPANY'S STRATEGIC GOAL IS GROWTH OF OUTPUT AND SALES OF HIGHLY COMPETITIVE COMMODITY PRODUCTS WITH HIGH ADDED VALUE IN COMPLIANCE WITH GLOBAL ENVIRONMENTAL STANDARDS AND LONG-TERM MARKET REQUIREMENTS

Crude oil deliveries

In 2015, the crude oil produced by the TATNEFT Group was delivered on the domestic market including oil refining with full utilization of its oil refining capacities as well as was exported to the far and near abroad countries.

Overall, in 2015, 9.1 mln tonnes of the total crude oil produced by the Group were supplied to be converted into oil and gas refined products.

A traditional delivery route remains to be crude oil export to far abroad countries. In 2015, crude oil was delivered in the amount of 10.4 tonnes. The near abroad deliveries totaled 1.3 mln tonnes of crude oil.

In 2015, The Company supplied 6.6 mln tonnes of crude oil to the Russian oil refineries with the major volume (6.2 mln tonnes) delivered to supply a feedstock to TAIF-NK's Refinery.

Since the beginning of TANECO Complex commissioning in 2011 crude oil supplies have been structurally redistributed. Currently, more than 30% of the total crude oil sales is delivered to be converted into oil and gas derivatives at the Company's own oil refining facilities

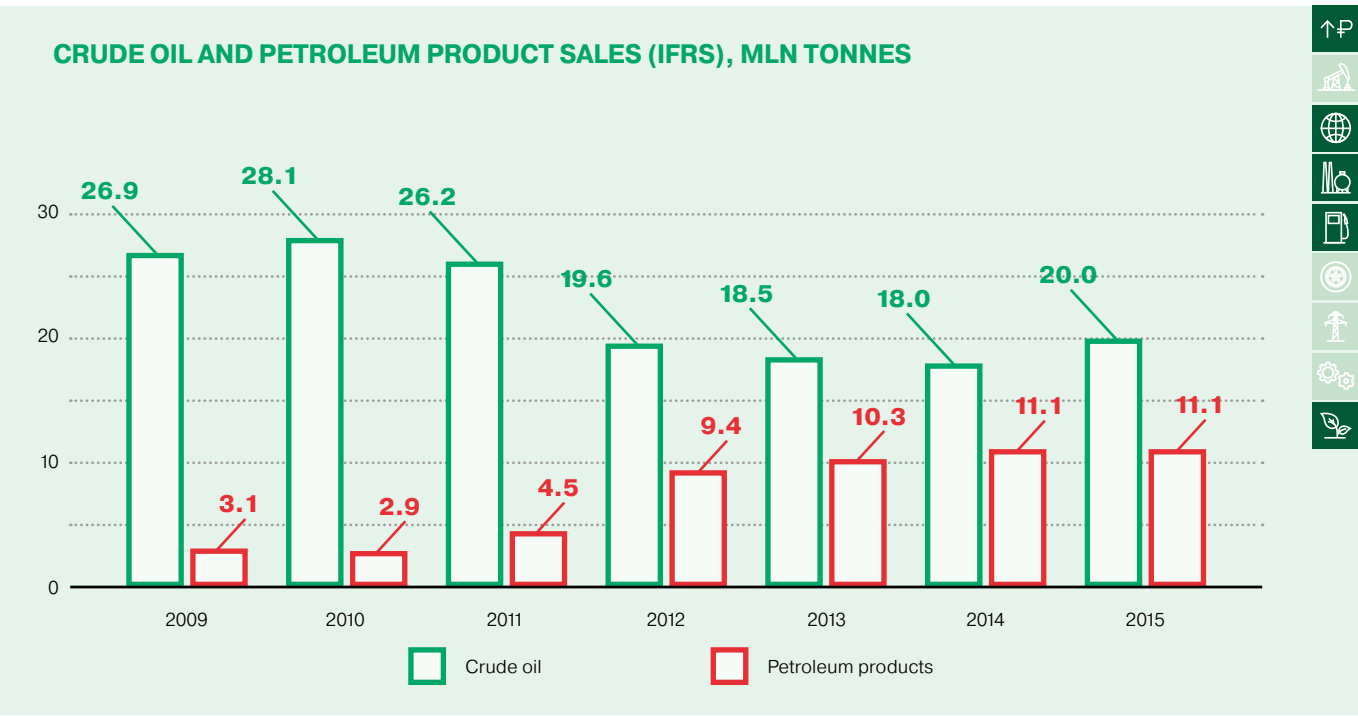
Apart from its own resources TATNEFT provides marketing and sales operations for independent oil companies' crude oil. Thus, in 2015, crude oil sales totaled 2.1 mln tonnes of including:

- export (far abroad and near abroad) – 0.4 mln tonnes;
- domestic market (Russian Refineries) – 1.7 mln tonnes.

TATNEFT Group Crude Oil Supply Distribution over period of 2013 through 2015 (ths. tonnes)

Наименование	2013	2014	2015
Crude oil supplies for oil and gas refined product output, including число:	8 643	9 449	9 079
JSC TANECO	7 675	8 395	8 623
Far Abroad Export	11 397	8 480	10 398
Near Abroad Export	558	698	1 311
Domestic supplies (Russian refineries), including:	5 905	7 386	6 600
PJSC TAIF-NK	5 367	6 196	6 241

IT IS IMPORTANT FOR COMPANY'S CRUDE REFINING EFFICIENCY TO HAVE AN ACCESS TO "SEVER" PETROLEUM PRODUCTS PIPELINE THAT WILL MAKE IT POSSIBLE TO CUT DOWN SIGNIFICANTLY TRANSPORTATION COSTS TO DELIVER DIESEL FUEL TO FOREIGN MARKETS.



COMPANY IS MAKING FOCUSED EFFORTS TO CONTINUE CONSTRUCTION OF TANECO COMPLEX IN LINE WITH CUTTING EDGE AND MOST ADVANCED TECHNOLOGIES AND PETROLEUM REFINING ENVIRONMENTAL COMPLIANCE.

TANECO COMPLEX CONSTRUCTION MILESTONES 2005-2018

2005	Decision on Project Implementation
2007	Complex Construction & Installation Start
2011	Operation Start
2014	Hydrocracking Unit Operation Start-up
2015	Lube Base Stock Plant Commercial Operation Start
Beginning from 2016 (by stages)	Commissioning of delayed coking unit (vacuum tower bottoms conversion), naphtha hydrotreatment, naphtha splitter, heavy coker gas oil hydrotreatment, isomerization, catalytic reforming, catalytic cracking
2018	Primary refining to be increased up to 14 mln tonnes per year

Oil Refining

Main refining runs at the TANECO Complex and Elkhovsky Crude Oil Refining Plant facilities operating at full capacities. In 2015, the total petroleum feedstock refining volume across the Group amounted to 9.4 million tonnes, of which 9.2 million tonnes of petroleum feedstock, including 8.6 million tonnes of crude oil, were processed at the TANECO Complex. In 2015, the investments in its own refining capacity development amounted to more than 26 billion rubles with the most spent to continue the TANECO Complex construction while ensuring a stable operation of the existing facilities.

TANECO Complex Petroleum Feedstock Processing over period of 2014 through 2015 (ths tonnes)

Year	2014	2015
Processing feedstock	8 908	9 157
Crude oil	8 511	8 650
Gas condensate	10	9
Vacuum gasoil	184	238
Other	204	260

Feedstock Processing over 2014 through 2015 (ths tonnes)

Product	2014	2015
Processing feedstock	197	197
Crude oil	165	168
Other	33	29

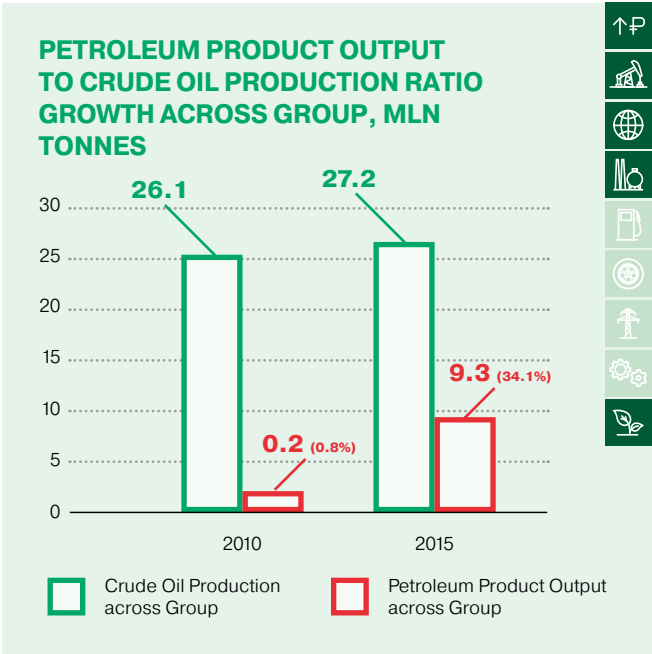
TANECO REFINERY COMPLEX KEY COMPETITIVE ADVANTAGES

- HIGH TECHNOLOGY LEVEL OF ITS OWN TANECO OIL REFINING COMPLEX BUILT BASED ON STATE-OF-THE-ART WORLD PROVEN TECHNOLOGIES.
- SETTING UP CRUDE OIL REFINING BUSINESS CLOSE TO TRADITIONAL OIL PRODUCTION OPERATIONS WITHIN REPUBLIC OF TATARSTAN.
- PRODUCTION CAPACITY FOR HIGH ADDED VALUE OUTPUT ACCORDING TO WORLD ENVIRONMENTAL REGULATIONS AND LONG TERM MARKET REQUIREMENTS.

TANECO Complex Current Operation

TANECO Complex Process Unit Rated Capacities	
Unit	Rated capacity, ths per year
CDU-VDU-7	7 000.0
Naphtha Stabilization Unit	1 100.0
Visbreaker Unit	2 400.0
Elemental Sulphur Recovery Unit	279.0
Hydrocracking Unit	2 900.0
Hydrogen Production Unit	100.0
Lube Base Stock Plant	250.0

In 2015, the TANECO Complex commercialized the following new petroleum product output such as lubricating compounds, hydrotreated oil fuel, winter and Arctic diesel fuel, TC-1, PT, Jet-A aviation fuels. The Lube Base Stock Plant was commissioned into commercial operation, which is unique for Russia. As at the beginning of 2016, crude oil conversion rate was 74.4%, light oil product cut was 71.87%. The main objective of the Company for the coming years in the refining business segment is construction of the 2nd phase of TANECO with crude oil conversion rate to be achieved as high as 94% and Nelson Index to be not less than 12 (after bringing all refining capacities into operation to full extent).



Gas Processing

In 2015, associated petroleum gas (APG) was gathered in amount of 899.5 mln. m³ that was 15.9 mln m³ higher than in 2014. In addition, 16.4 mln m³ of associated petroleum gas was procured from independent oil companies. In 2015, the associated petroleum gas was delivered to the Gas Processing Plant as much as 814.6 mln m³ that was 19.6 mln m³ higher than in 2014. The Company utilized 66.5 mln m³ for own needs and delivered 28.8 mln 3 m to external companies. The associated petroleum gas utilization rate was 95.17%. Along with APG Natural Gas Liquids (LNGs) are delivered from the Integrated Oil Treatment Facility (IOTF) to the Gas Processing Plant. In 2015, the LNG volume processed was 284.9 ths tonnes that was 8.4 ths tonnes higher than in 2014.

In 2015, the sour gas processed was up with 196.2 mln. m³ of sour gas delivered for processing (12.6 mln. m³ higher than in 2014). In 2015, the Company invested 0.53 bln rubles in reconstruction and upgrading of its own gas processing facilities.

TATNEFTGASPERERABOTKA Division's Feedstock Processing over 2014 through 2015 (ths tonnes)

Product	2014	2015
Processing feedstock	1 242	1 276
Associated petroleum gas	966	991
IOTF LNGs	276	285

ASSOCIATED PETROLEUM GAS UTILIZATION RATE EXCEEDS 95% IN TATNEFT. THIS IS ONE OF THE HIGHEST RATES IN INDUSTRY.

The Company continues to develop an integrated utilization program for associated petroleum gas (APG), which in 2015 outstripped the standard value set out by the Russian Government. The company plans to bring this value up to 98% through activities implemented under the NGDU Yamashneft and Elkhovneft Gas Gathering Network. Associated petroleum gas is a valuable hydrocarbon component for production of a wide range of premium-quality gas products in petrochemical and energy sectors.

Petroleum product sales through retail filling station chain

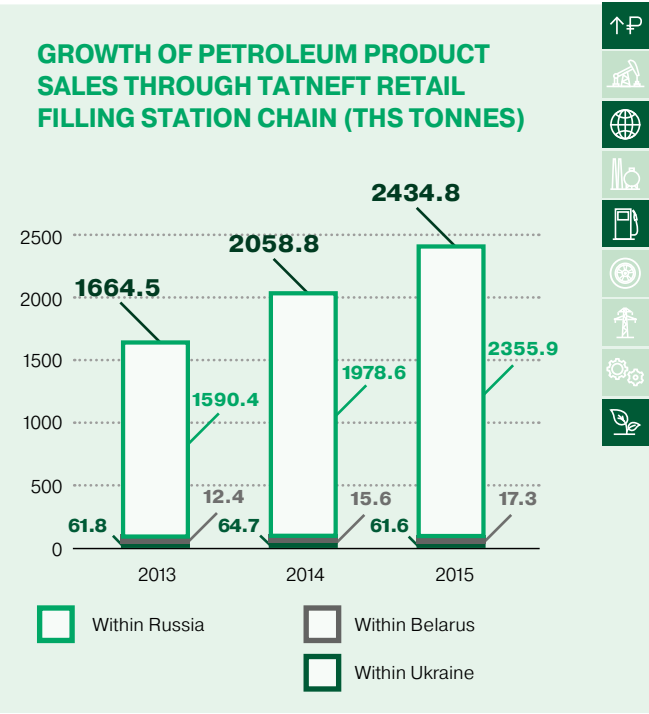
The Tatneft-branded filling station chain encompasses 692 facilities including 567 stations in 24 regions within the Russian Federation, 110 stations within Ukraine and 15 stations in the Republic of Belarus. In 2015, 28 new filling stations were placed into service including 6 autogas fueling stations and 15 autogas fueling terminals at the operating filling stations in the Russian Federation as well as 2 filling stations in the Republic of Belarus.

Petroleum Product Sales

Indicators	2015.	
	tonnes	thb rubles*
Russian Federation, including :	2 355 903	83 930 438
Oil Products	2 166 743	79 750 875
Gas Products	189 160	4 179 563
Ukraine,including:	61 613	3 797 106
Oil Products	52 415	3 390 068
Gas Products	9 198	407 038
Belarus, including:	17 319	872 845
Oil Products	15 465	802 272
Gas Products	1 854	70 573
Total	2 434 835	88 600 389

* including taxes

Over the year, as part of the TATNEFT's investment program for distribution infrastructure development, the Company spent 4.2 mln. rubles, including 3.78 mln. rubles invested in the Russian Federation, 405.6 mln. rubles in the Republic of Belarus and 11 mln. rubles in Ukraine.



Petroleum product quality

TATNEFT-branded filling station chain is one of the most reliable supplier of warranted quality fuel on the domestic market. There is an effective quality control system for petroleum products put in place in its retail sales network using high-end technologies and equipment.

The leading positions and competitive advantages of the TATNEFT fuel filling stations assure and consolidate its own petroleum product business existence. The TANECO diesel fuel distributed at the retail terminals has no analogues in Russia and exceeds the Euro-5 standard by many parameters. As a result of the All-Russian contest the fuel was listed in the "100 Best Goods of Russia 2015". The fuel passed through 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. Moreover, the harmful content of the engine exhaust pollutants such as nitrogen oxides and total hydrocarbon was well below that of diesel fuel from other manufacturers. The sulfur content in the TANECO diesel fuel is below 3 ppm against 10 ppm permissible by GOST standard. The optimum cetane value of the diesel fuel is up to 60 (with no additives) as compared with the commonly accepted value of at least 51, which reduces specific fuel rate and increase engine efficiency.

TATNEFT FILLING STATION CHAIN
KEY COMPETITIVE ADVANTAGES

PRESENCE ALMOST IN ALL MOST LUCRATIVE REGIONS IN RUSSIA, INCLUDING VOLGA REGION AND CENTRAL FEDERAL DISTRICT.

BENEFICIAL IN GENERAL LOGISTIC LOCATION OF FILLING STATIONS IN URBAN INFRASTRUCTURE AND ALONG MAIN HIGHWAYS.

AVAILABILITY OF ITS OWN HIGHLY COMPETITIVE COMMODITY SUCH AS TANECO EURO-5 DIESEL FUEL.

SUPPORT SERVICE EXPANSION

COMPANY PLANS TO STRENGTHEN ITS POSITONS IN PETROLEUM PRODUCT RETAIL SALES THROUGH HIGH QUALITY OF FUELS INCLUDING ITS OWN PRODUCED ONES, FILLING STATION UPGRADING, BETTER SUPPORT SERVICE AND FILLING STATION CHAIN GEOGRAPHICAL EXPANSION

Energy and resource efficiency

Vapour recovery units (VRU) are installed at the filling stations and tank farms to reduce the loss of petroleum products and significantly improve the environmental situation around filling stations and tank farms.Over 40 % of filling stations in Russia are accommodated with pellet heating systems. Conventional filling stations were shifted to automatic operation mode and new automatic stations were constructed.

Support service

In 2015, the revenues from sales of related products and support services in the filling stations was up 44% and amounted to over 1.8 billion rubles including 1.7 bln. rubles in Russia. The sales revenues increased thanks to construction and reconstruction of 26 filling stations where new up-to-date design of operating buildings with 60 to 250 m2 trading spaces. These filling stations accommodate fast food outlets (23 pcs.) where one can buy hot drinks and national bakery food, and 3 filling stations have got full café services. In addition, there is a new service introduced at the filling station facilities such as a self-service car wash. The Company plans to develop the associated services extending its marketing offers of additional services to improve service quality of and increase sales revenue.

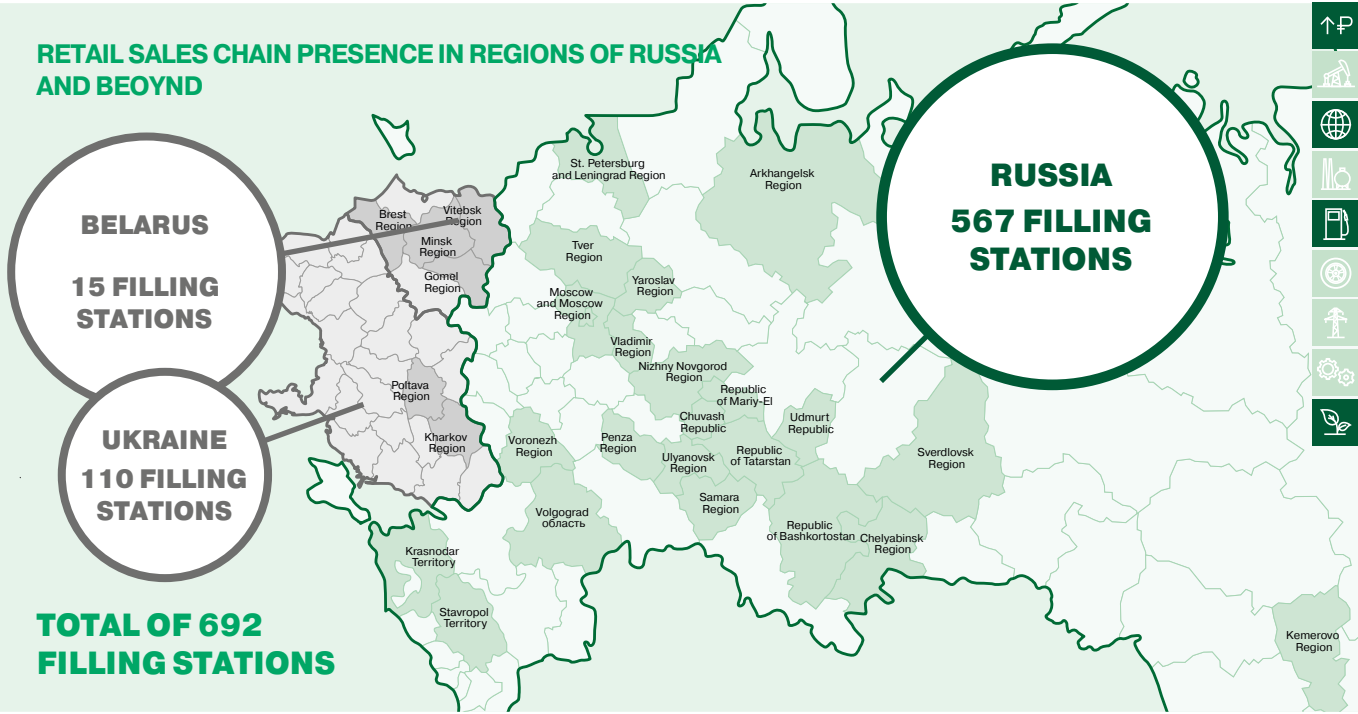
Customer support service

The retail filling station network ensures high standards of the range of fuel commodities, associated services and customer support. The customer portal fzs.tatneft.ru contains complete information on the retail sales network activities. The mobile application allows to get information about the nearest gas stations, fuel prices and additional services. Automated call control system enhances service quality control at fuel filling stations and allows to immediately respond to requests and get feedback and preferences of customers.

There is an active system of discount cards in place with a variety of customer loyalty programs:

- accumulation discount allowing to accumulate bonuses depending on amount of fuel purchased and at the same time get a liquid motor fuel discount up to 4% and autogas fuel discount up to 8%;
- 3% and 6% fixed discounts for any purchased amounts of liquid motor and autogas fuels, respectively.

In 2015, together with Devon-Credit Bank the Company was realizing a program, where customers received 4 % discount if they paid for petroleum products by the bankcards.



PETROCHEMICALS

The petrochemical assets are consolidated in the Tatneft-Neftekhim Complex including carbon black and tire businesses historically incorporated in the Company’s business-structure, as well as enterprises to provide a supply chain of product sale on domestic and export markets.

The basic infrastructure of the petrochemical complex incorporates the following manufacturing facilities: Nizhnekamskshina, Nizhnekamsk Truck Tire Factory, Nizhnekamsk Solid Steel Cord (SSC) Tire Factory, which reached its design capacity in the year under report.

The Complex includes Research & Development Center developing manufactured product line and technological solutions. The Complex’s marketing and logistic center is KAMA Trading House.

The petrochemical assets are managed in accordance with a unified corporate strategy of the Company focused on increased production and sales of finished products with high added value. The target priorities and values are defined in the Tire Complex Product Portfolio and Marketing Strategy up to 2017 approved by PJSC TATNEFT’s Board of Directors. Currently, the work is underway to update the Strategy for 2017 through 2025.

In the year under report, the petrochemical business-segment expanded its output of competitive products, conducted marketing activities that helped to keep the market share in spite of its negative trends in general and to ensure the positive financial results.

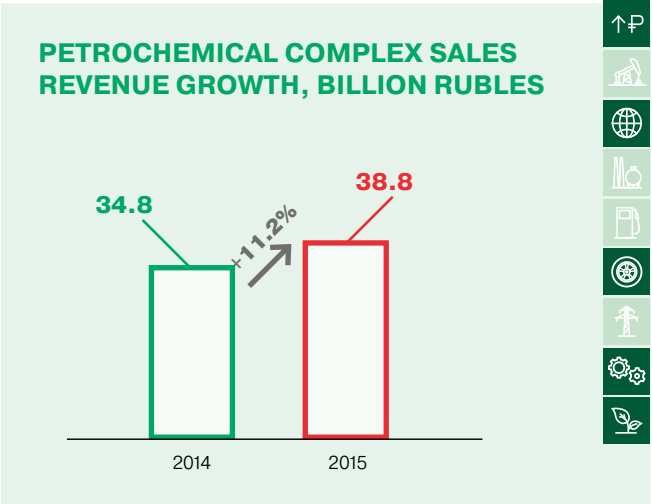
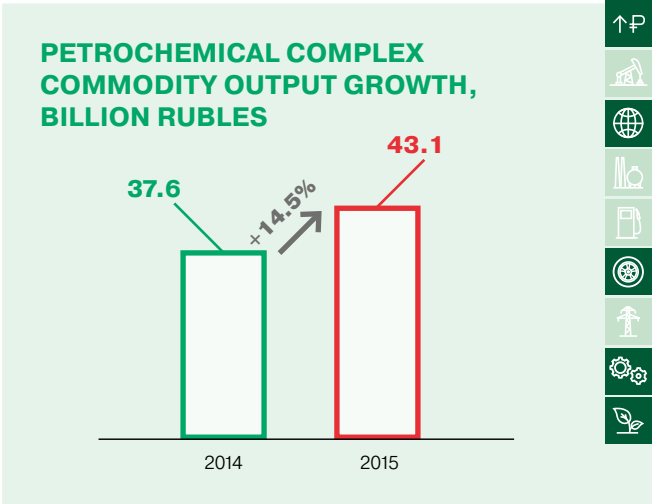
In 2015, the commodity output manufactured by the Petrochemical Complex enterprises totaled 43.1billion rubles, which was 14.5% higher as compared with 2014. The sales revenue amounted to 38.8 billion rubles in 2015 with 11.2% increase over the actual of 2014. As part of the compensatory measures taken by the Company during 2014-2015 due to the negative economic and market factors, the actions were realized to optimize costs, phase out imported products, and improve efficiency of organizational structure.

At year-end 2015, the Russian tire market shrank by 19% overall as compared with the year 2014 for all groups of tires. At the same time, the market share of tires produced at the tire plants of the Company increased to a record in 2014 and accounted for 20%. A significant share of the Russian solid steel cord tire market is supplied by the Nizhnekamsk SSC Tire Factory. In 2015, the tire manufacturer’s output reached three million tires in total for the entire period of its operation.

In 2015, the Company invested 0.5 billion rubles to develop the Petrochemical Complex. The investment portfolio 2016 will amount to 0.73 billion rubles that is in the line with its plans to increase commodity output and sales.

Key technical and economic performance

Performance Indicators	2015.
Tire output, mln pcs.	11.99
Tire sales, total, mln pcs	11.86
Carbon black output, ths tonnes	117.1



IN ORDER TO CREATE NEW COMPETITIVE ADVANTAGES FOR TIRE BUSINESS COMPANY WILL CONTINUE TO STREAMLINE ITS PRODUCTION AND WIDEN RANGE OF INNOVATIVE TIRE COMMODITIES WITH HIGH QUALITY PERFORMANCE AS WELL AS STRENGTHEN ITS MARKETING SYSTEM AND IMPLEMENT PRODUCT BRAND MANAGEMENT PROGRAMS

Carbon black production

In 2015, Nizhnekamsktekhuglerod produced 117.1 ths tonnes of carbon black.

At reporting year-end, the commodity output totaled about 4 bln rubles.

Sales revenue increased by 7.9% as compared with 2014 and amounted to 3.96 bln rubles.

The product range includes 14 carbon black grades with 6 grades being the largest production output.

The Nizhnekamsktekhuglerod plant’s products are of a high quality and competitive with the same products of foreign manufacturers and exported to 28 countries including Turkey, Poland, Bulgaria and other countries.

Carbon black is sold on both domestic and foreign markets. At year-end 2015, domestic supplies accounted for 78% that was 90.2 ths. tonnes in absolute terms. The carbon black output export accounted for 22% that was 26.0 ths tonnes.

Tire business

The Company’s tire manufacturing complex occupies a significant share in the Russian tire production business supplying its tires to the domestic automakers such KAMAZ, GAZ, AVTOVAZ as well as to the vehicle assembling plants of Volkswagen, Fiat and other foreign carmakers. Every fifth car owner in Russia chooses the tires of KAMA or KAMA EURO brands.

In 2015, the tire works of the Complex manufactured 12 million tires, including 875 thousand highly demanded solid steel cord tires (SSC-tires). 76% of total tire sales was supplied to the domestic market. The export geography spans 47 countries.

A new business line to restore SSC truck tires was set up jointly with the foreign partners. Total tire sales made 11.9 mln pieces.

2015 Tire Sales Across End Markets (ths.psc)

End Market	2015
Russian primary market (automakers)	1.761
Russian after-market	7.447
Export	2.656

TIRE COMPLEX
KEY COMPETITIVE ADVANTAGES

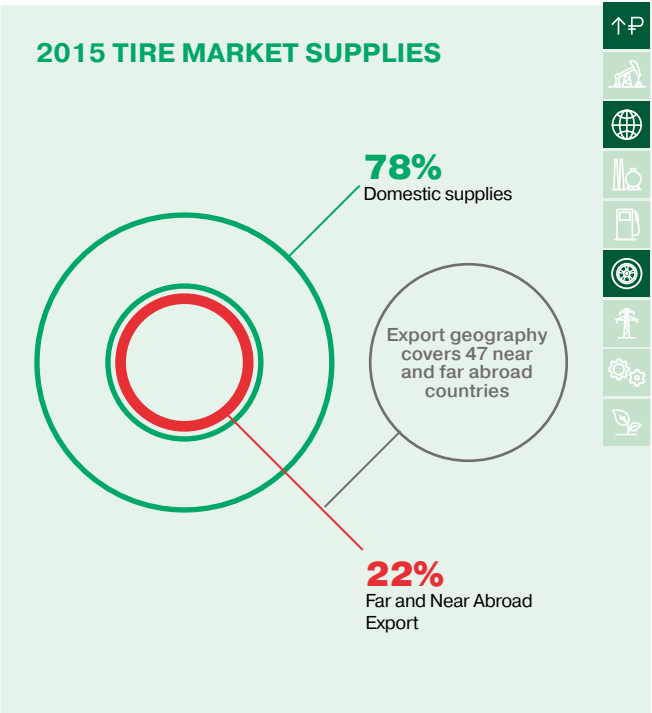
PROXIMITY TO THE SYNTHETIC RUBBER SUPPLY SOURCE. ITS OWN ESTABLISHED CARBON BLACK PRODUCTION.

HIGH TECHNOLOGY LINES. ITS OWN RESEARCH AND DEVELOPMENT CENTER.

GEOGRAPHIC PROXIMITY TO LARGE CLUSTERS OF AUTO ASSEMBLY PLANTS.

SSC TRUCK AND CAR TIRE MARKET SHARE GAIN.

SERVICE CENTER DEVELOPMENT.



HEAT & POWER ENERGY

Nizhnekamsk combined heat and power plant (CHP)

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

The first phase of the CHP modernization project was accomplished with the new 350 MW power unit commissioned in Nizhnekamsk CHP. After that, it is planned to shift partially to a new fuel type such as petroleum coke that will start to be produced at TANECO Complex in 2016. The modernization made it possible to supply sufficient energy to the main production facilities at the Nizhnekamsk industrial hub. In parallel, the Company has been developing the Almet'yevsk heating networks to supply heat to the regional infrastructure facilities.

The long-term sector development provides for power and heat generating for the TANECO Refinery Complex, 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.

In 2015, the electric power was generated in the quantity of 1 275.2 mln kWh. Company's own electric power consumption amounted to 161.2 mln kWh with 1 114 mln kWh sent to the grid.

In 2015, the heat energy delivered amounted to 3 293.4 thousand Gcal. In 2015, per unit results were as follows:

- specific fuel consumption for net output power energy was 325.1 g/kW h;
- specific fuel consumption for net output heat energy was 142.8 kg/Gcal.

In 2015, Nizhnekamsk CHP Plant delivered 1 392.3 ths Gcal to PJSC Nizhnekamskneftekhim and 1 107.9 ths Gcal to JSC TANECO.

Nizhnekamsk CHP basic specifications

Design Capacity	
electric power	510 mW
heat power	1945 Gcal-hr
Main fuel	natural gas
Back-up fuel	mazut (M-100)
Installed capacity as at 1.04.2016	
electric power	730 mW
heat power	1580 Gcal-hr

CHP Performance

Key Indicators	Unit	2015
Power generation	mln kWh	1275.2
Specific fuel consumption for net output power energy	g/kW h	325.1
Specific fuel consumption for net output heat energy	kg/Gcal	142.8

Almet'yevsk heating networks

The heat generation amounted to 737.4 thousand Gcal at year-end 2015. The thermal energy sold amounted to 623.3 thousand Gcal.

The proportions in the heat sales structure accounted for 72.2% for population, 14.5% for budgetary organizations and 13.3% for industry.

In 2015, the economic effect as a result of the energy saving and energy improved efficiency program amounted to 4 401.7 thousand rubles.

TANECO REFINERY COMPLEX KEY COMPETITIVE ADVANTAGES

ITS OWN AVAILABLE POWER GENERATING ASSETS MAKE IT POSSIBLE TO ENHANCE ENERGY SUPPLY RELIABILITY FOR OIL REFINING AND PETROCHEMICAL CAPACITIES OF COMPANY AS WELL AS MAIN PRODUCTION FACILITIES OF NIZHNEKAMSK INDUSTRIAL HUB.

IMPROVING ENERGY EFFICIENCY IS A STRATEGIC PRIORITY FOR COMPANY TO REDUCE ITS OPERATING EXPENDITURES AND END PRODUCT COST REFLECTING ITS COMMITMENT TO SUSTAIN BALANCED ECOSYSTEM.

Energy efficiency

PJSC TATNEFT Energy and Resource Efficiency Program up to 2020.

In the situation where natural monopolies keep on raising their tariffs for energy resources and transportation services and where hydrocarbon lifting cost is up due to tightening of the subsoil use regulations, the Company makes every effort to accumulate maximum reserves for saving in all business activities including energy saving. The Company makes its focus on initiatives to implement energy efficient technologies and use renewable sources energy.

The PJSC TATNEFT's corporate program of energy and resource efficiency for the period up to 2020 provides for the committed activities to accumulate maximum reserves for savings in all business lines 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 lowered by 13.5% compared with 2007 (the program beginning year). To date, the energy resource savings for first five years of the program implementation have accounted for 28.7% against the base consumption.

In 2015, the savings gained from the measures focused on lower consumption and rational use of material and natural resources amounted to 7.5 bln. rubles. The funds were used to offset the additional costs associated with sustaining the cost-effective oil production of the Company in the context of high depletion rates of the oil fields.

Fuel and energy consumption

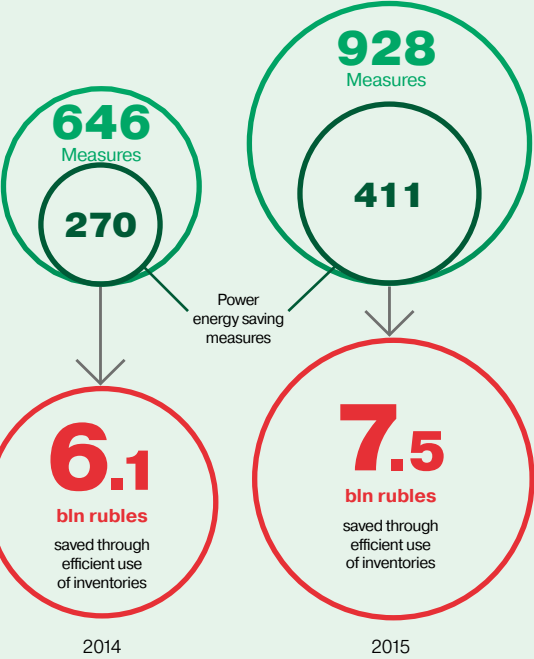
	Unit	2015
Thermal energy, total	Gcal	1 682 278
including industrial consumption	Gcal	1 637 185
Boiler and furnace fuel, total	TOE	329 654
including industrial consumption	TOE	329 023
Electric energy, total	mln. kWh	3 908.3
including industrial consumption	mln. kWh	3 888.8
Motor gasoline	tonnes	2 843.2
Fuel diesel	tonnes	1 887.4
GAS	tonnes	80.3

COMPANY HAS BEEN REALIZING INTEGRATED RESOURCE CONSERVATION PROGRAM. MEASURES IMPLEMENTED DURING 2011 THROUGH 2015 RESULTED IN SAVING OVER 311 THS TONNES OF FUEL OIL EQUIVALENT THAT MADE IT POSSIBLE FOR COMPANY TO BRING ITS FUEL AND ENERGY REQUIREMENT DOWN 4.8%.

The program involves 25 entities of the TATNEFT Group as well as service companies.

The Company saved 60 ths tonnes of fuel oil equivalent of energy resources in the year under report. 928 action items were accomplished under the program with 411 measures performed to save energy.

