

2016

STEADY DEVELOPMENT

TATNEFT COMPANY
ANNUAL REPORT



The annual report of TATNEFT Company for 2016 was prepared on a single integrated basis, combining the requirements applied to annual reports of public companies, and standards for the preparation of corporate reporting in the field of sustainable development. The integrated annual report takes into account Recommendations of the Corporate Governance Code approved by the Government the Russian Federation and the letter recommended by the Bank of Russia No. 06-52/2463 of 10/04/2014.

- In terms of the information disclosure, the annual report corresponds to:
- Federal Law No. 208-FZ of 26.12.1995 «On Joint Stock Companies»;
 - Federal Law No. 39-FZ of April 22, 1996 «On the Securities Market»;
 - Regulations of the Central Bank of the Russian Federation «On disclosure of information by issuers of securities» No. 454-P, approved on December 30, 2014, registered by the Ministry of Justice of the Russian Federation on February 12, 2015;
 - Information letter of the Bank of Russia dated February 17, 2016 No. IN-06-52/8 «On disclosure of the compliance report with principles and recommendations of the Corporate Governance Code in the annual report of the Public Joint Stock Company».

- In terms of sustainability aspects, the Company’s integrated annual report is designed to meet the following standards:
- Guidelines for reporting on sustainable development of the Global Reporting Initiative for GRI G4;
 - AA 1000 Stakeholder Engagement Standard;
 - ISO Standard: 26000 «Guide to Social Responsibility»;
 - Social Charter of Russian Business;
 - International Standard of Integrated Reporting (Www.theiirc.org/international-ir-framework/).

The Annual Report of the Public Joint-Stock Company TATNEFT for 2016 was preliminarily approved by the Board of Directors of PJSC TATNEFT. Protocol No. 13 of May 27, 2017.

STATEMENTS ON FUTURE DEVELOPMENT

In addition to actual data for the past period, this report present some statements concerning the future. Such statements include, in particular, statements of the production plans’ future results, plans and / or forward-looking statements with respect to future economic and financial indicators, the goals and objectives of the Company regarding development plans, including those relating to products and services.

The statements regarding future results may also include the information about the projected or anticipated revenues, profit (loss), net profit (loss) in respect of shares, dividends, capital structure and other financial matters.

The content of such statements is of a predictive nature and it is accompanied by the words «expected», “assumed-», «planned», «intended», etc. By their nature, the statements about the future involve risks and uncertainties, both general and private. There is a risk that future actual results may differ materially from plans, objectives, expectations, estimates and intentions expressed in such statements or may not be realized.

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JOINT ADDRESS TO SHAREHOLDERS, INVESTORS AND PARTNERS



DEAR SHAREHOLDERS, INVESTORS AND PARTNERS!

2016 was a qualitatively new stage in the Company's activities. We started implementation of the Development Strategy for the period until 2025. In the conditions of the industrial market-changing environment and generally unstable world macro economy, we had to assess our potential, identify key tasks and growth points and focus on them.

Maintaining the continuity with the previous stages of development, Strategy 2025 focuses on creating high added value on the capital invested by the shareholders and doubling the shareholder value of the Company.

The launch of the Strategy demonstrated its timeliness and relevance for a confident move forward and avoidance of critical risks for the Company in the period of low oil prices.

In the difficult economic conditions of the reporting year, the Company made successful steps to strengthen the resource base, increase profitable oil and gas production, develop its own refining and petrochemicals works, while maintaining high financial stability.

The Company's business model, based on vertical integration and the diversified structure of the assets, has proved its effectiveness, demonstrating the ability to control operational and financial factors against the backdrop of the market volatility.

Our well-considered actions in the reporting year resulted in the Company's rise to a new level of efficiency. High production and financial indicators were achieved. The net profit of the Group's shareholders received amounted to RUB 107.4 billion, which was RUB 8.5 billion more than the level of the previous year.

The Company's capitalization grew by 35% and reached a historic high of RUB 965 billion (US \$16 billion) by the end of 2016. This is another point of growth of the Company's shareholder capital value within the framework of our Strategy.

Following the results of 2016, the Board of Directors will recommend the Annual General Meeting of the Shareholders of PJSC TATNEFT to take a decision on dividend payment on common and preference shares in the amount of RUB 22.81 per share, which exceeds the dividends for the last year by more than 2 times.

The Company increased production by 5.3% compared to the last year up to 28.7 million tonnes of crude oil. We improve the technologies and introduce innovative methods and equipment to ensure the crude oil production profitability. More than 40% of crude oil was produced through application of tertiary and hydrodynamic methods of oil recovery enhancement. The successful implementation of measures to optimize costs in the reporting year resulted in decreasing the cost of producing a barrel of oil by 4.2%.

The Company continues the successful development of high-viscosity oil fields, considering this development area as one of the strategically important in strengthening and diversifying the resource base.

The key strategic project in the field of the Company's own refining is the TANECO Complex. In the reporting year, the TANECO facilities yielded 9.1 million tonnes of oil products. A significant event of the year was the launch of a delayed coking unit, which allowed increasing the processing depth to 99.2% by the end of the year, while the yield of light oil products reached 87%. Commissioning of the Complex in full capacity will enable the transition to the maximum output of light oil products. Concurrently with the stable operation of the existing facilities, the construction of new production facilities was continued, as well as a comprehensive testing of the already constructed facilities of the Complex. The success of the TANECO Project reliably strengthens the Company's strategic position in the oil products market in Russia.

The geographically well-diversified TATNEFT's retail sales network is the fourth largest in the Russian Federation and it is also represented in the Republics of Belarus and Ukraine. Despite the overall decrease in the domestic market of petroleum products retail consumption in the reporting year, the total retail sales increased by 6% compared to the previous year, while the average daily sales per one filling station increased by 9%.

Thanks to strong competitive advantages, we managed to maintain key positions in the tire products market. The revenues from sales of products and services of the Company's Petrochemical Complex in 2016 were generally higher than in 2015 by 17%.

In the reporting year, the Company continued developing its own heat and power generation complex, implementing a program for modernization of generating capacities. This is one of the key vectors of our Strategy.

A stylized handwritten signature in black ink.

R.N. Minnikhanov
President of the Republic of Tatarstan,
Chairman of the Board of Directors of PJSC TATNEFT

Implementation of major investment projects was provided at the expense of the Company's own funds, as well as of borrowed ones. The total volume of the investments in the TATNEFT Group companies amounted to RUB 97.2 billion in 2016.

The Company renders significant assistance to the development of the social infrastructure within the territory of its core activities and supporting health-care, education, culture and sports.

In 2017, the Company shall implement the scheduled production plans, paying special attention to reducing operational costs for all production processes, optimizing working capital, improving the efficiency at each site and workplace, as well as to import substitution of technologies and equipment. The system of interaction between the Company's Corporate Center and business blocks is in the process of improvement in accordance with the strategic goals and KPIs.

The accumulated production experience, development of the technological base with application of modern methods of the business process management and the advanced corporate practice are the basis for ensuring the progressive development of the Company as one of the largest vertically integrated Russian oil and gas producers, oil refiners and petrochemical products manufacturers.

The Company entered the year 2017 with a robust program of action. Our strategy is built on the fundamental business basis. All the key promising projects are provided with the appropriate resources and competencies for further sustainable growth of the Company's shareholder value!

Dear shareholders and investors! Thank you for your trust and fruitful cooperation! The successes and achievements of the Company are our joint result!

A stylized handwritten signature in black ink.

N.U. Maganov
General Director,
Chairman of the Management Board of PJSC TATNEFT

STEADY DEVELOPMENT

OPERATIONAL EFFICIENCY

RESOURCE BASE EXPANSION AND REPLACEMENT



Proved reserves:

872.3 mln tonnes of oil

Current proved oil reserve replacement ratio

109%

STRONG GROWTH OF OIL AND GAS PRODUCTION



Total oil production:

28.7 mln tonnes
+5.3% against last year's level

Total gas production:

12 mln m³
+4.0% against last year's level

STRENGTHENING OF OWN OIL REFINING BUSINESS



Oil product output:

9.3 mln tonnes
+2.1% against last year's level

Gas product output:

1.2 mln tonnes
+1.4% against last year's level

Oil conversion rate at TANEKO:

99.2%
+33.3% against last year's level

Light product yield:

87.0%
+21.1% against last year's level

TATNEFT IS A MAJOR RUSSIAN VERTICAL-INTEGRATED OIL AND GAS PRODUCING COMPANY WITH OVER 65-YEAR EXPERIENCE IN THE INDUSTRY. THE BUSINESS PROJECTS ARE CARRIED OUT IN THE DOMESTIC AND FOREIGN MARKETS.