ENERGY AND RESOURCE EFFICIENCY PROGRAM RESULTS OVER 2014 THROUGH 2015



CORPORATE MANAGEMENT

39.6%

CAPITALIZATION
GROWTH BY 2014

716.6
BLN. RUBLES

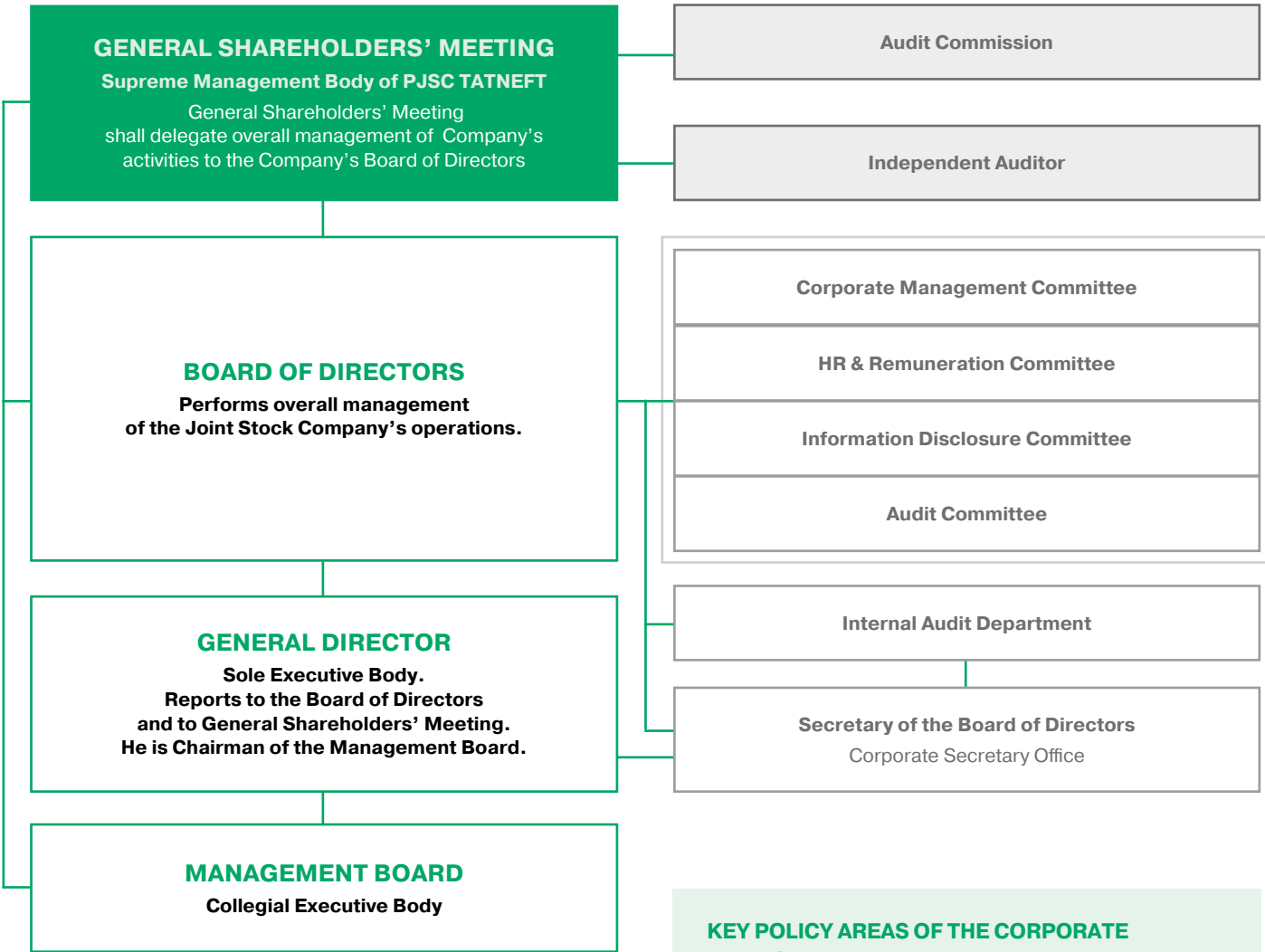
CAPITALIZATION
AMOUNT

OVER
44,000

PJSC TATNEFT'S
SHAREHOLDERS

MANAGEMENT OF THE COMPANY

Management Bodies Structure



Executive Office

Management of the Company's ongoing activities is provided by the Executive Office, structural divisions, business segment coordinators, as well as by authorized representatives in the management bodied of subsidiaries and affiliates.

KEY POLICY AREAS OF THE CORPORATE MANAGEMENT

- Ensuring implementation of the strategy and ongoing activities of the Company
- Improving the organizational structure and introducing uniform corporate standards of the TATNEFT Group
- Improving the motivation system and KPI of the Company's management.
- Constructive interaction with investors, business partners, public authorities and non-governmental organizations interested in the activities of Company
- Implementation of the openness and transparency principles

Management Bodies

A General Shareholders' Meeting is a supreme managing body of the Company. The General Shareholders' Meeting delegates overall management of the Company's activities to the Company's Board of Directors.

General Director of PJSC TATNEFT is the Company's Chief Executive Officer. The collegial executive body of the Company is the Management Board, headed by the General Director. General Director and Management Board are accountable to the Board of Directors and to the General Shareholders' Meeting.

Areas of responsibility are distributed among members of the Board of Directors and the Management Board, including the Deputies of the General Director. The motivation system is applied at the Company for top executives to ensure effective management.

There is a system of the Company officials' powers and responsibilities distribution by the areas of the Company's activities established to ensure the efficiency business segment management.

The overall control over financial and economic activities of the Company is carried out by the Audit Commission. According to information available to the Company there is no conflict of interests for members of the Board of Directors and the Executive Bodies.

INTERNAL DOCUMENTS DEFINING THE CORPORATE MANAGEMENT SYSTEM

- Articles
- Provision on the General Shareholders' Meeting
- Provision on the Board of Directors
- Provisions on Committees of the Board of Directors
- Provision on the General Director
- Provision on the Management Board
- Provision on the Audit Commission
- Provision on the Corporate Secretary
- Provision on the Internal Audit Department
- Corporate Management Code
- Internal documents, defining the distribution of powers and responsibilities of the Executive Office senior management and employees by the activity areas

Corporate Management System

The corporate management is in line with the strategic priorities of the Company, and is aimed at achieving quality results in the production and business activities, ensuring fiscal sustainability and economic growth, increasing investment attractiveness and the Company's shareholder value in the long-term.

There is an Investment Committee established in the Company, chaired by the General Director of PJSC TATNEFT.

The Committee considers promising projects and the efficiency of current investments. All projects undergo the procedure of examination and evaluation.

PJSC TATNEFT is a corporate Group center for the operation of enterprises, which form business segments of the Company. The TATNEFT Group status, forms of management and relations pattern of the parent Company and the Group members are regulated by the Provision on the TATNEFT Group, approved by the PJSC TATNEFT's Board of Directors.

The organization of the TATNEFT Group management is based on a single mission and development priorities while respecting fair interests of all members of the Group. There are relevant policies and regulations, which form the mechanisms of corporate relations worked out in the Company for ensuring uniform principles of management and transparency of the Company's subsidiaries and affiliates.

INTERNAL DOCUMENTS REGULATING THE CORPORATE MANAGEMENT PRACTICE AND PROCEDURE

- Internal documents, defining distribution of powers by the Company's management
- Provision on dividend policy
- Provision on payment of remuneration to members of the Board of Directors
- Provision on payment of remuneration to members of the Audit Commission of PJSC TATNEFT
- Provision on information policy
- Provision on the procedure of access to insider information
- Register of uniform corporate standards

PJSC TATNEFT’S GENERAL SHAREHOLDERS’ MEETING

Supreme management body of PJSC TATNEFT.

The procedure for holding the General Shareholders’ Meeting fully provides for respecting the rights of the shareholders.
The procedure for preparation, convening, holding and summarizing the General Shareholders’ Meeting of the Joint Stock Company is determined by the Provision on the General Shareholders’ Meeting of PJSC TATNEFT.

The Joint Stock Company holds Annual General Meetings of Shareholders once a year, not earlier than two months and not later than six months after the fiscal year end. In addition to the Annual General Meeting there may be an extraordinary meeting of shareholders convened. The Company provides shareholders with information on the agenda of the General Shareholders’ Meeting in the amount and in time for them to choose a reasonable stance on the issues, and to take a decision on participation in the meeting and the manner of such participation.

Each shareholder is entitled to attend the meeting in person or by proxy. The shareholders will receive from the Board of Directors and executive bodies of the Company the detailed and reliable report on the ongoing corporate policy and production and business activities of the Company at the General Shareholders’ Meeting. The Company’s Board of Directors will prepare a report to shareholders for each agenda item of the day reflecting the Board’s position, as well as individual opinions of the Board of Directors members, if any.

Shareholders shall decide on the most important issues of the Company’s activities. Such issues as election of members of the Board of Directors, Audit Commission members, approval of the Company’s auditor, approval of the annual report and annual accounting (financial) statements, including the report on the financial results of the Company’s operations, distribution of profits, payment of dividends for the financial year shall be mandatory addresses issues.

In case of election the Company’s Board of Directors shall provide the shareholders with detailed information about the biography, experience and skills of each candidate, and shall also strive to ensure personal presence of the candidates.

The General Shareholders’ Meeting was held on June 26, 2015 in the reporting year.

- Decisions Taken by the General Meeting of Shareholders:
1. The Joint Stock Company’s annual report for 2014 was approved.
 2. The meeting approved annual financial statements including profit and loss statements (profit and loss accounts) of the Joint Stock Company for 2014.
 3. The meeting approved distribution of profits for the financial year.
 4. Decision was taken to make payment of dividends for 2014 as follows:
a) for preferred shares of PJSC TATNEFT in the amount of 1058% of the shares’ face value;
b) for ordinary shares of PJSC TATNEFT in the amount of 1058% of the shares’ face value.
July 15, 2015 was set as the date for defining persons entitled to receive dividends. The term of the dividends payment was specified in accordance with the current legislation. The dividends payment had to be made in cash.
 5. The PJSC TATNEFT’s Board of Directors was elected.
 6. Members of the Joint Stock Company’s Audit Commission were elected.
 7. ZAO «PricewaterhouseCoopers Audit” was approved as the PJSC TATNEFT’s Auditor for the year to perform the statutory audit of the annual financial statements for 2015 prepared in accordance with Russian accounting rules.
 8. The General Meeting approved an updated version of the PJSC TATNEFT’s Articles.
 9. The General Meeting approved an updated version of the Provision on holding the General Meeting of Shareholders of PJSC TATNEFT.
 10. The General Meeting approved an updated version of the Provision on the Board of Directors of PJSC TATNEFT.
 11. Introduction of a change in the Provision on the General Director of PJSC TATNEFT.
 12. Introduction of a change in the Provision on the PJSC TATNEFT’s Management Board.
 13. Introduction of a change in the Provision on the on the Audit Commission of PJSC TATNEFT.

The adoption of decisions on the agenda items of the General Shareholders’ Meeting was carried out by voting ballots in the manner prescribed by the law and the Joint Stock Company’s Articles. The formulations of the meeting’s decisions necessarily specified the majority vote and dissenting opinions on the decisions taken. The reliability of the protocol was certified by signatures of the meeting’s Chairman and the Secretary.

INTERACTION WITH SHAREHOLDERS

CONTINUOUS INTERACTION OF THE MANAGEMENT WITH SHAREHOLDERS ENSURES EFFECTIVE SHAREHOLDERS’ ASSETS MANAGEMENT AND SUSTAINABLE DEVELOPMENT OF THE COMPANY.

IMPROVEMENT OF MECHANISMS AND FORMS OF INTERACTION WITH SHAREHOLDERS IN THE LIGHT OF NEW SHAREHOLDERS EMERGENCE AND FORMULATION OF FURTHER GOALS BY THE SHAREHOLDERS ENHANCE THE CORPORATE MANAGEMENT QUALITY.

Ensuring Legal Rights of Shareholders

The Company guarantees compliance with and observance of legal rights and interests of all 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, and the Company’s Articles.

The Shareholders participate in the Company’s Activities, exercising their rights and responsibilities and on the basis of their voluntary initiatives aimed at improving the management of the Company’s operations.

The Company provides shareholders with access to documents in accordance with the applicable law.

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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 the 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.

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Dividend Policy

The Joint Stock Company recognizes dividends as one of the key indicators of the Company’s investment attractiveness and is committed to increase the value of dividends on the basis of the consistent earnings growth.

The Board of Directors of the Joint Stock Company determines the amount of dividends recommended to the General Shareholders’ Meeting based on the economically sound approach to the distribution of profits and respect to the balance of short-term (revenue generation) and long-term (development of the Company) interests of the shareholders.

The Joint Stock Company provides equal conditions for all shareholders in exercising their rights for participation in the Company’s profits through receiving dividends.

Interest Conflict Avoidance

The Company’s corporate management system includes a set of rules and procedures to avoid conflicts of interest between the Company’s management bodies and its shareholders, as well as between shareholders, if the conflict affects the interests of the Company, detection and resolution of all possible general and specific problems relating to the rights of the shareholders. In case of a conflict arising there are mechanisms provided to take all necessary and possible measures to complete the conflict settlement, as well as the create the conditions excluding the conflict in future.

This work is carried out by the authorized division interacting with the Board of Directors committees, Internal Audit Department and other relevant divisions of the Company.

BOARD OF DIRECTORS OF PJSC TATNEFT

The Board of Directors performs general management of PJSC TATNEFT, develops general corporate strategy and oversees its implementation, participates in the creation of effective internal control mechanisms over financial and economic activities of the Company, as well as the risk control system, defines basic parameters of the budget and the control of its implementation, helps ensuring the timely disclosure of full and accurate information on the Company's activities, and takes decisions on key projects and significant transactions.

The procedure of formation, status, composition, functions, goals and objectives, powers of the Board of Directors, the procedure for its work and cooperation with other Company's management bodies are identified by the Articles and the Provision on the Board of Directors.

There are 15 members in the composition of the Board of Directors, including three independent directors*, 7 non-executive and 5 executive directors.

Participation of independent and non-executive Directors in the work of the Board of Directors provides for maintaining a balance between interests of different groups of the shareholders, which contributes to the objectivity of the decisions taken, and the strengthening the confidence in the Company on the part of investors and shareholders.

There were changes made in the composition of the Board of Directors in the June 2015: the retired members of the Board M.L. Voskresenskaya, Gosh Sushovan and V.P. Lavushchenko were replaced by newly elected members Yu.L. Levin, L. Gerech and A.D. Khalimov.

There were 13 full-time and one in absentia meeting of the Board of Directors held during the reporting year

Upon the recommendation of the Executive Body the Board of Directors considers main results of the Company's financial and business activities, determines the list of transactions that may affect the Company's performance and supervises them, ensures development and approval of the comprehensive risk management system and the system of monitoring compliance with internal procedures, defines the Company's control system over subsidiaries and affiliates and supervises the information disclosure on the Company's activities.

*independence criteria have been defined by the Listing Rules of JSC MICEX

Remuneration of the Board of Directors' Members

Remuneration to members of the Board of Directors of PJSC TATNEFT is paid on the basis of the "Provision on payment of remuneration to members of the Board of Directors and the Audit Commission of PJSC TATNEFT.

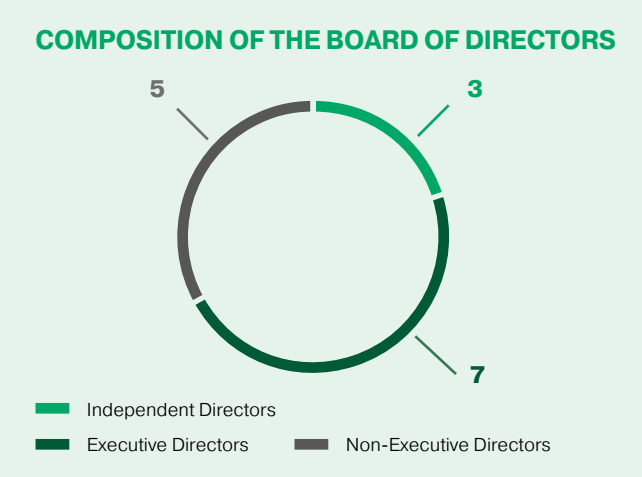
The remuneration of the Board of Directors is formed of fixed and variable portions. The fixed remuneration portion It is defined by the Provision and it is indexed simultaneously with the change of tariffs and salaries of the PJSC TATNEFT's employees. The variable part of the remuneration of the Board of Directors members is formed according to the following key performance indicators:

- the ratio of the Company's capitalization level for the year compared with the previous year;
- the ratio of the cost of dividends to net profit (compared with the previous year);
- the additional profitability amount versus the baseline profitability.

The remuneration amount of the Board of Directors members is set by the decision of the General Shareholders' Meeting and includes remuneration for the performance the Board of Directors member's duties and remuneration for the performance of duties of the Board of Directors' Committee Chairman.

In 2015, the total remuneration sum paid to the Joint Stock Company's members of the Board of Directors amounted to RUB 138,798,909.95, including remuneration for participation in the work of the Board of Directors, salaries of Executive Directors, bonuses and other forms of remuneration.

Compensations to members of the Joint Stock Company's Board of Directors amounted to RUB 4,373, 432.09.



ACTIVITIES OF THE PJSC TATNEFT'S BOARD OF DIRECTORS IN 2015

A list of Main Issues Discussed at the Board of Directors Meetings in 2015

- On the Annual General Meeting of the PJSC TATNEFT's Shareholders on the results of 2014.
- About candidates to the Board of Directors, Audit Commission of PJSC TATNEFT and proposals on the agenda items of the Annual General Meeting of shareholders on the results of operation for 2014.
- On measures to ensure the financial stability of the Company in the conditions of declining world oil prices.
- On the results of the Internal Audit Department operations in 2014 and approval of the Department's work management plan for 2015.
- On the performance, efficiency and strategy of further development of the «Tatneft-Neftekhim» Management Company
- On the Results of financial and economic activities of PJSC TATNEFT in 2014.
- On the Program of supporting research activities the in the area of crude oil production and refining in collaboration with leading research and educational institutions located in the territory of the Republic of Tatarstan.
- On the expanding the scope of works with unconventional hydrocarbons in the framework of scientific «Domanik» and «Bitumen» testing grounds and the plans for oil production and geological and technical activities at PJSC TATNEFT for 2016-2017.
- On establishment of Committees under the Board of Directors of PJSC TATNEFT.
- On the progress of implementing the environmental program of PJSC TATNEFT for the period 2000 - 2015.
- The program implementation progress to improve the production system efficiency, improve the management methods and structure at PJSC TATNEFT
- On the plans of crude oil production and geological and technical activities at PJSC TATNEFT for 2016.
- On the state of the PJSC TATNEFT's resource base to maintain crude oil production in the Republic of Tatarstan.
- On the results of financial and economic activities of subsidiaries and affiliates of the TATNEFT Group of Companies.
- On the results of implementing measures to improve the financial sustainability of the PJSC TATNEFT's divisions.
- On the implementation of PJSC TATNEFT's investment program for crude oil in 2015 and the draft investment program for 2016.
- On the performance and strategies of the «Tatneft-Neftekhim» Management Company with regard to further development of the tire manufacturing complex enterprises.

Participation of the Board of Directors members at the Board meetings

Full Name	28.01. 2015	27.02. 2015	26.03. 2015	27.04. 2015	22.05. 2015	26.06. 2015 (2BDM)	28.07. 2015	26.08. 2015	29.09. 2015	21.10. 2015	27.11. 2015	29.12. 2015 (2BDM)*	Total
R.N. Minnikhanov	●	●	●	●	●	●●	●	●	●	●	●	●●	14
N.U. Maganov.	●	●	●	●	●	●●	●	●	●	●	●	●●	14
N.G. Ibragimov	●	●	-	-	●	●●	-	●	●	●	●	●●	11/3
Yu.L. Levin (since June 26, 2015)						●●	●	●	●	●	●	●●	9
R.R. Gayzatullin	●	●	●	●	●	- -	●	●	●	●	●	●●	12/2
L. Gerech (since June 26, 2015)						●●	●	●	●	●	●	●●	9
R.Kh. Muslimov.	●	●	●	●	●	●●	●	-	●	●	●	●●	13/1
R.R. Sabirov	●	●	●	●	●	●●	●	●	●	●	●	●●	14
Yu.V. Sorokin.	●	●	●	●	●	●●	●	●	●	●	●	●●	14
M.Z. Taziyev	●	●	●	●	●	●●	●	●	-	●	●	●●	13/1
Sh.F.Takhautdinov	●	●	●	●	●	●●	●	●	●	●	●	●●	14
A.K. Khamaev.	●	●	-	●	●	●●	●	●	●	-	●	- -	10/4
R.S. Khisamov	●	-	●	●	●	●●	-	●	●	●	●	●●	12/2
R.Kh. Khalimov (since June 26, 2015)						●●	●	●	●	●	●	●●	9
R.F. Steiner	●	●	●	●	●	●●	-	●	●	●	●	- -	11/3
M.L. Voskresenskaya (till June 26, 2015)	●	●	●	●	-								4/1
Soushovan Ghosh (till June 26, 2015)	●	●	-	●	●								4/1
V.P. Lavushchenko. (till June 26, 2015)	●	●	●	-	●								4/1
A.T. Yukhimets	●	●	●	●	●	●●	●	●	●	●	●	●●	14

*One meeting on Dec. 29, 2015 was conducted in absentia

COMPOSITION OF THE PJSC TATNEFT’S BOARD OF DIRECTORS



Rustam N. MINNIKHANOV

Chairman of the Board of Directors of PJSC TATNEFT

Born in 1957.
1978 – graduated from Kazan Agricultural Institute, specializing as a mechanical engineer.

1986 – Institute of Soviet Trade.

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.

Non-executive director

% share in the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

Nail U. MAGANOV

General Director of PJSC TATNEFT
PJSC TATNEFT’s Board of Directors’ Member
Chairman of the PJSC TATNEFT’s Management Board

Born in 1958.

1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

From July 2000 to November 2013 – First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of PJSC TATNEFT.

He was appointed General Director of PJSC TATNEFT in November 2013.

Executive Director

% share in the Joint Stock Company’s authorized capital – 0.000176.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

Nail G. IBRAGIMOV

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

Born in 1955.

1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

First Deputy General Director for Production – Chief Engineer of PJSC TATNEFT since 2000.

Executive Director

% share in the Joint Stock Company’s authorized capital– 0.019749.
% share of the Joint Stock Company’s ordinary shares owned by the person – 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
*till June 26, 2015

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.

Independent Director

% share in the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

Radik R. GAIZATULLIN

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

Born in 1964.

1985 – graduated from Kazan Agricultural Institute specializing in «Accounting and business analysis in agriculture».

Head of the Ministry of Finance of the Republic of Tatarstan since June 2002.

Independent Director

% share in the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

Laszlo GERECH

Independent member of the PJSC TATNEFT’s Board of Directors
Member of the PJSC TATNEFT’s Board of Directors Audit Committee
Member of the PJSC TATNEFT’s Board of Directors HR and Remuneration Committee
*Since June 26, 2015

Born in 1953.

1977 – graduated from the Moscow Institute of Petrochemical and Gas Industry named after Academician I.M. Gubkin specializing in Development and Complex Mechanization of oil fields.

1995 – graduated from the Oxford Business University.

Since 2015 – Managing Director of MOL Oman, Oman Branch Office in Muscat.

Независимый директор

% share in the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

COMPOSITION OF THE PJSC TATNEFT’S BOARD OF DIRECTORS ENSURES THE OPTIMAL BALANCE OF THE BOARD OF DIRECTORS MEMBERS’ COMPETENCE REQUIRED FOR IMPLEMENTATION OF STRATEGIC OBJECTIVES AND ONGOING TASKS OF THE COMPANY.



**Sushovan
GOSH**

Independent Member of the PJSC TATNEFT's Board of Directors
Chairman of the Audit Committee of the PJSC TATNEFT's Board of Directors
Member of the HR and Remuneration Committee of PJSC TATNEFT
*till June 26, 2015

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.

Independent Director

% share in the Joint Stock Company's authorized capital- none.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

**Vladimir P.
LAVUSHCHENKO**

Member of JSC TATNEFT's Board of Directors
Deputy General Director in Economics of PJSC TATNEFT
Chairman of the JSC TATNEFT's Board of Directors Information Disclosure Committee
*till June 26, 2015

Born in 1949.

1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

1984 – graduated from the post-graduate course of VNIOENG.

Deputy General Director for Economics and Finance of PJSC TATNEFT since 1997.

Executive Director

% share in the Joint Stock Company's authorized capital – 0.045465.
% share of the Joint Stock Company's ordinary shares owned by the person – 0.048194.

**Yuri L.
LEVIN**

Independent member of the Board of Directors
Chairman of the PJSC TATNEFT's Board of Directors Audit Committee
Member of the PJSC TATNEFT's Board of Directors HR and Remuneration Committee
*Since June 26, 2015

Born in 1953.

1975 – graduated from the Moscow Finance Institute

1979 – post-graduate studies at the Institute of World Economy and International Relations.

Managing Partner of BVM Capital Partners Ltd since 2001.

Independent Director

% share in the Joint Stock Company's authorized capital – none.
% share of the Joint Stock Company's ordinary shares owned by the person – none

**Renat Kh.
MUSLIMOV**

Member of PJSC TATNEFT's Board of Directors'

Born in 1934.

B 1957 – graduated from Kazan State University.

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 (Volga)State University.

Non-executive Director

% share in the Joint Stock Company's authorized capital– 0.057136.
% share of the Joint Stock Company's ordinary shares owned by the person – 0.060445.



**Rinat
K. SABIROV**

Member of PJSC TATNEFT's Board of Directors. Member of the PJSC TATNEFT's Board of Directors Corporate Management Committee.
Member of the PJSC TATNEFT's Board of Directors HR and Remuneration Committee. Member of the PJSC TATNEFT's Board of Directors Information Disclosure Committee

Born in 1967.
1991- graduated from the physics faculty of Kazan State University.
1994 – graduated from the post-graduate course of the Kazan State Technological University.
1998 – had a training course under the President's program for managerial staff.
2006 till June 2010 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.
Non-executive Director

% share in the Joint Stock Company's authorized capital – none.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

**Valery Yu.
SOROKIN**

Member of the PJSC TATNEFT's Board of Directors

Born in 1964.

1986 – graduated from the Kazan State University.

General Director of JSC Svyazinvestneftekhim since 2003

Non-Executive Director

% share in the Joint Stock Company's authorized capital – none.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

**Mirgaziyan Z.
TAZIYEV**

Member of the PJSC TATNEFT's Board of Directors

Born in 1947.

1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin

Head of NGDU «Almetyevneft» of PJSC TATNEFT since January 2005.

Executive Director

% share in the Joint Stock Company's authorized capital – 0.006448.
% share of the Joint Stock Company's ordinary shares owned by the person – 0.006541.

**Shafagat F.
TAKHAUTDINOV**

Member of the PJSC TATNEFT's Board of Directors
Advisor to Chairman of the PJSC TATNEFT's Board of Directors

Born in1946.

1971 – graduated fromMoscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

1999 till November 2013 – General Director of PJSC TATNEFT.

Starting November 2013 – Assistant to President of the Republic of Tatarstan on the oil industry issues, Advisor to Chairman of PJSC TATNEFT's Board of Directors.

Non-Executive Director

% share in the Joint Stock Company's authorized capital – 0.116503.
% share of the Joint Stock Company's ordinary shares owned by the person – 0.123914.



**Rustam Kh.
KHALIMOV**

Member of PJSC TATNEFT's Board of Directors
Deputy General Director of PJSC TATNEFT for Development and Production of Oil and Gas
*since June 26, 2015

Born in 1965.

1987 – graduated Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

2010 to 2011 – Director of PJSC TATNEFT's Branch in Libya.

2011 – 2015 – Head of NGDU “Elkhovneft” of PJSC TATNEFT.

Deputy General Director of PJSC TATNEFT for Development and Production of Oil and Gas since 2015.

Executive Director

% share in the Joint Stock Company's authorized capital – 0,000056
% share of the Joint Stock Company's ordinary shares owned by the person – none.

**Azat K.
KHAMAEOV**

PJSC 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.

Non-Executive Director

% share in the Joint Stock Company's authorized capital – none.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

**Rais S.
KHISAMOV**

Member of the PJSC TATNEFT's Board of Directors
Deputy General Director – Chief Geologist of PJSC TATNEFT

Born in 1950.

1978 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

Deputy General Director – Chief Geologist of PJSC TATNEFT since October 1997.

Executive Director

% share in the Joint Stock Company's authorized capital – 0.01876.
% share of the Joint Stock Company's ordinary shares owned by the person – 0.019746.

**René
STEINER**

Independent Member of the PJSC TATNEFT's Board of Directors.
Chairman of the PJSC TATNEFT's Board of Directors HR and Remuneration Committee
Audit Committee Member of the PJSC 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.

Independent Director

% share in the Joint Stock Company's authorized capital – none.
% share of the Joint Stock Company's ordinary shares owned by the person – none.



**Alexander T.
YUKHIMETS**

Secretary of the PJSC TATNEFT's Board of Directors.
Maintenance of the PJSC TATNEFT's Board of Directors activities.

Based on proposals the Board of Directors' Members and the Management Board Members the Secretary the Board of Directors prepares and submits for the Board's approval work plans of the Board of Directors and performs organizational functions for preparation of the Board meetings.

The competence of the Secretary of the Board of Directors includes preparation of the Board meetings, 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 provides to the Board members the information necessary for making decisions on the agenda issues.

**Secretary of the Board of Directors and the PJSC TATNEFT's
Corporate Secretary Office**

The Secretary of the Board of Directors and the Company's Corporate Secretary's Office provide in the Joint Stock Company for the orderly preparation and holding of the General Shareholders' Meeting, activities of the Board of Directors and Committees of the Board of Directors, the Joint Stock Company compliance with requirements of the applicable law, Articles and internal documents of the Joint Stock Company, which guarantee the rights and legitimate interests of shareholders,.

Rustam M. Khisamov, who previously was in the position of the PJSC TATNEFT's Securities Office Head, was appointed Head of the Corporate Secretary Office on 7 December 2015, The competence of the Corporate Secretary Office includes maintaining an effective system of interaction among all participants of corporate relations, including subsidiaries and affiliates of the Joint Stock Company, and monitoring the abidance of the Joint Stock Company's subsidiaries and affiliates to the corporate procedures related to the implementation of the of shareholders and other participants of corporate relations rights ensuring interaction of the Joint Stock Company with a specialized registrar, depositories, with public administration bodies authorized to carry out regulation of corporate relations and with the securities market, as well as with other securities market participants.

The Corporate Secretary Office provides for the organization and follow-up of the legal requirements with regard to public disclosure of information, including the preparation and disclosure of information in the form of the annual report, quarterly issuer's reports, essential facts, as well as documents and information related to the issuance and circulation of securities on a stock exchange, provision of documents and information at the request of shareholders, proper storage of the Joint Stock Company's corporate documents. In order to improve the corporate practice efficiency, the Corporate Secretary Office performs monitoring the Company's existing procedures efficiency and prepares the annual report of the Board of Directors on the state of the Joint Stock Company's corporate management and prospects for its development. The reports on the corporate management are formed in accordance with the Rules of exchange trading and disclosure requirements on the corporate management in the Company to all interested parties.

COMMITTEES OF THE BOARD OF DIRECTOR

CORPORATE MANAGEMENT COMMITTEE

Committee Composition

Chairman

Viktor I. Gorodny – member of the Management Board of PJSC TATNEFT, Deputy General Director – Head of Property Department of PJSC TATNEFT.

Members of the Committee:

Natalia E. Dorpeko – Consultant of PJSC TATNEFT’s General Director.

Valery D. Ershov – member of the Management Board, Head of PJSC TATNEFT’s Legal Department.

Vasiliy A. Mozgovoy – Assistant to General Director of PJSC TATNEFT, Corporate Finances.

Rinat K. Sabirov – member of the Board of Directors of PJSC TATNEFT, Assistant to President of the Republic of Tatarstan, Member of the Corporate Management Committee, Member of the HR and Remuneration Committee.

Nurislam Z. Syubaev – ember of the Board of Directors, Head of PJSC TATNEFT’s Strategic Planning Department – Advisor to General Director on external economic activity and financial/banking issues.

Rais S. Khisamov – member of the Board of Directors of PJSC TATNEFT, Deputy General Director – Chief Geologist of PJSC TATNEFT (till June 26, 2015).

Rustam M. Khisamov – Head of Securities Office of the Property Department of PJSC TATNEFT (till June 26, 2015).

Denis V. Tsovma – Deputy Head of Securities Office of the Property Department, PJSC TATNEFT (till June 26, 2015).

Basic Functions and Work Areas of the Committee in 2015

The main objective of the Committee was preliminary review and preparation of recommendations to the Board Directors on the development and improvement of the corporate management system in the Joint Stock Company (regulation of relations between the shareholders, the Board of Directors and the Joint Stock Company’s management, as well as interaction with the subsidiaries of the Joint Stock Company and other stakeholders).

The Committee initiated and provided for organizational support in improving the corporate management procedures, as well as adoption of new and updating of existing corporate documents in accordance with changes in the applicable legislation and general corporate standards.

- Working out recommendations on implementing provisions of the Corporate Management Code and ensuring the requirements of the Listing Rules approved by the Bank of Russia and the Russian Government.
- Provision of advice and preliminary consideration of the materials for the corporate restructuring in the Joint Stock Company, affecting interests of the shareholders.
- Monitoring the Joint Stock Company’s compliance with legislation on joint stock companies, regulations, regulatory acts, as well as legal rights and interests of the shareholders.
- Assistance to the Board of Directors and General Director in assessing the quality of corporate relations and the corporate management system development in the Joint Stock Company (regulation of the relationship between the shareholders, Board of Directors and the Joint Stock Company’s management, as well as interaction with the subsidiaries of the Joint Stock Company and other interested parties).
- Making recommendations on the preparation and holding of the Annual General Shareholders’ Meeting.
- Making recommendations on amendments to the Articles and other internal documents of the Joint Stock Company, which approval is within the competence of the General Shareholders’ Meeting and the Board of Directors.
- Development of recommendations on the draft internal documents aimed at improving the corporate management in the Joint Stock Company.

AUDIT COMMITTEE

Committee Composition

Chairman

Yuri L. Levin, Member of the PJSC TATNEFT’s Board of Directors, Independent, Director Managing Partner of BVM Capital Partners Ltd (since June 26, 2015).

Sushovan Ghosh, member of the Board of Directors of PJSC TATNEFT, Independent Director. Managing Director of SGI GROUP LTD. Member of the HR and Remuneration Committee of PJSC TATNEFT (till June 26, 2015).

Committee Members

Mariya L. Voskresenskaya, member of the Board of Directors of PJSC TATNEFT, Independent Director. Director of Brentcross Ltd (till June 26, 2015).

Radik R. Gayzatullin, member of the Board of Directors, Minister of Finance of the Republic of Tatarstan.

Laszlo Gerech, member of the Board of Directors of PJSC TATNEFT, Independent Director. Managing Director of “MOL West Oman B.V. Oman Branch”. Member of the HR and Remuneration Committee (since June 26, 2015).

René Frederic STEINER, Member of the PJSC 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.

Basic Functions and Work Areas of the Committee in 2015

The Committee assisted the Board of Directors in exercising control over the reliability of financial statements of PJSC TATNEFT, compliance with laws and regulations, selection of independent auditors, the work of the independent auditors and the internal audit system, control of financial and economic activities, as well as other duties within the Committee’s competence.

- Coordination of the external auditors and the Internal Audit Department activities, as well as review of their reports on a regular basis.
- Introduction of proposals to improve the efficiency of the Internal Audit Department operations.
- Review and analysis of quarterly financial statements.
- Review and implementation of the independent auditors reports on the state of internal control systems of PJSC TATNEFT and development of recommendations for their improvement.
- Discussions with independent auditors and the Internal Audit Department about the scope, focus areas and the timing of their audits.
- External auditors’ independence validation.
- Providing the advice to the Board of Directors on the selection of independent auditors for PJSC TATNEFT (both by IFRS and by RAS).
- Preliminary review of the interested parties’ transactions and transactions with parties related with PJSC TATNEFT to be submitted for approval by the Board of Directors of PJSC TATNEFT.

Committees of the PJSC TATNEFT’s Board of Directors have been established in order to assist the Board of Directors on key issues of the corporate practice and improve the mechanisms of the Company’s interaction with shareholders and investors. The Committees operate on the basis of the applicable legislation, the Joint Stock Company’s Articles, Provision on the Board of Directors and Provisions on 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 in the Committee.

HR & REMUNERATION COMMITTEE

Committee Composition

Chairman

René Frederic STEINER, Member of the PJSC TATNEFT’s Board of Directors, Independent Director, Program Director of the Private Equity FIDES Business Partner AG, Switzerland

Members of the Committee

Laszlo Gerech, Member of the PJSC TATNEFT’s Board of Directors, Independent Director. Managing Director of “MOL West Oman B.V. Oman Branch”, Member of the Audit Committee of PJSC TATNEFT’s Board of Directors (since June 26, 2015)

Sushovan Ghosh, member of the Board of Directors of PJSC TATNEFT, Managing Director of SGI Group LTD (till June 26, 2015).

Yuri L. Levin, Member of the PJSC TATNEFT’s Board of Directors, Independent Director Managing Partner of BVM Capital Partners Ltd, Chairman of the PJSC TATNEFT’s Board of Directors Audit Committee (since June 26, 2015).

Rinat K. Sabirov, member of the Board of Directors of PJSC TATNEFT, Assistant to President of the Republic of Tatarstan, Member of the Corporate Management Committee, Member of the HR and Remuneration Committee.

Basic Functions and Work Areas of the Committee in 2015

The Committee assisted the Board of Directors of PJSC TATNEFT in improving personnel policies and strengthening of mechanisms for motivating employees and managers of the Company. The Committee’s area of work was to improve the quality of the Board of Directors operation through the preliminary review and preparation of recommendations on the issues of creating conditions for attraction of qualified professionals to the Joint Stock Company’s Management and the necessary incentives for their efficient operation.

- Development of a methodology for evaluating performance of the Board of Directors as a whole, Committees of the Board of Directors, Chairman of the Board of Directors and individual performance of the Board of Directors members for the purpose of working out the principles and criteria for determining their remuneration.
- Development of a methodology for assessing performance of the Joint Stock Company’s Management Board members and heads of structural divisions of the Joint Stock Company for the purpose of developing the principles and criteria for determining their remuneration.
- Criteria determination for selection and a preliminary assessment of candidates: to members of the Board of Directors, members of the Management Board, to the position of General Director, to the position of the heads of the PJSC TATNEFT structural divisions.
- Working out suggestions on defining essential terms of contracts with members of the Board of Directors, General Director and the PJSC TATNEFT’s Management Board members.
- Regular monitoring of legislation and the latest standards in the field of personnel management, development of recommendations for changes in the internal documents of PJSC TATNEFT within the Committee’s competence and submitting them to the Board of Directors.
- Working out recommendations on the PJSC TATNEFT’s personnel policy, including those regarding the system of the Company’s employees’ motivation, and submitting them to the Board of Directors.

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 divisions of the Company.

INFORMATION DISCLOSURE COMMITTEE

Committee Composition

Chairman

Iskandar G. Garifullin, Management Board member, Chief Accountant – Head of Accounting and Reporting Department of PJSC TATNEFT (since June 26, 2015).

Vladimir P. Lavushchenko, member of the Board of Directors, member of the Management Board, Deputy General Director of PJSC TATNEFT for Economics (till June 26, 2015)

Deputy Chairman

Viktor I. Gorodny, member of the Management Board, Deputy General Director, Head of the Property Department of PJSC TATNEFT, Head of the Corporate Management Committee (till June 26, 2015).

Committee Members:

Nuriya Z. Valeyeva, Head of Technical and Economic Information and Advanced Experience Extension Office, PJSC TATNEFT.

Vladlen A. Voskoboinikov, member of the Management Board, Head of Consolidated Financial Reporting Department of PJSC TATNEFT.

Vasiliy A. Mozgovoy, Assistant to General Director of PJSC TATNEFT, Corporate Finances.

Rinat K. Sabirov, member of the Board of Directors of PJSC TATNEFT, Assistant to President of the Republic of Tatarstan, Member of the Corporate Management Committee, Member of the HR and Remuneration Committee.

Evgeny A. Tikhturov, Member of the Management Board, Head of PJSC TATNEFT’s Financial Department.

Denis V. Tsovma, Securities Office Deputy Head, Property Department of PJSC TATNEFT (till June 26, 2015)

Aleksander T. Yukhimets, member of the Management Board, Secretary of the Board of Directors of PJSC TATNEFT (till June 26, 2015)

Basic Functions and Work Areas of the Committee in 2015

The Committee coordinated and monitored 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.

The main Committee’s objective is improving the information disclosure procedure on the Company’s activities

In the frame of the obligatory information disclosure and information disclosure on a voluntary basis, as well as assisting the subsidiaries in establishing the procedure of the information disclosure and submitting.

- Ensuring compliance of the corporate information disclosure policy with applicable laws and requirements of stock exchanges which the Company’s shares are presented at.
- Supporting execution of the internal regulation «Mechanisms for disclosure control and disclosure procedures». The Information Disclosure Committee carries out mid-term evaluations and provides for monitoring current Company’s disclosure procedures.
- Working out recommendations on amendments to the «Mechanisms for disclosure control and disclosure procedures».
- Coordination of annual reports and other documents preparation to the disclosure of information, study and making recommendations regarding the annual Company’s annual reports to shareholders, current reports, press releases on earnings and other documents disclosing essential information on the Company’s activities.
- Working out preliminary recommendations on the voluntarily disclosed information ensuring full and comprehensive understanding of the Company’s activities by all stakeholders.
- Analysis of the current voluntarily information disclosure practices and submitting its recommendations to responsible officials for discussion.
- Monitoring of the best international and Russian practices of the information disclosure procedures to improve corporate disclosure mechanisms of the obligatory information disclosure and information disclosure on a voluntary basis
- Monitoring the timely disclosure procedures.

EXECUTIVE BODIES

GENERAL DIRECTOR

Sole executive body.

General Director is appointed by the Board of Directors. N.U. Maganov has been General Director of PJSC TATNEFT since November 2013 till present time.

General Director is Chairman of the Management Board of PJSC TATNEFT.

Powers of the General Director are determined by the Joint Stock Company's Articles and the "Provision on General Director of PJSC TATNEFT".

General Director manages the ongoing activities in accordance with the corporate Company Development strategy.

General Director determines the organizational structure of the Company oversees the rational use of resources, solves organizational issues of the Company's business structure management and social guarantees to personnel provision, including, without limitation:

- ensuring execution of the General Shareholders' Meeting decisions;
- presentation of candidates for the Management Board members to the Board of Directors;
- allocation of responsibilities among the Management Board members;
- organization of the Management Board work, as Chairman of the Management Board meetings,
- approval of the Joint Stock Company' internal documents, except for internal documents, which approval is referred by the Joint Stock Company's Articles to the competence of the General Shareholders' Meeting, the Board of Directors and the Management Board;
- determination of the of the Joint Stock Company's organizational structure, approval of the Joint Stock Company's manning table, branches and representative offices, approval of job descriptions and salaries;
- introduction to the Board of Directors candidates for the position of the First Deputy General Director;
- conclusion of employment contracts with employees of the Joint Stock Company;
- ensuring the drafting, conclusion and execution of the Collective Agreement.

MANAGEMENT BOARD

Collegial executive body of the Company.

The Management Board is formed by the Board of Directors and is composed of the Chairman and members of the Management Board. Quantitative composition of the Management Board is determined by the Board of Directors. The procedure of formation, status, composition, functions, goals and objectives, the Management Board powers, the procedure of its work and interaction with other Company's management bodies are defined by the Provision on the Management Board. The Management Board meetings are held in accordance with the Management Board plan of operation.

The core competences of the Board:

- participate in the development of prospective and current plans of the Joint Stock Company's activity, representation of
- Plans to the Board of Directors, preparation of reports on their fulfillment;
- Joint Stock Company's participation in commercial and non-profit organizations;
- implementation of the Joint Stock Company's programs of financial and investment activity within the powers received from the Board of Directors;
- coordination of production programs of subsidiaries;
- regular reporting to the Board of Directors on the financial condition of the Joint Stock Company, and transactions as well as
- decisions that can have a significant impact on the Joint Stock Company's condition.

Remuneration of the Management Board Members

Payments to members of the Management Board are made in accordance with basic conditions of the contracts concluded for the performance of duties of the Management Board members, including implementation of decisions of the General Shareholders' Meeting, the Board of Directors, and participation in working out the Joint Stock Company's development plans, as well as enhancing the effectiveness of the of Company and its subsidiaries work plans.

In 2015, the total remuneration of the Joint Stock Company's members of the Management Board amounted to 44,765,829.47, rubles including remuneration for participation in the work of the Management Board, salary, bonuses and other forms of remuneration. Compensation to the members of the Joint Stock Company's Management Board members of amounted to 739,640 rubles.

ACTIVITIES OF THE PJSC TATNEFT'S MANAGEMENT BOARD IN 2015

List of Issues Reviewed at the Meetings of the Management Board in 2015

1. On the interest in the «TATNEFT-Tsentroresurs» Limited Liability Company.
2. On the interest in the «Zelenaya Roshcha» Limited Liability Company.
3. On the establishment of a limited liability company with the main activity to provide airports with fuel and lubricants.
4. On the interest in the limited liability company «TATNEFT-Neftekhimservis».
5. Execution of the consolidated budget. Results of declaration of the structural divisions and subsidiaries. Relevant information on the status of mutual settlements that depend on the structural divisions. Details of the mutual settlements with the budget at all levels. Information characterizing the financial and economic condition of the Company.
6. On the amount of voluntary contributions to the public housing under the program of the social mortgage housing construction in 2015.
7. Involvement in the establishment of the «TATNEFT-Resource Nefteproduct" Limited Liability Company.
8. «Environmental Program of PJSC TATNEFT for the period 2016 – 2020».

Participation of Board members in the Management Board meetings in 2015

Full Name	02.02.2015	02.03.2015	06.04.2015	01.06.2015	06.07.2015	05.10.2015	04.12.2015	Total
N.U .Maganov	●	●	●	●	●	●	●	7
N.G. Ibragimov	●	●	●	●	●	●	●	7
V.P. Lavushchenko	●	●	●	●	●	●	●	7
V.I. Gorodny	●	●	●	●	●	●	●	7
N.M/ Glazkov	●	●	●	●	●	●	●	7
F.L. Schelkov	●	–	●	●	●	●	–	5/2
R.N. Mukhamadeyev	●	●	●	●	●	–	●	6/1
I.G. Garifullin	●	●	●	●	●	●	●	7
E.A. Tikhturov	●	●	●	●	●	●	●	7
N.Z. Syubaev	●	●	●	●	●	●	●	7
V.D. Ershov	●	–	–	●	●	●	●	5/2
V.A. Voskoboynikov	●	–	–	–	–	●	–	2/5
R.S. Nurmukhametov	–	●	●	●	●	–	●	5/2
A.V. Vakhitov	●	●	●	●	●	●	●	7
A.T. Yukhimets	●	●	●	●	●	●	●	7

COMPOSITION OF THE PJSC TATNEFT’S
MANAGEMENT BOARD



Nail U. MAGANOV	Nail G. IBRAGIMOV	Anvar V. VAKHITOV	Vladlen A. VOSKOBOINIKOV	Iskandar G. GARIFULLIN	Nikolay M. GLAZKOV	Victor I. GORODNY	Valery D. YERSHOV
Chairman of the PJSC TATNEFT's Management Board General Director PJSC TATNEFT PJSC TATNEFT's Board of Directors Member	First Deputy General Director for Production – Chief Engineer of PJSC TATNEFT since 2000. PJSC TATNEFT's Board of Directors Member.	Director of OOO «TATNEFT-Neftekhim» Management Company.	Head of PJSC TATNEFT's Consolidated Financial Statements Department. Member of the PJSC TATNEFT's Board of Directors Information Disclosure Committee	Chief Accountant – Head of Accounting and Reporting Department of PJSC TATNEFT Chairman of the PJSC TATNEFT's Board of Directors Committee for Information Disclosure * till February 01, 2016	Deputy General Director for Capital Construction of PJSC TATNEFT	Deputy General Director – Head of Property Department of PJSC TATNEFT Chairman of the PJSC TATNEFT's Board of Directors Management Committee	Head of PJSC TATNEFT's Legal Department.
Born in 1958.	Born in 1955.	Born in 1951.	Born in 1965.	Born in 1960.	Born in 1960.	Born in 1952.	Born in 1949.
1983 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.	1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.	1980 – graduated from Kazan Institute of Chemical Technology.	1993 – graduated from the Southern Alberta Institute of Technology in Calgary.	1981 – graduated from Kazan Finance and Economics Institute named after V.V. Kuibyshev.	1988 – graduated from Kazan Construction Engineering Institute.	1978 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.	1978 – graduated from Kazan State University named after V.I. Ulyanov-Lenin.
July 2000 to November 2013 – First Deputy General Director – Head of Crude Oil and Petroleum Products Sales Department of PJSC TATNEFT. Appointed General Director of PJSC TATNEFT in November 2013.	2000 till present time – First Deputy General Director for Production – Chief Engineer of PJSC TATNEFT.	April 2014 till present time – Director of «TATNEFT-Neftekhim» Management Company.	2005 till present time Head of PJSC TATNEFT's Consolidated Financial Statements Department	1997 till February 01, 2016 – Chief Accountant – Head of Accounting and Reporting Department of PJSC TATNEFT.	2008-2010 – Head of Construction Department of PJSC TATNEFT. 2010 till present time – Deputy General Director for Capital Construction of PJSC TATNEFT.	1995 till present time – Deputy General Director – Head of PJSC TATNEFT's Property Department since.	2002 till present time – Head of Legal Department of PJSC TATNEFT.
% share in the Joint Stock Company's authorized capital – 0.000176. % share of the Joint Stock Company's ordinary shares owned by the person – none.	% share the Joint Stock Company's authorized capital – 0.019749. % share of the Joint Stock Company's ordinary shares owned by the person – 0.020806.	% share the Joint Stock Company's authorized capital – none. % share of the Joint Stock Company's ordinary shares owned by the person – none.	% share the Joint Stock Company's authorized capital – none. % share of the Joint Stock Company's ordinary shares owned by the person – none.	% share the Joint Stock Company's authorized capital – 0.014105. % share of the Joint Stock Company's ordinary shares owned by the person – 0.014986.	% share the Joint Stock Company's authorized capital- none. % share of the Joint Stock Company's ordinary shares owned by the person – none.	% share the Joint Stock Company's authorized capital – 0.000254. % share of the Joint Stock Company's ordinary shares owned by the person – none.	% share the Joint Stock Company's authorized capital – none. % share of the Joint Stock Company's ordinary shares owned by the person – none.





**Vladimir P.
LAVUSHCHENKO**

PJSC TATNEFT’s General Director Deputy for Economics and Finance, PJSC TATNEFT’s Board of Directors’ Member

Born in 1949.

1972 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

1984 – graduated from post-graduate course of VNIIOENG.

Doctor of Economics.

1997 till present time – Deputy General Director for economics of PJSC TATNEFT.

% share the Joint Stock Company’s authorized capital – 0.045465.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0.048194.

**Rustam N.
MUKHAMADEEV**

PJSC TATNEFT’s General Director Deputy for HR & Social Development

Born in 1952

1977 – graduated from Moscow Institute of Petrochemical and Gas Industry n.a. Academician I.M. Gubkin.

2001 till present time – Deputy General Director for HR & Social Development.

% share the Joint Stock Company’s authorized capital – 0,004204.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0,004264.

**Rafael S.
NURMUKHAMETOV**

Head of NGDU «Leninogorskneft» of PJSC TATNEFT.

Born in 1949.

1974 – graduated from the Ufa Oil Institute.

1989 till present time – Head of the NGDU «Leninogorskneft» of PJSC TATNEFT.

% share the Joint Stock Company’s authorized capital – 0.010465.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0.010107.

**Nurislam Z.
SYUBAEV**

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

Born in 1960.

1982 – graduated from Moscow Institute of National Economy n.a..V. Plekhanov

2002 till present time – Head of Strategic Planning Department of PJSC TATNEFT – Advisor to General Director on external economic activity and Financial/banking issues

% share the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.



**Evgeny A.
TIKHTUROV**

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

Born in 1960.

B 1982 – graduated from Moscow Institute of Management named after S. Ordzhonikidze.

1999 – till present time Head of PJSC TATNEFT’s Department of Finance since.

% share the Joint Stock Company’s authorized capital – none.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

**Fyodor L.
SHCHELKOV**

1996 till February 25, 2016 -Deputy General Director of PJSC 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 PJSC TATNEFT for General Issues since1996 until present time.

% share the Joint Stock Company’s authorized capital – 0.029929.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0.031524.

**Alexander T.
YUKHIMETS**

Secretary of the PJSC TATNEFT’s Board of Directors Member of the PJSC 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.

1995 till present time – Secretary of the PJSC TATNEFT’s Board of Directors.

% share the Joint Stock Company’s authorized capital – 0.000284.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

CORPORATE PRACTICE

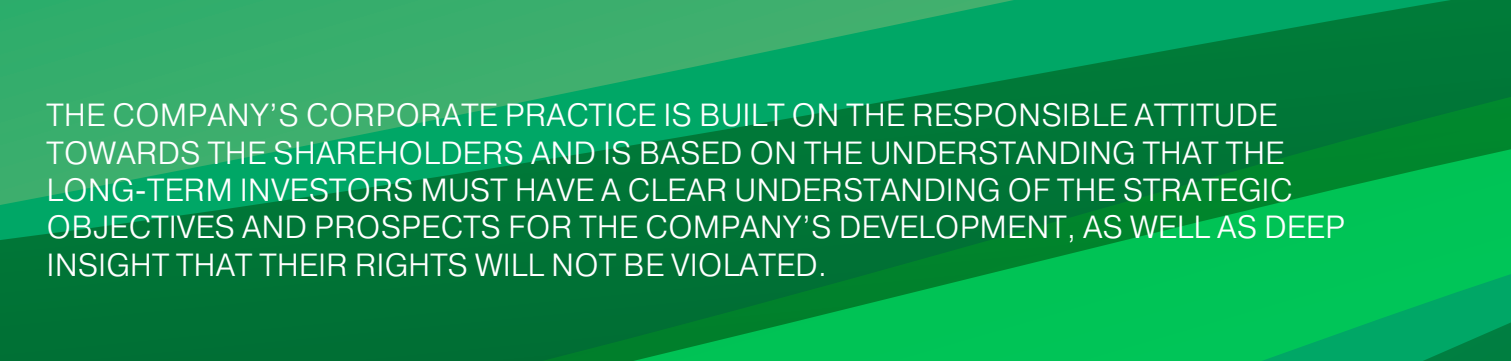
The Company’ corporate management system is based on strict compliance with requirements of the Russian legislation, listing requirements, recommendations of the Russian Corporate Management Code, international standards of corporate behavior and business ethics and the principles of openness and transparency.

LEGISLATION	LISTING RULES	CODES / PRINCIPLES	BEST PRACTICE GUIDELINES
Federal laws: “On Joint Stock Companies”, “On Securities Market”, “On Central Depository” CBR Regulations “On information Disclosure” CBR Regulations “On the securities admission to organized trading”	Listing Rules: CJSC “MICEX Stock Exchange” (Moscow Exchange Holding) London Stock Exchange Deutsche Borse (Xetra)	CBR Corporate Management Code approved by the Russian Government Corporate Management Code of PJSC TATNEFT Corporate Policy and Regulations	Principles of the European Bank for Reconstruction and Development (EBRD) Principles of the Organization of Economic Cooperation and Development (OECD) Recommendations of the Russian Institute of Directors and National Council of Corporate Management GRI

Corporate Management Priorities

The Company develops the corporate management system on the integration of key priorities that form a single platform for the management of the Company’s shareholder value and enhancement of the assets structure quality.

Increase of investment attractiveness and shareholder value of the Joint Stock Company on the basis of long-term fiscal sustainability and economic growth with maintenance of a high level of social responsibility		Constructive interaction of shareholders and investors with the Board of Directors and executive bodies for the joint development of objectives and effective decision-making	Arrangement of the strategic and investment planning process effectiveness and implementation of the production and business activities plans
Professional and ethical responsibility of the Board of Directors members, Executive Management, officers and employees of Company	A comprehensive system ensuring a high level of competence and effective staff motivation mechanisms	Preservation and improvement of the assets structure quality through improving the ownership and organizational structures of the Company’ vertical integration	
Maintaining a high business reputation of the Company and the corporate social responsibility	Formation of mechanisms for the prevention and settlement of corporate disputes	Ensuring transparency of the Company ’s activities	Integrated risk-management system



The Company’s corporate management is a system of relations between the shareholders, Board of Directors, management and all stakeholders. TATNEFT Company strictly complies with all legal requirements, the Listing Rules and it has been consistently introducing into the Company’s corporate practice all newly formulated rules and recommendations on the corporate management and business ethics since its incorporation, following the development of the international and national corporate law. The Company is aware that the use of advanced corporate management standards improves the trust of the shareholders and investors, enhances the Company’s potential for intra-defining factors of the investment attractiveness and the Company’s value growth.

PJSC TATNEFT is in the top quotation list (first level) of the Moscow Stock Exchange (JSC MICEX Listing Rules), which defines the relevant requirements to the Company’s level of corporate management by the regulators of the securities market of the Russian Federation. The Company is guided by the principles of the national corporate management, set out in the Corporate Management Code, approved by the Bank of Russia and the Russian Federation Government in 2014.

The Corporate Management Code of PJSC TATNEFT reflects compliance of the corporate management principles and practices implemented by Company with the principles and provisions set out in the National Code. The Code has been formed in accordance with the Civil Code of the Russian Federation, the Federal Law «On Joint Stock Companies» and other regulatory legal acts of the Russian Federation and the Articles of PJSC TATNEFT.

The Company was one of the first in Russia to adopt the Code, which name already in the first edition of 2004 had included the “corporate management” concept, reflecting the Company’s understanding of the future development trends of the procedural issues in corporate relations. The Company Code was updated in 2010 in the second edition. The Company’s principles of corporate management are fundamental for the TATNEFT Group and they are implemented through corporate policies in key areas of the corporate practice, standards and regulations. The reporting year was the year of shaping the third edition of the PJSC TATNEFT’s Corporate Management Code. The new version includes a more detailed description of procedures to ensure compliance with the shareholders’ rights, work arrangements of the Board of Directors, the procedure for the election and operation of independent directors and activities of the Board of Directors’ Committees, Corporate Secretary Office, risk management mechanisms, prevention and resolution of corporate conflicts and conflicts of interest, developed and formalized in the corporate reporting year. Great importance is paid in the Code to the description of the Joint Stock Company’s dividend policy. In general, the new edition of the Company’s Code accumulates the vast Company’s previous years experience in corporate practices and approaches oriented to advanced national and international standards. The plans provide for the approval of the new PJSC TATNEFT’s Corporate Management Code version at the meeting of the Board of Directors in its new composition to be elected at the Annual General Shareholders’ Meeting of the Joint Stock Company for the next corporate year.

In the conditions of developing and improving the national corporate practice the Company interacts with committees of the Moscow Stock Exchange, Russian Institute of Directors, National Council on Corporate Management, RSPP Corporate Relations Committee, monitors domestic and international corporate procedures implemented both on a mandatory and voluntary basis. The Company participated in public consultations on the report of the Bank of Russia «On the improvement of corporate management in public joint stock companies», which took place from December 2015 to March 2016, which resulted in the joint meeting of the Working Group on examination and improvement of the corporate law held by the National Council on the corporate management and the RSPP Corporate Relations Committee. In terms of the international corporate standards the Company adheres to the principles of the Organization for Economic Cooperation and Development (OECD) adopted in the third version of G20/OECD as one of the fundamental standards of the financial systems stability.

Comment of the Central Bank of the Russian Federation: “The corporate management is a key issue in creating an efficient market economy based on the rule of law. Therefore, the corporate management problems go up to the state level. Having equal production, financial and other basic metrics companies, with a good reputation in the field of corporate management are much more expensive”.

CORPORATE MANAGEMENT PRACTICES REPORT

COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE MANAGEMENT CODE, RECOMMENDED BY THE BANK OF RUSSIA AND THE GOVERNMENT OF THE RUSSIAN FEDERATION

Interaction with Shareholders

The basis of the Joint Stock Company’s corporate system is ensuring fair and equitable treatment of all shareholders in exercising of the right to participate in the management of the Joint Stock Company. The procedures in effect at PJSC TATNEFT ensure equality of conditions for all shareholders - owners of shares of the same category, including minority and foreign shareholders, and their equal treatment by the Joint Stock Company.

The internal document defining basic procedures for the preparation, convening and holding the General Shareholders’ Meeting is the Provision on the shareholders’ meeting of PJSC TATNEFT. The Joint Stock Company undertakes to inform the shareholders of the General Shareholders’ Meeting at least 30 days prior to the date of holding the General Shareholders’ Meeting, and provide access to the information not less than 20 days prior to the date of the General Shareholders’ Meeting. Appropriate materials for the shareholders shall be posted on the Internet sites of TATNEFT and the news agency the at: <http://www.tatneft.ru>, <http://disclosure.skrin.ru/disclosure/1644003838>.

In order to secure more complete understanding of the Company’s activities by the shareholders and the possible adoption of the most informed decision the Joint Stock Company provides additional information in the sections of the Annual Report, in the form of reports to the General Shareholders’ Meeting and by posting materials on the site of the Joint Stock Company in all areas of Company’s activities. Moreover, additional information shall be published in the media. The procedure of delivering the fullest possible information to shareholders is defined by internal documents, including the Company’s Information policy.

In the course of preparation and holding the General Shareholders’ Meeting the Joint Stock Company offers the shareholders the opportunity to pose questions on the Company’s activities to the members of the Board of Directors, General Director, members of the Audit Commission and the control bodies, the members of the Board of Directors’ committees: Audit, Corporate Management, HR & Remuneration, Information Disclosure, Chief Accountant of the Joint Stock Company, as well as to candidates for the Joint Stock Company’s controls Bodies. The Joint Stock Company takes responsible attitude to the inadmissibility principle of actions that lead to an artificial redistribution of corporate control (making a decision on payment of dividends on preferred shares in the situation of a limited financial capacity, a decision on non-payment dividends of the stipulated by Joint Stock Company’s Articles on the preferred shares if there are sufficient resources for their payment), as entrenched in the Articles and the internal documents of the Joint Stock Company.

The Joint Stock Company shall ensure equality of conditions for all shareholders and equal treatment in the exercise of their right to participate in profits of the Joint Stock Company through the receipt of dividends, regardless of the stake, and location of shareholders.

Dividend Policy

The dividend policy of PJSC TATNEFT is based on strict observance of the legitimate rights and interests of the shareholders and is aimed at ensuring a high level of dividend yield on the capital invested by the shareholders on the basis of the efficient shareholders’ assets management. The Joint Stock Company assumes in its dividend policy that the amount of funds available for dividends, is at least 30% of the net income determined in accordance with Russian Accounting Standards (RAS). The history of dividend payments reflects the Company consistency in maintaining a high level of the dividend yield while maintaining a balance of short-term (receiving income in the form of dividend payments) and long term (investments in the development of the Company) shareholders’ interests. In the reporting corporate year, the Board of Directors approved the Provision on the dividend policy of PJSC TATNEFT, formalizing the principles and conditions for making a decision on payment (announcement) of the dividends, as well as the procedure for determining the amount and payment of the dividends. The Provision on the dividend policy has been posted on the website of the Joint Stock Company.

Board of Directors

The Board of Directors of PJSC TATNEFT implements strategic management the of Joint Stock Company, determining the long-term key priorities and strategic objectives of the Company and its subsidiaries, which form then TATNEFT Group of Companies, key performance metrics of the Company’s activities, as well as principles and approaches to organizational management structure. The Board of Directors supervises the activities of executive bodies of the Joint Stock Company, determines the Joint Stock Company’s policy on remuneration of the Board of Directors’ and executive bodies’ members. One of the key mechanisms for ensuring sustainable Company’s development is a system of risk and internal control management. The procedure for election, competence and powers of the Board of Directors is determined by the PJSC TATNEFT’s Articles and the Provision on the Company’s Board of Directors. According to the above-mentioned documents, the most important issues are addressed at the meetings of Board of Directors held in person. The list of such issues is as recommended by the Corporate Management Code of the Bank of Russia.

The Board of Directors consists of 15 members. In the corporate reporting year, there were five executive, seven non-executive and three independent directors in the composition of the Board of Directors.

Independent directors

In the corporate reporting year, there were changes in the composition of independent directors. As of the date of holding the General Annual Meeting of Shareholders on the results for 2014 there were the following independent directors in the composition of the Board of Directors: Mariya L. Voskresenskaya, Ghosh Sushovan, and Rene Frederick Steiner. In 2014, the total term of Mariya L. Voskresenskaya and Ghosh Sushovan as members of the Board of Directors exceeded seven years. In accordance with independence criteria defined by the Corporate Management Code, a person holding the office of the Issuer’s Board of Directors member in the aggregate more than 7 years can not be recognized as an independent Director, and there were nominated and elected new candidates of independent directors: Gerech Laszlo and Yuri Levin to the Board of Directors for 2015 corporate year. In accordance with the accepted in the Company corporate practice, a preliminary assessment of the candidates’ compliance with the criteria of independence for members of the Board of Directors was carried out by the Corporate Management Committee in conjunction with the HR & Remuneration Committee.

Regarding the number of independent directors in the Joint Stock Company, the Provision of the Corporate Management Code of the Bank of Russia recommends no less than one-third of independent directors in the Board of Directors and it is not in full agreement with the Listing Rules of the Moscow Stock Exchange, which state that the number of independent directors should be at least one fifth of the Board of Directors composition. As of the current period the Company considers that the quantitative composition of the Board of Directors and distribution of executive, non-executive and independent directors’ portions optimally corresponds to the balance of competencies of the Board of Directors’ members to work out and implement strategic decisions and control execution of current tasks.

Committees of the Board of Directors

According to the Provision on the Board of Directors PJSC TATNEFT, determining the right to the Board of Directors for preliminary consideration of the most important issues of the Joint Stock Company to create committees, there are four committees of the Board of Directors established: Audit Committee, Corporate Management Committee, HR & Remuneration Committee, and Information Disclosure Committee. The procedure of establishment, powers and competencies of the committees are defined by Provisions on committees. The Provisions comply with recommendations of the Corporate Management Code, recommended by the Bank of Russia. The Committees have been operating in the Joint Stock Company since 2004.

The Audit Committee was established to assist the Board of Directors in monitoring the reliability of the Company’s financial reporting, compliance with requirements of laws and regulations, selection of independent auditors, checking of independence, independent auditors work and the Company’s internal audit system. Including the chairman, there are three independent directors in the structure of the Committee, and one non-executive director.

The HR & Remuneration Committee was established with the purpose of preliminary consideration and preparation of recommendations to the Board of Directors to make decisions on matters within the competence of the Board of Directors in the area of formulating priority directions of the Joint Stock Company's activities on personnel policies and remuneration of the Joint Stock Company's control bodies. Including the chairman, there are three independent directors in the structure of the Committee, and one non-executive director.

The Corporate Management Committee was established for the purpose of preliminary consideration and preparation of recommendations to the Board of Directors to make decisions on the development and improvement of the Joint Stock Company's corporate management system (regulation of the relationship between shareholders, the Board of Directors and the Joint Stock Company's management, as well as interaction with subsidiaries of the Joint Stock Company and other stakeholders). The Committee's competence includes assessing the quality of corporate management.

The Information Disclosure Committee is an advisory body of the Board of Directors and it is intended for objective and independent assistance to the Board of Directors and the Executive Management to ensure fulfillment of the Company's information disclosure obligations. The main objective of the Committee is to improve the information disclosure procedure on the Company's activities in the framework of both information obligatory disclosure and information disclosure on a voluntary basis, as well as assisting the subsidiaries in arranging the procedure of disclosing and submitting the information.

Self-Assessment of the Board of Directors

The Board of Directors on a regular basis assesses the results of all key decisions taken at the meetings of the Board of Directors of and their role in achieving the strategic objectives, including intermediate steps in response to changing external factors influencing the Company's activities and, if necessary, takes appropriate measures, which is a reflection of the Board of Directors operation effectiveness. The Company's Board of Directors pays close attention to the effectiveness of the corporate management mechanisms in order to achieve the maximum financial and operating results based on the qualitative interaction between the shareholders, the Board of Directors and management team.

Internal Evaluation of the Corporate Management

In order to improve corporate management practices the company performs an internal assessment of the corporate management system compliance with requirements of the securities market regulators and the effectively proven corporate practice taking international standards into account. The assessment is based on the key quality indicators of the corporate management: shareholders' rights and relations with other stakeholders, composition and work effectiveness of the management and control bodies and information disclosure. When assessing the Company assumes that the practice of the corporate management and the Joint Stock Company functioning must be transparent for the shareholders, investors and other interested parties. In 2015, the assessment of the Company's corporate management practices was performed by the Corporate Management Committee of the Board of Directors of PJSC TATNEFT with participation of the Company's corporate adviser. The assessment results and proposals for improvement of the corporate management practice were presented to members of the Board of Directors and the Company' Director General, which was the basis for drawing and approving the schedule of activities to ensure to the fullest possible to the fullest possible extent compliance with new Moscow Stock Exchange Listing Rules, in the conditions of the transient period, as well as the Provisions of the Corporate Management Code, recommended by the Bank of Russia. Appropriate modifications of the PJSC TATNEFT's internal documents for approval by the General Meeting of Shareholders of PJSC TATNEFT in June 2016 were prepared in accordance with changes in the current legislation and the Civil Code of the Russian Federation.

Corporate Secretary Office

Effective interaction with shareholders, coordination of the Joint Stock Company's activities for the protection of rights and interests of the Shareholders, support of the Board of Directors effective work is provided by the Secretary of the Board of Directors and the Corporate Secretary's Office of PJSC TATNEFT. The unit was formed in 2015 and Rustam M. Khisamov, who previously held the position of the Company's Head of Securities Office, was appointed as Chief of Staff of the Corporate Secretary Office. In February 2016 the Board of Directors of PJSC TATNEFT approved the Provision on the Corporate Secretary.

Remuneration Policy of the Company

The Company's remuneration policy is based on the priorities of attracting, motivating and retaining individuals possessing competences and qualifications necessary for solution of the Company's strategic and operational tasks. Remuneration to the members of the Board of Directors, executive bodies and other key management employees of the Joint Stock Company is made in accordance with the remuneration policy adopted by the Company.

The procedure for remuneration payment, including salaries of the Joint Stock Company's management bodies members, who are the Company's employees, bonuses, remuneration for participation in the work of the managing bodies: Board of Directors, Management Board, compensations granted to members of the Board of Directors, executive bodies and key management employees of the Joint Stock Company are regulated by relevant internal documents.

The system of remuneration of the executive bodies and other key executives of TATNEFT Company adopted in Joint Stock Company provides for remuneration dependence on the results of the Company's operation and the personal contribution to the achievement of goals and objectives, including the ones on the basis of a long-term incentive approach.

Risk Management System

In order to minimize possible risks and consequences associated with the industry, macroeconomic, country exposure, political, technological, social and other risks there is an integrated risk management system operating in the Company, which includes internal control procedures.

Principles and mechanisms of the corporate risk management are based on international approaches in this field and ensure compliance with internal regulations and the standards applicable, which also embrace subsidiaries of the Joint Stock Company.

The integrated approach includes the management of external and internal risks, and allows identifying and monitoring potential and actual risk factors at all stages of business planning to provide for reasonable confidence in achieving strategic and operational goals Company.

The responsibility for quality control of organizing the risk management and internal control systems in accordance with the Provision on Internal Audit of PJSC TATNEFT, approved by the Joint Stock Company's Board of Directors, has been impose on the Company's Internal Audit Department. The Head of the Internal Audit Department, accountable to the PJSC TATNEFT's Board of Directors, is appointed and removed from office by the decision of the Joint Stock Company's Board of Directors.

There is anti-corruption policy in operation in the Company, formalized by the internal document defining a set of policies and procedures designed to prevent corruption.

Information policy

The Company implements the principle of openness and transparency. The information policy principles and mechanisms are defined by the Provision on Information Policy, approved by the PJSC TATNEFT’s Board of Directors. The Company provides for disclosing information about the activities of PJSC TATNEFT and its subsidiaries, which form the Group.

The internal procedure «Control mechanisms for information disclosure and procedures the information disclosure» establishes procedures to ensure coordination of all Company’s services and divisions, related to the disclosure of information or which activities may lead to the disclosure of information. The information disclosure, as defined by law, is provided by the Corporate Secretary Office of PJSC TATNEFT. The Company’s information in general provided on the current activities is provided bt the Company’s Press Service.

The control over proper disclosure and compliance with the information policy is carried out by the PJSC TATNEFT’s Board of Directors. The Information Disclosure Committee of the Board of Directors carries out interim assessments and monitors disclosure procedures operating in the Company.

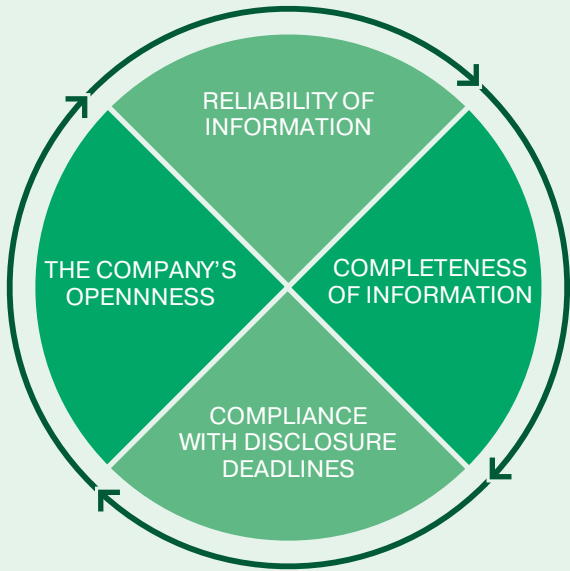
The Company promptly discloses full, timely and accurate information to enable informed decision making by shareholders and investors.

Meetings of the General Director and members of the Company’s executive bodies with investment and industry analysts on the activities and plan of the Company’s strategic development are held on a regular basis. Publication of accounting (financial) statements of the Joint Stock Company is accompanied by presentations with the participation of the management bodies’ members and key executives of the Company.

The TATNEFT Company’s Official Internet Site works in Russian and English versions. All relevant information, including the notice of the General Shareholders’ Meeting, the annual report of the Joint Stock Company, the annual report on the Company’s activities, the IFRS and the essential facts are disclosed in the Russian and English languages.

TATNEFT COMPANY - PRINCIPLES OF DISCLOSURE

The Joint Stock Company provides information in accordance with the principles of fair and unhindered access.



Statements Disclosure

TATNEFT Company disclose the annual consolidated financial statements together with the auditor’s report, and the consolidated interim condensed financial statements together with the assessment review of the consolidated interim condensed financial statements.

The Joint Stock Company provides for disclosure of biographical data of the Board of Directors members, including information on whether or not they are independent directors, as well as prompt information disclosure about the loss of an Independent Director status by a member of the Board of Directors.

The Joint Stock Company discloses information on the capital structure in accordance with the Corporate Management Code recommendations.

The Joint Stock Company’s Annual Report provides additional information recommended by the corporate management Code:

- overview of the most significant transactions, including related transactions made by the Joint Stock Company and its controlled entities during the past year;
- report on the work of the Board of Directors for the year, containing, inter alia, information on the number of full-time (in absentia) meetings, participation of each member of The Board of Directors in the meetings,
- report on the work of the Committees of the Board of Directors, including the main areas of the committees’ work;
- information about direct or indirect possession of the Joint Stock Company Joint Stock Company’s shares by members of the Board of Directors and other executive bodies;
- information on any conflict of interests of the members of the Board of Directors and other executive bodies (including those associated with participation of the mentioned persons in the competitors’ managing bodies of the Joint Stock Company);
- description of the remuneration system of the Board of Directors members, including the total remuneration amount of the managing bodies - the Board of Directors and the Management Board for the year.

Significant Corporate Actions

The PJSC TATNEFT’s Articles define a list (criteria) of significant corporate actions, which consideration is referred to within the competence of the Joint Stock Company’s Board of Directors.

The procedure of making significant corporate actions, defined by internal documents of the Company, allows shareholders to promptly receive full information about such actions providing them with an opportunity to influence them committing such actions, and ensuring compliance and the adequate level of protecting their rights in the commission of such actions.

THE JOINT STOCK COMPANY SHALL PROVIDE INFORMATION AND DOCUMENTS REQUESTED BY THE SHAREHOLDERS IN ACCORDANCE WITH THE PRINCIPLES OF FAIR AND UNHINDERED ACCESS. ACTIONS, WHICH MATERIALLY AFFECT MATERIALLY BOTH THE SHARE CAPITAL STRUCTURE AND THE FINANCIAL POSITION OF THE JOINT STOCK COMPANY AND, ACCORDINGLY, IN THE POSITION OF SHAREHOLDERS (MAJOR CORPORATE ACTIONS), THE COMPANY SHALL CARRY OUT ON FAIR TERMS, ENSURINGJBSERVANCE OF THE RIGHTS AND INTERESTS OF THE SHAREHOLDERS, AS WELL AS OF THE OTHER STAKEHOLDERS.

PERSONNEL MANAGEMENT

There is an integrated HR management system in effect at the Company aimed at maintaining a high professional level of workers and specialists involved in all aspects of the Company’s activities.

- Key priorities of the personnel management policy:
- maximizing the involvement of human resources;
 - training of employees on a continuous basis;
 - strengthening motivation of each employee and the whole team of the Company;
 - ensuring decent living standards for every employee.

The Company’s personnel management policy is aimed at maintaining the status of a highly responsible employer for workers with the skills and motivation to bring the maximum benefit for the Company.

- The basic principles of human resource management are:
- focusing on efficiency and quality of the work;
 - priority to internal promotion;
 - opportunities for learning and improvement;
 - decent working conditions and benefits;
 - professionalism;
 - professional excellence and continuity;
 - complexity and consistency;
 - support of talents;
 - responsibility;
 - cooperation.

The principles and objectives in the field of human resource management, as well as corporate values with respect to employees are identified in the Human Resources Management Policy of TATNEFT Company.

Implementation of the personnel management policy is reflected in the relevant standards, defining the procedure of hiring employees, opportunities for professional and career development of the employees, material and non-material stimulation system, social support.

There is a Code of Ethical Principles in effect in the Company, which defines the norms of the intra-business culture.

Number of staff

In 2015, the average number of employees at PJSC TATNEFT was 20,635 persons. The total personnel number of the Group amounted to 73 thousand persons (for the enterprises consolidated under IFRS).

There were 2,092 employees hired for the job in Company in 2015, accounting for 10.1% of the average number of employees. During the year, the personnel turnover at PJSC TATNEFT amounted to 3.5%, which was less than the industry average.