RETAIL BUSINESS EFFICIENCY



Retail distribution network:

689 fuel filling stations
16 tank farms

Sales volume:

2.6 mln tonnes
+6.0% against last year's level

ITS OWN GENERATING CAPACITIES



Electric power generation:

2.2 bln kWh
+74.9% against last year's level

Thermal energy supply:

3.95 mln Gcal
+20.1% against last year's level

PETROCHEMICAL BLOCK PROFITABILITY GROWTH



Tire sales:

12 mln pcs
+1.2% against last year's level

Carbon black sales:

118.0 thous tonnes
+0.8% against last year's level

BALANCED SALES OF CRUDE OIL AND PETROLEUM PRODUCTS

Crude oil sales:
22.1 mln tonnes

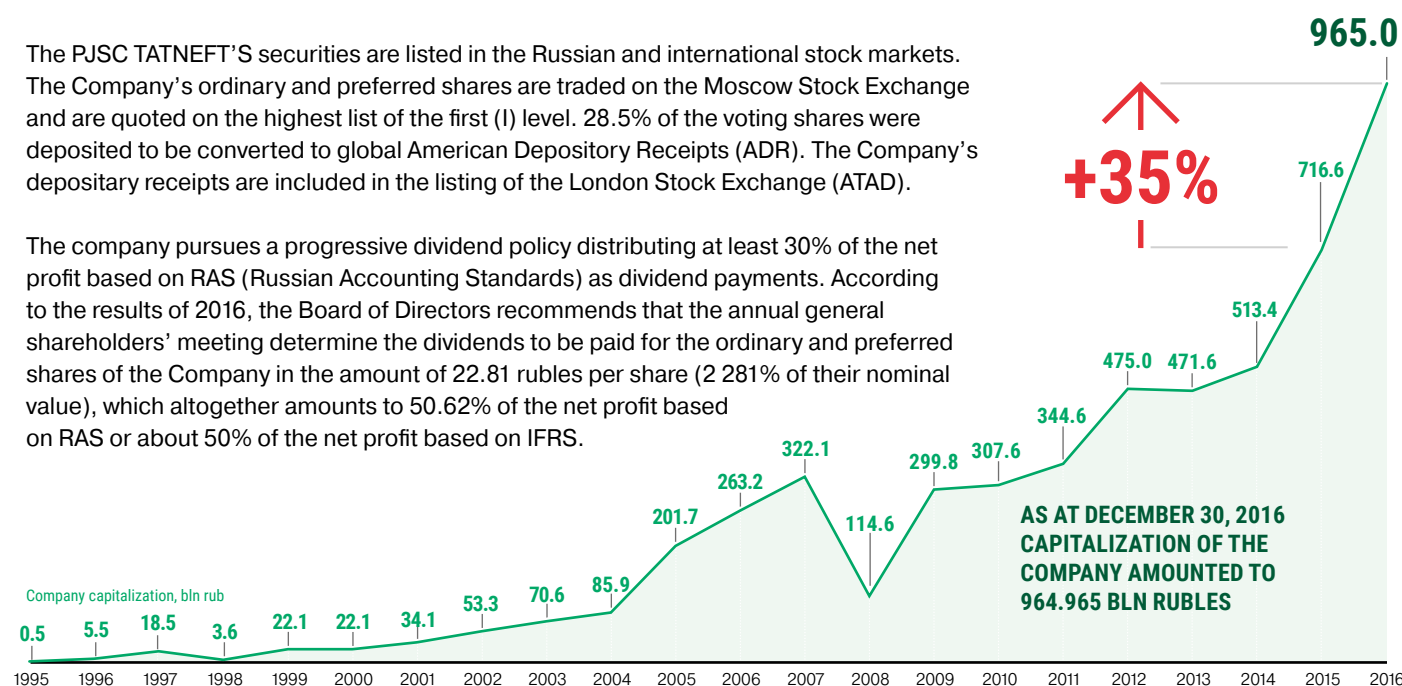
Petroleum product sales:
10.9 mln tonnes

INVESTMENT APPEAL

BALANCED BUSINESS MODEL BASED ON DIVERSIFIED ASSET STRUCTURE AND A STRICTLY ALIGNED STRATEGY ENSURES HIGH OPERATIONAL AND FINANCIAL EFFICIENCY OF THE COMPANY.

The PJSC TATNEFT'S securities are listed in the Russian and international stock markets. The Company's ordinary and preferred shares are traded on the Moscow Stock Exchange and are quoted on the highest list of the first (I) level. 28.5% of the voting shares were deposited to be converted to global American Depositary Receipts (ADR). The Company's depositary receipts are included in the listing of the London Stock Exchange (ATAD).

The company pursues a progressive dividend policy distributing at least 30% of the net profit based on RAS (Russian Accounting Standards) as dividend payments. According to the results of 2016, the Board of Directors recommends that the annual general shareholders' meeting determine the dividends to be paid for the ordinary and preferred shares of the Company in the amount of 22.81 rubles per share (2 281% of their nominal value), which altogether amounts to 50.62% of the net profit based on RAS or about 50% of the net profit based on IFRS.



GEOGRAPHICAL REACH

The company holds licenses for geological prospecting, exploration and production of oil and gas within the Russian Federation. The main resource base is concentrated in the Republic of Tatarstan, including one of the world's largest Romashkinsky field. The business infrastructure is featured by the geographical proximity of oil production, its own refineries and power generating capacities, and the high quality crude oil and petroleum product marketing logistics.

- Exploration
- Oil and gas production
- Downstream
- Retail Network
- Petrochemicals
- Crude oil and petroleum product sales:
- Machinery
- Equipment and technology supply

*To date, the TATNEFT's exploration program has been suspended within its licensed areas in Libya and Syria since 2011 due to the political situation.



FINANCIAL SUSTAINABILITY

REVENUE FROM NON-BANK OPERATIONS, NET, BLN RUBLES (AS PER IFRS)



PROFITABILITY OF SALES, %



NET PROFIT PAYABLE TO THE GROUP'S SHAREHOLDERS, BLN RUBLES (AS PER IFRS)



EBITDA, BLN RUBLES (AS PER IFRS)



According to IFRS, EBITDA is defined as net revenue less costs and other deductions plus depreciation, depletion, amortization

INVESTMENTS

The accumulated potential of the financial sustainability enables to make investments in all key business projects using the Company's own funds as well as through borrowings.

The TATNEFT Group's total investments amounted to 97.2 bln rubles in 2016. A large proportion of investments was committed to oil and gas exploration, development and production (more than 54 bln rubles) as well as to the construction of the Complex of refineries and petrochemical plants (more than 34 bln rubles).

TOTAL INVESTMENTS FOR THE TATNEFT GROUP, BLN RUBLES



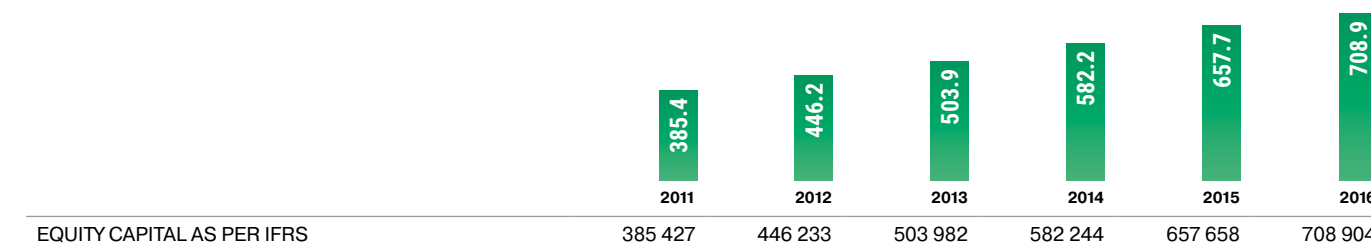
TAXES (OTHER THAN PROFIT TAX)

TAXES AND OTHER MANDATORY PAYMENTS FOR THE TATNEFT GROUP, MLN RUB

	For the year ended December 31, 2014	For the year ended December 31, 2015	For the year ended December 31, 2016
Mineral Resource Recovery Tax	110 416	129 608	119 393
Property tax	5 161	5 888	5 623
Other	1 483	1 884	1 574
Total taxes other than profit tax	117 060	137 380	126 590

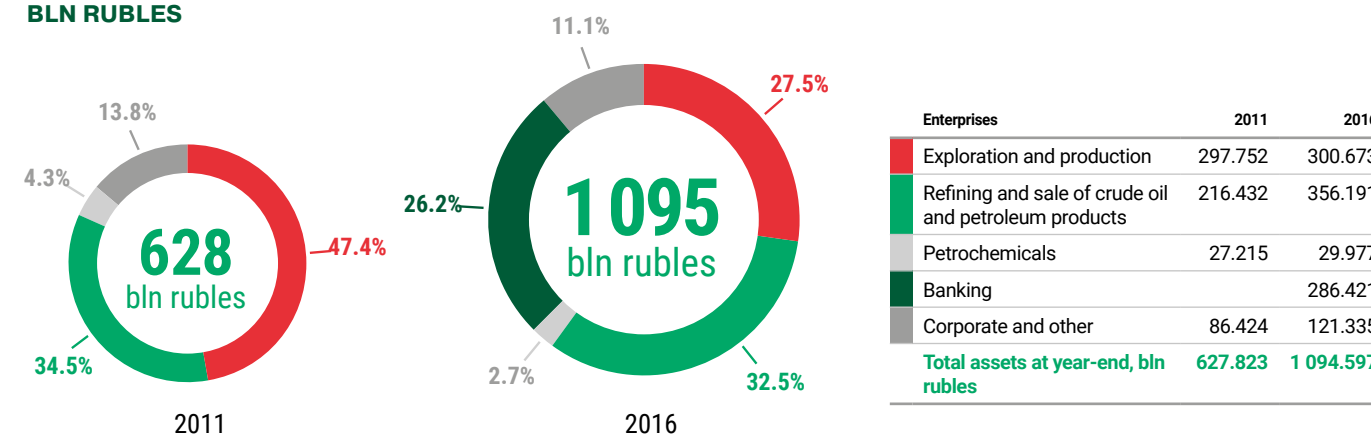
The lowered tax costs other than profit tax in 2016 as compared with 2015 are due to the lowered mineral recovery tax as a result of lowered market oil prices, which the tax rates are dependent upon, as well as due to the increased base tax rate. The Group gains savings from cutting down the amount of taxes per each percent of depletion of a particular subsoil area for the fields with the depletion rate ranging from 80% to 100%. Thus, the lowered mineral recovery tax generated 23.2 bln rubles in savings. The lowered mineral recovery tax savings gained for the production of super-viscous oil at Ashalchinsky field as well as at some other fields totaled 7.1 bln rubles.