There is a unified procedure for the recruitment of staff set up at the Company. The priority right for vacancies have employees of the Company, who by its characteristics meet the requirements to the candidates.

When hiring the staff, preference is given to local residents, who have appropriate qualifications and practical experience in the area of the Company’s activity. The share of the senior managers from the local population in the main regions of the Company’s operations is nearly 100%.

The Company and its main subsidiaries, constituting TATNEFT Group of companies, carry out activities at the place of legal registration in the Russian Federation. Accordingly, the major part of the Company’s personnel operates in the Russian Federation.



Personnel Motivation

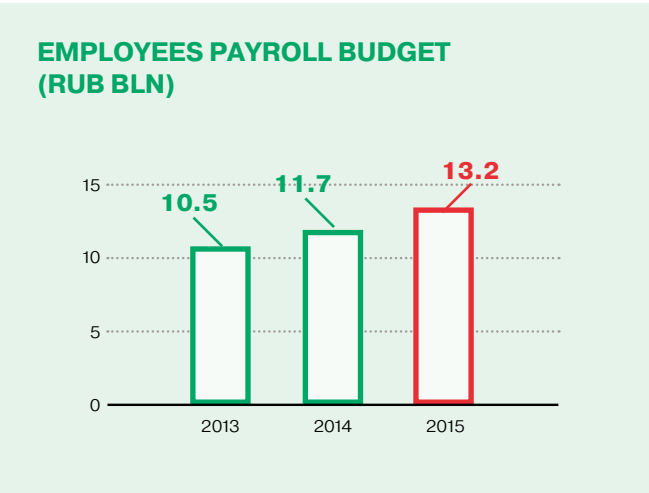
The Company considers remuneration of labor as part of an integrated material and non-material incentive system for the staff, allowing the Company to maintain a competitive edge, attracting and retaining qualified and motivated employees. The basic principles in the Company’s remuneration policy are: the relationship of the work results and achievement of objectives, fairness and transparency, ensuring wage competitiveness.

The remuneration system is focused on the motivation of employees to quality and efficient work and is determined by the importance and complexity of the problems solved by the employee, the results of the structural division and the Company as a whole, individual results of the employee work, level of professional qualification and certification results of the employee.

The main income of the personnel is formed by the salary and the benefits package. The salary consists of the tariff (permanent) portion, according to the single tariff scale, and the bonus (variable) portion. The share of the permanent part in the salary is 60 %, while 40 % fall on the variable portion. The social benefits package provides to the employees an appropriate volume of social benefits and guarantees.

Income Structure of the PJSC TATNEFT Employees for 2015

Indicator	Values
Salary, incl	89 %
Permanent Portion	60 %
Variable Portion of	40 %
Social payments	11 %



Personnel Certification

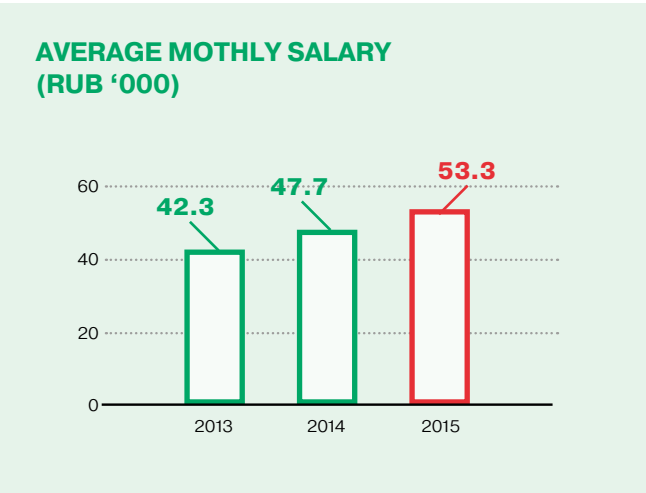
Certification of the personnel is an integral part of the human resource management system, aimed at the implementation of the corporate strategy, and it is made in accordance with the Labor Code and the relevant regulations.

The aim of the personnel certification is to identify compliance of the employees’ competence with their qualification requirements and assessment of the possibilities for their further career development.

The aspects of the Company’s personnel certification are regulated by the «Standard of Personnel Certification at PJSC TATNEFT”. The standard establishes a uniform procedure for certification of personnel in all divisions of the Company and it is recommended for application in subsidiaries and affiliated companies constituting the TATNEFT Group of Companies.

Percentage of employees subject to periodic assessment of performance and career development accounts for about 1/3 of the total number people working at PJSC TATNEFT.

TO IMPROVE THE INVOLVEMENT EFFICIENCY OF THE STAFF IN THE ACHIEVEMENT OF STRATEGIC OBJECTIVES AND IMPLEMENTATION OF CURRENT PLANS THERE IS A CORPORATE SOCIAL NETWORK RESOURCE IN EFFECT AT THE COMPANY THAT ALLOWS SHAPING PROJECT TEAMS, PROVIDING FOR RAPID EXCHANGE OF INFORMATION AND ORGANIZING PROFESSIONAL COMMUNITIES.



Personnel Training and Development

The Company is focused on the establishment of an integrated continuous education system aimed at continuous improvement and development of the staff in line with strategic objectives, including training and retraining of workers, professionals, senior and middle level managers.

Training of workers is carried out at the corporate personnel training center and its eight branches under the programs of the employees professional training – 273 persons, programs of the workers’ additional training of – 148 persons, further training programs managers and specialists – 73 persons.

The professionals training and skills development are carried out in specialized educational institutions of the region and the Russian Federation.

The Company’s professionals participate in the Management Staff Training Program for national economy organizations of the Russian Federation («Presidential Program»). Over 150 persons got training in the frame of this program during 1998-2015 period.

Creation of the Company’s continuous professional education system was supported by the Government of Tatarstan and in close cooperation with the relevant institutions.

In the current period, there are more than 300 students in the areas of training relevant to the Company’s operations areas enrolled in the Kazan (Volga) Federal University, Almeteyevsk State Petroleum Institute, the Kazan National Research University of Technology and other educational institutions.

Funds from the federal and republican budgets are used every year to organize together with leading universities in the Republic of Tatarstan special contract training of professionals in order to attract young professionals to PJSC TATNEFT. 278 graduates from specialized educational institutions of higher and secondary vocational education were recruited by the structural divisions of PJSC TATNEFT in 2015.

Every year the Company establishes scholarships to encourage students who have distinguished themselves in their studies and the scientific work. 111 students used to receive special scholarships of PJSC TATNEFT in 2015.

Prospective employees of the TATNEFT Group enterprises every year get training under the «Oil and Gas Business» program. There were several large-scale educational programs implemented in collaboration with the Oil and Gas Business Institute In 2015. 74 professionals took a training course under the international modular program «Oil and Gas Production Shop Manager».

The program objective is improving the professional skills and competence of the oil and gas production shops managers and their assistants, project managers, as well as engineers and technicians on the basis of an integrated, multi-disciplinary approach with the involvement of leading domestic and foreign experts from the USA, Norway, Germany, Great Britain, etc. Training sessions were conducted in the Russian and English languages. The trainees defended diploma works in June 2015. The best works were presented and assessed by the Company’s management.

MODULAR PROGRAM “OIL AND GAS PRODUCTION SHOP MANAGER”

Module 1. Modern oil and gas business and its technological components. Resources and reserves of oil and gas and methods of geological studies. Geology. Analysis of sedimentary basins and petroleum systems. Petrophysics. Geology. Analysis of sedimentary basins and petroleum systems. Petrophysics. Comprehensive analysis of reservoirs.

Module 2. Engineering design of oil and gas fields development. Best practices of reservoir hydrodynamic modeling. The oil and gas business development.

Module 3. Modern technologies of drilling, exploration and exploitation wells. Integrated approach to well design today. Modern methods of analysis of the well test data. Performance and efficiency of water flooding in the development of oil fields.

Module 4. Oil and gas fields infrastructure development and production of hydrocarbons. Development of enhanced oil recovery methods. Analysis of the complex fields development and their operation.

Module 5. The valuation of fossils containing subsoil areas. Economic efficiency calculation of exploration and field development projects. Economic appraisal of projects in exploration, drilling and production. Decision making and risk analysis. Value and cost of information.

Module 6. Management of complex integrated projects in the oil and gas industry. Integrated research and development of oil and gas fields. Strategy, leadership and changes in the oil and gas Companies.

75 Professionals of the Geological Service began training at the Oil and Gas Business Institute under a six-module program «Geo-technologies of oil and gas production». During the reporting period, five training modules were completed in 2015 and the final Module No. 6 will be completed in March 2016.

The program «Young Leader of the Oil & Gas Company” as formed for young professionals – winners of the TATNEFT Company’s scientific conference.

The organized program included visits to the production facilities of TATNEFT Company (Ashalchinskoe Field, TANECO Refining and Petrochemical Plants Complex, SSC Tire Factory, OOO Tatneft-Neftekhim Management Company) and PJSC LUKOIL (Bayandyskoye field, Yaregskoye field, OPU-5 NSHU «Yareganefit”, «PechorNIPIneft» Institute and others). When visiting

MODULAR PROGRAM «YOUNG LEADERS OF THE OIL & GAS COMPANY”

Module 1. «The strategy, leadership and control of changes in oil and gas Companies»: The strategic management systems in oil and gas Company. Creation of the strategic objectives system. The companies’ strategic alliances, examples of the largest alliances in the oil and gas business, technological and financial aspects of strategic alliances. Technology case: «Modern technologies of field development at a later stage. Innovations and high-viscosity oil. Service works organization». Technology Case «Modern technologies of oil refining and petrochemistry. Related businesses development». The global oil and gas industry: leadership, innovations and increase in labor productivity

Module 2. «Oil and gas business development»: integrated project management and risk management system. Project management practice on the example of developing the Bovanenkovo gas condensate field. Modern technologies of oil refining and petrochemistry. Related business development. Oil and gas business development (competition for access to finite resources). Technology Case: Process control in the development of high-viscosity oil fields in the Komi Republic. Development of innovations’ system in the Norwegian oil industry.

Module 3. «The knowledge economics and the oil and gas business in Norway. Project management, advanced oil and gas technologies»: Government control. The oil and gas industry and the knowledge economics in Norway. Modern approaches to the organization of production and management of large oil and gas projects. Design, construction, maintenance and development of oil fields. Business case «Decision making and risk analysis in the exploration, drilling and production».

the production facilities the young professionals shared their experiences and discussed the problem of the high-viscosity oil production, equipment applied for the construction of wells, workover, thermal mining method of oil extraction and its applicability to Ashalchinskoye field, thermal reservoir drainage method and others. Testing of the course participants was arranged at the end of the first two modules.

The program included training of the professionals in Norway - Oslo, Stavanger. The educational program participants visited Aker Solutions Company, Norwegian Oil Museum, Norwegian Petroleum Directorate, IOR Norway 2015 Conference on the enhanced oil recovery methods. The participants also discussed topics related to decision-making and risk analysis in the exploration, drilling and production. The final stage of the third training module was defending of the qualification thesis by each the participants in the program.

One of the educational projects opened in 2015 was the Company’s professionals training under the program “MBA of mining industries» at the MBA Graduate School of the Kazan (Volga) Federal University. For two years, the professionals will attend the course of 14 training modules in MBA Post-Graduate School of the Kazan University and St. Petersburg International Institute of Management and at one of the mining industries’ enterprises.

The Institute of Petroleum Technologies of the Kazan Federal University together with the Center for Continuing Education, Management, Quality and Marketing have arranged training under the professional skills improvement program of «Metrological measurement assurance of oil and oil product amounts at the oil producing companies. Reliable accounting organization».

ALL IN ALL, THERE WERE 18,713 COMPANY’S EMPLOYEES, WHO RECEIVED TRAINING AND ATTENDED PROFESSIONAL DEVELOPMENT PROGRAMS DURING THE PAST YEAR, INCLUDING:

- WORKERS – 10,825,
- MANAGERS – 4,364
- PROFESSIONALS AND EMPLOYEES – 3,524.

THE COMPANY ALLOCATED ABOUT RUB 160 MILLION FOR TRAINING AND RETRAINING OF WORKERS, PTOFESSIONALS AND MANAGERS

CONTROL BODIES

Audit Commission

The Audit Commission is a standing elected body of the Joint Stock Company, exercising control over financial and economic activities of the Company.

The Commission shall be elected by the General Meeting of Shareholders and is accountable to it. Members of the Audit Commission can not simultaneously be members of the Joint Stock Company’s Board of Directors, or hold other positions in the Joint Stock Company’s management bodies.

The competence of the Audit Commission provides for carrying out in-house auditing of the financial and economic activity of the Joint Stock Company for the year, as well as the one based on the decision of the General Shareholders’ Meeting, the Joint Stock Company’s Board of Directors, on its own initiative or at the request of a shareholder (shareholders) of the Joint Stock Company, holding in the aggregate at least 10 percent of the Joint Stock Company’s voting shares.

The Audit Commission shall present its opinion on the results of the annual audit in accordance with the rules and procedures of conducting financial reporting and accounting to the Board of Directors not later than forty days prior to the annual meeting.

The General Meeting of PJSC TATNEFT’s shareholders elected the Audit Commission in the following composition for the corporate reporting year:

Audit Commission Chairwoman

Ranilya R. Gizatova

Members of the Audit Commission

Yusupov Saria Kashibulhakovna
Ksenia G.Borzunova
Oleg M. Matveev
Venera G. Kuzmina
Nikolay K. Lapin
Liliya R. Rahimzyanova
Nazilya R. Farkhutdinova
Tatiana V. Tsyganova

Internal Audit

The In-house audit is carried out in the framework of the annual plan approved by the Board of Directors.

The audit considers the in-house control system over the operating process efficiency, compliance with the law and the property safe-keeping and integrity. The audit is carried out on the basis of the risk-oriented approach. Report on the results of the internal audit is sent to the Company’s management bodies and to the Audit Committee.

Subsequently, the Internal Audit Department monitors the implementation of measures and steps and informs the Company’s management and the Audit Committee during the rectification of identified deficiencies.

There were 11 audits conducted in 2015. In addition, the Department participated in 30 unplanned projects on various aspects of financial - economic activity following the instructions of Company’s management.

2015 witnessed monitoring the implementation of action plans on the basis of 2009-2015 audits. The information on all cases of non-fulfillment of the action plans was initially submitted to relevant departments management, and then – to the General Director.

Internal audit procedures are an integral part of the corporate management system and they include targeted actions of the Board of Directors and the Company’s management bodies, aimed at improving the risk management process and increasing the likelihood of achieving preset goals.

There were amendments introduced in the Provision on the Internal Audit Department of PJSC TATNEFT in the corporate reporting year to improve the corporate management practices. A new version of the Provision was approved by the Board of Directors in March 2016.

Internal Control

The Internal Control Service is involved in audits of structural divisions and subsidiaries of the TATNEFT Group of Companies.

The corporate control function provides for methodological support of the administrative staff, structural divisions of the TATNEFT Group of Companies in terms of compliance with tax laws and accounting regulations. This feature contributes to ensuring compliance with legislative standards and reduction of the tax and financial risks in the Company.

In 2015, there were planned routine monitoring operations carried out to assess compliance with the legislation on oil accounting, as part of the internal corporate controls, as well as on the organization of separate accounting of oil for MET differentiation purposes in the oil and gas producing divisions of the Joint Stock Company. The legal and tax documents expertize was carried out on a continuous basis.

Independent Auditor

The Joint Stock Company every year invites an external auditor for the purpose of an independent assessment of the reliability of the accounting (financial) statements of the Joint Stock Company’s reports prepared in accordance with IFRS and RAS.

The candidates for the position of the Joint Stock Company’s external auditors are preliminarily considered by the Audit Committee of the PJSC TATNEFT’s Board of Directors, which recommendations are the basis for further approval of the external auditor in accordance with the applicable legislation.

The decision of the General Shareholders’ Meeting approved ZAO «PricewaterhouseCoopers Audit» as the Joint Stock Company’ external auditor of the RAS financial statements for the 2015.

ZAO «PricewaterhouseCoopers Audit» was also approved by the Board of Directors decision, as the auditor of the consolidated Joint Stock Company’s statements under IFRS for 2015.

There is a «Hotline» in operation at the Company, which is an available information channel for communication with the Company’s management, which enables to respond quickly to the information received and take necessary corrective actions. The system is configured in such a way that none of the requests will be left without attention. The scope of persons entitled to apply through the «hot line» is not limited. Minority shareholders have the opportunity to appeal to the management, members of the Board of Directors and the Audit Commission. Using the «hot line», the shareholders have the opportunity to inform the General Director and members of the Board of Directors of the existing background for conflicts or other issues arising, which consideration can contribute to better management.

The Company relies on applications of its own employees, employees of subsidiaries and contractors, consumers of products and services, residents of the Company’s operations regions. If requested, the applicant does not have to give the name and contact details. There are no restrictions on the applications' subjects, but the main purpose of the «hot line» is to collect information about problems, abuses and deficiencies, make adjustments and improve performance.

The «hot line» applications acceptance is made in two ways: a free Federal phone number 8-800-100-4-112. From 8.00 to a.m. to 10.00 p.m.: conversation with the operator and the answering machine is working during the rest of the day; and Email tn@88001004112.ru, on which you can send not only text messages, but also attach files with additional materials, photographs, and so on. Messages receiving and processing functions have been transferred to an independent operator.

After a preliminary evaluation of the information received it is distributed to the heads of «specialized» areas corresponding to the application category. Further on the information is checked, resulting in making a decision. The information about the messages received and the actions taken shall be brought up to the Company’s General Director.

INTEGRATED RISK MANAGEMENT SYSTEM

THE COMPANY CONSIDERS ALL RISK FACTORS, WHICH AFFECT THE COMPANY'S PRODUCTION AND BUSINESS ACTIVITIES AND TAKES ALL POSSIBLE STEPS TO REDUCE THE IMPACT OF RISKS ON THE COMPANY'S OPERATIONS BASED ON THE INTEGRATED RISK MANAGEMENT SYSTEM.

The operation and the Company's operation financial results depend on many factors, including changing oil prices, market conditions, macroeconomic and domestic economic policy of the State, primarily the tax volatility of the national currency and the dollar rate, inflation, technology development, environmental aspects, labor market dynamics and other factors.

Decisions of the Company's control bodies associated with the strategy and the current industrial and economic activities of Company are prepared taking into account all available information relating to the possible development scenarios and all reasonably foreseeable options of changes and the assumptions used in this planning.

Given the presence of the formed over many years high-tech base of crude oil production and processing, the Company has a stable platform for the Company's development and it can adjust the plans, as required. At the same time, since the implementation of major investment projects in the Company usually takes several years, any significant adverse prerequisite assumptions inherent in making decisions on the implementation of a project may have a negative impact on the operations and profitability results of the Company.

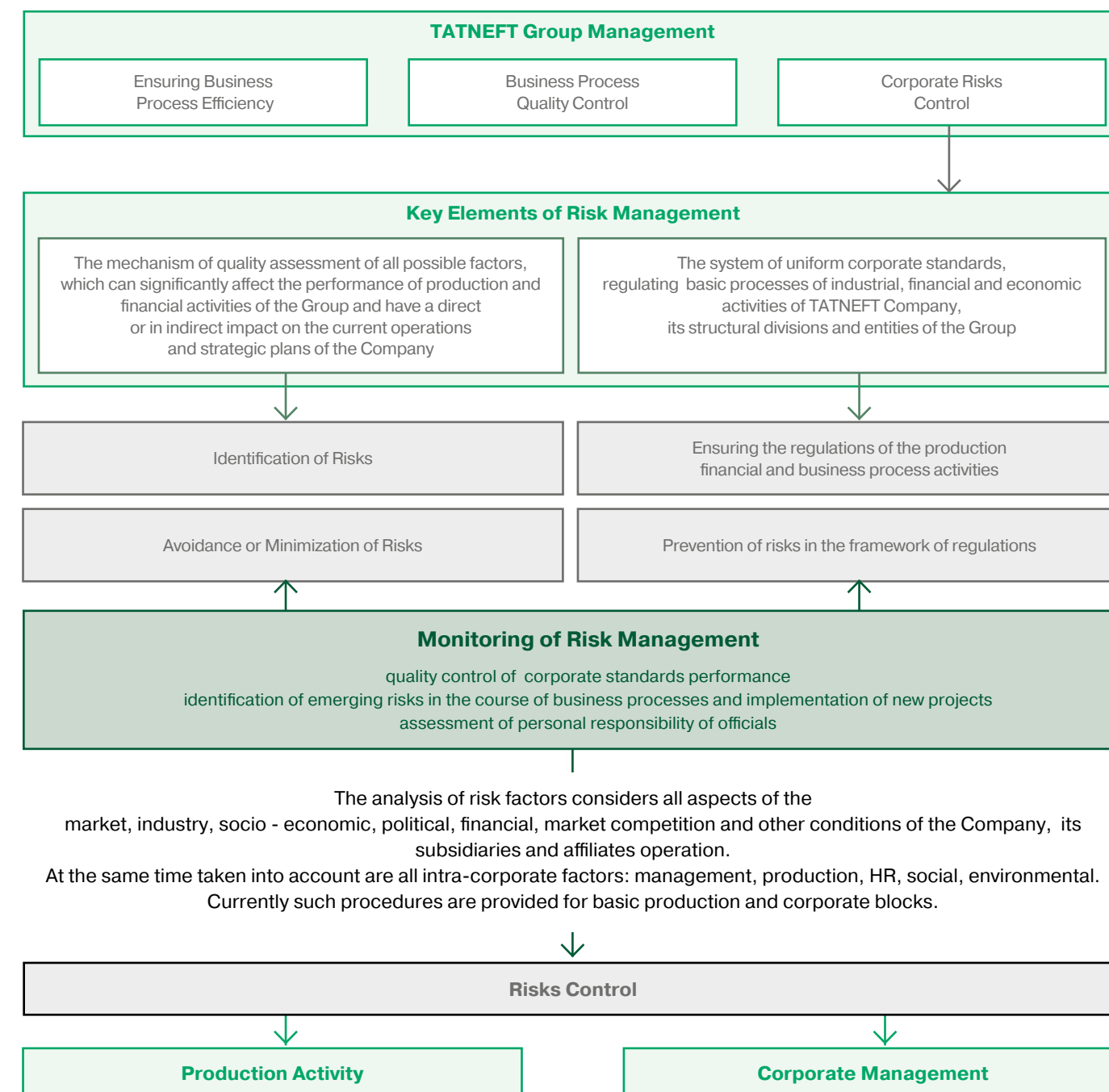
In the process of planning and reaching goals set monitoring of real and potential external and internal risks is carried out and the measures are taken to prevent them. In the event of any risk detection at the Company there are mechanisms to minimize them and to minimize their negative effects. The corporate risk management system includes procedures for internal analysis and the risks identification control at all stages of investment projects and operational processes. All risk categories are described in the TATNEFT Company's quarterly reports. Measures taken by the Company to register and manage the risks are described in the internal documents of the Company.

The Company is implementing a comprehensive program of measures to overcome adverse situations related to industry risks, including continuous monitoring, analysis and forecasting the dynamics of oil and other Company's products prices with appropriate adjustment of the Company's business plans and its strategic development. There are technical and organizational measures worked out and implemented at the Company, which minimize the impact of technical and environmental risks.

The financial position of the Company and the possibility to adapt to different market situations allow for the Company's prompt responding to market changes and making adjustments to the Company's plans. Responsible services of the Company carry out constant monitoring and analysis of financial markets, allowing to assess the Company's ability of attracting the necessary financing on acceptable terms, which is taken into account in the formation of the investment program.

The Company has shaped a comprehensive program of measures to overcome adverse situations related to industry risks, including continuous monitoring, analysis and forecasting the dynamics of oil and other Company's products prices with appropriate adjustment of the Company's business plans and its strategic development. There are technical and organizational measures worked out and implemented at the Company, which minimize the impact of technical and environmental risks.

Corporate Integrated System of Risks Management



INDUSTRY RISKS

Risk of Oil and Refined Products Prices

Revenues, profitability and the Company’s growth are largely dependent on the price of oil and oil products. The world oil prices have historically been subject to significant changes over a wide range under the influence of a variety of factors, which include:

- international and regional supply and demand (reflecting, inter alia, expectations of future supply and demand) for oil and petroleum products;
- global and regional economic situation;
- macroeconomic policies;
- weather conditions;
- domestic and foreign government regulation;
- prices and availability of alternative fuels;
- price and availability of new technologies;
- ability and willingness of members of the Organization of Petroleum Exporting Countries (OPEC) and other oil-producing countries to establish and maintain certain levels of production and prices;
- political and economic events in oil-producing regions, in particular, in the Middle East and North Africa;
- regulations and actions of the governments of Russia and other countries and international organizations, including export restrictions, taxes and penalties.

World oil prices continued their decline during 2015, reaching minimum values by the end of the year (in dollar terms) over the past 10 years. There was also devaluation of the ruble against the US dollar. The main costs incurred by the Company, related to production activities and capital expenditures are denominated in rubles. The Company’s financial position and the ability to adapt to different market situations allow for the Company’s prompt response to changes in the market and making corrections in the Company’s plans.

Technical Risks

Exploration, development and equipping of new oil fields, maintenance of the existing wells in operating condition, drilling of new wells, as well as transportation of oil and oil products are by nature very complicated and capital-intensive processes. Enhanced oil recovery requires additional investments, while the role of these methods increases with the deposits depletion. Accordingly, the cost of the deposits development basic infrastructure is increasing. The Company’s capabilities to maintain and increase oil production at the licensed areas are dependent on the access to the oil recovery and enhanced oil recovery technologies, as well as success in their application.

Environmental Risks

The oil and gas sector is subject to a high degree of environmental risks. Despite the extensive environmental protection measures the Company, given the specificity of the activities, there is a risk of penalties for violation of environmental regulations. In addition, there exists possibility of revision of the international, federal and regional environmental regulations in terms of their further tightening. The Company implements a wide range of environmental measures aimed at minimizing the impact of industrial activity on the environment, and it is one of the recognized leaders in Russia in this area. The Company constantly monitors developments in the area of environmental control and adheres to the best practices in this area, regardless of the legal requirements.

Risks Associated with Products Quality

The opinion about the Company among the consumers of the Company’s products, sold through the retail network, is based on assessing the quality of products and services sold, which impacts the sales’ volumes and profitability of this segment.

The Company continuously monitors the quality of oil and gas products sold through a network of filling stations, expanding the range of services offered to clients at the filling stations and taking other steps to improve the quality of service. In addition, the Company continuously informs its customers and the Company’s counterparties on its activities through publication of materials and press releases on the Internet, dissemination through the mass media, as well as through mobile applications.

There are free telephone lines in operation for the purpose of receiving feedback and complaints on the quality of products and services rendered to customers operating network stations. The Company has adopted and applies procedures for the prompt response to the complaints and claims of the customers with the aim of eliminating their causes. In addition to the regular information disclosure (mandatory and voluntary), the Company provides all the necessary information on the Company’s financial position and stability, if requested by the customers and counterparties, taking into account the legislation requirements.

Due to the fact that the core products sold by the Company (crude oil, oil and gas products) are homogeneous and are produced in strict compliance with the requirements and standards in effect, and the Company is one of the largest Russian oil companies with more than 65-year history, the concept of fiscal sustainability or financial position of the Company among the main counterparties (buyers) of the Company’s products has no significant impact on their taking a decision on cooperation with the Company.

Description of financial risks is presented in the «Financial Results» Section of the annual report.
All risk categories are disclosed in the TATNEFT Company’s quarterly reports.

INFORMATION DISCLOSURE

The Company complies with all applicable legal requirements in relation to information disclosure by public companies. Following the principle of maximum transparency of the business, we provide for regular, efficient, affordable, reliable and meaningful disclosure. An important channel of information disclosure is the Company’s official website. Presented on the website pages there are data for all major activity areas, the sustainable Company’s development, as well as the information for shareholders and investors, press releases and news, annual reports. An important source of information disclosure are quarterly reports and Annual Reports, which the Company annually issues in preparation for the Annual General Meeting of Shareholders.

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 of 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	27.02.2015
2.	Message on the procedure of access to information contained in a quarterly report.	13.02.2015, 15.05.2015, 13.08.2015, 16.11.2015
3.	Message about disclosure of the Company’s affiliated entities list on the Internet page.	12.01.2015, 01.04.2015, 01.07.2015, 01.10.2015
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.	27.02.2015
6.	Messages about accrued and/or paid income on the Issuer’s securities.	29.07.2015, 19.08.2015
7.	Message of the Issuer’s default to the holders of the securities issued	19.08.2015
8.	Disclosure of Annual (interim) accounting (financial) statements of the Company.	30.03.2015 Annual Statements, 28.04.2015, 29.07.2015, 29.10.2015
9.	Message on certain decisions adopted by the Board of Directors (Supervisory Board) of the Joint Stock Company	28.01.2015, 27.02.2015, 27.03.2015, 27.04.2015, 26.06.2015, 26.06.2015, 21.10.2015, 29.12.2015
10.	Report on the decisions taken by the General Meeting of members (shareholders) of the Issuer.	30.06.2015
11.	Report on the procedure of access to information contained in the Annual Report 2014.	01.07.2015
12.	Message about rating assignment to equity securities and (or) to the Issuer or about a change of the rating agency on the basis of the agreement concluded with the Issuer	23.01.2015, 23.01.2015
13.	Message on data of recognizing the release of the Issuer’s securities as failed or invalid.	17.02.2015 (9 messages)
14.	Message on the person’s acquisition of the right to have control over a certain number of votes assigned to the voting shares (stakes) that constitute the authorized capital of the Issuer.	22.05.2015
15.	Notice of the date of defining the persons entitled to exercise rights under the registered equity securities.	30.06.2015
16.	Message on accrued income on equity securities.	30.06.2015
According to international standards (in the form of press releases and publication of reports in accordance with the rules of the London Stock Exchange)		
17.	Publication of the annual consolidated financial statements under IFRS for 2014	02.04.2015
18.	Publication of the consolidated interim condensed financial statements under IFRS for the 1st quarter of 2015 (unaudited).	15.06.2015
19.	Publication of the consolidated interim condensed financial statements under IFRS for the six months of 2015 (unaudited).	27.08.2015
20.	Publication of the consolidated interim condensed financial statements under IFRS for the first nine months of 2015 (unaudited).	27.11.2015

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

PJSC TATNEFT PJSC TATNEFT did not make any major transactions in 2015

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

Transaction Execution Date	Transaction Approval Date	Company’s Body approving the transaction	Information about the person(s) interested in the transaction, subject of the transaction and its essential terms
1	2	3	4
02.03.2015	27.02.2015.	JSC TATNEFT’s Board of Directors	<p>Type and subject of the transaction: Supplementary Agreement to Contract No. 430/13.02-06/13 dated October 23, 2013</p> <p>The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues:</p> <p>Increasing the amount of Sale and Purchase Contract of inventory items including spare tools and accessories (spare parts) to the equipment for the facilities of the Refinery and Petrochemical Plants Complex in Nizhnekamsk.</p> <p>Party to the transaction: JSC TANECO</p> <p>Amount дополнительного соглашения: RUR 300 000 000.00 (three hundred million).</p> <p>The monetary valuation of the property under the transaction amounts to RUR 300 000 000 accounting for 0.052% of the Company’s assets book value as of September 30, 2014.</p>
13.05.2015	28.01.2015	JSC TATNEFT’s Board of Directors	<p>Type and subject of the transaction: Supplementary Agreement No. 2 to Guarantee Contract No. 85130007/1 dated September 30, 2013.</p> <p>The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues:</p> <p>Provision of guarantee between JSC TATNEFT n.a. V.D. Shashin and OJSC «Sberbank of Russia» to ensure the fulfillment of obligations of JSC TANECO under the Agreement on granting of bank guarantees with the limit of RUR 10 000 000 000 (ten billion) concluded between JSC TANECO and OJSC «Sberbank of Russia» in the person of «Bank of Tatarstan” branch No. 8610.</p> <p>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:</p> <p>Beneficiary: JSC TANECO Bank: OJSC «Sberbank of Russia». Signing date: May 13, 2015/ Validity period: three years from the date of the contract conclusion. Amount: RUR 11 250 000 000.00 (eleven billion two hundred fifty million); the aggregate liability limit of JSC TATNEFT for the provision of guarantees.The monetary valuation of the property under the transaction amounts to RUR 11 250 000 000.00 accounting for 1.97% of the Company’s assets book value as of September 30, 2014.</p>
05.08.2014	27.02.2015	JSC TATNEFT’s Board of Directors	<p>Type and subject of the transaction: Agreement on lodging the guarantee facility for the debt ceiling No. 0802/5/2014/1175.</p> <p>The agreement on the lodging of the guarantee line for the debt ceiling (hereinafter referred to as the Agreement) between JSC TATNEFT n.a. V.D. Shashin (hereinafter referred to as the Principal) and OJSC «AK BARS» Bank (hereinafter referred to as the Guarantor).</p> <p>The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues:</p> <p>The Agreement on lodging the guarantee line for the debt ceiling (hereinafter referred to as the Agreement) between JSC TATNEFT n.a. V.D. Shashin (hereinafter referred to as the Principal) and OJSC «AK BARS» Bank (hereinafter referred to as the Guarantor).</p> <ul style="list-style-type: none">the maximum limit, which may be provided by the bank guarantee at the same time (hereinafter referred to as "guarantee line", «debt ceiling”): RUR 1.6 billion (One billion six hundred million);

1	2	3	4
			<ul style="list-style-type: none">validity of each bank guarantee: according to the Tax Code of the Russian Federation, but not more than fifteen (15) months;Agreement shall enter into force upon its signing and shall remain valid until August 4, 2017, inclusive. <p>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: Principal: JSC TATNEFT n.a. V.D. Shashin Bank: JSC «AK BARS» Bank. Signing date: August 05, 2014 Contract validity period: August 04, 2017 Transaction amount: RUR 1 624 000.00 (one billion, six hundred twenty-four million). The monetary valuation of the property under the transaction amounts to RUR 1 624 000.00 (one billion, six hundred twenty-four million) accounting for 0.28% of the Company's assets book value as of September 30, 2014</p>
26.06.2015	26.06.2015	JSC TATNEFT's Board of Directors	<p>Type and subject of the transaction: Supplementary Agreement No. 1 to Guarantee Contract No. 01/47/TNHS-TN/PR-R.</p> <p>The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues:</p> <ul style="list-style-type: none">Supplementary Agreement to Guarantee Contract No. 01/47/TNHS-TN/PR-R with PJSC ZENIT Bank (hereinafter referred to as the «Issuing Bank») on the following material terms and conditions specified in the attached Agreement:the Guarantor shall undertake to the Issuing Bank to be jointly liable with OOO «Tatneft-Neftekhimsnab" (hereinafter referred to as the Client) for the full implementation of the last of its obligations under Contract No.01/47/TNHS-R on the terms of lodging letters of credit (hereinafter referred to as the Contract) between the Issuing Bank and the Client on the following conditions:the Issuing Bank shall open irrevocable uncovered documentary letters of credit (hereinafter referred to as Letter of Credit/Letters of Credit) in favor of foreign suppliers (hereinafter referred to as Beneficiary/Beneficiaries) honored by the Issuing Bank (hereinafter referred to as the Paying Bank) by the payment/deferred (for the period specified in the Letter of Credit terms) payment against presentation of documents corresponding to the letter of credit terms, and carries out the letter of credit maintenance operations. In this case the letter of credit is advised by the bank specified in the Client's credit application (hereinafter referred to as the advising bank);Contract validity period: till October 02, 2015. The obligations under the Contract during the period of its validity, shall be executable irrespective the expiry of the Contract;Total liabilities shall not exceed USD 14 000 000.00 (fourteen million and 00/100) US dollars;the validity of each Letters of Credit opened under this Contract (the period within which the documents specified in the Letter of Credit shall be submitted to the Paying Bank) shall not exceed 180 (one hundred eighty) calendar days from the date of opening of each of the Letters of Credit;the grace period shall not be more than 180 (one hundred eighty) calendar days from the date of the letter of credit documents;the Client shall be obliged to pay a fee for the use of the Letter of Credit to the Issuing Bank (herein and hereinafter a «Letter of Credit» shall mean each of the letters of credit opened in accordance with the transaction concluded in the framework of the Contract) in the amount of 2% (two per cent) per annum on the Letter of Credit amount less the amount paid by the Issuing Bank in favor of the Beneficiary;payment of the compensation amount shall be made by the Client on a monthly basis on the last business day of each calendar month for the previous billing period. The commission for the first accrual period shall be paid not later than the opening date of the letter of credit;in case of non-performance or improper performance of the above obligations by the Client, the latter shall pay a penalty to the Issuing Bank at the rate of 0.1% (zero point one percent) of the amount of unsettled obligations for each day of delay.Guarantee Contract validity period: till October 31, 2015;The maximum Guarantor's amount of liability under the Guarantee Contract shall not exceed USD 14 000 000.00 (fourteen million and 00/100) US dollars.

1	2	3	4
			<p>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: Beneficiaries: OOO «Tatneft - Neftekhimsnab «. Bank: OJSC "ZENIT Bank". Signing date: June 26, 2015 Contract validity: October 31, 2015 Transaction amount: USD 14 000 000.00 (fourteen million and 00/100) US dollars. The monetary valuation of the property under the transaction: USD 14 000 000.00 (fourteen million and 00/100) US dollars accounting for 0.13% of the Company's assets book value as of March 31, 2015.</p>
26.06.2015	26.06.2015	JSC TATNEFT's Board of Directors	<p>Type and subject of the transaction: Supplementary Agreement No. 1 to Guarantee Contract No. 02/47/TNHS-TN/PR-R.</p> <p>The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues:</p> <ul style="list-style-type: none">the Guarantor shall undertake to the Issuing Bank to be jointly liable with OOO «Tatneft-Neftekhimsnab" (hereinafter referred to as the Client) for the full implementation of the last of its obligations under Contract No.01/47/TNHS-R on the terms of lodging letters of credit (hereinafter referred to as the Contract) between the Issuing Bank and the Client on the following conditions:the Issuing Bank shall open irrevocable uncovered documentary letters of credit (hereinafter referred to as Letter of Credit/Letters of Credit) in favor of foreign suppliers (hereinafter referred to as - Beneficiary/Beneficiaries) honored by the Issuing Bank (hereinafter referred to as the Paying Bank) by the payment/deferred (for the period specified in the Letter of Credit terms) payment against presentation of documents corresponding to the letter of credit terms, and carries out the letter of credit maintenance operations. In this case the letter of credit is advised by the bank specified in the Client's credit application (hereinafter referred to as the advising bank);Contract validity period: till October 02, 2015. The obligations under the Contract during the period of its validity, shall be executable irrespective the expiry of the Contract;Total liabilities shall not exceed USD 9 600 000.00 (nine million six hundred thousand and 00/100);the validity of each Letters of Credit opened under this Contract (the period within which the documents specified in the Letter of Credit shall be submitted to the Paying Bank) shall not exceed 180 (one hundred eighty) calendar days from the date of opening of each of the Letters of Credit;the grace period shall not be more than 180 (one hundred eighty) calendar days from the date of the letter of credit documents;the Client shall be obliged to pay a fee for the use of the Letter of Credit to the Issuing Bank (herein and hereinafter a «Letter of Credit» shall mean each of the letters of credit opened in accordance with the transaction concluded in the framework of the Contract) in the amount of 2% (two per cent) per annum on the amount of the Letter of Credit less the amount paid of payments by the Issuing Bank in favor of the Beneficiary;payment of compensation shall be made by the Client on a monthly basis on the last business day of each calendar month for the previous billing period. The commission for the first accrual period shall be paid not later than the opening date of the letter of credit;in case of non-performance or improper performance of the above obligations by the Client, the latter shall pay a penalty to the Issuing Bank at the rate of 0.1% (zero point one percent) of the amount of unsettled obligations for each day of delay.Guarantee Contract validity period: till October 31, 2015;The maximum Guarantor's amount of liability under the Guarantee Contract shall not exceed USD 9 600 000.00 (nine million six hundred thousand and 00/100).

1	2	3	4
			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: Beneficiaries: OOO «Tatneft - Neftekhimsnab «. Bank: OJSC "ZENIT Bank". Signing date: June 26, 2015 Contract validity: October 31, 2015 Transaction amount: USD 9 600 000.00 (nine million six hundred thousand and 00/100). The monetary valuation of the property under the transaction: USD 9 600 000.00 (nine million six hundred thousand and 00/100) accounting for 0.09% of the Company's assets book value as of March 31, 2015.
23.10.2015	26.06.2015	JSC TATNEFT's Board of Directors	Type and subject of the transaction: Guarantee Contract No. 03/47/TNHS-TN/PR-R. The transaction content including civil rights and responsibilities, which establishment, modification or termination the transaction pursues: <ul style="list-style-type: none">the Guarantor shall undertake to the Issuing Bank to be jointly liable with OOO «Tatneft-Neftekhimsnab» (hereinafter referred to as the Client) for the full implementation of the last of its obligations under Contract No.01/47/TNHS-R on the terms of lodging letters of credit (hereinafter referred to as the Contract) between the Issuing Bank and the Client on the following conditions:the Issuing Bank shall open irrevocable uncovered documentary letters of credit (hereinafter referred to as Letter of Credit/Letters of Credit) in favor of foreign suppliers (hereinafter referred to as - Beneficiary/Beneficiaries) honored by the Issuing Bank (hereinafter referred to as the Paying Bank) by the payment/deferred (for the period specified in the Letter of Credit terms) payment against presentation of documents corresponding to the letter of credit terms, and carries out the letter of credit maintenance operations. In this case the letter of credit is advised by the bank specified in the Client's credit application (hereinafter referred to as the advising bank);Contract validity period: till July 1, 2018. The obligations under the Contract during the period of its validity, shall be executable irrespective the expiry of the Contract;Total liabilities shall not exceed USD 30 000 000.00 (thirty million and 00/100);the validity of each Letters of Credit opened under this Contract (the period within which the documents specified in the Letter of Credit shall be submitted to the Paying Bank) shall not exceed 180 (one hundred eighty) calendar days from the date of opening of each of the Letters of Credit;the grace period shall not be more than 180 (one hundred eighty) calendar days from the date of the letter of credit documents;the Client shall be obliged to pay a fee for the use of the Letter of Credit to the Issuing Bank (herein and hereinafter a «Letter of Credit» shall mean each of the letters of credit opened in accordance with the transaction concluded in the framework of the Contract) in the amount of 1,75% (one point seventy five per cent) per annum on the amount of the Letter of Credit less the amount paid of payments by the Issuing Bank in favor of the Beneficiary;payment of compensation shall be made by the Client on a monthly basis on the last business day of each calendar month for the previous billing period. The commission for the first accrual period shall be paid not later than the opening date of the letter of credit;in case of non-performance or improper performance of the above obligations by the Client, the latter shall pay a penalty to the Issuing Bank at the rate of 0.1% (zero point one percent) of the amount of unsettled obligations for each day of delay.Guarantee Contract validity period: till December 31, 2018;The maximum Guarantor's amount of liability under the Guarantee Contract shall not exceed USD USD 30 000 000.00 (thirty million and 00/100).

1	2	3	4
			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: Beneficiaries: OOO «Tatneft - Neftekhimsnab «. Bank: OJSC "ZENIT Bank". Signing date: June 23, 2015 Contract validity: December 31, 2015 Transaction amount: USD 9 600 000.00 (nine million six hundred thousand and 00/100). The monetary valuation of the property under the transaction: USD 30 000 000.00 (thirty million and 00/100). The monetary valuation of the property under accounting for 0.09% of the Company's assets book value as of March 31, 2015.
26.10.2015	21.10.2015	PJSC TATNEFT's Board of Directors	Type and subject of the transaction: Supplementary Agreement No. 3 to Subordinated Loan Agreement No. 0002/30/681/12-004/2008. Content of the transaction, including civil rights and responsibilities for the establishment, modification or termination of which the transaction pursues: <ul style="list-style-type: none">Deposit term: without a maturity date;Deposit amount: RUR 3 600 000 000.00 (three billion six hundred million and 00/100);The Bank shall pay to the depositor interest in the amount of 15.00 (fifteen) percent per annum of the deposit amount.Other conditions: in accordance with requirements of the Central Bank of the Russian Federation's Provision «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. Party to the transaction: PJSC TATNEFT. Bank: JSC «Bank ZENIT». Signing date: October 26, 2015. Supplementary Agreement amount: RUR 1 500 000 000.00 (one billion five hundred million and 00/100). Monetary valuation of the property under the transaction: RUR 1 500 000 000.00 (one billion five hundred million and 00/100) accounting for 0.24% of the Company's assets book value as of the last reporting date of June 30, 2015;
26.10.2015	21.10.2015	PJSC TATNEFT's Board of Directors	Type and subject of the transaction: Supplementary Agreement No. 2 to Subordinated Loan Agreement No. 12-001/2013. Content of the transaction, including civil rights and responsibilities for the establishment, modification or termination of which the transaction pursues: <ul style="list-style-type: none">Deposit term: without a maturity date;Deposit amount: RUR 3 600 000 000.00 (three billion six hundred million and 00/100);The bank shall pay to the depositor interest in the amount of 15.00 (fifteen) percent per annum of the deposit amount.Other conditions: in accordance with requirements of the Central Bank of the Russian Federation's Provision «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. Party to the transaction: PJSC TATNEFT. Bank: JSC «Bank ZENIT». Signing date: October 26, 2015. Supplementary Agreement amount: RUR 3 600 000 000.00 (three billion six hundred million and 00/100). Monetary valuation of the property under the transaction: RUR 3 600 000 000.00 (three billion six hundred million and 00/100) accounting for 0.58% of the Company's assets book value as of the last reporting date of June 30, 2015.

As part of the voluntary information disclosure, the Company published detailed information on the ongoing production, corporate and social activities of PJSC TATNEFT and the Group of Companies in 2015 on a systematic and regular basis. The information was provided in the format of publications in corporate, industry and public republican and Russian mass media.

AWARDS AND NOMINATIONS

PUBLIC ASSESSMENT OF THE COMPANY’S OPERATIONS IN 2015

International and All-Russian Awards/Nominations		Organizers
1	2	3
Winner Diploma in the nomination “New Products”: liquid strainer for protection of brazed plate heat exchangers with improved performance;	International Exhibition “Energy. Resource Efficiency”	Government of the Republic of Tatarstan
Winner Diploma in the nomination «Energy Efficient Products»: submersible electric motor with a high power factor;		
Winner Diploma in the nomination «Best news service E-»Oil Newspaper» for coverage of energy and resource saving issues.		
Winner Diploma	Nationwide campaign “Patron of the Year ”	Ministry of Culture of the Russian Federation & the Council under the President of the Russian Federation on Culture and Art
Nail U. MAGANOV, General Director of PJSC TATNEFT was awarded a commemorative medal «XXVIIth World Summer Universidade 2013 in Kazan”		Ministry of Energy of the Russian Federation
Rustam Kh. KHALIMOV, Head of NGDU “Elkhovneft”, was awarded the “Honorary Oilman” title.		Ministry of Energy of the Russian Federation
Vyacheslav M. CHICHKOV, Director of OOO “Tatneft-AZS Center, was awarded the “Honorary Oilman” title.		Ministry of Energy of the Russian Federation
Alexander N. EVSEYEV, Chief Power Engineer - Energy Department Head of PJSC TATNEFT was awarded the honorary title of “Honored Power Engineer of Russia”.		Ministry of Energy of the Russian Federation
Bugulma Mechanical Plant was awarded a diploma and a gold medal in the nomination “Energy and Resource Saving Technologies”.	International Specialized Exhibition “Gas. Oil. New Technologies to the Far North”	Ministry of Energy of the Russian Federation
9 experts of the Company awarded titles of the contest winners in the nomination “Professional Engineers” (based on the IInd round results)	XV All-Russian contest «Engineer of the Year 2014»	All-Russian Union of Scientific and Engineering Public Organizations, International Union of Scientific and Engineering Associations, Academy of Engineering Sciences n. a. A.M. Prokhorov, Interregional Public Fund to promote scientific and technical progress
5 Company’s professionals were awarded the title «Professional Engineer of Russia» (according to the I round results);		
2 professionals of the Company were awarded the contest winners title the in the nomination “Engineering Art of the Young».		
The Electronic Oil Newspaper and the «Oil and the Life were named among “TOP” 10 best corporate newspapers and magazines.	Independent rating of the industrial companies’ corporate publications.	Business on Portal «Production Management».

Republican Awards/Nominations	Contest/Rating	Organizers
1	2	3
Nail U. MAGANOV, General Director of PJSC TATNEFT, was awarded the title «Honored chemist of the Republic of Tatarstan».	Republican contest «Manager of the year tin he Republic of Tatarstan”	Government of the Republic of Tatarstan,
The following persons were the winners: Leonid S. ALYOKHIN, General Director of JSC TANECO in the nomination “For the environmental safety of production»; Malik S. KAYUMOV, Head NGDU “Jalilneft» in the nomination “For the formation of safe and healthy working conditions»; Renat A. NUGAYBEKOV, Director of OOO “TMS Group” Management Company in the nomination “For the implementation of the «Lean Production» methodology; Rinat G. KARISOV, General Director of OOO “TNG-Group” in the nomination “For active investment activity».		Ministry of Economy of the Republic of Tatarstan
TATNEFT Company was recognized as «The best enterprise on invention and rationalization in the Republic of Tatarstan» receiving a large cup and a diploma of the National Society of Inventors and Innovators.		
9 professionals of the Company were awarded the first prize for a number of engineering inventions: «Method of welding large size metal shells”, “Method of manufacturing an eccentric pipe adaptor», « Method of bending a metal pipe»;	“Best Invention of Tatarstan” Contest.	Academy of Sciences of the Republic of Tatarstan, Ministry of Education of the Republic of Tatarstan and the Society of Inventors and Innovators of the Republic of Tatarstan.
12 professionals of the Company were awarded the second prize for the invention «Method of isolation and management of reserves development drained by a horizontal well and a device for the process implementation»;		
8 professionals of the Company were awarded the third prize for a group of inventions: «Method for identification of oil-saturated formations», «Method of the oil deposit development» and «Method of the oil deposits development with application of thermal flooding».		
OOO “Tatspetstransport” Division: Contest Winner; NOU «CPC - Tatneft» Contest Diploma Winner	“Quality in 2014” Contest	Government of the Republic of Tatarstan
Regular 92 gasoline (AI-92-K5) produced at the Elkhovskaya refining plant of NGDU “Elkhovneft” ranked among the best products.	Independent laboratory tests.	Kazan Institute of Organic and Physical Chemistry n.a. A.E. Arbuzov
OOO "Nizhnekamsk Truck Tire Factory": Contest Diploma Winner	Independent laboratory tests.	Kazan Institute of Organic and Physical Chemistry n.a. A.E. Arbuzov
OOO “Elkhovtransservis»: review contest winner OOO “Tatneft- TransServis Aznakaevo”: runner-up in the nomination “Best organization in the area of occupational safety and health among enterprises of utility vehicles»	Review contest for the best organization in the field of occupational safety and health among national enterprises of the transport complex.	Ministry of Transport and Roads of the Republic of Tatarstan.
PJSC TATNEFT: Nominee of the contest	Republican contest “Philanthropist of the Year”	Government of the Republic of Tatarstan
The team of PJSC TATNEFT n.a. V.D. Shashin was awarded a Letter of Commendation for conscientious and fruitful work for the benefit of the Republic of Tatarstan.		Ministry of Industry and Trade of the Republic of Tatarstan.

FINANCIAL RESULTS

ACCOUNTING STATEMENTS PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS

AUDITOR’S OPINION

To the Shareholders and Board of Directors of Public Joint Stock Company TATNEFT n.a. V.D. Shashin

Audited Entity

Public Joint Stock Company “TATNEFT” named after V.D. Shashin (PJSC TATNEFT n.a. V.D. Shashin)

State Registration Certificate No. 632 issued by the Ministry of Finance of Tatarstan Republic on January 21, 1994.

Certificate of Entry in the Unified State Register of Legal Entities registered before July 1, 2002, Registration No. 1021601623702 dated July 18, 2002 issued by the Interdistrict Inspectorate of the Ministry for Taxes and Duties of the Russian Federation No. 16 for Republic of Tatarstan.

Principal place of business: 75 Lenin Street, Almeteyevsk 423450, Republic of Tatarstan, Russian Federation

Auditor

Joint Stock Company “PriceWaterhouseCoopers Audit” (JSC PwC Audit) having its place of business at: 10 Butyrsky Val, Moscow 125047, Russian Federation.

Certificate of State Registration of Joint-Stock Company No. 008.890 issued by the Moscow Registration Chamber on February 28, 1992.

Certificate of Entry in the Unified State Register of Legal Entities registered before July 1, 2002, Registration No. 1027700148431 dated August 22, 2002 issued by the Moscow Interdistrict Inspectorate of the Ministry for Taxes and Duties of the Russian Federation No. 39.

Member of the Non-commercial Partnership “Audit Chamber of Russia” (NP APR), which is a self-regulating organization of auditors – Registration number 870 in the Register of NP APR members.

Basic State Registration Number in the register of auditors and auditor organizations - 10201003683

We have audited the enclosed accounting statements of PJSC TATNEFT n.a. V.D. Shashin (hereinafter referred to as the Company) which comprise the Balance Sheet as at December 31, 2015, Profit and Loss Account, Statement of Capital Changes, Cash Flow Statement for 2015, Notes to the Balance Sheet and Profit & Loss Account (hereinafter jointly referred to as the “Accounting Statements”).

Company’s responsibility for the Accounting Statements

The Company’s management is responsible for preparation and fair presentation of the said of the said Accounting Statements in compliance with the rules on preparing accounting statements set out in the Russian Federation and for the internal control system necessary to prepare the accounting statements that are free from material misstatements whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the fair presentation of the accounting statements based on our audit. We conducted our audit in accordance with the Federal Auditing Standards and International Standards on Auditing. These standards require the compliance with the applicable ethical rules as well as audit planning and carrying out in such a manner that gives sufficient confidence that the accounting statements are free of material misstatements.

The audit included auditing procedures aimed at obtaining the audit evidence that prove the numeric values in the accounting statements and disclose of the information contained therein. The choice of the auditing procedures is the subject matter of our judgment which is based on assessment of the risk of material misstatements, whether due to fraud or error. During the assessment of the risk we considered the internal control system procuring preparation and accuracy of the accounting statements in order to select appropriate auditing procedures but not to express the opinion if the internal control system is efficient. The audit also included the assessment of the proper nature of the applied accounting policy and soundness of the estimates obtained by the management of the Company as well as the evaluation of the overall presentation of the accounting statements.

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

Opinion

In our opinion, the accounting statements present fairly in all material respects the financial standing of the Company as at December 31, 2015, and the results of its financial and economic activities and cash flows for 2015 in conformity with the rules on preparing the accounting statements set out in the Russian Federation.

March 28, 2016
Moscow, Russian Federation

M.E. Timchenko, Director
JSC PriceWaterhouseCoopers Audit

ACCOUNTING REPORTS OF JSC TATNEFT, FY 2015

Balance Sheet

thousand RUB				
Indicator Description	Line Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
ASSETS				
I. FIXED ASSETS				
Intangible assets	1110	363 181	307 582	214 621
Research and development results	1120	425 495	325 099	232 576
Intangible exploration assets	1130	4 298 721	4 256 953	4 254 890
Tangible exploration assets	1140	1 181 376	1 133 728	872 660
Fixed assets	1150	185 402 361	121 288 999	118 676 649
incl. incomplete capital investments	1151	79 479 182	27 392 755	26 918 477
advance payments given for procurement and construction of fixed assets	1152	9 896 607	8 688 542	10 224 252
Income-bearing investments in tangible assets	1160	2 302 366	1 888 783	2 353 517
Financial investments	1170	234 265 798	213 205 328	181 387 339
Deferred tax assets	1180	-	-	-
Other fixed assets	1190	37 433 580	40 578 570	58 476 393
assets retirement obligations	1191	29 293 324	29 232 592	29 507 230
TOTAL for section I	1100	465 672 878	382 985 042	366 468 645
II. CURRENT ASSETS				
Reserves	1210	27 195 783	26 948 648	18 037 804
incl. raw materials and supplies	1211	2 581 938	1 994 190	1 828 258
Work in progress costs	1212	412 249	225 794	203 094
Finished products and goods for resale	1213	21 045 366	17 399 856	12 503 140
Goods shipped	1214	2 615 128	6 700 323	2 783 281
Other reserves and expenses	1215	541 102	628 485	720 031
Value added tax on acquired assets	1220	3 708 117	4 308 690	4 209 301
Accounts receivable	1230	107 136 545	82 279 954	78 004 349
incl. noncurrent nondelinquent accounts receivable (that are due beyond 12 months after the reporting date)	1231	6 348 987	6 656 414	5 103 757
incl. buyers and customers	1232	128 897	582 784	1 535 471
Advances paid	1233	363	188	-
Other debtors	1234	6 219 727	6 073 442	3 568 286
incl. current nondelinquent accounts receivable (that are due in the next 12 months after the reporting date)	1235	100 787 558	75 623 540	72 900 592
incl. buyers and customers	1236	56 610 370	47 652 992	51 062 327
Advances paid	1237	27 710 973	18 816 538	13 148 509
Other debtors	1238	16 466 215	9 154 010	8 689 756
Financial investments (except for cash equivalents)	1240	28 266 335	45 942 537	43 638 757
Cash and cash equivalents	1250	8 393 083	34 916 922	20 649 731
Other current assets	1260	19 634	17 200	25 194
TOTAL for section II	1200	174 719 497	194 413 951	164 565 136
BALANCE	1600	640 392 375	577 398 993	531 033 781

Balance Sheet (continued)

thousand RUB				
Indicator Description	Line Code	As of December 31, 2015	As of December 31, 2014	As of December 31, 2013
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	10 546 619	9 799 512	8 753 243
Capital surplus (without revaluation)	1350	441 293	252 710	30 813
Reserve capital	1360	1 364 610	1 341 864	1 144 326
Undistributed profit (uncovered loss)	1370	530 650 255	471 369 384	409 441 456
TOTAL for Section III	1300	545 328 976	485 089 669	421 696 037
IV. LONG-TERM LIABILITIES				
Borrowings	1410	1 568 072	3 144 387	7 067 728
Deferred tax liabilities	1420	8 602 514	10 372 405	7 808 535
Estimated liabilities	1430	33 486 117	29 975 977	29 554 090
Other liabilities	1450	-	-	-
TOTAL for Section IV	1400	43 656 703	43 492 769	44 430 353
V. SHORT-TERM LIABILITIES				
Borrowings	1510	2 396 685	8 739 722	29 855 108
Accounts payable	1520	47 072 098	38 349 893	33 552 337
incl. suppliers and contractors	1521	26 585 497	19 086 327	11 027 550
Liabilities to the state non-budgetary fund	1522	462 037	337 717	294 098
Taxes and dues payable	1523	10 059 307	8 982 193	11 295 169
Advances received	1524	2 939 963	6 432 831	3 045 001
Dividends payable	1525	133 304	117 215	102 707
Other creditors	1526	6 891 990	3 393 610	7 787 812
Deferred revenues	1530	3 568	4 478	5 389
Estimated liabilities	1540	1 934 345	1 722 462	1 494 557
Other liabilities	1550	-	-	-
TOTAL for Section V	1500	51 406 696	48 816 555	64 907 391
BALANCE	1700	640 392 375	577 398 993	531 033 781

Profit and Loss Statement FY 2015

thousand RUB			
Indicator Description	Line Code	FY 2015	FY 2014
Revenues	2110	462 962 074	392 357 674
Cost of goods sold	2120	(306 851 332)	(273 175 758)
Gross profit (loss)	2100	156 110 742	119 181 916
Selling expenses	2210	(36 617 097)	(27 499 377)
Administrative expenses	2220	-	-
Mineral exploration and evaluation expenses	2230	(72 494)	(2 199)
Profit (loss) on sales	2200	119 421 151	91 680 340
Participation capital	2310	707 955	2 477 770
Interest receivable	2320	9 845 751	6 462 835
Interest payable	2330	(3 801 044)	(3 307 602)
Other income	2340	19 168 972	75 906 110
Other expenses	2350	(33 833 924)	(69 161 023)
Profit (loss) before taxation	2300	111 508 861	104 058 430
Current income tax	2410	(28 308 902)	(20 643 017)
incl. permanent tax liabilities (assets)	2421	(4 237 239)	(2 395 201)
Changes in deferred tax liabilities	2430	1 769 891	(2 563 870)
Changes in deferred tax assets	2450	-	-
Miscellaneous	2460	45 445	(611)
Adjusted tax on the profit for the consolidated group of taxpayers	2465	(6 557)	1 210 130
Net profit (loss)	2400	85 008 738	82 061 062
INFORMATIONAL			
Surplus on revaluation of fixed assets not included in the net income (loss) for the period	2510	826 602	1 241 831
Result from other operations not included in the net income (loss) for the period	2520	188 583	221 897
Total profit/loss for the period	2500	86 023 923	83 524 790
Basic earnings (loss) per share	2900	38.28	36.95
Diluted earnings (loss) per share	2910	-	-

ESSENTIAL ASPECTS OF THE ACCOUNTING POLICY AND PRESENTATION OF THE ACCOUNTING STATEMENTS FOR 2015 FY

Main Approaches to Preparation of the Annual Accounting 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. The accounting statements of the Company for 2015 were prepared in compliance with the mentioned Accounting Law, accounting regulations and policy. The annual accounting statements for 2015 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 accounting statements”. The data of the accounting statements are presented in thousands of Russian 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 company’s capital surplus.

The exchange rate difference on other activities is 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 the reporting date. The currency exchange rates amounted to RUB 72.8827 to USD 1.00 as of December 31, 2015 (RUB 56.2584 as of December 31, 2014; RUB 32.7292 as of December 31, 2013); RUB 79.6972 to EURO 1.00 (RUB 68.3427 as of December 31, 2014; RUB 44.9699 as of December 31, 2013).

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 company’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 at fair market value 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 company.

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 structural 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.

The Company 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.

The straight line depreciation method is used for depreciation calculations.

Fixed asset group	Useful life of items of fixed assets (number of years)	
	Before 01.01.2002	After 01.01.2002
Buildings	25-50	8 -31
Facilities, including:	10-25	4 -31
Wells	10-15	6 -11
Machinery and equipment	5-15	1,5-21

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.

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.

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

The “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 as-sets 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 (ex-cept 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 de-creased, are reflected in the balance sheet less the reserve provision for impairment of the material values.

Finished Products, Goods and Sales Expenses

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 be-tween 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 outstand-ing (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 RAS 23/2011 “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 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”).

The cash flows are reflected in the statement of cash flows on a net basis in the following cases:

- cash receipts from certain entities stipulate the relevant payments to other entities (cash flows of the commission buyer or agent in connection with the performance of commission or agency services (except for payment for services themselves); income from the counterparty against the reimbursement of utility payments and performance realization of these payments in leasing and other similar relationships et c.);
- cash flows differ in quick return, large sums and short payback periods (purchase and resale of financial investments, short-term investments (up to three months) using the proceeds from borrowings et c.
- cash flows on short-term deposits (more than three months but less than one year), which relate to financial investments. Cash flows on deposits are disclosed in Tabular Format 3 “Investments” in the Notes to the Balance Sheet and Profit & Loss statement.

Authorized Capital, Surplus Capital and Reserve Funds

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 Company. Contributions to this fund are made in accordance with the methodology approved by the “Regulations on Bonus Certificates of PJSC 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.

Further, based on the Provision “Estimated Liabilities, Contingent Liabilities and Contingent Assets (RAS 8/2010)” approved by the Order of the Russian Ministry of Finance No. 167n of December 13, 2010, the Company recognizes estimated liabilities on unused vacations by the employees.

The estimated liability value of unused vacations 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. 2395-1 “On Subsoil”, No. 7-FZ “On Environmental Protection” etc.), the terms of license agreements for the right to use the subsoil the Company 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 the fields. The value of estimated liability is recorded at the present value (discounted cost).

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

Depreciation of assets on liquidation liabilities is accrued on a monthly basis in proportion to the oil production volume. The amount of monthly depreciation is determined for each group of the fields and Oil & Gas Production Division based on the amount of oil produced during the current month and the amount of assets on liquidation liabilities attributable to 1 tonne of oil reserves on deposits of the group at the end of the previous reporting period.

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 (execution of works, service rendering) is recognized as and when the ownership of the products is transferred to the customers (as works are executed, services are rendered to the customers). Revenues are reflected in the accounting statements less value added tax, excise duties, customs duties.

The item “Other income” include the income which is not included in the revenue: revenue from the sale of fixed assets, construction in progress and other assets, foreign currency sale, income from changes in estimates on fixed assets liquidation and restoration of natural resources, foreign exchange differences and other similar income.

Expenses

The administrative expenses include the maintenance expenditures of the Executive Office. The mentioned expenses are allocated on a monthly basis between the oil-and-gas production divisions in proportion to the planned volume of oil production (in natural terms).

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 products (works, services) on a pro rata basis to their total production expenses less the deductions, taxes and other obligatory payments.

The item “Other expenses” include expenses which are not related to the manufacture and sales of products, execution of works, rendering of services, purchase and sale of goods .

Accounting of Profit Tax Calculations

The Company has been a responsible member of the consolidated group of taxpayers (hereinafter referred to as CGT) from January 1, 2012. In 2015, the CGT included four members. Since 2016, the composition of the participants has been expanded to five members.

The Company independently forms the accounting information on income tax in accordance with RAS 18/02. In this regard, temporary and permanent differences are determined by the Company based on its revenues and expenses included in the consolidated tax base of the CGT in accordance with the norms of the Tax Code of the Russian Federation. The amount of the current income tax is determined on the basis of the Company’s accounting information and recognized in the profit-and loss statement in the line 2410 “Current income tax”. The difference between the amount of the current income tax calculated by the Company for inclusion in the consolidated tax base of the CGT and the amount of funds due and payable by the Company based on the terms of the agreement on CGT establishment in the profit-and loss statement, is reflected in the line 2465 “Adjusted tax on the profit for the consolidated group of taxpayers” and included in determination of net income (loss) of the Company without participating in generation of the profit (loss) before taxation.

The outstanding amount of CGT income tax on CGT as a whole, to be paid by the Company as a responsible CTG participant to the budget, is reflected in the Company’s balance sheet in the line 1523 “Taxes and dues payable”.

The overpaid amounts of CGT income tax to the budget is reflected in the balance sheet in the line 1238 “Other debtors”.

The outstanding amount upon settlements with the CGT members on CGT income tax (interim payment) is reflected in the balance sheet separately in the items of the current assets in the line 1238 “Other debtors” and short-term liabilities in the line 1526 “Other creditors” of the balance sheet, respectively.

The Company as a responsible CGT member reflects the income tax assessment and payments to the participants in the framework of the agreement on CGT establishment with account 78 “Settlements with the CGT members”.

In preparation of the accounting 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 the Company, or item of the profit-and-loss statement of the Company for the reporting period is minimum five percent. Otherwise, the error is insignificant.

CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE
WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2015



Independent Auditor’s Report

To the Shareholders and Board of Directors of PJSC Tatneft

We have audited the accompanying consolidated financial statements of PJSC Tatneft and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position as at 31 December 2015 and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for 2015, 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 2015, and its financial performance and its cash flows for 2015 in accordance with International Financial Reporting Standards.

AO PricewaterhouseCoopers Audit

31 March 2016

Moscow, Russian Federation



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

Audited entity: PJSC Tatneft

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

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

75, Lenina St., Almet'yevsk, Tatarstan, Russia, 423400

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	6	24,600	41,548
Restricted cash		318	1,635
Accounts receivable, net	7	60,151	46,059
Short-term financial assets	8	13,055	25,323
Inventories	9	32,042	32,462
Prepaid expenses and other current assets	10	48,033	31,157
Prepaid income tax		1,030	2,418
Total current assets		179,229	180,602
Long-term accounts receivable, net	7	2,248	1,364
Long-term financial assets	11	48,469	29,893
Investments in associates and joint ventures	12	5,632	7,212
Property, plant and equipment, net	13	557,778	507,586
Deferred income tax assets	18	2,535	2,982
Other long-term assets	14	2,800	3,295
Total non-current assets		619,462	552,332
Total assets		798,691	732,934
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	15	5,281	15,859
Accounts payable and accrued liabilities	16	43,488	37,999
Taxes payable	18	18,202	14,440
Income tax payable		1,940	166
Total current liabilities		68,911	68,464
Long-term debt, net of current portion	15	12,880	12,888
Other long-term liabilities	17	4,119	2,960
Decommissioning provision, net of current portion	13	33,352	44,779
Deferred income tax liability	18	21,771	21,599
Total non-current liabilities		72,122	82,226
Total liabilities		141,033	150,690
Shareholders' equity			
Preferred shares (authorized and issued at 31 December 2015 and 2014 – 147,508,500 shares; nominal value at 31 December 2015 and 2014 – RR1.00)	19	746	746
Common shares (authorized and issued at 31 December 2015 and 2014 – 2,178,690,700 shares; nominal value at 31 December 2015 and 2014 – RR1.00)	19	11,021	11,021
Additional paid-in capital		85,170	87,482
Accumulated other comprehensive income		1,639	1,888
Retained earnings		532,821	457,915
Less: Common shares held in treasury, at cost (55,491,000 shares and 55,514,000 shares at 31 December 2015 and 2014, respectively)		(3,083)	(3,087)
Total Group shareholders' equity		628,314	555,965
Non-controlling interest	19	29,344	26,279
Total shareholders' equity		657,658	582,244
Total liabilities and equity		798,691	732,934

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

IN MILLIONS OF RUSSIAN ROUBLES

	Note	Year ended 31 December 2015	Year ended 31 December 2014
Sales and other operating revenues, net		552,712	476,360
COSTS AND OTHER DEDUCTIONS			
Operating	20	(108,294)	(102,614)
Purchased oil and refined products		(59,913)	(54,478)
Exploration	13	(1,856)	(2,100)
Transportation		(30,149)	(23,209)
Selling, general and administrative	20	(48,871)	(43,355)
Depreciation, depletion and amortization	13	(25,052)	(21,121)
Loss on disposals of property, plant and equipment, investments and impairments		(6,031)	(1,799)
Taxes other than income taxes	18	(137,380)	(117,060)
Maintenance of social infrastructure and transfer of social assets	13	(4,665)	(4,091)
Total costs and other deductions		(422,211)	(369,827)
OTHER INCOME/(EXPENSES)			
Foreign exchange gain, net		2,283	14,876
Interest income	21	11,023	6,944
Interest expense, net of amounts capitalized	21	(7,691)	(5,482)
Loss from equity investments	12	(2,172)	(313)
Other income, net		3,684	1,415
Total other income		7,127	17,440
Profit before income tax		137,628	123,973
INCOME TAX			
Current income tax expense		(30,954)	(21,376)
Deferred income tax expense		(902)	(4,920)
Total income tax expense	18	(31,856)	(26,296)
Profit for the year		105,772	97,677
OTHER COMPREHENSIVE INCOME/(EXPENSES):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		318	649
Unrealized holding gains/(losses) on available-for-sale securities		222	(270)
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains on employee benefit plans		(789)	620
Other comprehensive (loss)/income		(249)	999
Total comprehensive income for the year		105,523	98,676

IN MILLIONS OF RUSSIAN ROUBLES

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

	Note	Year ended 31 December 2015	Year ended 31 December 2014
PROFIT ATTRIBUTABLE TO:			
- Group shareholders		98,930	92,227
- Non-controlling interest		6,842	5,450
		105,772	97,677
TOTAL COMPREHENSIVE INCOME IS ATTRIBUTABLE TO:			
- Group shareholders		98,681	93,226
- Non-controlling interest		6,842	5,450
		105,523	98,676
BASIC AND DILUTED EARNINGS PER SHARE (RR)			
Common	19	43.56	40.61
Preferred		43.53	40.58
WEIGHTED AVERAGE SHARES OUTSTANDING (MILLIONS OF SHARES)			
Common	19	2,123	2,123
Preferred		148	148

CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY

IN MILLIONS OF RUSSIAN ROUBLES

	Attributable to Group shareholders										
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial (losses)/gains on employee benefit plans	Foreign currency translation adjustments	Unrealized holding gains/ (losses) on available-for- sale securities	Retained earnings	Total shareholders' equity	Non-con-trolling interest	Total equity
Balance at 1 January 2014	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/(loss) for the year	-	-	-	-	620	649	(270)	-	999	-	999
Total comprehensive income/(loss) 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
Profit for the year	-	-	-	-	-	-	-	98,930	98,930	6,842	105,772
Other comprehensive (loss)/income for the year	-	-	-	-	(789)	318	222	-	(249)	-	(249)
Total comprehensive (loss)/income for the year	-	-	-	-	(789)	318	222	98,930	98,681	6,842	105,523
Treasury shares	23	-	-	4	-	-	-	-	4	-	4
- Acquisitions	(21)	-	-	(5)	-	-	-	-	(5)	-	(5)
- Disposals	44	-	-	9	-	-	-	-	9	-	9
Acquisition of non- controlling interest in subsidiaries		-	(2,312)	-	-	-	-	-	(2,312)	1,220	(1,092)
Disposal of non- controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(2,963)	(2,963)
Dividends declared	-	-	-	-	-	-	-	(24,024)	(24,024)	(2,034)	(26,058)
Balance at 31 December 2015	2,270,708	11,767	85,170	(3,083)	(987)	2,251	375	532,821	628,314	29,344	657,658

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT
OF CASH FLOWS

	Note	Year ended 31 December 2015	Year ended 31 December 2014
OPERATING ACTIVITIES			
Profit for the year		105,772	97,677
Adjustments:			
Depreciation, depletion and amortization		25,052	21,121
Income tax expense		31,856	26,296
Loss on disposals of property, plant and equipment, investments and impairments		6,031	1,799
Effects of foreign exchange		1,501	10,036
Equity investments loss/(gain) net of dividends received		2,172	313
Change in provision for impairment of financial assets		1,862	(165)
Change in fair value of trading securities		(30)	(283)
Interest income		(11,023)	(6,944)
Interest expense		7,691	5,482
Other		(4,912)	32
Changes in operational working capital, excluding cash:			
Accounts receivable		(16,608)	7,456
Inventories		(776)	(4,054)
Prepaid expenses and other current assets		2,771	(9,206)
Trading securities		1,303	1,294
Accounts payable and accrued liabilities		885	6,423
Taxes payable		3,999	(2,094)
Notes payable		(1)	(2)
Other non-current assets		333	205
Net cash provided by operating activities before income tax and interest		157,878	155,386
Income taxes paid		(27,792)	(24,012)
Interest paid		(1,032)	(1,378)
Interest received		11,462	6,487
Net cash provided by operating activities		140,516	136,483

CONSOLIDATED STATEMENT
OF CASH FLOWS (CONTINUED)

IN MILLIONS OF RUSSIAN ROUBLES

	Note	Year ended 31 December 2015	Year ended 31 December 2014
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(92,872)	(62,574)
Proceeds from disposal of property, plant and equipment		895	1,248
Proceeds from disposal of investments		-	77
Purchase of investments	26,27	(42,072)	(117)
Proceeds from/(purchase of) certificates of deposit, net	8,11	13,517	(7,598)
Issuance of loans and notes receivable, net	8,11	(543)	(2,176)
Change in restricted cash		1,317	(718)
Net cash used in investing activities		(119,758)	(71,858)
FINANCING ACTIVITIES			
Proceeds from issuance of debt		12,072	16,742
Repayment of debt		(24,914)	(50,501)
Dividends paid to shareholders		(24,008)	(18,674)
Dividends paid to non-controlling shareholders		(2,034)	(1,819)
Purchase of treasury shares		(5)	(37)
Proceeds from sale of treasury shares		9	37
Proceeds from issuance of shares by subsidiaries		57	60
Net cash used in financing activities		(38,823)	(54,192)
Net change in cash and cash equivalents		(18,065)	10,433
Effect of foreign exchange on cash and cash equivalents		1,117	1,580
Cash and cash equivalents at the beginning of the period		41,548	29,535
Cash and cash equivalents at the end of the period		24,600	41,548

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Organisation

PJSC Tatneft (the “Company”) and its subsidiaries (jointly referred to as “the Group”) are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan (“Tatarstan”), a republic within the Russian Federation. The Group also engages in refining and marketing of crude oil 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 2015 and 31 December 2014 the government of Tatarstan, including through its wholly owned company JSC Svyazinvestnefteknim, controls approximately 36% of the Company’s voting stock. These shares were contributed to JSC 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 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 JSC 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 for initial recognition of financial instruments based on fair value, revaluation of available-for-sale financial assets and financial instruments categorized at fair value through profit or loss.

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 involv-

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ing 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 their 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 2015 and 2014 was RR 72.88 and RR 56.26 to US \$, respectively. Average rate of exchange for the years ended 31 December 2015 and 2014 were RR 60.96 and RR 38.42 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 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 or at fair value.

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.

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Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

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.

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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.