CONSOLIDATED EQUITY CAPITAL



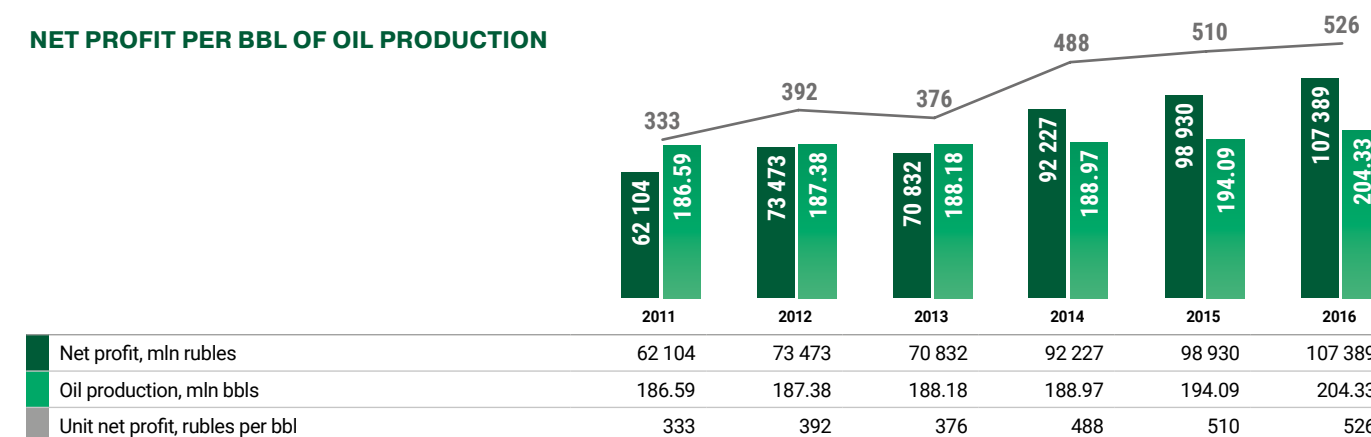
CONSOLIDATED ASSETS

TATNEFT GROUP'S CONSOLIDATED ASSET COST AND STRUCTURE, BLN RUBLES



EFFECIENCY

NET PROFIT PER BBL OF OIL PRODUCTION



Comparison for the period of 2011 is substantiated by its own refinery development on the basis of TANECO Complex.

BUSINESS MODEL



PJSC TATNEFT IS THE
TATNEFT GROUP'S
CORPORATE CENTER



UPSTREAM

Ensuring oil production addition and reserve replacement

- Strengthening the resource base
- Producing assets geographical expansion
- Development hard-to-recover and super-viscous oil fields.

DOWNSTREAM

A qualitative strengthening of the profile asset structure and improved operational efficiency of business segments in the areas

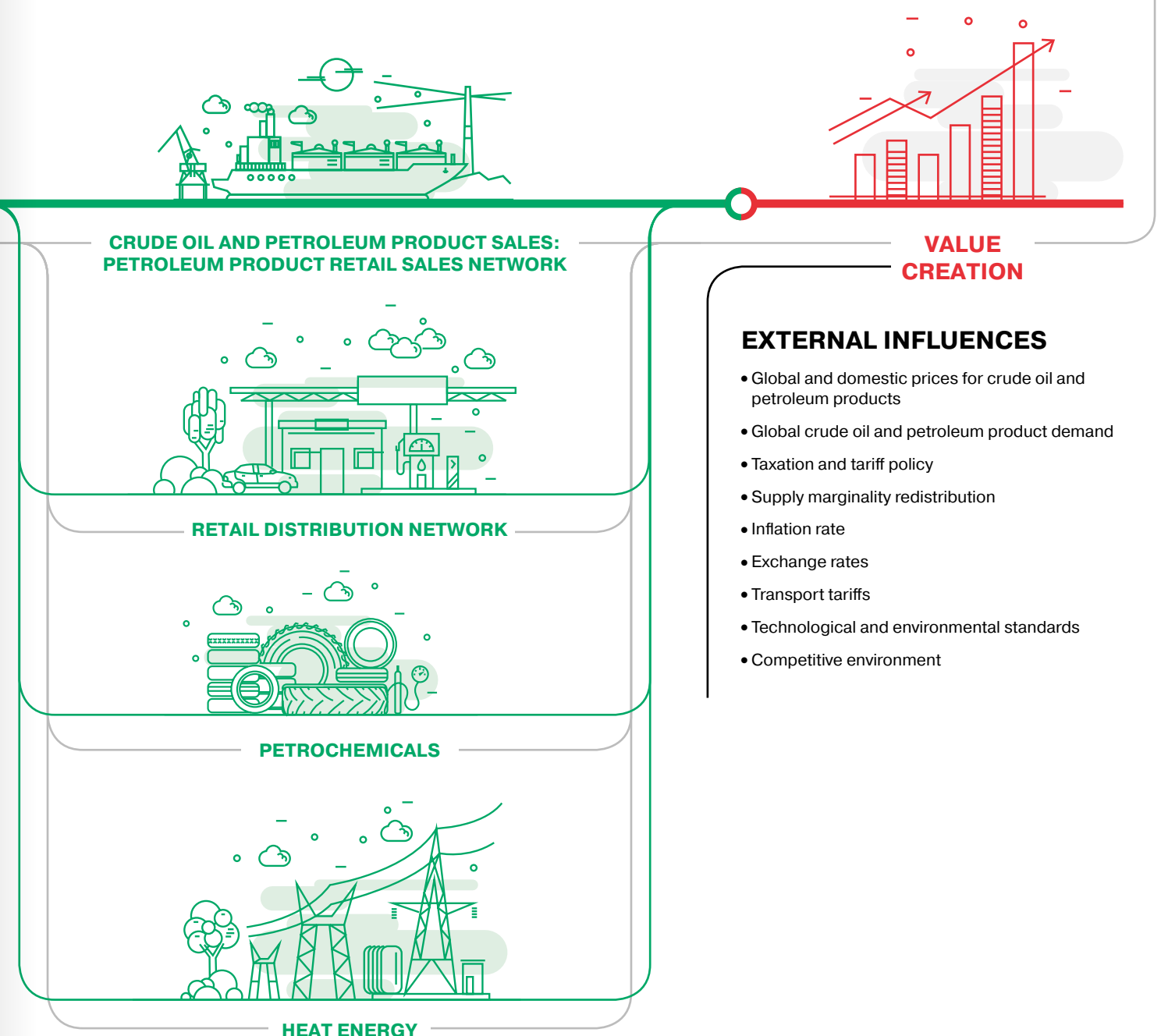
- Downstream
- Petrochemicals
- Crude oil and petroleum product sales:
- Petroleum Product Retail Sales Network
- Heat Power Energy

MANAGEMENT PROCESSES

The business structure enables the Company to make the most efficient use of its resource assets and production capacities through project and process management within a single investment policy

- Consolidation of technological and intellectual capabilities;
- Monitoring the performance and quality of all processes;
- Creating business growth points and operating profit margin;
- Lowering intersegmental costs;
- Strengthening financial sustainability;
- Risk control
- Putting in place unified operating and corporate standards;
- Coordination of interactions with the external business environment.

THE BUSINESS MODEL OF THE COMPANY INTEGRATES, ON THE BASIS OF A UNIFIED STRATEGY, THE POTENTIAL OF THE DIVERSIFIED ASSETS IN EXPLORATION AND PRODUCTION, REFINING, PETROCHEMICALS, OIL AND PETROLEUM PRODUCT SALES, ENSURING VALUE CREATION AND CONDITIONS FOR LONG-TERM SUSTAINABLE DEVELOPMENT, TAKING INTO ACCOUNT EXTERNAL FACTORS AND RISK-MINIMIZATION MECHANISMS.



STRATEGY 2025

THE CORPORATE STRATEGY IS FOCUSED ON LONG-TERM SUSTAINABLE DEVELOPMENT OF THE COMPANY —

ensure the optimized balance of crude oil production, refining and petrochemicals, marketing and sales of crude oil and petroleum products on the domestic and export markets attaining the maximum operating profit margin of all business segments based on natural resource management, social and environmental responsibility.

STRATEGY 2025

Defines the goals and objectives for each business segment

Enables efficient planning of operational and financial activities

Provides for the estimation of the investments needed to support and increase production output, develop human capital, improve governance efficiency, create sustainable development factors and implement all social commitments made by the Company

IN 2016, THE BOARD OF DIRECTORS ADOPTED THE COMPANY STRATEGY UP TO 2025

The strategy continues to follow the previous stages of development strengthening the capacity of the Company to create a high added value for the shareholders' capital.

CORPORATE GOALS

Company's capitalization growth – focusing on doubling its shareholder value

Financial sustainability and risk control

High dividend yield

Creating long-term business model benefits and key success factors for business segments

Ensuring sustainability factors taking into account environmental and social aspects

The initiation of the Strategy 2025 proved its high-priority and timeliness for steadfast moving ahead and avoiding critical risks for the Company in the current period of market volatility.

In the challenging economic conditions during the year under report, the Company, in line with its strategic goals, had successfully taken the steps to strengthen its resource base, increase profitable oil and gas production, develop its own oil refining and petrochemical businesses, while maintaining high financial resilience.

STRATEGY BY BUSINESS SEGMENTS

RESOURCE BASE

STRATEGIC GOALS 2025

1 Expand and diversify the portfolio of hydrocarbon resources, including outside the Tatarstan through access to oil and gas reserves, including through establishing strategic alliances.

2 Ensure proved reserve replacement at least **100 per cent annually**

KEY PRIORITIES

1 Strengthening the resource base

2 Replacement of hydrocarbon production with the commercial reserves

3 Preparation of raw material resources base and full-fledged bringing reserves into development

4 Sustaining hydrocarbon production in mature fields through innovative technological solutions and ensuring projected production growth rates while reducing unit operating and investment costs



RESULTS 2016

As at 31.12.2016, the Company's proved reserves in accordance with the PRMS-SPE classification were estimated at 6 214 mln barrels (872.3 mln tonnes of oil). The probable oil reserves were 2 518 mln barrels (353.5 mln tonnes of oil). The total proved gas reserves were 1 623 839 mln ft³. The proved hydrocarbon reserves were 910.3 mln tonnes of oil equivalent.

As at the end of 2016, the license stock of the Company comprised ninety-six (96) licenses for mineral exploration and production, geological survey including prospecting and appraisal of mineral deposits, mineral exploration and production within the Russian Federation.

Most of the reserves are conventional and historically located within Tatarstan, as well as the licensed hydrocarbon fields are prospected, explored and developed in the Republic of Kalmykia, Orenburg, Samara, Ulyanovsk Regions, and the Nenets Autonomous District.

See page 36 for details

COMPETITIVE ADVANTAGES

The hydrocarbon reserve life index (current annual production to reserves ratio) takes the Company to a leading position not only in Russia but worldwide as well. The Company consistently offsets the production by adding reserves.

The potential of hydrocarbon resources includes bitumen and non-conventional oil reserves. In the testing sites such as Domanik and Bitumen the Company are conducting experimental researches and experimental and pilot test activities, starting from exploration to development and production of the fields. The Company considers unconventional reserves as an opportunity for growth and will develop this category of the resource assets as an important part of its portfolio.

PROVED OIL RESERVES, MLN TONNES-



109%

Current proved oil reserve replacement rate

30 years

Proved reserve life at current production level

43 years

Reserve life including probable reserves at current production level

OIL PRODUCTION

STRATEGIC GOALS 2025

- 1** Focus on shifting from sustained oil production to production growth
- 2** Increase annual oil output up to **30 mln tonnes**
Seek an upside potential up to **35 mln tonnes** and higher in 2025

PRIORITIES 2016

- 1** The increased oil production and enhanced oil recovery in the licensed fields within the Republic of Tatarstan through deployment of new technologies
- 2** Development of super viscous oil deposits (SVO) in the Ashalchinsky field
- 3** Growth of profitable production outside the Republic of Tatarstan and the Russian Federation, including within new regions
- 4** Realization of pilot program for shale oil production
- 5** Cutting unit operating costs and making investments in oil production more efficient

PRIORITIES 2017

The target-oriented objectives of the year continue to be the strategic projects to improve oil production efficiency and develop super viscous oil fields.

The company endeavours to maximize the production profitability with the current resource base through commercialization of innovative technologies and lowering costs of proven technologies.

EXTERNAL FACTORS AND MARKET CONDITIONS

The energy demand and supply is still volatile on the global energy market and thus the oil prices. The global demand for oil is projected to increase in 2017 in the context of the OPEC agreement to curtail oil production. Since January 2017, subject to the agreement between Russia and OPEC, the Company has committed to cut down the current production output, while weighing all the economic and technological aspects to ensure stable operation of the oil fields and maintain the production balance.



RESULTS 2016

In 2016, the total production across the Group grew by 5.3% against the last year and amounted to 28.7 mln tonnes of oil. More than 40 per cent of the total output is contributed by the tertiary and hydrodynamic enhanced oil recovery techniques. The superviscous oil (SVO) was produced in the amount of 843 thous.tonnes. The SVO production more than doubled as compared with last year.

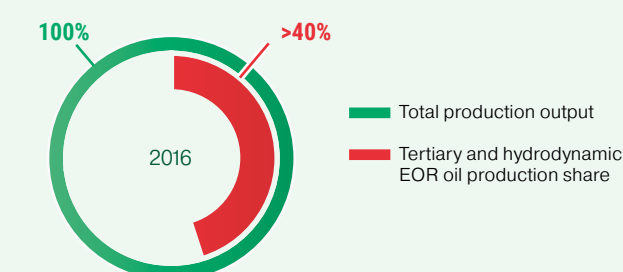
A significant result of the cost optimization activities as part of the Business Segment Development Strategy is 4.2% reduction in the cost to produce a barrel of oil.

See page 38 for details

TATNEFT GROUP OIL PRODUCTION, MLN TONNES



TERTIARY AND HYDRODYNAMIC EOR OIL PRODUCTION SHARE



COMPETITIVE ADVANTAGES

The Company ranked third among the Russian vertically integrated oil companies (VIOC) by incremental oil production as at the end 2016.

In 2016, the production growth rate at mature fields was 4.0% against the 2015 level, which is the best performance among the Russian VIOCs.

With such an outpacing upward trend, the Company was able to show the largest reduction in the unit cost of oil production (in US Dollars) by 20 per cent against the 2015 level among the Russian VIOC. That was made it possible as a result of implementation of new approaches to field development in Tatarstan and of the SVO project intensification as well as through a qualitatively different approach to efficiency management, introduction of benchmarking tools, implementation of procurement strategies for goods and services.

Over a long period of time since 2000, TATNEFT has been the only company among the Russian vertically integrated oil companies (VIOC) that avoided oil production decrease despite the fact that most of our oil fields are developed at mature stage.

The Company's operating stock of oil wells was accounted for about 13% in the Russian overall structure.

A significant advantage is the geographical proximity of the oil production hub to the main oil and petroleum product marketing and refining regions - the Company has the lowest weighted average tariff to transport oil to the European markets among major Russia's VIOC.

OIL PRODUCTION IN RUSSIA (INCLUDING GAS CONDENSATE), MLN TONNES



In 2016, the total oil and condensate production in Russia increased by 2.5% to 547.5 mln tonnes. The crude oil exports to the far abroad countries increased by 5.1% as compared with 2015. In general, the current supply and demand trends in the global oil market and the changes in oil producers' tactics help reduce the risk of dramatic oil price volatility in the short term.

DOWNSTREAM

STRATEGIC GOALS 2025

- 1 Increased output and sales of highly competitive finished products based on the TANECO Complex's capacities
- 2 Increased oil refining throughput up to **14 million tonnes** in 2018 with light product output of 90% and conversion rate not less than **97%**

PRIORITIES 2016

- 1 Increase refinery crude run through efficient operation of existing production facilities
- 2 Continue planned construction and testing of the Refinery Complex capacities
- 3 Enhance petroleum feedstock conversion rate
- 4 Increase share of light oil products
- 5 Production of high-quality oil products

PRIORITIES 2017

Startup of naphtha hydrotreatment, catalytic reforming, isomerization, heavy coker gasoil hydrotreatment, diesel fuel hydrotreatment, kerosene hydrotreatment plants

Increase the Nelson index to 10.27 points.

EXTERNAL FACTORS AND MARKET CONDITIONS

Over the last 5-year period from 2012 to 2016 the global refining throughput levels rose by 3 % from 3.6 mln tonnes to 3.8 mln tonnes, refining throughput in Russia as a whole grew by 5.2 per cent from 265 mln tonnes in 2012 to 279 mln tonnes in 2016. At the same time, there was a significant improvement in the quality of refined petroleum products which is related to the modernization of production facilities made by the Russian VIOC. The TATNEFT's share in the primary crude oil processing structure in Russia is over 3%. By capacity utilization rate being 115% the TANECO Complex ranks first among refineries in Russia.