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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 766 and RR 493 per ton in 2015 and 2014, 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. Tax benefit is calculated using tax rate of RR 530 per ton (в 2014: RR 493 per ton).

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 with viscosity of more than 10,000 Megapascal second in reservoir conditions. MET for production of highly viscous crude oil with viscosity between 200 and 10,000 Megapascal second is eligible to tax benefit calculated using tax rate of RR 530 per ton (2014: RR 493 per ton).

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.

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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.

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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.

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 Statements 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.

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The liability at 31 December 2015 and 2014 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 permanently 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. Effective 1 January 2012, the Company has established the Consolidated Taxpayer Group which currently includes 4 companies of the Group. 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.

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 risks and rewards of ownership are 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.

Sensitivity analysis for changes in rates, and other estimates:

	Change in	Impact on decommissioning provision	
		At 31 December 2015	At 31 December 2014
Discount rate	+1%	(7,892)	(9,890)
	-1%	10,534	13,103

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 2015 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 2015.

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 annual improvements also approved for application in Russia Federation became effective for the periods beginning on or after 1 January 2015 and but did not have any significant impact on the Group’s consolidated financial statements:

- Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 (issued in November 2013 and effective for annual periods beginning 1 July 2014).
- Annual Improvements to IFRSs 2012 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).
- Annual Improvements to IFRSs 2013 (issued in December 2013 and effective for annual periods beginning on or after 1 July 2014).

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2016 or later, and which the Group has not early adopted:

IFRS 9, Financial Instruments: Classification and Measurement (amended 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.

IFRS 15, Revenue from Contracts with Customers (issued on 28 May 2014 and effective for the periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, 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 recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

IFRS 16, Leases (issued in January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

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

The following other new pronouncements are not expected to have material impact on the Group when adopted:

- IFRS 14, Regulatory deferral accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).
- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 (issued on 6 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Clarification of Acceptable Methods of Depreciation and Amortisation - Amendments to IAS 16 and IAS 38 (issued on 12 May 2014 and effective for the periods beginning on or after 1 January 2016).
- Agriculture: Bearer plants - Amendments to IAS 16 and IAS 41 (issued on 30 June 2014 and effective for annual periods beginning 1 January 2016).
- Equity Method in Separate Financial Statements - Amendments to IAS 27 (issued on 12 August 2014 and effective for annual periods beginning 1 January 2016).
- Annual Improvements to IFRSs 2014 (issued on 25 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Disclosure Initiative Amendments to IAS 1 (issued in December 2014 and effective for annual periods on or after 1 January 2016).
- 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).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after 1 January 2016).
- Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12 (issued in January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Disclosure Initiative - Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017).

All above new standards, amendments to standards and interpretations are approved for application in Russian Federation except for Amendments to IFRS 10 and IAS 28 and those of them issued in 2016.

Note 6: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 December 2015	At 31 December 2014
Cash on hand and in banks	12,273	8,077
Term deposits with original maturity of less than three months	12,327	33,471
Total cash and cash equivalents	24,600	41,548

As of 31 December 2015 the majority of cash and cash equivalents are held in Bank Zenit and its subsidiaries, Sberbank, Svyaz-bank and The Ural Bank for Reconstruction and Development. 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. 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 2015		At 31 December 2014	
	Cash on hand and in banks	Term deposits	Cash on hand and in banks	Term deposits
Investment grade rating	1,758	-	287	-
Non-investment grade rating	9,053	4,758	6,486	33,264
No external rating	1,462	7,569	1,304	207
Total	12,273	12,327	8,077	33,471

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 2015	At 31 December 2014
Short-term accounts receivable:		
Trade receivables	58,170	61,591
Other financial receivables	3,891	4,748
Less provision for impairment	(1,910)	(20,280)
Total short-term accounts receivable	60,151	46,059
Long-term accounts receivable:		
Trade receivables	1,512	650
Other financial receivables	794	761
Less provision for impairment	(58)	(47)
Total long-term accounts receivable	2,248	1,364
Total financial assets within trade and other receivables	62,399	47,423

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 2015		At 31 December 2014	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Not over due and not impaired	56,896	4,059	40,784	4,803
Past due but not impaired				
- less than 90 days overdue	852	60	1,333	134
- 91 to 180 days overdue	417	59	246	40
- over 180 days overdue	-	56	-	83
Total past due but not impaired	1,269	175	1,579	257
Individually determined to be impaired (gross)				
- less than 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- over 180 days overdue	1,517	451	19,880	447
Total individually impaired	1,517	451	19,880	447
Less provision for impairment	(1,517)	(451)	(19,880)	(447)
Total	58,165	4,234	42,363	5,060

Movements in the provision for impairment for trade and other receivables are as follows:

	2015		2014	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Provision for impairment at 1 January	(19,880)	(447)	(12,110)	(517)
(Provision for impairment)/recovery during the year	(498)	(4)	(4)	58
Amounts written off during the year as uncollectible	18,111	-	9	6
Foreign exchange gain/(loss)	750	-	(7,813)	-
Change in Group structure	-	-	38	6
Provision for impairment at 31 December	(1,517)	(451)	(19,880)	(447)

As of 31 December 2014 the Group had receivables from ChMPKP Avto of US \$334 million, relating to the sale of crude oil to Ukraine (Kremenchug refinery), which had been fully provided for (Note 24). During the year ended 31 December 2015 the receivables were written off against the provision due to bankruptcy and subsequent liquidation of the debtor (intermediary in the crude oil sales transaction).

Note 8: Short-term financial assets

Short-term financial assets comprise the following:

	At 31 December 2015	At 31 December 2014
Loans and receivables:		
Notes receivable	5,596	3,536
Other loans (net of provision for impairment of RR 23 million and RR 50 million as of 31 December 2015 and 2014)	3,617	3,156
Certificates of deposit	2,594	16,111
Financial assets at fair value through profit or loss:		
Held-for-trading	1,248	2,520
Total short-term financial assets	13,055	25,323

During the year ended 31 December 2015 purchases of certificates of deposit and cash proceeds from certificates of deposit were RR 91,851 million and RR 112,368 million, respectively.

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 2015 cash issuance of notes receivable and other loans and cash proceeds from notes receivable and other loans were RR 4,149 million and RR 7,190 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.

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 2015	At 31 December 2014
Held-for-trading: Russian government debt securities	85	152
Corporate debt securities	562	1,705
Equity securities	601	663
Total financial assets at fair value through profit and loss	1,248	2,520

Information on trading securities issued by related parties is disclosed in Note 23.

Note 9: Inventories

	At 31 December 2015	At 31 December 2014
Materials and supplies	11,861	10,924
Crude oil	6,436	8,799
Refined oil products	7,586	7,634
Petrochemical supplies and finished goods	6,159	5,105
Total inventories	32,042	32,462

Note 10: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 31 December 2015	At 31 December 2014
Prepaid export duties	6,678	14,177
VAT recoverable	9,473	5,788
Advances (Note 27)	28,985	7,289
Prepaid transportation expenses	1,192	1,621
Other	1,705	2,282
Prepaid expenses and other current assets	48,033	31,157

Note 11: Long-term financial assets

Long-term financial assets comprise the following:

	At 31 December 2015	At 31 December 2014
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 31 December 2015 and 2014)	4,181	3,571
Loans to employees (net of provision for impairment of RR 1,414 million as of 31 December 2015)	1,262	2,636
Other loans	1,963	2,353
Certificates of deposit	17,774	16,581
Available-for-sale investments (Note 26)	23,289	4,752
Total long-term financial assets	48,469	29,893

The fair value of long-term financial assets is estimated by discounting the future contractual cash inflows 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 2015	At 31 December 2014	At 31 December 2015	At 31 December 2014
Notes receivable	4,181	3,571	3,872	3,292
Loans to employees	1,262	2,636	1,262	2,636
Other loans	1,963	2,353	1,545	1,852
Certificates of deposit	17,774	16,581	17,567	11,578
Total long-term financial assets	25,180	25,141	24,246	19,358

During the year ended 31 December 2015 purchases of long-term certificates of deposit were RR 7,000 million.

During the year ended 31 December 2014 purchases of long-term certificates of deposit were RR 460 million.

During the year ended 31 December 2015 cash issuance of long-term notes receivable and other loans and cash proceeds from long-term notes receivable and other loans were RR 4,142 million and RR 558 million, respectively.

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.

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	
	2015	2014	2015	2014	2015	2014
Associates and joint ventures:						
Bank Zenit	25	25	5,246	7,131	(2,111)	402
Other	20-75	20-75	386	81	(61)	(715)
Total			5,632	7,212	(2,172)	(313)

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:

	2015	2014
Net book value at 1 January	7,212	7,778
Share of result of associates and joint ventures	(2,172)	(313)
Share of other comprehensive income/(loss) of associates and joint ventures	222	(270)
Reclassification on loss of control/disposal of associates (reclassification on obtaining control)	-	(14)
Others	370	31
Net book value at 31 December	5,632	7,212

The condensed financial information of the Group's equity basis investments is as follows:

	Year ended 31 December 2015		Year ended 31 December 2014	
	Bank Zenit	Other	Bank Zenit	Other
Sales/interest income	32,318	3,496	26,617	6,513
Net (loss)/income	(9,498)	(139)	1,636	(722)
Other comprehensive income/(loss)	902	-	(1,098)	-
Total comprehensive (loss)/income	(8,596)	(139)	538	(722)
Total assets	314,817	6,502	335,097	6,406
Total liabilities	293,771	6,138	305,447	6,074

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 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

Cost					
As of 31 December 2014	348,458	179,566	144,597	90,379	763,000
Additions	41	-	1	101,884	101,926
Disposals	(2,912)	(467)	(1,166)	(4,553)	(9,098)
Changes in Group structure	-	(345)	(8,007)	(1)	(8,353)
Transfers	31,945	7,494	12,547	(51,986)	-
Changes in decommissioning provision	(17,631)	-	-	-	(17,631)
As of 31 December 2015	359,901	186,248	147,972	135,723	829,844

Depreciation, depletion and amortisation

As of 31 December 2014	164,480	27,918	63,016	-	255,414
Depreciation charge	9,589	4,744	10,734	-	25,067
Disposals	(2,703)	(310)	(692)	-	(3,705)
Changes in Group structure	-	(158)	(4,552)	-	(4,710)
As of 31 December 2015	171,366	32,194	68,506	-	272,066
Net book value					
As of 31 December 2014	183,978	151,648	81,581	90,379	507,586
As of 31 December 2015	188,535	154,054	79,466	135,723	557,778

Advances for construction of RR 12,326 million and RR 11,841 million at 31 December 2015 and 2014, respectively are included within construction in progress.

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 2014	12,230
Additions	904
Reclassification to development assets	(823)
Charged to expense	(988)
At 31 December 2014	11,323
Additions	430
Reclassification to development assets	(150)
Charged to expense	(4,558)
At 31 December 2015	7,045

For the years ended 31 December 2015 and 2014, operating and investing cash flows used for exploration and evaluation activities amounted to RR 1,856 million and RR 430 million and RR 2,100 million and RR 904 million, respectively.

Social assets. During the years ended 31 December 2015 and 2014 the Group transferred social assets with a net book value of RR 22 million and RR 1 million, respectively, to local authorities. At 31 December 2015 and 2014 the Group held social assets with a net book value of RR 5,459 million and RR 5,442 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 4,643 million and RR 4,090 million for the years ended 31 December 2015 and 2014, 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:

	2015	2014
Balance, beginning of period	45,738	55,037
Unwinding discount	5,337	4,397
New obligations	502	328
Release of existing obligations	(27)	(708)
Changes in estimates	(18,133)	(13,316)
Balance, end of period	33,417	45,738
Less: current portion of decommissioning provisions (Note 16)	(65)	(959)
Long-term balance, end of period	33,352	44,779

In 2015 the Group recorded the change in estimate for oil and gas properties decommissioning due to the change in discount rate, estimated cost per well and expected long-term inflation rate
Key assumptions used for evaluation of decommissioning provision were as follows:

	At 31 December 2015	At 31 December 2014
Discount rate	9.75%	11.67%
Inflation rate	5.85%	7.75%

Note 14: Other long-term assets

Other long-term assets are as follows:

	At 31 December 2015	At 31 December 2014
Prepaid computer programs	1,521	1,985
Prepaid license agreements	59	90
Other long-term assets	1,220	1,220
Total other long-term assets	2,800	3,295

Note 15: Debt

	At 31 December 2015	At 31 December 2014
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Short-term debt

Foreign currency denominated debt		
Current portion of long-term debt	3,937	11,887
Other foreign currency denominated debt	299	382
Rouble denominated debt		
Current portion of long-term debt	31	75
Other rouble denominated debt	1,014	3,515
Total short-term debt	5,281	15,859

Long-term debt

Foreign currency denominated debt		
US \$2.0 bln 2010 credit facility	3,144	10,779
US \$75 mln 2011 credit facility	2,952	2,573
US \$144.5 mln 2011 credit facility	4,921	4,273
EUR 55 mln 2013 credit facility	4,038	3,521
Other foreign currency denominated debt	1,069	2,830
Rouble denominated debt		
Other rouble denominated debt	724	874
Total long-term debt	16,848	24,850
Less: current portion of long-term debt	(3,968)	(11,962)
Total long-term debt, net of current portion	12,880	12,888

Foreign currency debts are primarily denominated in US Dollars.

IN MILLIONS OF RUSSIAN ROUBLES

Long-term debt had the following maturity profile (based on the discounted contractual cash flows):

	At 31 December 2015	At 31 December 2014
Due for repayment:		
Between one and two years	2,665	2,848
Between two and five years	6,714	5,021
After five years	3,501	5,019
Total long-term debt, net of current portion	12,880	12,888

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 1,014 million and RR 3,515 million bear contractual interest rates of 12.5% to 13.7% per annum as of 31 December 2015 and 8% to 14.85% per annum as of 31 December 2014.

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

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 2015 and 2014 the Group was in compliance with all covenants required by the above loan agreements.

The carrying amounts and fair-values of long-term debt are as follows:

	Carrying amounts		Fair values	
	At 31 December 2015	At 31 December 2014	At 31 December 2015	At 31 December 2014
US\$ denominated fixed rate	1,069	2,830	1,069	2,830
US\$ denominated floating rate	11,017	17,625	10,383	13,910
EUR denominated floating rate	4,038	3,521	3,361	2,015
RR denominated fixed rate	724	874	724	874
Total long-term debt	16,848	24,850	15,537	19,629

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 2015	At 31 December 2014
Trade payables	27,816	17,269
Dividends payable	133	117
Other payables	580	1,347
Total financial liabilities within trade and other payables	28,529	18,733
Salaries and wages payable	4,746	4,187
Advances received from customers	2,847	6,883
Current portion of decommissioning provisions (Note 13)	65	959
Other accounts payable and accrued liabilities	7,301	7,237
Total non-financial liabilities	14,959	19,266
Accounts payable and accrued liabilities	43,488	37,999

The fair value of each class of financial liabilities included in short-term trade and other payables at 31 December 2015 and 2014 approximates their carrying value.

Note 17: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2015	At 31 December 2014
Pension liability	3,871	2,749
Other long-term liabilities	248	211
Total other long-term liabilities	4,119	2,960

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 PJSC 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 2015	At 31 December 2014
Discount rate	9.7%	12.75%
Rate of increase in salary levels	6.27%	7.5%
Actuarial rate of NPF	3.0%	3.0%
Statutory insurance contributions rate	30.69%	30.47%

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 2015	At 31 December 2014
Present value of defined benefit obligation	5,834	4,379
Less: Fair value of plan assets	(1,963)	(1,630)
Net defined benefit liability	3,871	2,749

Change in the defined benefit obligation amount:

	2015	2014
Defined benefit obligation at beginning year	4,379	5,598
Effect of exchange rate changes	48	50
Current service cost	140	189
Interest cost	558	448
Benefits paid	(677)	(531)
Remeasurement losses/(gains):		
Actuarial losses/(gains) arising from changes in financial assumptions	643	(1,510)
Actuarial losses arising from changes in demographic assumptions	38	30
Actuarial losses - Experience	640	56
Past service cost	65	101
Other	-	(52)
Defined benefit obligation at the end of the year	5,834	4,379

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The amounts recognized in profit or loss are as follows:

	2015	2014
Service cost	205	272
Net interest expense	350	301
Remeasurement losses/(gains):		
Actuarial losses/(gain) arising from changes in financial assumptions	143	(323)
Actuarial losses arising from changes in demographic assumptions	13	10
Actuarial losses/(gains) – Experience	153	(100)
Other	-	(52)
Total included in ‘employee benefits expense’	864	108

The amounts recognized in other comprehensive income are as follows:

	2015	2014
Remeasurement losses/(gains):		
Actuarial losses/(gains) arising from changes in financial assumptions	229	(845)
Actuarial losses arising from changes in demographic assumptions	25	20
Actuarial losses – Experience	487	155
Effect of exchange rate changes	48	50
Total included in other comprehensive income	789	(620)

Reconciliation of the opening and closing balances of plan assets' fair value:

	2015	2014
Plan assets at beginning of year	1,630	1,830
Interest income	208	146
Contributions	193	229
Benefits paid	(340)	(232)
Actuarial gain/(loss)	272	(342)
Other	-	(1)
Plan assets at year end	1,963	1,630

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 2015	At 31 December 2014
Russian corporate bonds and equity securities of Russian issuers	32.61%	34.61%
Russian government and regions bonds	11.6%	8.51%
Bank deposits	33.86%	33.84%
Foreign government securities	6.9%	10.11%
Other	15.03%	12.93%
Total plan assets	100%	100%

Expected contributions to be paid during the next annual reporting period are RR 625 million.

Note 18: Taxes

Income tax expense comprises the following:

	Year ended 31 December 2015	Year ended 31 December 2014
Current income tax expense	(30,954)	(21,376)
Deferred income tax expense	(902)	(4,920)
Income tax expense for the year	(31,856)	(26,296)

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 2014: 20%) to income before income taxes:

	Year ended 31 December 2015	Year ended 31 December 2014
Profit before income taxes and non-controlling interest	137,628	123,973
Theoretical income tax expense at statutory rate	(27,526)	(24,795)
Increase due to:		
Non-deductible expenses, net	(3,150)	(2,545)
Other	(1,180)	1,044
Income tax expense	(31,856)	(26,296)

No provision has been made for additional income taxes on RR 31,159 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 1,964 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 2015	At 31 December 2014
Tax loss carry forward	4,220	4,508
Decommissioning provision	6,670	8,956
Other	814	778
Deferred income tax assets	11,704	14,242
Property, plant and equipment	(29,449)	(27,458)
Inventories	(980)	(2,370)
Accounts receivable	(57)	(319)
Long-term investments	217	(94)
Other liabilities	(671)	(2,618)
Deferred income tax liabilities	(30,940)	(32,859)
Net deferred tax liability	(19,236)	(18,617)

Deferred income taxes are reflected in the consolidated statement of financial position as follows:

	At 31 December 2015	At 31 December 2014
Deferred income tax asset	2,535	2,982
Deferred income tax liability	(21,771)	(21,599)
Net deferred tax liability	(19,236)	(18,617)

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.

Tax losses carry forward. At 31 December 2015, the Group had recognized deferred income tax assets of RR 4,220 million (RR 4,508 million at 31 December 2014) in respect of unused tax loss carry forwards of RR 21,102 million (RR 22,541 million at 31 December 2014). 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 2015	Year ended 31 December 2014
Mineral extraction tax	129,608	110,416
Property tax	5,888	5,161
Penalties and interest	86	53
Other	1,798	1,430
Total taxes other than income taxes	137,380	117,060

For mineral extraction tax for fields whose depletion rate exceeds a certain threshold the Group received a benefit of approximately RR 22.1 billion and RR 29.7 billion for the years ended 31 December 2015 and 2014, respectively.

At 31 December 2015 and 2014 taxes payable were as follows:

	At 31 December 2015	At 31 December 2014
Mineral extraction tax	7,401	7,300
Value Added Tax on goods sold	3,909	2,694
Export duties	2,534	596
Property tax	1,360	1,419
Other	2,998	2,431
Total taxes payable	18,202	14,440

Note 19: Shareholders’ equity

Authorized share capital. At 31 December 2015 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. JSC Svyazinvestneftekhim, a company wholly owned by the government of Tatarstan, as of 31 December 2015 and 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 2015 and 2014, the Company had a statutory current profit of RR 85,009 million and RR 82,061 million, respectively.

In June 2015 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2014 in amount of RR 10.58 per preference and ordinary share. 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.

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 2015	Year ended 31 December2014
Profit attributable to Group shareholders	98,930	92,227
Common share dividends	(22,463)	(17,474)
Preferred share dividends	(1,561)	(1,214)
Income available to common and preferred shareholders, net of dividends	74,906	73,539

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	43.56	40.61
Preferred	43.53	40.58

Non-controlling interest. Non-controlling interest is adjusted by dividends paid by the Group’s subsidiaries amounting to RR 2,034 million and RR 1,819 million at 31 December 2015 and 2014, respectively.

Note 20: Employee benefit expenses

	Year ended 31 December 2015	Year ended 31 December 2014
Wages and salaries	39,018	35,144
Statutory insurance contributions	11,438	10,197
Bonus certificates granted to directors and employees	1,257	1,235
Pension costs – defined benefit plans (Note 17)	864	108
Other employee benefits	2,055	2,467
Total employee benefit expense	54,632	49,151

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.

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Note 21: Interest income and interest expense

Interest income comprises the following:

	Year ended 31 December 2015	Year ended 31 December 2014
Interest income from loans and receivables	10,873	6,852
Unwinding of the present value discount of long-term financial assets	150	92
Total interest income	11,023	6,944

Interest expense comprises the following:

	Year ended 31 December 2015	Year ended 31 December 2014
Bank loans	1,082	1,660
Unwinding of the present value discount of decommissioning provision	5,337	4,123
Unwinding of the present value discount of long-term financial assets and liabilities	1,272	45
Total interest expense	7,691	5,828
Less capitalised interest costs	-	(346)
Total interest costs recognised in profit or loss	7,691	5,482

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 gains 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 2015, revenues of RR 68,833 million or 12% of the Group’s total sales and operating revenues is derived from one external customer.

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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.

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

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

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

	Year ended 31 December 2015	Year ended 31 December 2014
Exploration and production		
Domestic own crude oil	73,486	75,601
CIS own crude oil	19,328	8,825
Non-CIS own crude oil	150,295	105,411
Other	5,864	4,263
Intersegment sales	117,088	109,215
Total exploration and production	366,061	303,315
Refining and marketing		
Domestic sales		
Crude oil purchased for resale	15,735	12,218
Refined products	127,592	126,967
Total Domestic sales	143,327	139,185
CIS sales		
Refined products	15,411	12,087
Total CIS sales(1)	15,411	12,087
Non-CIS sales		
Crude oil purchased for resale	10,374	10,083
Refined products	72,155	62,329
Total non-CIS sales(2)	82,529	72,412
Other	5,882	5,105
Intersegment sales	3,305	3,399
Total refining and marketing	250,454	232,188
Petrochemicals		
Tires – domestic sales	27,641	25,027
Tires – CIS sales	6,802	6,579
Tires – non-CIS sales	1,999	1,486
Petrochemical products and other	2,385	2,794
Intersegment sales	1,142	933
Total petrochemicals	39,969	36,819
Total segment sales	656,484	572,322

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	Year ended 31 December 2015	Year ended 31 December 2014
Corporate and other sales	17,763	17,585
Elimination of intersegment sales	(121,535)	(113,547)
Total sales and other operating revenues	552,712	476,360

(1) - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).
(2) - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Poland based refineries.

Segment earnings.

	Year ended 31 December 2015	Year ended 31 December 2014
Segment earnings		
Exploration and production	122,657	94,932
Refining and marketing	16,617	16,892
Petrochemicals	1,482	320
Total segment earnings	140,756	112,144
Corporate and other	(10,255)	(5,611)
Other income	7,127	17,440
Profit before income tax	137,628	123,973

Segment assets.

	At 31 December 2015	At 31 December 2014
Assets		
Exploration and production	297,517	280,081
Refining and marketing	338,852	294,658
Petrochemicals	31,674	30,094
Corporate and other	130,648	128,101
Total assets	798,691	732,934

As of 31 December 2015 and 2014 corporate and other segment comprised RR 5,632 million and RR 7,212 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 2015	Year ended 31 December 2014
Depreciation, depletion and amortization		
Exploration and production	13,340	11,633
Refining and marketing	7,137	5,516
Petrochemicals	1,995	1,741
Corporate and other	2,580	2,231
Total segment depreciation, depletion and amortization	25,052	21,121

	Year ended 31 December 2015	Year ended 31 December 2014
Additions to property, plant and equipment		
Exploration and production	19,809	12,186
Refining and marketing	58,163	32,633
Petrochemicals	1,027	1,254
Corporate and other	5,531	6,714
Total additions to property, plant and equipment	84,530	52,787

For the years ended 31 December 2015 and 2014 additions to property, plant and equipment of exploration and production segment are shown net of RR 17,631 million and RR 12,988 million, respectively, associated with changes in the decommissioning provision.

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 associates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions.

Associates, joint ventures and other related parties

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

	Year ended 31 December 2015	Year ended 31 December 2014
Revenues and income		
Sales of refined products	15	15
Other sales	294	324
Interest income	3,622	2,530
Costs and expenses		
Purchases of crude oil	103	148
Other services	1,575	527
Other purchases	597	1,644

For the years ended 31 December 2015 and 2014, the Group sold crude oil on a commission basis from related parties for RR 103 million and RR 148 million, respectively.

At 31 December 2015 and 2014 the outstanding balances with associates, joint ventures and other related parties were as follows:

	At 31 December 2015	At 31 December 2014
Assets		
Cash and cash equivalents	9,392	6,258
Restricted cash	211	1,554
Accounts receivable	373	421
Notes receivable	5,085	3,459
Short-term certificates of deposit	-	4,394
Trading securities	7	176
Loans receivable	428	515
Prepaid expenses and other current assets	325	189
Due from related parties short-term	15,821	16,966
Long-term accounts receivable	14	6
Long-term certificates of deposit	17,199	16,006
Long-term notes receivable	4,156	3,360
Long-term loans receivable	1,715	1,614
Due from related parties long-term	23,084	20,986
Liabilities		
Accounts payable and accrued liabilities	(42)	(45)
Short-term debt	(814)	(1,744)
Due to related parties short-term	(856)	(1,789)

As of 31 December 2015 and 2014, the Group had RR 10,142 million and RR 7,719 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 2016 and 2022, bearing interest between 2.23% and 9.99%. As of 31 December 2015 and 2014, the Group has short and long-term certificates of deposit of RR 17,199 million and RR 20,400 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 bearing interest of 9% per annum. In October 2015 interest rate was increased to 15% per annum.

Russian Government bodies and state organizations

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

	Year ended 31 December 2015	Year ended 31 December 2014
Sales of crude oil	-	1,292
Sales of refined products	11,439	2,841
Other sales	1,841	330
Interest income	2,865	1,653
Purchases of crude oil	841	-
Purchases of refined products	19,141	18,821
Purchases of electricity	11,507	11,037
Purchases of transportation services	20,005	15,061
Other services	3,867	3,287
Other purchases	7,750	204

Compensation to key management personnel

As of 31 December 2015 and 2014 total remuneration, including pension cost, for key management personnel was RR 1,797 million and RR 1,582 million, respectively.

For the year ended 31 December 2015, the Company issued 6,261,500 Awards to senior management and directors, all of which are expected to be settled at a price of RR 200.76 per Award. Final settlement is subject to approval at the Company's Management Committee meeting in July-September 2016. 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. 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 2015 and 2014 was RR 1,257 million and RR 1,235 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 2015 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 change the tax, legal and regulatory environment. Management believes it is taking all neces-

sary 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 2015 and 31 December 2014 the Group has outstanding capital commitments of approximately RR 59,294 million and RR 36,977 million, respectively, mainly for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2016 and 2018.

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. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities. The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

New transfer pricing rules were incorporated in the Russian tax legislation as of 1 January 2012. These 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), as compared to rules applied earlier. The current legislation allows the Russian Federal Tax Service (hereinafter FTS) to impose additional taxes in respect of controllable transactions (transactions with related parties and certain transactions with unrelated parties), provided that the transaction price is not arm's length.

Given that the practice of implementation of the new Russian transfer pricing rules has not yet developed, the outcome of any disputes with FTS over applied prices cannot be estimated reliably. Management believes that its pricing policy is arm's length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group's tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group's policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group.

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group's consolidated 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 2015 and 2014.

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.

Ukratnafta. 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 Ukratnafta and seizure of shares of the Group in Ukratnafta. 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 2015 the Group had approximately RR 5,745 million of assets associated with its Libyan operations of which RR 5,524 million is related to capitalized exploration costs, RR 210 million of inventories and RR 11 million of cash. 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.

Note 25: Principal subsidiaries

Set out below are the Group’s principal subsidiaries at 31 December 2015. 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 2015		At 31 December 2014	
		% 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 JSC	Oil refinery	91	9	91	9
TMS group OOO	Oil lifting services	-	100	-	100
Burenie OOO	Drilling services	-	-	-	100
Nizhnekamskshina PJSC	Tires production	73	27	58	42
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 2015 is RR 6,842 million, of which RR 2,677 million is attributed to TMS group OOO and Burenie OOO. The total non-controlling interest for the year ended 31 December 2014 is RR 5,450

IN MILLIONS OF RUSSIAN ROUBLES

million, of which RR 1,560 million is attributed to TMS group OOO and Burenie OOO. As of 31 December 2015 accumulated non-controlling interest in TMS group OOO was RR 8,699 million and as of 31 December 2014 accumulated non-controlling interest in TMS group OOO and Burenie OOO was RR 9,527 million.

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/(Loss)
Year ended 31 December 2015						
Taneco JSC	10,690	181,959	25,622	155,253	38,508	6,520
TMS group OOO	1,278	30,147	585	4,751	33,435	1,977
Nizhnekamskshina PJSC	2,411	3,004	3,709	2,972	15,344	199
Burenie OOO	-	-	-	-	11,182	797
Total	14,379	215,110	29,916	162,976	98,469	9,493
Year ended 31 December 2014						
Taneco JSC	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 PJSC	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

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 2015	At 31 December 2014
Financial assets			
Current			
Cash and cash equivalents	6	24,600	41,548
Restricted cash		318	1,635
Accounts receivable	7	60,151	46,059
Short-term financial assets	8	13,055	25,323
Non-current			
Long-term accounts receivable	7	2,248	1,364
Long-term financial assets	11	48,469	29,893
Total financial assets		148,841	145,822
Financial liabilities			
Current			
Trade and other payable	16	(28,529)	(18,733)
Short-term debt and current portion of long-term debt	15	(5,281)	(15,859)
Non-current			
Long-term debt, net of current portion	15	(12,880)	(12,888)
Total financial liabilities			(47,480)

IN MILLIONS OF RUSSIAN ROUBLES

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 unpredictability 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 performance 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 2015	Russian Rouble	US dollar	Other	Total
Financial assets				
Current				
Cash and cash equivalents	14,721	9,761	118	24,600
Restricted cash	122	56	140	318
Accounts receivable	37,990	20,487	1,674	60,151
Short-term financial assets	8,288	4,767	-	13,055
Non-current				
Long-term accounts receivable	2,248	-	-	2,248
Long-term financial assets	41,566	6,903	-	48,469
Total financial assets	104,935	41,974	1,932	148,841
Financial liabilities				
Current				
Trade and other payable	(24,988)	(1,341)	(2,200)	(28,529)
Short-term debt and current portion of long-term debt	(1,045)	(3,713)	(523)	(5,281)
Non-current				
Long-term debt, net of current portion	(693)	(8,672)	(3,515)	(12,880)
Total financial liabilities	(26,726)	(13,726)	(6,238)	(46,690)

IN MILLIONS OF RUSSIAN ROUBLES

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)

Effect on pre-tax profit	Increase/decrease in exchange rate	Year ended 31 December 2015	Year ended 31 December 2014
US \$/RR loss	+10%	(2,825)	(68)
US \$/RR gain	-10%	2,825	68

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 2015	Year ended 31 December 2014
Increase by 100 basis points	(188)	(264)
Decrease by 100 basis points*	70	50

* - 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 2015 and 2014 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 2015	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	6,005	3,134	7,513	3,876	20,528
Trade and other payable	28,529	-	-	-	28,529

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

As the amounts included in the table are contractual undiscounted cash flows which include future interest payments, these amounts will not reconcile to the amounts disclosed in the consolidated statement of financial position for borrowings.

Fair values

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

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

- Level 1** – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date. For the Group, Level 1 inputs include held-for-trading financial assets that are actively traded on markets.
- Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. For the Group, Level 2 inputs include observable market value measures applied to available for sale securities.
- Level 3** – Unobservable inputs for the asset or liability. These inputs reflect the Group’s own assumptions about the assumptions a market participant would use in pricing the asset or liability.

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 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total carrying value	Level 1	Level 2	Level 3	Total carrying value
Held-for-trading investments	803	-	445	1,248	1,160	-	1,360	2,520
Available-for-sale investments	-	3,504	19,785	23,289	-	4,752	-	4,752
Total	803	3,504	20,230	24,537	1,160	4,752	1,360	7,272

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 December 2015 and 2014:

	At 31 December 2015	At 31 December 2014	Valuation technique	Inputs used
Available-for-sale investments	23,289	4,752	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach	Publicly available information, comparable market prices
Total	23,289	4,752		

Available-for-sale financial assets as of 31 December 2015 and 2014 are comprised of RR 2,300 million and RR 3,585 million, respectively (8.6% and 11.7%, respectively) of investments in AK Bars Bank shares which are not quoted in any Stock Exchange and the fair value of which are measured on AK Bars Bank Group level per IFRS Financial Statements (Net assets value) and other publicly available information. Available-for-sale financial assets as at 31 December 2015 also include RR 19,785 million in Closed Mutual Investment Fund AK-BARS - Gorizont which holds investments in land. The Group does not exercise significant influence over this investment and therefore accounts for it as an available-for-sale investment.

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2015 (2014: 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 2015				At 31 December 2014			
	Level 1	Level 2	Level 3	Total carrying value	Level 1	Level 2	Level 3	Total carrying value

Assets

Cash and cash equivalents	24,600	-	-	24,600	41,548	-	-	41,548
Restricted cash	318	-	-	318	1,635	-	-	1,635
Accounts receivable	-	-	62,399	62,399	-	-	47,423	47,423
Financial assets	-	-	36,103	36,987	-	-	42,162	47,944
Total assets	24,918	-	98,502	124,304	43,183	-	89,585	138,550

Liabilities

Debt	-	-	(16,850)	(18,161)	-	-	(23,526)	(28,747)
Trade and other payable	-	-	(28,529)	(28,529)	-	-	(18,733)	(18,733)
Total liabilities	-	-	(45,379)	(46,690)	-	-	(42,259)	(47,480)

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.

	At 31 December 2015	At 31 December 2014
Consolidated total borrowings:	18,421	29,006
– Short-term debt and current portion of long-term debt	5,281	15,859
– Long-term debt, net of current portion	12,880	12,888
– Notes payable	260	259
Consolidated shareholders' equity	628,314	555,965
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders' equity)	3%	5%

Note 27: Subsequent events

In March 2016 the Company completed the acquisition of 24.99% ordinary shares of PJSC Nizhnekamskneftekhim and 9% ordinary shares of AO TANECO amounting to RR 20,000 million from a government related entity. As of 31 December 2015 cash paid was recognized in prepaid expenses and other current assets.

SOCIAL RESPONSIBILITY

AA1000

STANDARD OF
THE COMPANY'S
INTERACTION WITH
CONCERNED PARTIES

ISO 26000

GUIDANCE ON SOCIAL
RESPONSIBILITY

540

BLN. RUBLES

SOCIAL INVESTMENT

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 The Company strives for development and imple- mentation of social pro- grams based on dialog and collaboration with the concerned parties.	Consistency Social programs are of regular and systematic character.	Significance The Company aspires to make social programs targeted as much as possible, timely and corresponding to vital demands of the society.	Efficiency Funds spent on imple- mentation of the programs must sensibly help in solving problems. Results of the programs are liable to regular assessment and record.
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The Company aspires to make its social programs targeted as much as possible and corresponding to vital demands of the society. Target groups of the social programs developed by PJSC TATNEFT are children and young people, war and labor veterans, those in need of medical care and rehabilitation, orphaned children, as well as other socially vulnerable population groups. The Company builds business relationships and interacts with the partners and other concerned parties based on the corporate social responsibility.

Target Audiences of the Company’s Social Programs

Program on infrastructure development in cities and settlements Program on health care support in the southeast of the Republic of Tatarstan	Residents of the activity regions The Company’s employees
Program on development of popular sports and physical culture in the oil region of the Republic of Tatarstan Program on hockey development in the southeast of the Republic of Tatarstan	Children Adults Coaches The Company’s employees
Program on social (targeted) support for population of districts of the Republic of Tatarstan	Orphaned children Handicapped people Veterans Other socially vulnerable population groups
Program on education support	Schoolchildren Students Teachers, professors
Program on culture support	Theaters Museums Libraries Cultural establishments
Program on spiritual revival	Mosques Churches Residents of the activity regions
Program on agricultural development	Residents of rural areas
Program on workplace creation	Unemployed people Graduates of higher and other educational establishments
Program on maternity and childhood support	Children
Program on development of large-scale ecological programs	Population

INFORMING ON THE ACTIVITY RELATED TO SUSTAINABLE DEVELOPMENT AND CORPORATE SOCIAL RESPONSIBILITY

TATNEFT Company has been elaborating annual reports on the sustainable development and social responsibility since 2005. Since 2014, disclosure of information on the activity related to the corporate social responsibility is carried out as a part of preparation of the TATNEFT Company’s Annual Report.

This chapter of 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 “Guideline on the Social Responsibility” and Social Articles of the Russian Business Community. The Report for 2015 contains standard elements of GRI Guideline version G4 reporting. In addition to the Guideline, GRI Oil and Gas Sector Supplement was applied during the Report elaboration.

Implementation of the GRI Principles

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 determination of the Report content, selection of performance indicators, etc. 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’s 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	We strive to include in the report only those issues and indicators 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 goals 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 the 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 can not be supported by documents are not included in the report.

SOCIAL RESPONSIBILITY OF THE COMPANY TOWARDS ITS EMPLOYEES

Collective Agreement, Social Benefits and Guarantees

PJSC 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 guarantees. Obligations on their fulfillment are stipulated in the Collective Agreement annually concluded between PJSC TATNEFT and the staff, including all employees and non-working pensioners of the Company.

The Collective Agreement stipulates:

- employees’ benefits and guarantees;
- social protection of young employees;
- support for veterans and pensioners.