RESULTS 2016

Amid the sustained operation of the Complex, installation, integrated testing and commissioning of new processing facilities continued at the TANECO Complex. The installation of primary equipment of DU-VDU-6 was completed: atmospheric, preflash and vacuum columns. The work continued at hydrotreatment plant, naphtha splitter, light naphtha isomerization and associated off-site facilities. A significant event of 2016 was the delayed coker unit startup, which made it possible to increase the conversion depth by the end of the year to 99.2% and cease the fuel oil production completely. Once the rated capacity is reached the DCU will start producing 700 thous tonnes of petroleum coke per annum. New oil products were placed into production, particularly, the diesel technology fraction among them.

See page 42 for details

COMPETITIVE ADVANTAGES

The key competitive advantage of TANECO Refining and Petrochemical Plants Complex is the high quality of petroleum products, satisfying the highest world environmental standards, as well as promising market requirements.

The potential of TANECO Complex:

- optimization of oil products portfolio, flexible adaptation to demand difference;
- refining cost reduction;
- High flexibility of refinery on quality of processed oil;
- Development of premium sales channels for petroleum products.

Commissioning of light naphtha isomerization unit, Catalytic reformer, kerosene and diesel hydro treating units will lead to double increase in the output of diesel fuel of Euro-5 class and the start of production of Euro-5 gasoline.

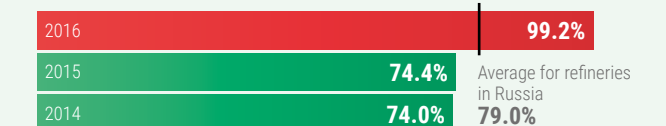
PETROLEUM FEEDSTOCK REFINING AT TANECO, MLN TONNES



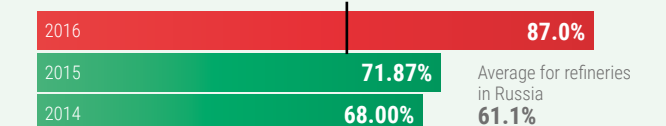
OIL PRODUCTS OUTPUT AT TANECO, MLN TONNES



PETROLEUM FEEDSTOCK CONVERSION RATE AT TANECO COMPLEX OPERATING CAPACITIES



LIGHT OIL PRODUCT YIELD



PRIMARY PROCESSING OF PETROLEUM FEEDSTOCK IN RUSSIA, MLN TONNES



An important advantage of the TANECO Refinery is its capability to process high sulphurous oil. Should an incentive mechanism for processing high sulphurous oil be in place in Russia, this advantage will enable the TANECO Refinery to get adapted to the new conditions with minimum investments.

RETAIL DISTRIBUTION NETWORK

STRATEGIC GOALS 2025

- 1 Improve efficiency and competitive advantage of the retail network in the long term
- 2 Increase the sales **by 2.3 times**. Sales of gasoline and diesel fuel produced by the Company's Refinery through filling stations and small wholesale **over 50%**

PRIORITIES 2016

- 1 Modernization of existing fuel filling stations based on renewed format brand-concept
- 2 Expansion of fuel filling station network within geographic diversification potential
- 3 Increase daily flow capacity of fuel filling stations
- 4 Increase fuel filling station network's marginality based on quality of selling proposition and development of related services
- 5 Create a new loyalty program

PRIORITIES 2017

Develop the Company's network in accordance with the investment plan and priorities to improve profitability and marginality. Implementation of targeted loyalty programs.

A strategic project to test key development tools to further replicate successful development tools across the network.

EXTERNAL FACTORS AND MARKET CONDITIONS

The main trends for the Russian retail oil product market are: The continued consolidation of retail networks carried out by the vertically integrated oil companies, construction of new filling stations, tightening the state regulatory measures with regard to technical specifications and environmental requirements for the petroleum product quality, the ban on sale of motor fuel below the Euro-5 class from 1 July 2016. With this background, each and all the market players, including the TATNEFT Company, are upgrading on a large-scale the retail networks to improve the selling proposition, both fuel and non-fuel ones.



RESULTS 2016

Increased profitability of the network through marginality growth, modernization of the fuel filling complex formats, efficiency of the marketing programs, and optimizing costs by siphoning off low-margin filling stations.

Despite the lowered fuel sales in the Russian domestic market in total, where the large part of the TATNEFT retail network is located, by taking the effective measures the Company was able to increase retail sales by 6% against last year, exceeding 2.6 million tonnes, and revenue amounted to more than 97 bln rubles before VAT.

The average daily sales per fuel station were up 9 % against last year. As part of the non-fuel supply development the income from related goods and services was up 2015 per cent as compared with 2015. High quality fuel is assured by a multi-level control system using advanced technologies and software packages.

See page 46 for details

PETROLEUM PRODUCT SALES THROUGH RETAIL NETWORK OF TATNEFT FUELING COMPLEXES, MLN TONNES



COMPETITIVE ADVANTAGES

The TATNEFT retailers demonstrate high performance and are leaders in many regional markets of the country. The Company's filling stations use advanced energy saving and environmentally friendly technologies.

The high quality of fuel and services are the major priorities of the TATNEFT-branded filling stations. The high quality oil products are guaranteed at the filling stations by selling motor fuels of its own production such as TANECO diesel fuel, and by compliance with the technological discipline and requirements of regulatory documents when accepting, storing, transporting and selling petroleum products. As alleged by specialists based on independent expert examination diesel fuel TANECO corresponds to the Euro-6 class.

The filling stations are being reconstructed using new formats and interiors. It makes it possible to expand of the range of goods and services offered to customers and develop public catering. The filling stations offer full package of services and the line of additional services is constantly expanding as well.

Customer relationship services are considered as a significant tool to improve competitiveness. The automated customer complaint management system helps promptly provide feedback to all requests. Sales representatives maintain communication with their customers on up-to-date and user-friendly communication sites, including through on-line activities in social media.

At the end of 2016, there were 24 000 active filling stations in Russia. During the year, 170 filling stations were renovated including construction of new facilities and rebranding of existing ones. These were mainly the city filling stations (45%) and independent filling station networks (58 per cent). The highest share of reconstructed filling stations accounts for the Central Federal District - 34%, the Siberian Federal District - 26%, the Volga Federal District - 19%. Full-scale work was carried out in the Moscow Region (25 facilities) as well as in the Tula Region (16 facilities). The changes took place in the Volga Federal District with respect to the Nizhni Novgorod Region and Samara Region. The count of mothballed filling stations at the end of 2016 was 640 (facilities) throughout Russia, most of which are concentrated in Siberian FD - 27%, Central FD - 21% and Volga FD - 12%. These are mainly regional filling stations (43%) and facilities of the independent members (63%). Twenty-three (23) filling stations were dismantled in 2016, and this figure has been the same for the last three years.

(According to OMT-CONSULT data)

PETROCHEMICALS

STRATEGIC GOALS 2025

- 1 Develop new market niches through efficient marketing programs, improved quality and product line expansion
- 2 Hold leadership positions on the Russian tire market, increased tire sales up to more than **16 mln pieces** per year

PRIORITIES 2017

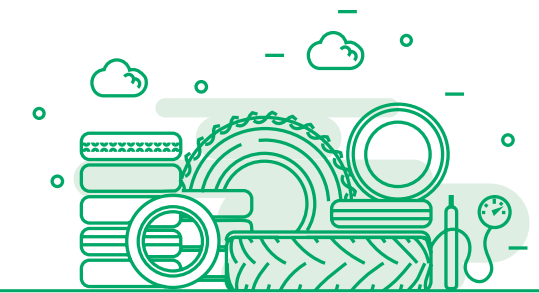
- 1 Develop a brand-communication strategy
- 2 Increase marginality of sales through marketing activities and cost cutting
- 3 Introduction of Quality Extended Warranty Program in aftermarket
- 4 Updating research base for R and D
- 5 Significant expansion of variety of B-segment tires for passenger cars and trucks

PRIORITIES 2017

- Develop a brand-communication strategy
- Complete renewal of the Tire Complex's corporate brand.
- Procurement optimization.
- Improve the system efficiency for distribution and promotion of sales on the Russian aftermarket.
- Complete renovation of the PJSC Nizhnekamskshina preproduction.

EXTERNAL FACTORS AND MARKET CONDITIONS

The Russian tire market is characterized by a high percentage of imported products. However, due to the devaluation of the Russian currency, foreign producers seek to localize their production within the Russian Federation. The barrier anti-dumping duties imposed on Chinese truck tires are positive points for the Russian tire market. For the time being, these factors curtain the return of Chinese products to the Russian market, but the stronger ruble trends might have a negative impact on sales plans, most of all that involves the all-steel tire market, where the more expensive Chinese brands have previously competed directly with Kama Tires.



RESULTS 2016

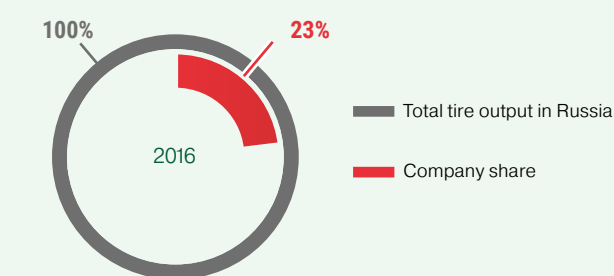
Holding key positions in total domestic market output at last year's level. In the reporting year, the Company's Petrochemical Complex manufactured 11.5 mln tires, including more than 1 mln all-steel tires (more than 55% of the total Russian all-steel tire output). The Company's tire products are mainly delivered to the largest automotive manufacturers on the domestic market. The tire product exports span over 40 countries. The total tire output amounted to 12 mln pcs in the reporting year.

See page 48 for details

TIRE SALES, THOUS PCS



COMPANY SHARE IN TOTAL TIRE OUTPUT IN RUSSIA IN 2016



COMPETITIVE ADVANTAGES

The tire business of the TATNEFT Group has a number of competitive advantages:

- Proximity to the supply source of synthetic rubber;
- own production of carbon black;
- Large-scale production;
- High-tech production facilities;
- Geographical proximity to large clusters of car assembly plants;
- Modern production lines satisfying the highest market and technical requirements;
- Its own established tire development centre "KAMA Research and Development Center";
- Its own logistics and marketing center for tire product sales;
- Developed distribution network.

Strong competitive advantages of the tire business are wide popularity and experience in operating the "KAMA" and "Viatti" branded tires, optimal tire product line and range, development of potential models based on cooperation with automakers.

DYNAMICS OF TIRE OUTPUT IN RUSSIA, MLN PCS



At the end of 2016 there was a trend towards upsurge in prices of tire production feedstock (first of all for rubber - both in dollars and in rubles). This trend is likely to continue in 2017, which could have a negative impact on the financial performance of tire producers.

HEAT POWER ENERGY

STRATEGIC GOALS 2025

1 Reliability growth of energy supply TATNEFT Group's enterprises; Increase in the supply of Nizhnekamsk industrial hub

2 Diversification of feedstock sources of Nizhnekamsk CHP

PRIORITIES 2016

1 Complete the "Construction of electric power generation facilities using low-grade steam turbines in Nizhnekamsk" project.

2 Improve operational efficiency of energy capacities by choosing the best fuel type according to market conditions

3 Diversify sources of feedstock for Nizhnekamsk CHP (natural gas, fuel oil, petroleum coke)

4 Implement corporate improved efficiency programs

5 Reduce power and heat failure risks

PRIORITIES 2017

Implement the reconstruction project to shift the power boilers to burning of petroleum coke produced at the TANECO refinery.

Increase the competitiveness of Nizhnekamsk CHP in the electrical and thermal power market.

EXTERNAL FACTORS AND MARKET CONDITIONS

In 2016, there was a trend towards old generation decommissioning (3.75 GW was decommissioned). In previous years, on average no more than 1 GW power output was shut down per year. This is largely associated with critical overabundance of obsolete capacity in the system, as well as with complicated procedure to obtain the forced generator status and tightened minimum specifications for power take-off. The large-scale commissioning of new and upgraded generating capacities (4.6 GW in 2016) with lowered consumption trend has led to fiercer competition in the industry.



RESULTS 2016

During the reporting year, the company continued to develop its own electricity and thermal power complex.

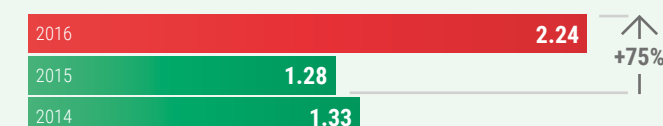
The power energy was supplied to the TATNEFT Group's enterprises in quantity of 5 034 646 thous kWh, that was 338 842 thous kWh or 7.2% more than in the same period of last year. On average, the annual increase in electricity consumption by the Company's enterprises was 7% over the period of 2011 to 2016.

Nizhnekamsk CHP

In the 1st Quarter of 2016 the project "Construction of power generation facilities using low-grade steam turbines in Nizhnekamsk" was completed, which made it possible to increase the installed capacity of the power plant from 380 to 730 MW and to bring the equipment back into operation which had been earlier taken out of the service and put on standby or in mothballs.

See page 50 for details

ELECTRICAL POWER PRODUCTION, BLN KWH



COMPETITIVE ADVANTAGES

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.

Programs to diversify of raw material sources (natural gas, oil fuel, oil coke) for the Nizhnekamsk CHP are developed and implemented 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.

In addition, at the Company's generating facilities carry out the activities under the relevant corporate programs to improve reliability and efficiency of heat and power production, as well as to reduce energy costs and losses.

The reconstruction project was initiated to shift the power boilers to burning of petroleum coke produced at the TANECO refinery. This will partially substitute natural gas with a new and cheaper fuel, thereby increasing the competitiveness of the station on the electrical and thermal energy market. Meanwhile, the Company has been developing the Almet'yevsk Heat Networks (APTS) to supply heat to the regional infrastructure facilities. It should be noted that the electricity market is weak amidst the Russian economic growth slowdown.

No acceleration with regard to growth in electric power demand in Russia is expected in the coming years, which could eliminate power surplus, and as such, the power joint market will remain unfavourable. The electric power industry will be influenced by the principle of equal profitability of natural gas deliveries to the domestic and foreign markets, set out in the updated Energy Strategy of Russia up to 2035. Stepwise convergence of domestic gas prices with export parity means an accelerated rise in natural gas prices for Russian consumers, including for power generating capacities. Moreover, the electricity market is generally weak driven by an economic recession in Russia and Tatarstan and ongoing installation of generating capacities. All these factors are likely to hold back profitability of the Company's energy generating business.

SUSTAINABILITY

THE COMPANY'S STRATEGY IMPLEMENTATION INCLUDES SUSTAINABLE GROWTH AND A FAVOURABLE ECONOMIC AND SOCIAL ENVIRONMENT FOR BUSINESS DEVELOPMENT BASED ON MAXIMIZED USE OF ALL TYPES OF RESOURCES AND CREATING VALUE FOR STAKEHOLDERS AT EVERY STAGE OF THE BUSINESS ACTIVITY

Corporate social responsibility is an integral part of the Company's strategy. The social responsibility principles are integrated into business plans. The Company is looking to its long-term outlook and current plans for operating activities, such as development of its own resource and production capacity and growth of financial results, tied together with social and environmental dimensions.

The Company realizes that long-term business sustainability cannot be developed in isolation from social progress and strong development of society as a whole, and it makes a significant contribution to the social and economic development of the regions of its operations and society in general. All key decisions are made taking into account social, environmental and other possible implications. The Company implements its targeted social, infrastructural and environmental programs through voluntary corporate initiatives based on commitment to its employees, local community and the environment.

Development and implementation of sustainability programs and activities are carried out with involvement of stakeholders including the Company's staff, authorities, representatives of local communities and non-governmental organizations through an open dialogue.

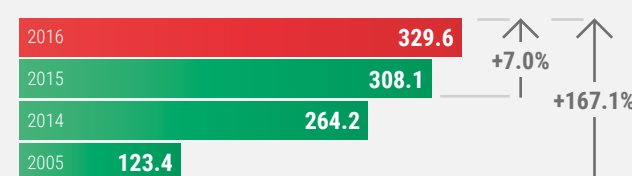
ADDED VALUE

The value added output in the TATNEFT Group's parent company taking into account production of petroleum products totaled 329.6 bln rubles in 2016, up 7.0% against 2015.

In 2016, added value portion in overall output accounted for 71.8%.