Structure of the social benefits and guarantees is stipulated by the Collective Agreement Standard of the TATNEFT Group, which is advisory for all enterprises of the Group.

In 2015, the Company made amendments and changed size of payments for the following:

- financial aid for retiring employees;
- one-time payment in connection with annual leave;
- estimated payment for every employee in connection with birth or adoption of a child;
- estimated amount of one-time financial aid for employees and pensioners in connection with their jubilee;
- financial aid for families of late employees (pensioners) to cover funeral-related expenditures;
- financial aid for employees having parental leave and caring for children aged 1,5-3.

In accordance with the Collective Agreement of PJSC TATNEFT and on the basis of the general director’s resolution, PJSC TATNEFT in connection with the celebration of 70th anniversary of 9th May Victory Day provided financial aid at the rate of RUB 50 thousand for the participants of the Great Patriotic War, RUB 20 thousand for the widows of the Great Patriotic World participants and RUB 5 thousand for the home front workers.

Social Benefits under the Collective Agreement

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 PJSC 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 female employees 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 PJSC TATNEFT
Financial aid for single-parent families
Financial aid for employees in connection with anniversary celebration
Funds allocation:
– for buying New Year presents for children of the PJSC TATNEFT’s employees
– for women on the International Women’s Day
Financial aid for family having twins or triples

Benefits for young employees

Interest-free loan for furniture and essential goods 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 the Victory Day for the Great Patriotic War participants, widows and home front workers
Quarterly financial aid for non-working pensioners who used to work in the system of PJSC TATNEFT for at least 10 years and retired before the foundation of the National Private Pension Fund
Providing employees who worked in PJSC 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:
– on the Elderly People’s Day
– for women on the International Women’s Day
– on the International Disabled People’s Day

Cooperation with the Trade Union

The interregional trade union of PJSC TATNEFT unites 158 primary trade unions, 664 shop trade unions and 2 774 professional groups. 99,8% of the Company's employees are members of the trade union. One of the primary approaches to the 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 PJSC 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 the Great Patriotic War veterans;
- culture, sports and health commission;
- housing and public services commission;
- public catering control commission.

In 2015, the trade union committee held 12 sessions, where committee members reviewed different issues related to protection of interests of the trade union members, such as control on maintaining safe working environment for personnel, maintaining social protection level for employees and pensioners, strengthening of labor discipline, arrangement and carrying out of culture and recreative sports events, 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, more than 2 900 workplace protection agents work in primary trade unions of structural subdivisions of PJSC TATNEFT, and they carried out more than 140 thousand inspections of workplace environment. In 2015, the trade union's personnel actively participated in meetings and seminars organized by the Trade Union Federation of the Republic of Tatarstan, The Federation of Independent Trade Unions of Russia, Russian Council of Oil, Gas and Construction Workers' Union and International Confederation of Trade Unions.

The Company has a "mobile legal advice office" providing consultations and support for employees on legal issues. In 2015, 144 people received legal assistance. Apart from the legal advice office's activity, work with letters and addresses from the trade union members was continued. Over 100 members of the trade union obtained explanations and consultations in 2015. The trade union committee has trust line, which received more than 500 calls from the employees and non-working pensioners in 2015, and practical assistance was provided.

Information on cooperation of the administration and the trade union committee of PJSC TATNEFT is regularly reported to personnel at meetings and conferences, covered in federal, republican, regional and corporate mass media. "Tribuna" is an information bulletin issued by the trade union monthly.

The Committee on legal protection of the Trade Union members conducted inspections on labor legislation compliance by the Company's subdivisions in the reporting year. In 2015, there were no claims or cases known to the public arising from violation of human rights or discrimination of the Company's employees.

Voluntary Medical Insurance for Employees

Since 1997, PJSC 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 2015, the total number of insured employees made up 21 048 people, RUB 228.7 million was allocated for the program implementation. The TATNEFT Company maintains arrangement and payment for the medical and other services under four programs, such as "Outpatient Care", "Hospital Service", "Rehabilitation Treatment" and "Complex Medical Care" programs. 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).

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 2 556 beds. All recreation camps offer cozy and modern blocks, gyms, playgrounds, swimming pools, proper equipment and assistance of well-trained staff. During 2015, the recreation camps were visited by 10 964 children of employees. PJSC 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 2015. Due to the continuous growth of demand for tours to the recreation camps, at the end of 2013 the Company decided to build new bedroom blocks at the children recreation camps of Almeteyevneft, Elkhovneft and Aznakaevskneft Oil and Gas Production Boards. Therefore, blocks of the Company's children recreation camps, which were built and repaired in 2 years, allowed to invite 1804 more children in 2015 than before the construction.



Housing Policy

Providing employees with support in housing improvement is one of important lines of social policy in PJSC TATNEFT. Nine residential houses were commissioned for the employees of TATNEFT Company under the social mortgage program in 2015. The Company’s employees were provided with 1 118 apartments with total area of 79.1 thousand m2 amounted to RUB 2 162.7 million.

In 2016, the Company will continue building houses under the social mortgage program in almost all cities of the southeast of the republic, where the Company conducts its activities. According to the project on housing construction program, it is planned to commission 10 houses (1 094 apartments) with total area of 68.8 thousand m2 in 2016. For the purpose of social support for young people, 30% of apartments commissioned under the mortgage program are allocated to young families. RUB 74.3 million were allocated to these families for furnishing.

The Company provides non-recurrent loans for the first mortgage installment for the employees participating in the mortgage program. There is an option of repaying employee’s loan out of the Company’s profit providing that the person would still stay PJSC TATNEFT’s employee. As of from 2005 to 2015, total size of loan granted to the employees of TATNEFT Company was amounted to RUB 3 977.8 million.

Non-governmental Pension Provision

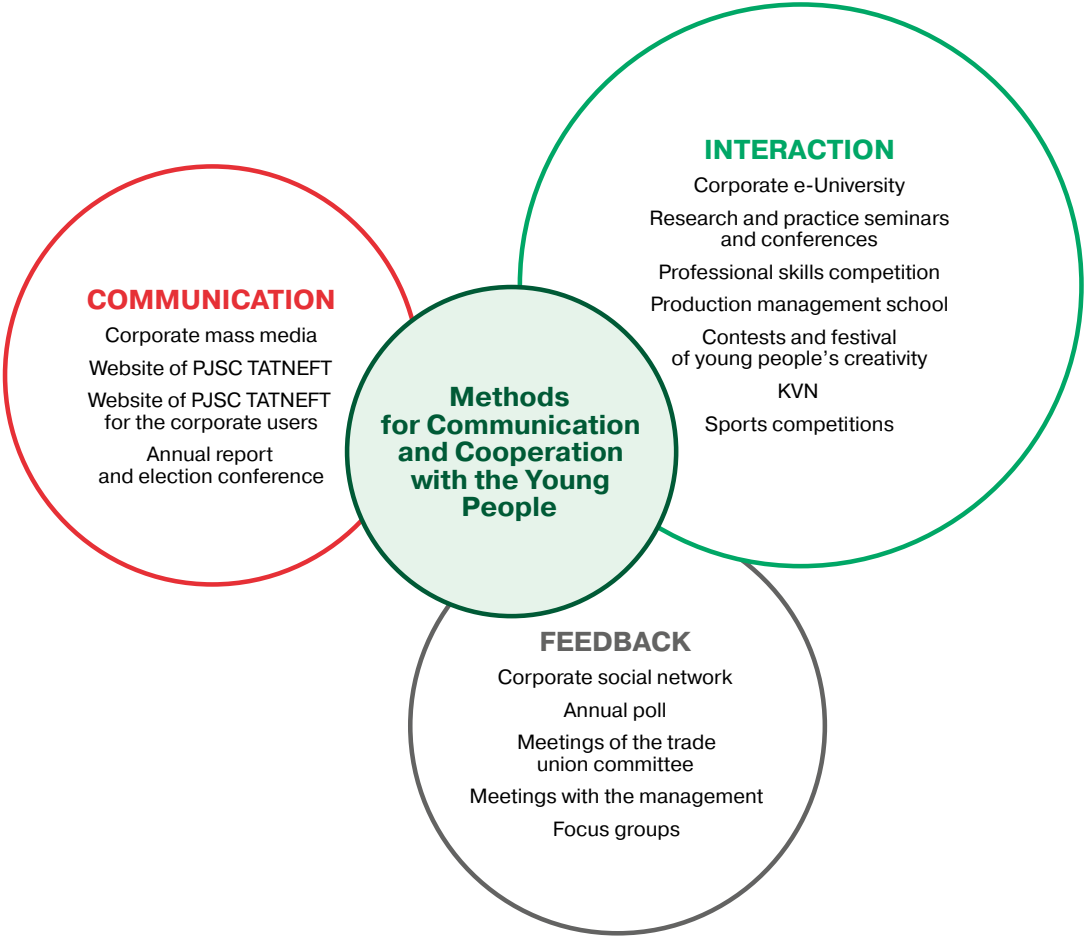
For the purpose of the social support for retiring employees, the Company has been implementing a non-governmental pension provision program since 1997. The program provides employees with an opportunity to form their pension capital on a parity basis securing respectable level of living at the advanced age. Provisions “On non-governmental pension provision” stipulate rules, criteria and procedures for non-governmental pension granting, as well as three main pension schemes.

In 2015, the number of the PJSC TATNEFT employees that joined the non-governmental pension provision program amounted to 8 802 people. 9 178 retired people receive additional non-governmental pension. In the reporting year, Company allocated RUB 195 million for the non-governmental pension provision. In 2015, the non-governmental pension payments for PJSC TATNEFT’s pensioners through the National Non-governmental Pension Fund were amounted to RUB 177 million thousand. The Company performs regular communication and explanatory work on terms of the corporate pension program as well as on the rules of involvement. Information is published at the Internet portal of the TATNEFT Group. Main partner of PJSC TATNEFT for the implementation of the corporate pension program is the National Non-Governmental Pension Fund (NNPF). Non-working pensioners, who worked in PJSC 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 the subdivisions of PJSC 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, provides aid for housing renovation and replacement of household appliances. In 2015, RUB 11.9 million was allocated to health improvement of non-working pensioners in health-resorts, while RUB 5.04 million was allocated within the PJSC TATNEFT’s program of support for veterans. The Company provides financial aid on holidays and anniversaries.

Outreach of Young People

Work with young people in PJSC TATNEFT is carried out along several main lines: professional and labor fulfilment, scientific and production, social protection, creative fulfilment, popular culture, sports, cooperation in the informational field, development of tolerance and civil position of the Company’s young employees. 29.8 thousand young employees work in the Company, which makes 32% of total staff. 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 conferences and seminars on innovation and invention. In 2015, young employees made 16 700 rationalization proposals and obtained 80 patents, while economic potential of the implementation was amounted to more than one billion rubles.

In 2015, employees of PJSC TATNEFT successfully represented the Company at the 3rd National Professional Skills Championship held in accordance with the WorldSkills standards, and at the 2nd National Championship of Comprehensive Working Professions in High-Tech Industries WorldSkills Hi-Tech-2015. The Company holds sports events, tourist festivals on a regular basis. In 2015, young employees of the Company successfully climbed the Mount Elbrus, the highest point in Europe. PJSC TATNEFT put together its own KVN team, which with support from the Company’s management took part in the games of TV Premier-league in 2015. Young employees of the Company take an active part in the youth clean-up events on the designated areas and charity events for the children from orphanages and needy families, carry out active patronage over designated orphaned children.



SOCIAL INFRASTRUCTURE DEVELOPMENT

THE COMPANY RESPONSIBLY PARTICIPATES IN CREATING CONDITIONS FOR IMPROVING QUALITY OF LIFE OF ITS EMPLOYEES AND LOCAL POPULATION, IMPLEMENTING TARGETED INFRASTRUCTURE PROGRAMS ALONGSIDE WITH INTERNAL SOCIAL PROGRAMS. KEY LINES OF CORPORATE SOCIAL POLICY, WHICH IS GENERALLY FOCUSED ON GETTING MAXIMUM OUTCOME OF THE COMPANY’S MAIN ACTIVITY, ARE ASSISTANCE IN DEVELOPMENT OF EDUCATION, HEALTHCARE AND SPORTS, AS WELL AS REDEVOPMENT OF COMMUNITIES AND CITIES. SPECIAL IMPORTANCE IS GIVEN TO PHYSICAL AND CREATIVE DEVELOPMENT OF CHILDREN.

High-Tech Medical Care

The Company implements integrated programs aimed at support and promotion for the health of employees and local population, especially by participating in construction and renovation of health care facilities. The Company gives special importance to the support of maternity and childhood.

The TATNEFT Company with its significant financial investments in short time implemented program on establishing and putting into service regional medical-diagnostic center under the Medical Sanitary Station of PJSC TATNEFT and Almetyevsk for delivering high-tech medical care (HMC) on cardiovascular surgery, traumatology and orthopedics, ophthalmology and urology for the population of the southeast region of our Republic. The center is large and modern multifaceted medical and preventive establishment having high-skilled talent pool and equipped with the state-of-the-art medical equipment. Over the past few years, the hospital was equipped with the modern high-tech equipment for the diagnosis and treatment. Public and republic programs on improving delivery of health care for the people having heart diseases were implemented, high-skilled experts passed their training in the best clinics of the world.

Medical equipment was purchased for the Central District Hospital of Novosheshminsk and the Hospital No. 3 of Almetyevsk (State Autonomous Heath Care Institution “Republic Clinical Oncological Dispensary of the Ministry of Healthcare of the Republic of Tatarstan”). It’s planned to allocate RUB 250 million for the implementation of public contract on the delivery of high-tech medical care for the population of the southeast of the Republic of Tatarstan in 2016.

Involvement of Employees in Sports and Healthy Lifestyle

Targeted programs on development of adult and kids popular sports include the Company’s participation in construction of new sport facilities and renovation of those, which are in operation. The Company acts as the organizer of fitness and health recreation events, sports competitions and hockey tournaments for PJSC TATNEFT prizes. Attention is given to equipping hockey teams and coaches with kits. Due to the favorable conditions created in the Company, sport 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. 16 Ice Palaces were built in the Republic of Tatarstan with the Company’s participation. Over 200 hockey complexes with warm dressing rooms were renovated and built, 91 teenage hockey clubs were taken under control by efforts of the Company in the period from 2000 to 2015. Funds for purchase of hockey kits for the teenage clubs’ teams and remuneration for coaches and staff maintaining the hockey rinks are allocated annually.

Over 17 thousand people spent their vacations at summer camps located on banks of the Kama River and Karabash Reservoir in 2015. About 24 thousand people had their rest at the camps and strengthened their health there in the wintertime.

In 2015, the PJSC TATNEFT held XXVIII Corporate Spartakiad, over 10 thousand employees participated in it. During the year, competitions in 12 different sports, such as table tennis, alpine skiing, cross-country skiing, volleyball (for women and men), futsal, swimming, kurash wrestling, rope pulling and triathlon, etc. were held. RUB 8.03 million was allocated for the arrangement of the Spartakiad in 2015.

CHARITABLE ACTIVITIES

CHARITY IS THE KEY ELEMENT OF CORPORATE SOCIAL POLICY. THE COMPANY SUPPORTS THREE CHARITY FOUNDATIONS: “GIFTED CHILDREN”, “RUKHIYAT” AND “MERCY”.

“Gifted Children” Foundation

Since 2004, the TATNEFT Company has implemented the program on gifted children support through the “Gifted Children” foundation. The foundation provides multifaceted assistance and help to the participants of republic, all-Russian and international conferences, scientific-and-artistic and technical competitions. Every year the “Gifted Children” foundation holds the meeting of its awardees, where the foundation honors the most successful participants of the intellectual forums and their coaches, and that shows meaning of education as one of the crucial components for personal development and improvement, as well as targeting graduates to the higher-priority professions.

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. Activity of the foundation includes arrangement of children creativity festivals, holding literature and art competitions, identification of young talents and assistance for their artistic development, books publication, etc. Since 1998, the “Rukhiyat” foundation holds the “Land of Singing Nightingales” children creativity festival, which provides talented children from remote regions of the republic with opportunity to unlock their creativity and perform on the stage in front of wide audience.

“Mercy” Charity Foundation

TATNEFT has been always supporting people in harsh life conditions. In order to provide charity support, the Company established the “Mercy” charity foundation, through which the Company over years has been providing targeted support to organizations of veterans and handicapped people, needy families, pupils of orphanages and orphaned students for their treatment and rehabilitation.

In 2015, PJSC TATNEFT switched its charitable activities to a grant basis. The Company made this decision in order to raise economic efficiency of its social investment, ensure transparency and publicity of charitable activities. In the framework of the Grant system implementation, PJSC TATNEFT prepared the Provision and formed the Grant committee and the expert council. Projects are assessed based on their compliance to the strategic social and environmental goals and objectives of the TATNEFT Company, timeliness of the problem being solved and importance of the project for the region of the Company’s activity. Provision and other information about the PJSC TATNEFT’s Grant system are published on the official website of the Company at tatneft.ru in the Social Policy section.

Main nominations of the Grant system are as follows:

- Education and science: support for gifted children and creative young people, as well as socially important scientific project;
- Social sphere: redevelopment of cities and settlements, renovation and reconditioning of the monuments of architectural and historical heritage;
- Environment: population health protection, protection and securing of favorable environment, environmental education for the population;
- Culture and arts: implementation of new cultural and educational projects; support for gifted people and creative teams in the area of culture and arts, assistance to literature development;
- Civic and public spirit: search activities, museums, educational programs;
- Sports: support for amateur sports teams, support and development of kids sports and tourism.

REGISTRY OF CORPORATE SOCIAL PROJECTS FOR 2015

Lines of Social Investments	Projects	Places of implementation
Program on infrastructure development in cities and settlements	Wedding Palace construction	Leninogorsk
	Reconstruction of the 'Yunost' stadium and the Ice Palace	Leninogorsk
	Overhaul of the 'Yunost' sports center and the Culture House	Leninogorsk
	Overhaul of housefronts	Leninogorsk, Bavly
	Repaif of urban streets and roads	Almetyevsk, Leninogorsk, Bavly
	Parks and squares improvement	Leninogorsk, Bavly
	Opening of the museum at the site of the Shugurovsky petroleum bituminous factory	Leninogorsk
	Reconstruction of the Victory monument	Aznakaevo
	Improvement of the Chernaya river bank	Aznakaevo
	Overhaul of the water supply and disposal system	Bavly
	Construction of terrainkur in forest area near the 'Ivolga' health and recreation resort	Bavly
	Improvement of inner areas adjacent to houses	Almetyevsk, Leninogorsk, Elabuga, Karabash urban-type settlement (Bugulma district)
Program on development of popular sports and physical culture in oil region of the Republic of Tatarstan	Holding of the PJSC TATNEFT Spartakiad	oil region of the Republic of Tatarstan
	Organization and holding of physical education and recreational events	oil region of the Republic of Tatarstan
	Sports center construction	Nizhnaya Maktama urban-type settlement (Alnetyevsk)
	Stadiums reconstruction	Chistopol, Aznakaevo
	Reconstruction of the 'Jubileyny' Sports Palace	Almetyevsk
	Construction of multipurpose sports hall	Aznakaevo
	Construction of sports ground for the school No. 1	Karmasakly village (Leninogorsk district)
	Repair of near rink area and chilling machinery in the 'Lachyn' ice palace, 'Iman' sports center	Aktanysh village
	Works for the construction of sports hall for the 'Ivolga' health and recreation resort were started	Bavly
	Establishment of the Bicycle School	Karabash urban-type settlement (Bugulma district)
	Support for kids and youth boxing	oil region of the Republic of Tatarstan
	Wrestling and karate support	Almetyevsk
	Development of volleyball, swimming and figure skating	Almetyevsk
	Equestrian sport support	Almetyevsk
Program on hockey development in the southeast of the republic	Purchase of hockey kits for the teenage club's teams	oil region of the Republic of Tatarstan
	Purchase of sports kits, sports equipment and hockey equipment for schools	oil region of the Republic of Tatarstan
	91 hockey rinks fitted with warm dressing rooms were reconstructed, built up and taken under maintenance	oil region of the Republic of Tatarstan
	Installation of hockey complexes fitted with dressing rooms and lights	Kaybitsy, Rybnaya Sloboda, Baltasi, Almetyevsk and Aznakaevo districts
	Remuneration for coaches	oil region of the Republic of Tatarstan
Program on housing improvement	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
	Provision of loans for employees to cover the first installment under the social mortgage program	oil region of the Republic of Tatarstan
Program on skill improvement and development of the Company's personnel	Training and skill improvement of the personnel	oil region of the Republic of Tatarstan
	Science and practice conference for young employees	Almetyevsk
	Work with the candidate pool	oil region of the Republic of Tatarstan
	Work with target groups	oil region of the Republic of Tatarstan
	Young people's policy	oil region of the Republic of Tatarstan
	Personnel certification	oil region of the Republic of Tatarstan

SUBDIVISONS OF THE TATNEFT COMPANY ARE CITY-FORMING FOR MANY CITIES AND VILLAGES IN THE SOUTHEAST OF THE REPUBLIC. THE COMPANY PROVIDES DOZENS OF THOUSANDS OF PEOPLE WITH MODERN WORKPLACES AND RESPECTABLE WAGES, SETS MAIN PART OF LOCAL BUDGETS.

Program on culture support	Holding of festive events	oil region of the Republic of Tatarstan
	Holding of events for young people	oil region of the Republic of Tatarstan
	Holding of cultural events	oil region of the Republic of Tatarstan
	Purchase of music equipment for cultural establishments	Aznakaevo, Aktyuba urban-type settlement
	Overhaul of the Culture Houses	Leninogorsk, Cheremshan village, Yutazy village
Program on spiritual revival	Financial aid for the repair of entrance lobby at Our Lady of Kazan Church	Almetyevsk
Program on the social guarantees provided for the personnel	Collective agreement	oil region of the Republic of Tatarstan
Program on support for veterans and handicapped people	Program on non-governmental pension provision	oil region of the Republic of Tatarstan
	Purchase of equipment for handicapped people	Almetyevsk
	Payment for the utility services for the local communities of handicapped people	Almetyevsk
	Repair of facilities and improvement of the area owned by the Nursing home	Dzhalil urban-type settlement (Sarmanovo district)
	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, home front workers	oil region of the Republic of Tatarstan
	Holding of festive events dedicated to the Victory Day	oil region of the Republic of Tatarstan
Program on social insurance of PJSC TATNEFT's employees	Voluntary medical insurance	oil region of the Republic of Tatarstan
Program on health care support in the southeast of the republic	Financial aid for carrying out stenting and coronarography surgeries in the Regional medical-diagnostic center of Medical Sanitary Station of PJSC TATNEFT and Almetyevsk	oil region of the Republic of Tatarstan
	Overhaul of the Central District Hospital	Almetyevsk
	Purchase of medical equipment	Medical Sanitary Station of PJSC TATNEFT and Almetyevsk, the Central District Hospital of Novosheshminsk, Clinic No. 3 of Almetyevsk, Drug dependence clinic of Almetyevsk
	Purchase of medical equipment and operating room drapes for health care facilities	
Program on maternity and childhood welfare	Arrangement of recreation for children in children's recreation camps	oil region of the Republic of Tatarstan
	Recreation for the 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
	Overhaul of six kindergartens	Almetyevsk
Program on education support	Overhaul of secondary schools, gymnasiums and lyceums	Almetyevsk, Sarmanovo, Leninogorsk, Aznakaevo, Cheremshan districts
	Almetyevsk State Oil Institute modernization and re-equipment	Almetyevsk
	Overhaul of the professional college No. 65	Almetyevsk
	Fully equipped schoolbags and sports suits for multi-child families were bought as a part of the "Help to prepare for the school" campaign	Almetyevsk
Program on occupational safety	Provision of employees with workwear	oil region of the Republic of Tatarstan
	Workplaces assessment	oil region of the Republic of Tatarstan
Large-scale ecological program	Safe drinking water supply	oil region of the Republic of Tatarstan
	Creation of green spaces, parks and squares	oil region of the Republic of Tatarstan
	Planting of more than 11 thousand trees of different species	Almetyevsk
	Park improvement in the 'Yashlek' neighborhood, square improvement on the Aminov St.	Almetyevsk
	Parks and squares improvement	Nurlat
	Central park overhaul	Bavly
	Installation of whirligig in playground	Aznakaevo
	Park construction	Novosheshminsk village, Bavly

For more information, please see the Company's website tatneft.ru

INTERACTION WITH THE STAKEHOLDERS

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.

Ensuring a high level of the corporate social responsibility is a strategic initiative and a major principle of the Company’s activity, which implies the 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 Company’s responsibility areas to the key stakeholders.

- 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 the TATNEFT Group 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 the TATNEFT Group 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 companies, i.e. the stakeholders whose interests can be partially affected by the Company or which can indirectly influence the Company.

The Company’s representation in the business and public organizations
The Chamber of Commerce and Industry of the Russian Federation
All-Russian Association of Oil and Gas Employers
Russian Union of Industrialists and Entrepreneurs (RSPP)
“Miners of Russia” Non-Profit Partnership
Union of Oil and Gas Producers of Russia
Moscow International Petroleum Club (MMNK)
“Russian Institute of Directors” (RID) Non-Profit Partnership
The National Council on Corporate Governance (NSKU)
Share Issuers Committee of Moscow Exchange
Russian National Committee of the World Petroleum Council (RNK MNS)

THE COMPANY’S RESPONSIBILITY TOWARDS STAKEHOLDERS

SHAREHOLDERS AND INVESTORS

- Dynamic growth of shareholder value and development of the Company in accordance with the strategic initiatives
- Operating and financial efficiency
- Maintaining business reputation
- Ensuring status of reliable Company
- Ensuring compliance with Moscow Exchange listing rules and Corporate Governance Code recommended by the Bank of Russia.

EMPLOYEES

- Workplace safety
- Provision of opportunities for individual and professional development
- Provision of social guarantees
- Ensuring the decent standard of living

BUSINESS PARTNERS

- Following the ethical principles of the Company
- Fair competition
- Timely and precise fulfillment of contractual commitments
- Mutually beneficial cooperation

CONSUMERS

- Provision of high quality products and services
- Continuous improvement of the product quality
- Commitment to follow changing requirements of the consumers
- Provision of reliable information about the Company’s products

LOCAL COMMUNITITES AND PUBLIC ORGANIZATIONS

- Support of social and economic development of the regions of the business activity
- Support of development of healthcare, education, culture and sports
- Intelligent and efficient environmental management and protection
- Support of socially vulnerable segments of the population

Corporate Calendar of the Company’s events for 2015 is detailed on the corporate website tatneft.ru

CORPORATE STANDARDS AND REGULATIONS FOR INTERACTION WITH CONCERNED PARTIES

Concerned Parties	Regulatory Documents
All Stakeholders	Corporate management code of PJSC TATNEFT
	Articles of Association of PJSC TATNEFT
	Provisions on the information policy of PJSC TATNEFT
	The TATNEFT Company's hotline work order
	Policy of the TATNEFT Group in the field of industrial safety, labor and environmental protection
	Integrated risk management system
	Corporate standard "Anti-Corruption Policy of the TATNEFT Company"
Shareholders	Provisions on the General Meeting of Shareholders of PJSC TATNEFT
	Provisions on the Board of Directors of PJSC TATNEFT
	Provisions on the committees under the Board of Directors of PJSC TATNEFT
	Provisions on the use of insider information and on the procedure for distribution of information on security transactions
	Provisions on the TATNEFT Group.
Employees	Corporate culture code of the TATNEFT Company
	HR management policy
	Standard for the Collective Agreement
	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
	Standard for personnel rewarding
	Standard for business trips of employees
	Standard for the provision of information on candidates (internal and external) for vacant positions
	Rules of internal work order for employees
	Regulation on the preparation and holding of the employees conference
	Provisions on the insurance of employees against industrial accidents
	Provisions on the arrangement of therapeutic-resort activities for employees
	Provisions on the system of industrial safety management
	System for the assurance of industrial safety
	Provisions on production control over compliance with industrial safety requirements at the hazardous production facilities
	Procedure for the arrangement of pre-employment and routine medical examinations of employees involved in heavy and harmful works, as well as works with harmful and/or hazardous production factors
	System of the employees' personal responsibility for occupational safety
	Provisions on non-recurrent loans provided for the employees 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 construction or participation in joint housing construction (with other entities involved in housing construction)
Trade Union	Standard for the Collective Agreement
	Provisions on the workplace protection committee (commission)
	Workplace protection agreement
Veterans and Pensioners	Provisions on the arrangement of non-governmental pension provision for employees
	Provisions on the arrangement of therapeutic-resort activities for non-working pensioners and disabled workers at the expense
	Corporate project of targeted support for pensioners

Business Partners	Provisions on the procedure for registration of suppliers of goods/works/services in the TATNEFT Company
	Regulation on the logistics of structural subdivisions and affiliates of the TATNEFT Company
	Provisions on the organization of contractual work in the TATNEFT Company
	Provisions on the organization of goods purchasing using electronic trading platform
	Regulation on work in the "Trading Procurement Platform" system of the TATNEFT Company
	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 the TATNEFT Company's trading procurement platform
	Provisions on the organization, execution, and automated record keeping of claim-related work in the TATNEFT Company
	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 TATNEFT Company facilities
	Corporate standard "Requirements on environmental safety for the organizations involved in providing works and services at the TATNEFT Company's facilities"
	Standard for the interaction of TATNEFT Company with external service providers during service rendering
	Standard for the investment and technical policy of the TATNEFT Company for diversification and quality enhancement of oil services
	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 the TATNEFT Company
	Provisions on service for ordering of information technologies at the TATNEFT Company
Consumers	Provisions on tenders for the submission of goods supply, work performance, and service rendering orders according to the needs of TATNEFT Company
	Regulation on pre-tender and post-tender activities concerning goods supply, work performance, and service rendering according to the needs of the TATNEFT Company
	Provisions on the marketing assessment of materials and equipment with regard to the TATNEFT Company logistics
	Provisions on the TATNEFT trademark and its use
	Standard for production control over products and manufacturing processes
	Standard for final inspection and products testing
	Procedure for reviewing of claims and requests submitted by tire products consumers
	Procedure for the collection and processing of information on consumers satisfaction
	Rules for service rendering at filling stations
	Rules of the TATNEFT Company's trade practice in respect of diesel fuel realization in the Russian Federation
Local Communities and Public Organizations	Agreements with municipal administrations of the cities and settlements in activity regions
	Provisions on work with boarding schools graduates and orphaned students of specialized education establishments
	Specialized corporate project of the TATNEFT Company aimed at the support for small and medium-sized business development in the Republic of Tatarstan
	Provisions on the participation of the TATNEFT Company in public organizations

DECLARATION OF THE TATNEFT COMPANY ON INTERACTION WITH CUSTOMERS

ENHANCEMENT OF INTERACTION QUALITY AND ESTABLISHMENT OF LONG-TERM RELATIONSHIPS WITH CONSUMERS ARE TOP PRIORITY TASKS IN THE CREATION OF THE COMPANY’S COMPETITIVE ADVANTAGE FORMED ON THE BASIS OF PRODUCT QUALITY CONTROL SYSTEM, HIGH LEVEL OF SERVICE AND RAISING OF THE CONSUMERS’ AWARENESS. 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 are as follows:

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. PJSC 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 2015.

Information acquisition. The Company ensures consumers’ access to full, accurate and understandable information, which facilitates information-based decision-making according to their 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 2015.

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. The Company 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. PJSC 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 2015.

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 2015. 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.

DECLARATION OF THE TATNEFT COMPANY ON HUMAN RIGHTS OBSERVANCE

THE ACTIVITY OF PJSC TATNEFT IS BASED ON THE RECOGNITION AND OBSERVANCE OF HUMAN RIGHTS. THE COMPANY OBSERVES ALL LABOR RIGHTS OF ITS EMPLOYEES STIPULATED BY THE INTERNATIONAL LABOR ORGANIZATION (ILO) AND RUSSIAN LEGISLATION. THE COMPAY RESPECTS EMPLOYEES’ RIGHT TO FORM UNIONS AND RIGHT TO HOLD COLLECTIVE BARGAINING. IN PJSC TATNEFT, THESE RIGHTS ARE EXERCISED BY PARTICIPATION OF EMPLOYEES IN THE TRADE UNION ORGANIZATION’S ACTIVITY AND FORMATION OF THE COLLECTIVE AGREEMENT.

The Company does not exploit forced or compulsory labor. Moreover, the Collective Agreement of PJSC TATNEFT stipulates the employee’s right to refuse unsafe work, in case of faulty equipment or conditions, which can cause emergencies, 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, childbirth 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, PJSC TATNEFT does not carry out any activities exploiting child labor.

Inspection on observance of employees’ rights are conducted on a regular basis, measures are implemented on prevention of violation of rights.

INDUSTRIAL SAFETY AND ENVIRONMENTAL POLICY

ISO 14001:2004

COMPANY ENVIRONMENTAL COMPLIANCE

OHSAS 18001:2007

COMPANY OCCUPATIONAL HEALTH AND SAFETY COMPLIANCE

828,3

MLN RUBLES

INVESTED IN FIXED
CAPITAL TO PROTECT
ATMOSPHERIC AIR

ENSURING INDUSTRIAL AND ENVIRONMENTAL SECURITY, OCCUPATIONAL HEALTH AND NATURE CONSERVATION

Industrial safety management system

The Company carries out its health, safety and environment activities in compliance with the international environmental standards ISO 14001:2004 and occupational health and safety OHSAS 18001:2007 in the context 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 Health, Safety and Environment Program to prevent injuries, reduce risks and accidents, and contingent losses for 2013 through 2015.

Main activities of Health, Safety and Environment Program to prevent injuries, reduce risks and accidents, and contingent losses for 2013 through 2015.

Item No.	Activities	2015 amount, ths rubles
1.	Decommissioning, renewal, reconstruction, modernization of facilities, technological equipment, technical devices and alarm warning and protection facilities	1 665 805.9
2.	Diagnostics, service and preventive maintenance	487 872.3
3.	Advanced and safe technology application	35 479.1
4.	Construction and expansion of amenities and other utility facilities	17 022.4
5.	Furnishing workers with personal protective equipment	82 862.1
6.	Training and skills development	78 133.8
7.	Industrial safety and health activity improvement	801.1
8.	Hazard and risk management, prevention of injuries, reduction of accidents, risks and contingent losses	10 467.3

This year, 165 mln rubles are to be spent to implement the Company's Fire Safety Activities for 2011 through 2015. In 2015, there was no fire in the Company.

The PJSC 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 key element of the integrated health, safety and environment management system is the industrial control to prevent accidents and incidents and to ensure preparedness of the Company'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 Health, Safety and Environment Department including the Industrial Safety and Occupational Health Group functioning in the Company. The Regulation on industrial control over compliance with industrial safety at TATNEFT's hazardous production facilities is in effect providing for the key specialists and employees from the production and technical services and departments to be involved in preventive measure arrangements.

Occupational health and safety spending over time including per employee

Year	Occupational health and safety spending, ths rubles	Occupational health and safety spending per employee, rubles
2011	265 780.4	12 635
2012	319 827.3	15 122
2013	329 659.0	15 863
2014	365 824.6	17 851
2015	478 135.8	23 171

The company assesses the workplaces with regard to working conditions followed by the health and safety compliance certification. To date, the health and safety compliance certificates have been granted to 12 structural divisions of the Company. The headcount working at the certified workplaces made 4 601 people in 2015, including 1 644 women.

COMPANY HAS BEEN IMPLEMENTING ITS TARGETED PROGRAMS TO ENSURE SAFE WORKING ENVIRONMENT, PROTECT HEALTH OF ITS PERSONNEL AND PEOPLE LIVING WITHIN COMPANY'S OPERATING AREAS, MITIGATE MANMADE IMPACT ON ENVIRONMENT AND MAINTAIN SUSTAINABLE USE OF NATURAL RESOURCES.

Employees' Health Care

The employees' health care is ensured through integrated system of health care delivery, prevention of occupational accidents and diseases, as well as support healthy lifestyles among employees, including:

- accounting and analysis of employees' disease incidence of;
- monitoring of working conditions and rest;
- regular medical examinations;
- mplementation of disease prevention programs, including vaccination and health resort treatment;
- control of conditions of dining-rooms and personnel facilities conditions;
- recreational activities;
- encouraging healthy lifestyles.

A great deal of attention is paid to the sanitary and amenity conditions. The permanent committees of the operating divisions according to approved schedules check sanitary and amenity facilities as regards to their technical condition, furniture availability and esthetic look. Upon entering employment preliminary and subsequently regular medical examinations of the personnel engaged in hard labour, harmful and hazardous jobs, and in transport play an important role to reduce incidence of disease. In 2015, not a single case of occupational disease was recorded among the employees of the Company.

Providing with personal protective equipment

The personnel who work in hazardous or dangerous working conditions or in special temperature and pollution-related environment are given certified special protective outfit, shoes and other personal protective equipment, washing agents and detergents as established by standard norms. In 2015, the Company's spending to provide employees with personal protective equipment made 82 862.1 thousand rubles.

The employees with a high occupational disease risk, i.e. those, who are busy in workplaces of 3.1, 3.2, 3.3, 3.4 hazard classes based on dangerous and harmful factors of production environment and working process, are provided with all guarantees and compensations as stipulated by the Labour Code of the Russian Federation.

Occupational Safety and Health Committee

Since 1997, the Occupational Safety and Health Committee has been in place and effect in PJSC TATNEFT, including on a parity basis the representatives of the employer and the trade union committee. The committee consists of 10 people. The main tasks of the Committee is monitoring the state of conditions and safety and health in the workplaces, providing workers with personal protective equipment, compensation for work in harmful and (or) hazardous working conditions, assessment of risks to workers' health and development of measures to prevent occupational accidents and diseases. The PJSC TATNEFT Occupational Safety and Health Committee holds its meetings quarterly.

In order to provide support to the authorized occupational safety and health representatives the Guidelines for exercising the public oversight of occupational safety and health" were developed. Regulations on the PJSC TATNEFT trade union authorized occupational safety and health representatives were adopted, the PJSC TATNEFT Trade Union Authorized Occupational Safety and Health Representative distinguishing badge was designed and made. Every year, the Company holds a competition "Best Authorized Occupational Safety and Health Representative of the PJSC TATNEFT". The winners successfully represent PJSC TATNEFT in competitions of the Republic and industry levels.

Occupational Safety and Health Agreement

In accordance with the Labor Code of the Russian Federation and the Occupational safety and health activities planning guidelines (Annex to the Resolution of the Russian Federation Ministry of Labor dated 02.27.95 No. 11) every year in the structural units of PJSC TATNEFT the occupational Safety and Health Agreements are signed between the employer and the trade union organization, which is the Annex to the Collective Agreement of PJSC TATNEFT. They specify labor protection measures, timing of their implementation, cost of work, responsible people for implementation of measures, the person as well as the number of employees, whom the working conditions are improved for, and the number of workers released from physically demanding jobs.