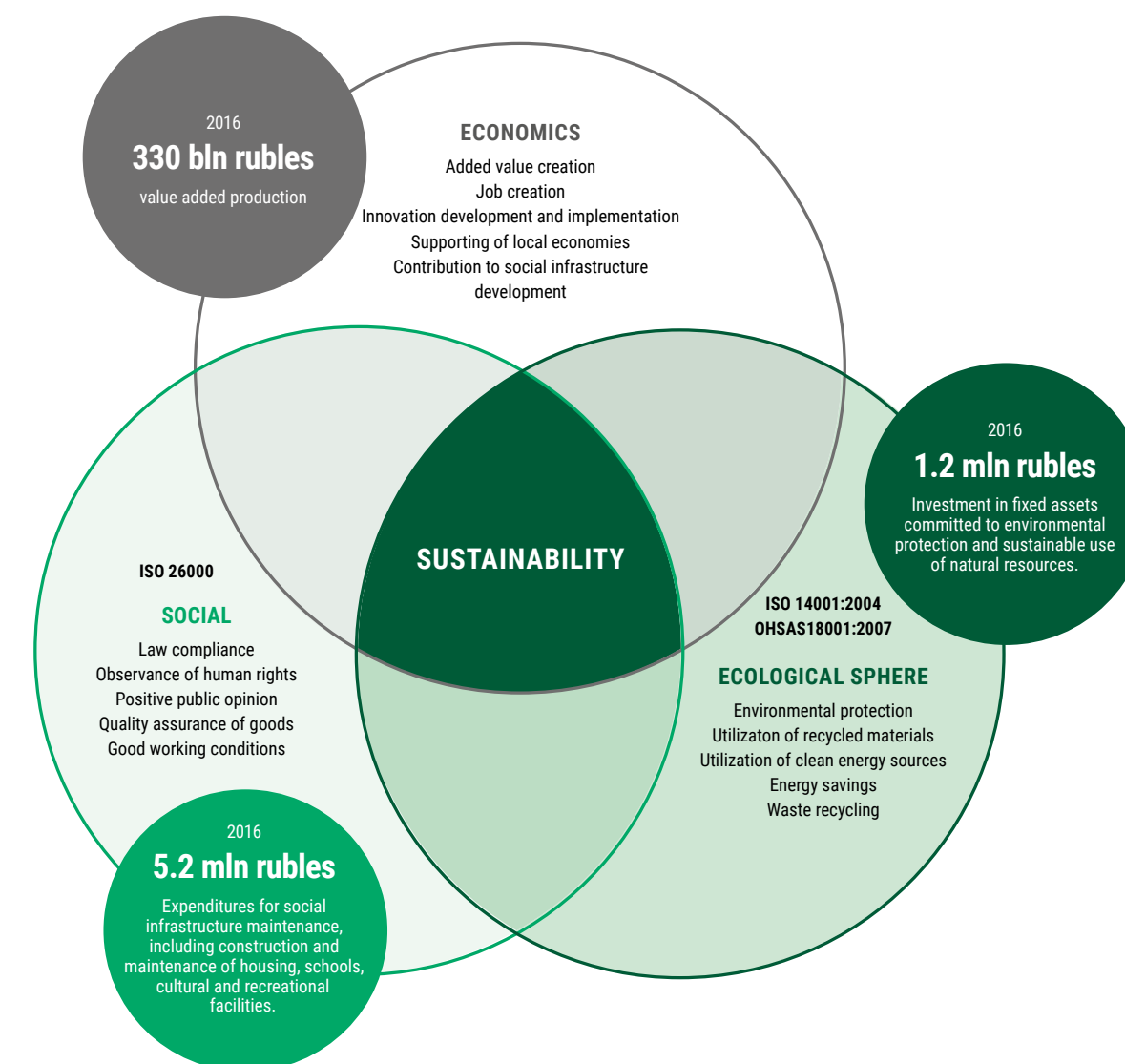
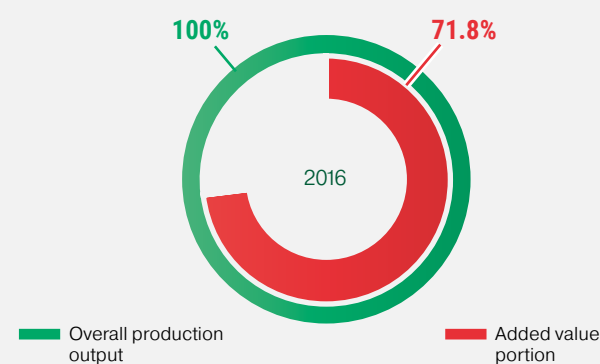
The added value has grown as high as 167.1% in the course of vertical integration consolidation and its own refinery development over the period since 2005.

ADDED VALUE OUTPUT GROWTH, BLN RUBLES



Comparison for the period from 2005 is substantiated by its own refinery project development (TANECO Complex) initiated in 2005.

ADDED VALUE PORTION IN OVERALL PRODUCTION OUTPUT



The Company is aware of its responsibility to shareholders, investors, partners, employees and society as a whole and seeks to maximize its potential for sustainable development.

SOCIETY

- Assistance in social and economic development of the regions of its business activity.
- Assistance in education, culture and sports.
- Support for vulnerable social groups.
- Provision of high-quality goods and services.
- Continuous improvement of product quality.
- Commitment to keep up with changing requirement of consumers.
- Reporting of true information about the Company's products.

ECONOMICS

- Participation in domestic infrastructure development of fuel and energy complex.
- Job creation
- Added value creation
- Supporting of local economies
- Innovation
- Ensuring financial stability and economic sustainability of the Group's enterprises.
- Development of its own research and production base integrated with leading industry research centers.

ECOLOGY

- Ensuring safe working conditions, protection of health of personnel and people living in the Company's operating areas.
- Mitigation of technological environmental impact
- Sustainable use of natural resources.

The Company implements a set of measures aimed at maintaining the state of the environment in the regions of its business activity at a regulatory-permissible level, corresponding to potential capabilities for self-recovery of natural ecosystems.

TATNEFT GROUP STRUCTURE

TATNEFT GROUP

PJSC TATNEFT (hereinafter referred to as the “Company”) and its subsidiaries (collectively referred to as the “Group”) is one of the largest vertically integrated oil companies in Russia in terms of oil production and proved oil reserves.

The Company is a public joint-stock company, established in accordance with the Russian Federation legislation, with the headquarters located in the city of Almeteyevsk, Republic of Tatarstan.

The main business activities of the Group are as follows: exploration and development of oil fields, crude oil production, of petroleum products and subsequent sales of crude oil and petroleum products. The Group is also engaged in production and sale of petrochemical products, mainly tires, in equipment manufacturing for oil production, oil and gas treatment and processing, as well as in engineering design, supply and construction services for oil, gas and petrochemical projects, and, from the fourth Quarter of 2016, in banking.

MATERIAL OWNERSHIP STRUCTURE CHANGES IN 2016

On 1 January 2016, a number of companies the Group companies fall out of compliance with the control power existence criteria under IFRS 10 “Consolidated Financial Statements” and were deconsolidated at that date. Although the Group had no direct or indirect ownership interest the deconsolidated companies in previous years, it was able to contol their activities. The deconsolidation of these companies resulted in a one-time loss of 8 745 mln rubles recognized in profit/(loss) from disposal of subsidiaries and investments in associates and joint ventures in the consolidated statement of profit or loss and other comprehensive income for 2016. The non-controlling interest in the consolidated statement of financial position decreased by 29 878 mln rubles as compared with the non-controlling interest as at 31 December 2015.

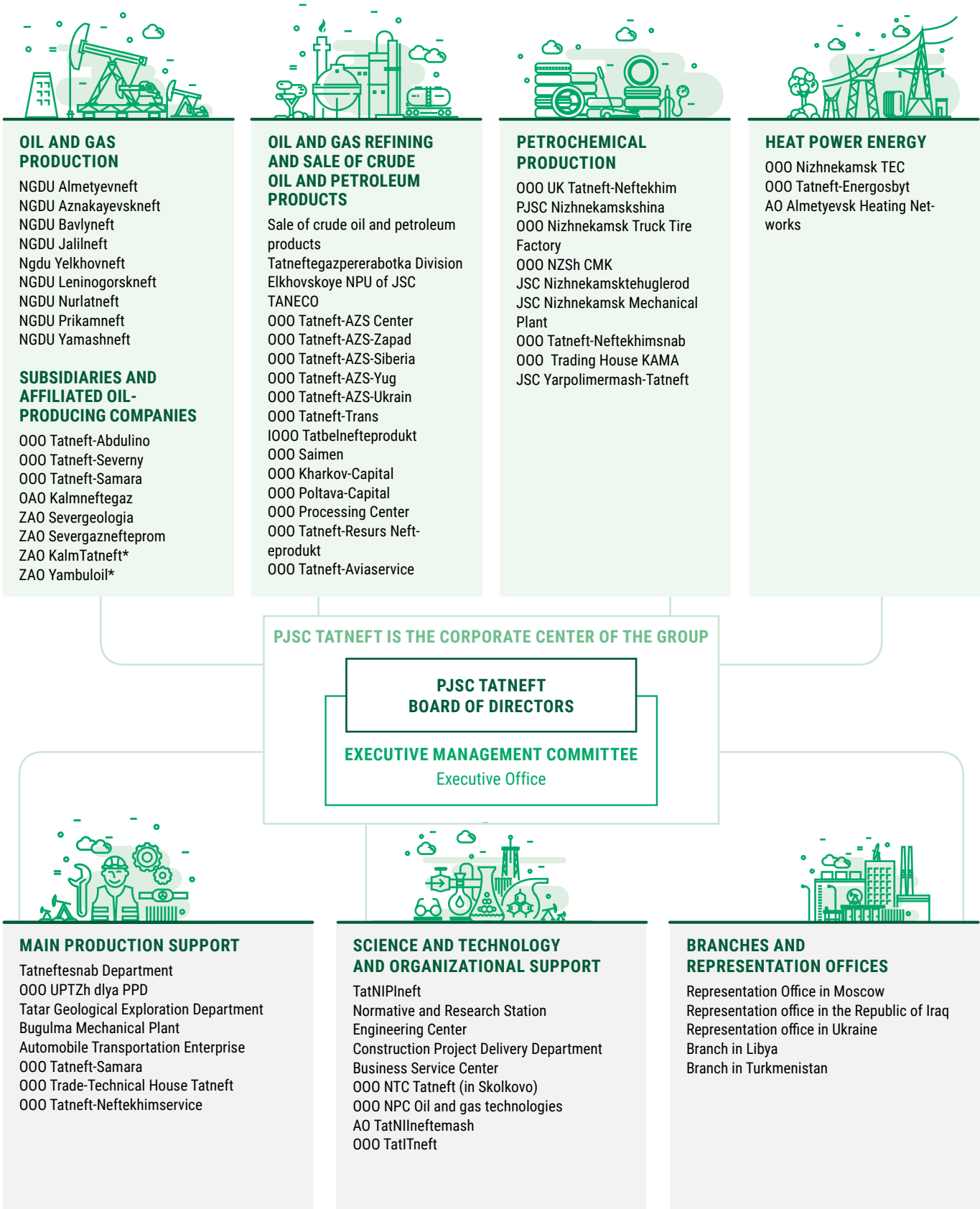
In June, 2016 The Group increased its ownership in PJSC Bank ZENIT through the repurchase of a portion of the issue of the Bank’s new shares in the amount of 6 700 mln rubles. As a result of the deal, the Group increased its interest in PJSC Bank ZENIT from 24.56% as at December 31, 2015 to 48.79% as at June 30, 2016. After the deal, the Group continued to account for its ownership interest in PJSC “Bank ZENIT” using the equity method.