Environmental management system

The PJSC TATNEFT environmental safety activities are carried out in accordance with the federal law requirements and in compliance with all applicable environmental rules and regulations, taking into account the international, federal and regional regulation requirements, internal regulatory documentation and the PJSC TATNEFT Health, Safety and Environment Policy.

As the third JSC TATNEFT Environmental Program for 2000 through 2015 was completely over and in order to provide further compliance with the norms and requirements of the Federal laws as regards to environment conservation, ISO 14001:2004 international standard, as well as achieve environmental goals and fulfil commitments to protect the environment as determined by the Health, Safety and Environment Policy of PJSC TATNEFT, the corporate program documents were developed and approved in 2015:

- PJSC TATNEFT Ecological Strategy up to 2020;
- PJSC TATNEFT Ecological Strategy for 2016 through 2020.

The Fundamental Principles of the PJSC 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 industrial and environmental safety priorities;
- giving priority to preventive measures over response actions to eliminate negative environmental impacts.

Certified in 2006, the PJSC TATNEFT Integrated Health, Safety and Environment Management System (hereinafter – ISM HSE OS) successfully passed in 2015 through the re-certification audit for compliance with the international standards ISO 14001:2004 and OHSAS 18001:2007. The audit was carried out by the specialists of JSC Bureau Veritas Certification Russia.

Pursuant to the standard ISO 14001:2004 the PJSC TATNEFT’s Environmental Management System has been certified for compliance with, the Company uses a methodology of “sequential procedures” that provides for subsequent actions to be taken based on the data obtained according to the previous level results.

In 2015, in the course of fulfillment of the extended third Environmental program anticipated for a period from 2000 through 2015, PJSC TATNEFT continued its goal-oriented and consistent work to improve environmental security and technological processes of oil production.

PJSC TATNEFT sets the following goals:

- ensuring safe working conditions, protecting health of workers and people living in the areas of the Company’s operations;
- reduction of man-made impact on the environment
- rational use of natural resources

Realizing the health, safety and environment goals provides for the Company to accomplish the following objectives:

- 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

The Company is committed to:

- ensure compliance with current legislation, industrial, corporate and local regulations governing the Company’s health, safety and environment activities as well as other related external requirements the Company has committed to be met;
- identify and assess industrial hazards and risks, work out measures to manage and mitigate significant operational risks;
- identify and eliminate occupational hazards at workplaces during its operations;
- take all possible measures to prevent the environment pollutions;
- carry out a set of preventive measures to prevent a possibility of emergency situations, and should it happen take measures to mitigate the emergency situation impact on the environment;
- carry out a set of measures to prevent injuries and occupational diseases;
- provide health, safety and environment training and skill development of the Company’s personnel;
- require that the contractors carrying out work at production facilities of the Company comply with the health, safety and environment requirements existing in PJSC TATNEFT;
- maintain an open dialogue with all the Company’s stakeholders in health, safety and environment activities;
- attain and continuously improve the Company’s health, safety and environment performance;
- maintain and continuously improve the Integrated Management System related to the health, safety and environment;
- ensure compliance with the Integrated Management System to international occupational health and safety standards OHSAS 18001: 2007 and the environmental guidelines ISO 14001:2004;
- report to the public on the Company’s health, safety and environment activities.

Industrial Environmental Monitoring

The PJSC 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:

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

The basic system-wide documents for the PJSC TATNEFT industrial environmental monitoring are the following standards:

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

The scientific and methodological support for the Company’s environmental activities is provided by TatNIPlneft Institute along with a number of other research institutions and universities of Tatarstan and the Russian Federation.

Environmental security measures

PJSC TATNEFT is particularly focused on the environmental activities to reduce harmful emissions into the atmosphere, discharges of pollutants into groundwater and surface water, soil and subsoil as well as to ensure compliance with the established norms of permissible impact on the environment.

Primarily, all these are ensured by maintaining the technical condition of the oil-field equipment at the appropriate level and implementing advanced and innovative environmental technologies as well as through the activities, such as:

- Implementation of the technology to capture light hydrocarbon fractions released from storage tank equipment (vapor recovery units);
- 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 cross-flows;
- 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 and cathodic protection of casing wells.

Oilfield Equipment Reliability Improvement

In 2015, to ensure stable and trouble-free operation of the production facilities while improving their industrial and environmental safety the Company manufactured 848.529 km of corrosion-resistant pipes (polymer coated steel pipe). Cathodic protection was applied to 1 007 well casings; 559.452 km of pipelines were furnished with electrochemical protection. The diagnostic examination was done in the amount of 2 439.353 km of pipelines.

In order to protect the oilfield equipment and pipelines against corrosion the Company tested and adapted dozens of chemical reagent brands. The high-efficient corrosion inhibitors in the quantity of 5 470.997 tonnes were used in 2015. The domestic corrosion inhibitor SNPH-6201A was commercially tested as part of the import substitution program.

The inner surfaces of 195 process tanks (vertical stainless steel tanks and horizontal flow settling tanks) were lined with anticorrosion coating at the crude oil gathering and treatment facilities of the oil and gas field operating divisions. 45 vertical steel tanks were repaired. 360 bullet tanks and 119 vertical steel tanks were gone through diagnostic tests.

In order to protect the land, surface and underground waters 138.38 km of oil pipelines for the oil gathering and treatment system and 96.93 km of water lines for the reservoir pressure maintenance system were overhauled using corrosion-resistant pipes.

Atmospheric Air Protection and Monitoring

In 2015, a good deal of work was accomplished with regard to active electrochemical protection, delivery of corrosion inhibitors, use of corrosion-resistant tubular to replace gas pipelines as well as major repair (replacement) of worn out sections.

In 2015, in order to comply with the established limits of maximum permissible emission of pollutants into the air and further reduce the emissions:

- major repairs were accomplished for 16.51 km of gas pipelines. The total costs amounted to 132.635 mln rubles;
- reconstruction of the NGDU Jalilneft's flare facilities of the booster pump station DNS-32 was completed that will provide soot-free combustion. The investments totaled 9.695 mln rubles;
- reconstruction (replacement) of the vapor recovery units at the Aktashskoe Tank Farm of NGDU Elkhovneft completed. The investments amounted to 33.857 mln rubles. The vapor recovery units are scheduled to be brought into operation for 2016;
- oil heating furnaces with waste-heat exchangers were installed at the Kama-Ismagilovsky Sour Crude Oil Treatment Facility of NGDU Leninogorskneft. The investments amounted to 65.607 mln rubles including 8.651 mln rubles in 2015. The furnaces are scheduled to be brought into operation for 2016;
- separation and pumping unit of associated petroleum gas of the 2nd stage separation was under construction along with reconstruction of the NGDU Yamashneft's booster pump station DNS-210. The investments amounted to 69.707 mln rubles including 59.374 mln rubles in 2015;
- Tatneftgazpererabotka Division's Minnibaevovo associated petroleum gas desulfurization facility reconstruction continued. The investment totaled 111.972 mln rubles in 2015;
- reconstruction of associated petroleum gas desulfurization facility started at
- the Minnibaevovo Gas Processing Plant of the Tatneft-gazpererabotka Division.
- The investments amounted to 10.802 mln rubles in 2015;
- reconstruction of the plant-wide flare system started at the Minnibaevovo Gas Processing Plant of the Tatneft-gazpererabotka Division. The total investment amounted to 83.557 mln rubles in 2015.

To ensure compliance with the requirements for establishing the maximum permissible emission limits and meeting the requirements for granting the emission permits, the reconstruction of the booster pumping station DNS-2 "Vishnevaia Poliana" and the Sour Crude Oil Treatment Facility UPVSN-2 "Kutema" began in NGDU Nurlatneft in 2015. The amount of investments totaled 14.856 mln rubles in 2015. The newly constructed gas gathering network will be as long as 122 km and the 1st and 2nd stages gas pipelines construction cost is estimated to amount to more than 1.8 bln rubles. The gross pollutant emissions into the atmosphere in 2015 amounted to 83 868. 674 tonnes, which was 8 434.16 less than that of 2014. In 2015, the specific emissions per tonne of oil production made up 3.115 kg. As a result of implementation of air protection measures across the Company for the last 20 years the total emissions of pollutants into the air from stationary sources had decreased by 1.2 times. Application of light hydrocarbon fraction capture technology (vapour recovery units) decreased the carbon emissions by more than 3.5 times as compared with the emissions in 1991. Currently, the PJSC TATNEFT's facilities operate 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. In 2015, PJSC TATNEFT produced 946 941 ths m³ of APG, gathered and utilized 899 538 ths m³, flared 47 403 ths m³.

For the purpose of fulfilling the schedules to monitor the established standards of maximum permissible emissions of pollutants into the air PJSC TATNEFT carried out the instrumental measurements on 346 stationary emission sources and ran 3 701 analyses in 2015.

In order to monitor compliance with the sanitary norms and regulations for air protection in the populated areas, as well as part of substantiation (defining) of the sanitary buffer zone sizes the atmospheric air was monitored in the human settlements located within the area of the Company's operations and sanitary buffer zones of the production facilities. There were 338 monitoring points. During the activities 15 173 analyses were performed to determine the current state of the atmospheric air.

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.

Water conservation and sustainable use

In 2015, a considerable amount of efforts was made to improve reliability of various-application pipelines and well designs. 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.

To ensure water resources conservation and their rational management:

- the reconstruction of modular sewage treatment units for the circulation water supply system of gas processing facilities continued at the Tatneftegaspererabotka Division. In 2015, the investments amounted to 34.811 mln rubles;
- reconstruction of the car wash facility with circulating water supply and three-stage wastewater treatment was finished at the central base of the Automobile Transport Enterprise (ATE) of PJSC TATNEFT. The total estimated cost of the reconstruction amounted to 24.460 mln rubles including 1.690 mln rubles in 2015.

The highly reliable packers and corrosion-resistant tubings were continued to be installed to ensure conservation of subsoil and fresh groundwater resources. In 2015, packers were run and set in 524 injection wells and corrosion-resistant tubing was used in 294 injectors. Totally, since the beginning of installation, the operating injection well stock equipped with packers of various designs and corrosion-resistant tubings had accounted for over 69% and 90%, respectively.

In 2015, the stormwater sewer systems were installed at 250 oilfield facilities of NGDUs. The amount of investments totaled more than 50.9 mln rubles.

PJSC TATNEFT ensures water management in compliance with the Water Code of the Russian Federation and the Federal Law "On Subsoil". In 2015, the use of surface water bodies was carried out on the basis of 63 water use agreements concluded with the Ministry of Ecology and Natural Resources of the Republic of Tatarstan (including 48 agreements made in 2015) and 7 resolutions on assignment for use of surface water bodies. In 2015, PJSC TATNEFT performed the underground water abstraction operations on the basis of 51 subsoil use licenses.

Thanks to implementing a variety of EORs and water sustainable use technologies, the quarterly amount of fresh water intake for reservoir pressure maintenance (RPM) for the period from 2000 to 2015 had decreased by 18.4 mln m³ (1.6 times). Moreover, 100% produced water during oil production and oil treatment operations was re-injected back into reservoir.

The volume of water utilized in 2015 for PJSC TATNEFT's own needs amounted to 29.081 mln m³, including fresh water in quantity of 28.565 mln m³. The specific amount of fresh water consumption per tonne of crude oil production amounted to 1.061 m³ (1.077 m³ in 2013 and 1.078 m³ in 2014).

In 2015, the specific amount of polluted waste water discharged into surface water bodies per tonne of oil production amounted to less than 0.0035 m³ (less than 0.005 m³ in 2013 and less than 0.004 m³ in 2014).

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 that 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.

In the course of industrial control of environmental protection, totally in 2015, the Company carried out 110 thousand analyses of natural water, including 10,554 chemical analyses of water samples that were run by the OOO UPTZH dlya PPD's chemical-analytical laboratory. Based on the results of laboratory studies, in 2015, within the area of the Company's operations the water quality in major rivers 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 concentrations (MPC) of harmful substances. Now the concentrations of these harmful substances are steadily lowering in the groundwater.

In 2015, 49.9 mln rubles were spent to provide the residents with clean drinking water in the region.

Conservation and Sustainable Use of Land and Forest Resources

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 earth pits as well as provides reliable protection of fertile lands on well-site area against contamination from drilling fluids and formation waters.

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 techniques.

In 2015, 1,498 hectares of land were reclaimed during the construction of pipelines and other oil facilities.

In order to create a favourable environment within its operating area and higher greenhouse gas absorption, starting from 2000, PJSC TATNEFT has been realizing special activity programs for planting of greenery in by-road lanes along highways and oilfield roads in the oil producing regions of Tatarstan.

TO MAINTAIN SUSTAINABLE USE OF WATER RESOURCES THERE ARE 62 WATER METERING UNITS OPERATING AT WATER INTAKE STRUCTURES (SURFACE AND GROUNDWATER) INCLUDING FIVE (5) WATER METERING UNITS INSTALLED DURING YEAR UNDER REPORT. ALL SEWAGE TREATMENT UNITS (TATNEFTEGAZPERERABOTKA DIVISION, NGDU ELKHOVNEFT) ARE EQUIPPED WITH DISCHARGED WASTEWATER METERING DEVICES.

THERE IS A NETWORK OF LOCAL OBSERVATION POINTS TO MONITOR WATER BODIES IN PLACE WITHIN PJSC TATNEFT LICENSE AREAS. CURRENT OBSERVATION SYSTEM CONSISTS OF 1,910 SAMPLING POINTS. THIS INCLUDES 491 OBSERVATION POINTS TO MONITOR SURFACE WATER BODIES (RIVERS, WATER RESERVOIRS) AND 1,419 OBSERVATION POINTS FOR UNDERGROUND WATER BODIES.

IN 2015, FOR TWENTIETH CONSECUTIVE TIME SINCE 1995 PJSC TATNEFT HAD ORGANIZED AND HELD ANNUAL CONTEST «MAINTAINING BEAUTY OF LANDSCAPED SPRING SITES AND IMPROVING WATER QUALITY». COMPANY WITH EFFORTS OF ITS DIVISIONS CLEARED, CAPTURED AND ARCHITECTURALLY REFURBISHED MORE THAN 500 SPRING SITES WITHIN ITS OPERATING AREA. SIGNIFICANT SOCIAL PROJECT OF RECENT YEARS HAS BEEN PROVIDING LOCAL COMMUNITY WITH CLEAN DRINKING WATER.

TATNEFT'S PERSONNEL HAD TRANSPLANTED OVER 442 THOUSAND SEEDLINGS OF TREES AND SHRUBS INCLUDING 15,194 SEEDLINGS IN 2015. IN 2015, YEAR OF PARKS AND SQUARE GARDENS IN TATARSTAN, COMPANY LAUNCHED ANOTHER LARGE-SCALE PROJECT TO CREATE GREEN AREAS, PARKS AND ALLEYS WITHIN MAIN OPERATING AREA. AS PART OF PROJECT, MORE THAN 11 THOUSAND TREES WERE PLANTED IN ALMETYEVSK MUNICIPAL DISTRICT.

Production and consumption waste handling activities

One of the PJSC TATNEFT environmental priority is to reduce the man-induced impact on the environment through selective accumulation, collection and disposal of wastes generated in oil production processes.

The Company established a complex system to collect and recycle production and consumption wastes. Moreover, the wastes are used as a raw material for producing marketable products.

In 2015, PJSC TATNEFT carried out the hazardous waste handling activities based on the license to carry out activities for waste detoxification and disposal of I-IV classes of danger No. 16-00125 dated 27.06.2014a issued by the Federal Service for Supervision over Natural Resources Management (Rosprirodnadzor).

In order to comply with the new requirements of the Federal Law “On Production and Consumption Waste” entering into force on 01.07.2016, PJSC TATNEFT was granted the license No. RPN 16-00158 dated 31.12.2015a to carry out activities related to collection, transportation, processing, recycling, disposal and disposal of I - IV classes of danger waste.

In order to ensure more complete collection of household solid waste (HSW) generated from daily living activities of the residents of the settlements within the PJSC TATNEFT’s operating area, the Company financed the purchase of special MSW containers totaling 5.014 mln rubles in 2015.

The total production and consumption wastes generated 2015 amounted to 61 205.8 tonnes (75 327.4 tonnes in 2014). The specific waste volume generated in 2015 per tonne of crude oil was 2.273 kg (2,873 kg in 2014).

Oil Spill Emergency Prevention and Response System

The system of prevention and response to emergency situations (ES) due to oil spills and protection of people and the environment from their harmful impact is implemented in PJSC TATNEFT in two focus areas: complex of engineering and organizational measures, which are aimed at enhancing production equipment reliability, timely oil spill detection and minimizing resulting damages as well as a set of measures to immediately respond to this type of emergency. Pursuant to the RF Government Regulations No. 613 from 21.08.2000 “On urgent measures to prevent and eliminate of oil spills and petroleum products” and No. 240 dated 15.04.2002 “On procedure for organizing measures to prevent and eliminate oil and petroleum products spills in the Russian Federation”, the “Oil spills prevention and response plans” were developed at the PJSC TATNEFT’s structural units in accordance with the established procedure, which were approved by the Emergency Ministry of the Russian Federation.

Volunteer emergency rescue teams were formed in the oil and gas field operating divisions of PJSC TATNEFT with the right to perform oil spills localization and elimination and gas hazardous works, which were attested by the departmental certification commission. The teams are staffed by trained personnel, equipment and special facilities sufficient for localization and elimination of oil spills (skimmers to collect oil and petroleum products from water surfaces, booms, special equipment mounted on all-terrain vehicles, pumps, tank trucks, vacuum units, cranes, trucks, excavators, bulldozers, as well as equipment and materials as required by the regulations).

The irreducible material stocks were secured including for elimination of oil spills in water bodies, there were available 1900 meters of booms, 15 skimmers and 10 tonnes of sorbent. Over 600 stationary oil recovery facilities, booms and bio-ponds were maintained to prevent oil pollution of surface water bodies (rivers) and water basins (reservoirs) in the working condition.

Environmental culture fostering and environmentalists training and development

In accordance with PJSC TATNEFT’s commitment to maintain an open dialogue with all stakeholders with regard to the Company’s environmental activities the bulk information is made available to the public by wide media coverage including print and electronic media of topical articles, stories, press releases and other materials.

PJSC TATNEFT makes a lot of efforts for education and awareness-building of the younger generation. Since 2008, a contest of children’s drawings under the theme “As long as the Nature is alive and so am I!” has been held for children in southeastern part of Tatarstan. Since 2010, environmental special project of animated films “The Adventures of Neftyashi and her friends” has been realizing to raise environmental responsibility, promote kindness and foster love of country at a very young age.

In 2015, 137 employees of PJSC TATNEFT’s structural subdivisions were trained in a 112-hour program “Professional training of persons to have permit for hazardous waste management” to ensure environmentally sound management of waste production and consumption. In addition, 22 employees of the Company were trained in 72-hour program “Ensuring environmental safety by managers and specialists of general business management systems”. The total training spending amounted to more than 1 mln rubles.

ENVIRONMENTAL INITIATIVES OF TATNEFT COMPANY ARE HOT TOPICS AT PANEL DISCUSSIONS WITH PARTICIPATION OF PARTNERS, EXPERTS, LOCAL COMMUNITIES AND MASS MEDIA. ACTIVE INFORMATION SUPPORT FOR ENVIRONMENTAL PROJECTS IS PROVIDED THROUGH PRINT MEDIA, INTERNET RESOURCES AND TV.

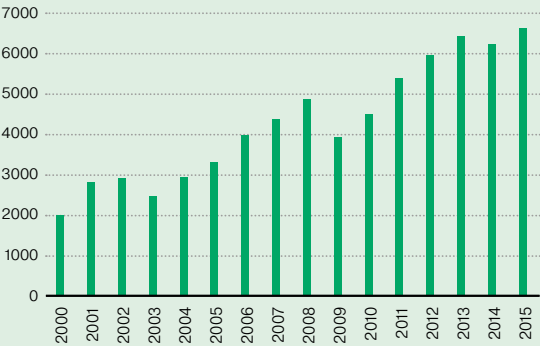
Funds committed to ensure ecological safety and environmental protection

PJSC TATNEFT’s total investments in environmental safety activities by all sources of funding (Opex and Capex) in 2015 amounted to 6 641.725 mln rubles including the investments assigned for environmental protection and rational use of natural resources in the amount of 937.946 million rubles.

The specific amount of funds allocated by the Company to ensure ecological security and environmental protection per tonne of crude oil production amounted to 246 rubles (208 rubles in 2011, 230 rubles in 2012, 246 rubles in 2013, 238 rubles in 2014).

RESULTS OF LARGE-SCALE ENVIRONMENTAL MEASURES SHOWED THAT IN 2015 MAN-INDUCED IMPACT ON ENVIRONMENT IN PJSC TATNEFT’S OPERATING AREA DID NOT EXCEED SELF-REGENERATION POTENTIAL OF ECOSYSTEMS. THAT WAS EVIDENCED BY LOWER CONCENTRATION OF POLLUTANTS IN AIR AND UNDERGROUND AND SURFACE WATER SOURCES.

SPENDING FOR ENVIRONMENTAL, SAFETY AND SUSTAINABLE USE OF NATURAL RESOURCES, MLN ROUBLES



STRATEGY IMPLEMENTATION

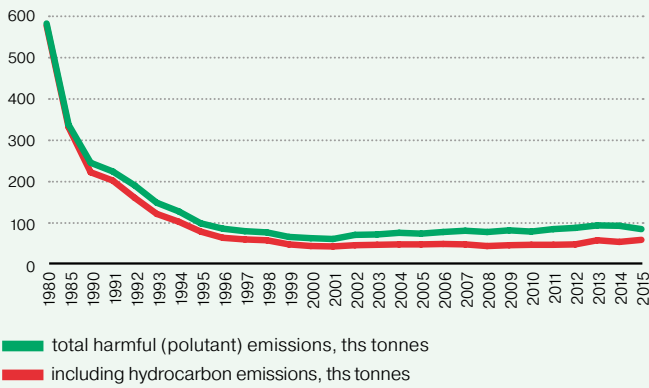


PUBLIC RECOGNITION

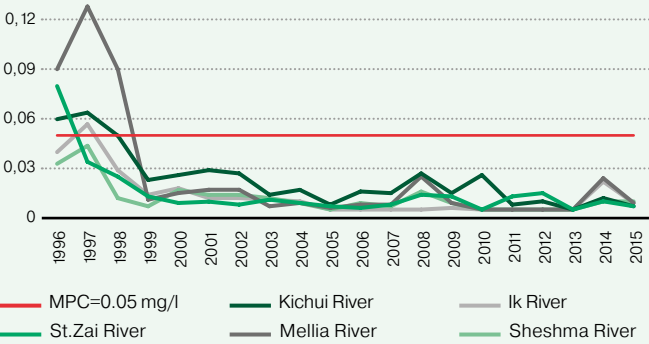
In 2015, the results were summarized with regard to PJSC TATNEFT’s participation in the federal and republican contests where the Company successfully positioned its achievements in ensuring environmental safety at its oil production facilities:

- As part of celebration of the June 5th Day of Environmentalist, the Non-governmental Environmental Fund named after V.I. Vernadsky awarded PJSC TATNEFT with a diploma “For active participation in All-Russian Ecological Saturday Work “Green Spring-2015” for outstanding contribution to the environment improvement and environmental education” as well as commemorative prize “Green Spring-2015”.
- For the 12th time in a row, PJSC TATNEFT was recognized as the absolute “ECOLEADER” in the Republic of Tatarstan.

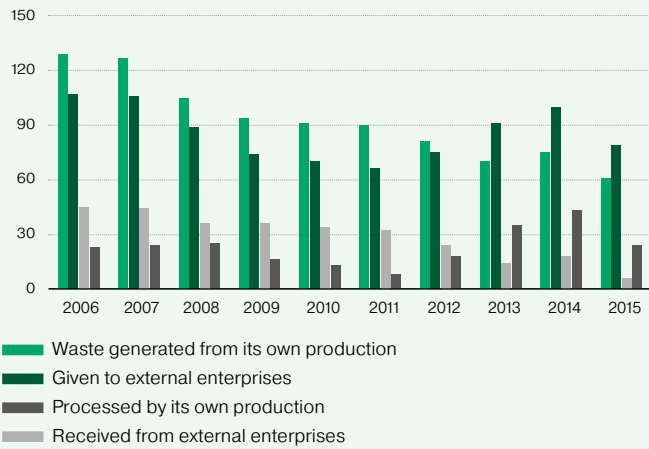
PJSC TATNEFT HISTORY OF POLLUTANT EMISSIONS INTO THE ATMOSPHERE FROM STATIONARY SOURCES (THS TONNES)



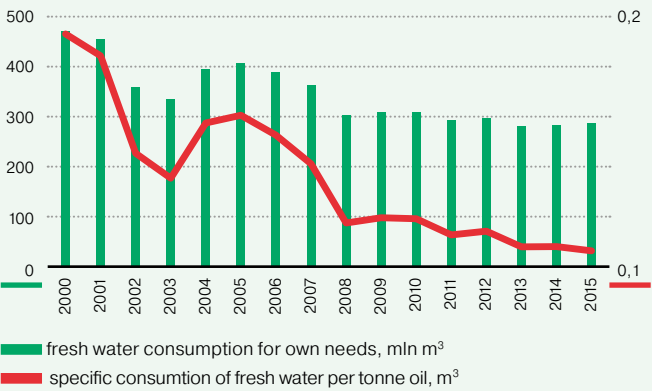
DISSOLVED AND EMULSIFIED CONTENT OF CRUDE OIL AND PETROLEUM PRODUCTS BY YEAR (ANNUAL AVERAGE VALUES, MG/L)



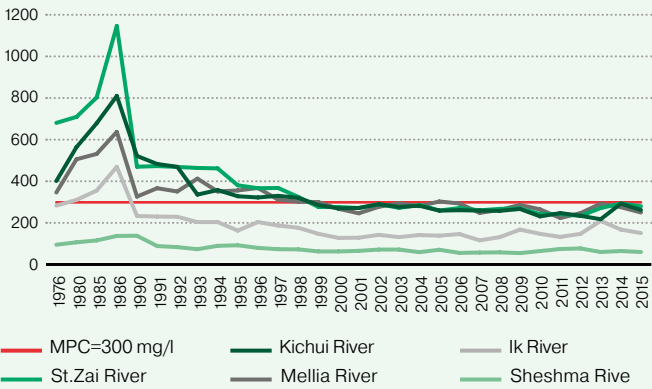
PJSC TATNEFT WASTE GENERATION AND MANAGEMENT



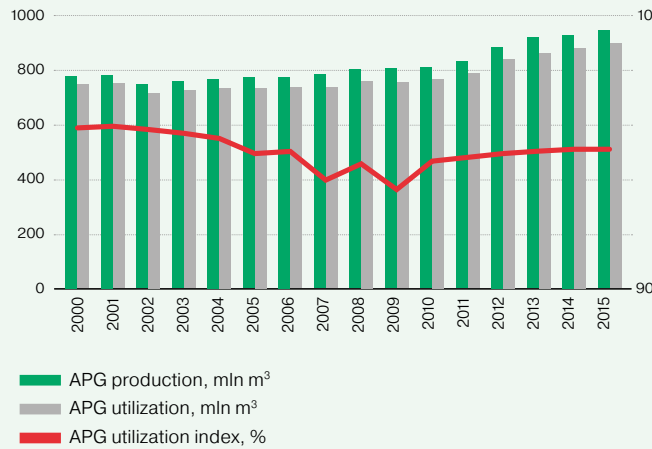
PJSC TATNEFT HISTORY OF FRESH WATER CONSUMPTION FOR PRODUCTION NEEDS AND RESERVOIR PRESSURE MAINTENANCE



CONTENT OF CHLORIDE IONS IN MAJOR RIVERS WITHIN PJSC TATNEFT OPERATING AREA (MG/L)



PJSC TATNEFT ASSOCIATED PETROLEUM GAS (APG) UTILIZATION



PJSC TATNEFT Environmental, Safety and Sustainable Nature Management Performance for 2014-2015

No.	Performance Indicators	Unit of Measure	Report	
			2014	2015
1	Gross harmful emissions, total including:	tonnes	92 302.838	83 868.674
	solid substances	tonnes	2 813.945	1 246.623
	gases and liquids	tonnes	89 488.893	82 622.051
	of which:			
	sulphur dioxide	tonnes	10 251.946	9 474.642
	carbon oxide	tonnes	24 289.704	12 749.562
	nitrogen oxide (on conversion to NO2)	tonnes	1 359.606	1 407.619
	hydrocarbons (without volatile organic compounds)	tonnes	11 298.310	10 258.428
2	Associated petroleum gas production	mln m³	931.430	946.941
3	Associated petroleum gas utilization	mln m³	883.636	899.538
4	Associated petroleum gas utilization rate	%	95.17	95.17
5	Associated petroleum gas flared	mln m³	47.793	47.403
	Including due to scheduled maintenance of lifting equipment	mln m³	2.778	1.651
6	withdrawal and production of clean water for Company's own needs, total Including from:	ths m³	28 273.52	28 565.03
	surface sources	ths m³	1 192.22	1 541.1
	subsurface sources	ths m³	844.56	974.71
	other sources	ths m³	26 236.74	26 058.87
7	Waste water received from third parties	ths m³	590.28	515.6
8	Clean water consumption, total including for:	ths m³	28 273.52	28 565.03
	household and drinking needs	ths m³	780.69	881.58
	production needs	ths m³	5 294.45	7 867.95
	other (injection for reservoir pressure maintenance)	ths m³	22 198.38	19 815.5
9	Waste water used for reservoir pressure maintenance	ths m³	590.28	515.6
10	Recycled water volume	ths m³	91 179.18	91 180.28
11	Sequentially reused water volume	ths m³	118 964.29	143 491.33
12	Existing wastes			
	at year beginning, total	tonnes	1.8	0.8
	year end, total	tonnes	0.8	0.8
13	Wastes generated during year	tonnes	75 327.4	61 205.8
	including oil sludges (III class of hazard)	tonnes	32 154.5	35 274.8
14	Wastes use, total	tonnes	17 445.8	61 76.4
	including oil sludges (III class of hazard)	tonnes	1 388.0	2 607.8
15	Detoxification of wastes on enterprise site, total	tonnes	490.1	148.5
	including oil sludges (III class of hazard)	tonnes	88.6	146.1
16	Wastes given to third parties, total	tonnes	99 960.6	78 505.7
	including oil sludges (III class of hazard)	tonnes	30 677.9	34 488.9

17	Disturbed land area:			
	at year beginning	ha	317	261
	at year end	ha	261	325
18	Remediated land area during year	ha	1 643	1 498
19	Process loss of hydrocarbons:			
	oil	tonnes	9 304	9 603.9
	natural gas	m3	0	0
20	Charges for negative impact on the environment, total including:	ths rub	97 437	198 235
	pollutant emissions:	ths rub	4 514	102 929
	normative	ths rub	4 514	4 752
	Excess	ths rub	0	98177
	pollution discharges into water bodies:	ths rub	83 627	86 381
	normative	ths rub	83 585	86 370
	Excess	ths rub	42	11
	waste disposal:	ths rub	9 296	8 925
	normative	ths rub	9 288	8 920
	Excess	ths rub	8	5
21	Amounts (suits) and fines charged to indemnify for damages caused by non-compliance with environmental legislation, total	ths rub	462	1 433
22	Charges for use of water bodies (water use charge) based on water use contracts	ths rub	407.516	517.045
23	Fixed capital expenditures committed to environment protection and sustainable natural resources management:			
	actual, total	ths rub	429 261.9	937 945.9
	including:			
	water bodies conservation	ths rub	69 786.4	34 811.6
	air protection	ths rub	241 684.8	828 305.9
	protection of lands from production and consumption wastes	ths rub	0.0	0.0
	land reclamation	ths rub	117 790.7	74 828.5
24	Current (operating) expenditures for environment conservation and expenditures for major repairs of fixed production assets related to environment conservation, total:	ths rub	5810772	5703779
	including:			
	air protection and climate change control	ths rub	394 173	370 168
	waste water collection and treatment	ths rub	116 997	133 486
	waste handling	ths rub	148 063	157 045
	conservation and remediation of lands, surface and subsurface waters	ths rub	5 070 179	4 937 652
	environment protection from noise, vibration and other types of physical effects	ths rub	0	0
	biodiversity preservation and natural areas conservation	ths rub	24 174	27 924
	environmental radiation protection	ths rub	970	1 143
	research and development activities to mitigate human impact on the environment	ths rub	54 238	74 516
	Other environmental activities	ths rub	1 979	1 845

GRI G4 TABLE

GRI G4 Indicator		Pgs., comments
Strategy and Analysis		
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G4-2	Description of key impacts, risks and opportunities	18-19, 22-39, 69, 48-81

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G4-3	Name of the organization	Cover
G4-4	Primary brands, products and/or services	30-38
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G4-6	Number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	27, 34-35, 37
G4-7	Nature of ownership and legal form	4
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	30-38
G4-9	Scale of the organization, including: Total number of employees, Total number of operations, Net sales, Total capitalization, Quantity of products or services provided	6, 8, 16-17, 30-34, 36-38, 72, 94-96, 108-113
G4-10	Total workforce by region	72
G4-11	Percentage of total employees covered by the Collective Agreement	163
G4-14	Explanation whether and how the precautionary principle is addressed by the organization	81
G4-15	Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	64-65, 165, 167, 182-183, 185
G4-16	Membership in associations and national or international advocacy organizations	65, 178

Identified Material Aspects and Boundaries

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G4-18	Process for defining the report content and the Aspect Boundaries	71, 167
G4-19	Aspects identified in the process for defining report content	71, 167
G4-22	Description of effect of any restatements of information provided in previous reports, and the reasons for such restatements	There were no restatements
G4-23	Significant changes from previous reporting periods in the Scope, Aspect Boundaries and methods of measurement used in the report	There were no changes

Stakeholder Engagement

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G4-29	Date of most recent previous report	June 2015
G4-30	Reporting cycle	Annual
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G4-36	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body	50, 42, 62
G4-38	Composition of the highest governance body and its committees	48-57
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G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics	68
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G4-49	Process for communicating critical concerns to the highest governance body	46-47
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them	47
G4-51	Remuneration policies for the highest governance body and senior executives	46-58
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EC4	Financial assistance received from government	72
EC6	Percentage of senior management that are hired from the local community	174-177
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EC8	Understanding and description of significant indirect economic impacts, including the extent of impacts	174-177

Environmental Indicators

EN2	Percentage of materials used that are recycled input materials	194, 197-198
EN3	Energy consumption within the organization	39
EN6	Reduction of energy consumption	192, 197-198
EN8	Total water withdrawal by source	192, 198
EN10	Percentage and total volume of water recycled and reused	192, 198
EN20	Emissions of ozone-depleting substances	PJSC TATNEFT does not produce or use ozone-depleting substances in its operations
EN21	NOx, SOx and other significant air emissions	198
EN22	Total water discharge by quality and destination	194, 197-198
EN23	Total weight of waste by type and disposal method	194, 197-198
EN24	Total number and volume of significant spills	There were no spills
EN27	Extent of impact mitigation of environmental impacts of products and services	188-195
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	199
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LA1	Total number of new employee hires and employee turnover	72
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	73, 168-169
LA4	Minimum notice period regarding operational changes, including whether these are specified in the Collective Agreement	In accordance with the Labor Code of the Russian Federation (Article 180)
LA5	Percentage of total workforce represented in in formal joint management-worker health and safety committees that help monitor and advice on occupational health and safety programs	187
LA6	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	187
LA7	Workers with high incidence of high risk of diseases related to their occupation	187
LA8	Health and safety topics covered in formal agreements with trade unions	187
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	74-75
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HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute the effective abolition of child labor	183
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor and measures taken to contribute to the elimination of all forms forced or compulsory labor	183
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken	There were no incidents
HR12	Number of grievances about human rights impacts filed, addressed and resolved through formal grievance mechanisms	170
SO5	Confirmed incidents of corruption and actions taken	There were no incidents
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	There were no incidents
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	There were no fines and sanctions
SO11	Number of grievance about impacts on society filed, addressed, and resolved through formal grievance mechanisms	There were no grievances
PR1	Percentage of significant product and service categories for which health and safety impact are assessed for improvement	182
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services, by type of outcomes	182
PR3	Type of product and service information required by the organization's procedures, and percentage of significant product and service categories subject to such information requirements	182
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PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	182
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	182
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	There were no fines

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
BVU	Basin Water Administration
BMZ	Bugulma mechanical plant (structural subdivision of JSC TATNEFT)
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
KIS	Corporate Information System
KNS	Cluster pump station
K(P)FU	Kazan (Privolzhsk) Federal University
KSO	Corporate social responsibility
MGPZ	Minnibaev Gas Processing Plant
MMVB	Moscow Interbank Currency Exchange
MPT	Metal-reinforced plastic pipes
MRP	Overhaul time
MUN	Oil recovery enhancement methods
MchS	Ministry of Emergency Situations
NGDU	Oil and Gas Production Administration (structural division of JSC TATNEFT)
NDPI	Mineral extraction tax
NDS	Value added tax
NZSh TsMK	Nizhnekamsk All Steel Tires Plant
NIOKR	Research and experimental works
NKT	Oil-well tubing
NMA	Intangible assets
NP i NKhZ	Oil refining and petrochemical complex
NPZ	Oil refinery
NPU	Oil refining installation

NTTs	Scientific and Educational Center
NKhK	Petrochemical Complex
PJSC TATNEFT	Public Joint Stock Company TATNEFT named after V.D.Shashin
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
PPD	Formation pressure maintenance
PPT	Polymer coated pipes
PS	Substation
PTs	Chain drive
RVS	Steel vertical tank
RID	Russian Institute of Directors
RMOO	Regional Yong People's Social Organization
RT	Republic of Tatarstan
RF	Russian Federation
SVN	Extraviscous oil
SKZ	Cathodic protection station
SKU	Corporate Management Standard
SED	Electronic Document Management System
TD	Trading House
TTD	Trading and Technical House
TU	Technical Specifications
TEK	Fuel and energy complex
TETs	Heat Power Plant
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)
TsMK tires	All-steel tires
TsPK	Personnel Training Center
ShFLU	Broad light hydrocarbon fraction
EIS	Electroinsulating connections
EKU	Corporate e-University

CONTACT DETAILS

PUBLIC JOINT STOCK COMPANY TATNEFT

ABBREVIATED NAME:
PJSC “TATNEFT”

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