In October 2016, as a result of the mandatory offer procedure carried out by the Company in accordance with the Federal Law “On Joint Stock Companies”, the Group acquired an additional 1.64% stake in the authorized capital of PJSC Bank ZENIT for 327 mln rubles increasing its ownership to 50.43% and gaining control over PJSC Bank ZENIT.

Realization of the additional issue, enhancement of the Bank’s reliability and providing an opportunity for the Bank’s business development in the crisis situation will allow TATNEFT to protect its investments in the Bank’s capital and to remove the risk of default of its obligations to a large number of enterprises and a significant number of individuals in the Republic of Tatarstan as well. The Bank’s business volumes are very significant for the economy of the Republic of Tatarstan as well as socially significant for its people.

The additional capitalization of ZENIT Bank will help increase its value in the medium and long term, which will be possible for TATNEFT to gain a return on investment, incl. Through the payment of dividends.

MAIN SEGMENT-FORMING ENTERPRISES



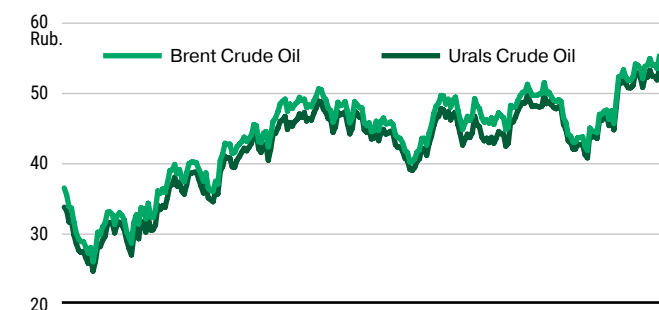
GENERAL INDUSTRIAL TRENDS

In 2016, Brent crude had hit the lowest price over the last 12 years with average annual price as low as \$US43.7 a barrel, or down 16.5% against the previous year, whereas average price of Urals had fallen to US\$42.1 a barrel. Despite low oil prices, production of oil and condensate in the Russian Federation rose as high as 2.6% against 2015, up to 547.5 mln tonnes. Crude oil exports to the far abroad countries increased by 5.1%.

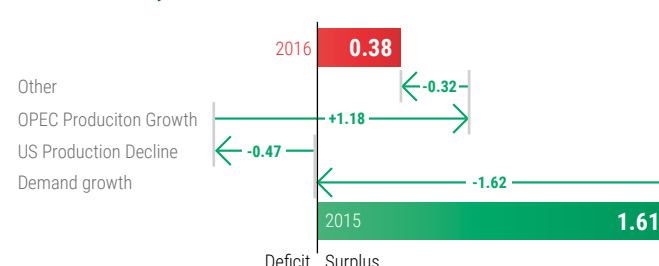
A significant development of the year was the OPEC decision to cut production by 1.2 mln barrels to 32.5 mln barrels per day beginning from January 2017. The deal was backed up by the major oil-producing countries (Saudi Arabia, Iraq and Qatar). The non-OPEC countries that joined the global deal agreed to cut production by 0.6 mln barrels per day. Russia expressed its readiness to curb its production by 300 thousand barrels per day in a phased manner according to schedule. Under this deal, OPEC will have to cut its production by 66% with the largest contribution in output curbs that will be made by Saudi Arabia (0.5 mln barrels per day), Iraq (0.2 mln barrels per day) and UAE (0.1 mln barrels per day). Among the non-OPEC countries, the Russian oil producers have pledged the maximum oil output reductions. The concerted actions of oil producing countries boosted crude oil prices amidst expected contraction of crude supply and progressive market balancing. In December of 2016, Brent crude oil quotes rose to a peak in the year, exceeding US\$55 a barrel. The yearly average rubles/US dollar exchange rate that was affected by the crude price trends weakened by 9% to 67.0 rubles/US dollar, which favoured the oil prices in ruble equivalent. In the first half of 2017, the joint output curbs made it possible to balance the global oil market.

In 2016, the primary crude oil processing in Russia fell by 1.2% against 2015, amounting to 279.4 mln tonnes as a result of modernization of production facilities and improved quality structure of the output. The main trend of the past year in refining has been a significant decrease in the output and proportion of dark oil products in product lines of the Russian refineries. In 2016 fuel oil output was down 20% to 51.6 mln tonnes. In 2016 motor gasoline output rose as high as 2.5% against 2015 amounting to 39.9 mln tonnes. Diesel fuel output totaled 76.3 mln tonnes being in line with 2015. Jet kerosene was produced 9.6 mln tonnes in 2016 down 1.1% against last year.

BRENT AND URALS OIL PRICE TRENDS FOR 2016, RUB PER BBL

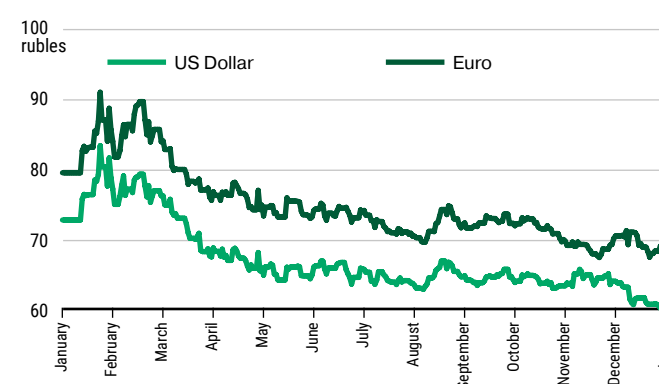


DEMAND AND SUPPLY BALANCE IN OIL MARKET IN 2015-2016, MLN BBL PER DAY



Data source: International Energy Agency

USD AND EUR EXCHANGE RATE TREND FOR 2016



PRIMARY DRIVERS THAT INFLUENCED THE GLOBAL OIL MARKET IN 2016

1. Stable growth of consumption
2. Oil production decline in US
3. Oil production growth in Iran
4. Agreement of oil producers to cut oil production

KEY ANTICIPATED FACTORS THAT MAY ADVERSELY AFFECT THE GROWTH PACE OF THE COMPANY IN THE COMING YEARS

The main external force that will have an impact on the operations of the Company is crude oil price trends.

With increased energy efficiency of the global economy, lagging working-age population and lowered total consumption while increasing oil production efficiency, the world has been challenged with a structural crisis of crude overproduction. A possibility to recover from the crisis in the short run is hindered by the following fundamental factors:

1. Shale oil production growth in North America;
2. Conventional oil production growth in the Middle East;
3. Economic slowdown in India and China (hence, oil demand contraction);
4. Decrease in able-bodied population growth rates (15-64 years of age) all over the world - the main engine of economic growth
5. Global energy efficiency growth and development of alternative energy sources.

The oil market is expected to start balancing (oil demand exceeding its production output) no sooner than the beginning of 2018, as the commercial oil reserves, that have been stocked up over the last three years, start running out of slowly. Accordingly, taking into consideration all the above-mentioned constraints the market will be very likely exposed to the short-term hikes in oil prices followed by price slump and stabilization at 30 to 50 dollars a barrel until a new market equilibrium is found.

Another important driver for global oil prices is exchange-traded oil futures. At the end of 2016, fluctuations in the number of open positions were gaining a higher amplitude, which could lead to another significant downward price movements.

The successful development of the TATNEFT business and all the oil industry cannot be achieved without stable taxation rules. Given the raw material base specificity, it is the priority for the Company to continue the incentive tax treatments for the depleted fields as well as for the super viscous oil fields.

Another factor that could adversely affect the Tatneft development pace in the near future may be a possibility of detaching a high-sulfurous crude stream towards the Ust-Luga port, where part of the Company's export volumes may be directed to, which is considered by the Ministry of Energy.

The main uncertainty for the refining block of the Company is the changing Russian legislation on taxation of crude oil and petroleum product exports. There is a risk related to changes in tax legislation (the "large tax manoeuvre" adjustment) and alignment of export duties on crude oil and petroleum products (including light oil products), which complicates efficient planning of long-term investment projects in the Refinery, and increases the payback period (due to the increased discount rate).

Currently, the Working Group including the TATNEFT representatives that was set up by the Ministry of Energy monitors the crude oil quality in the Transneft's trunk oil pipeline system and the final decision on the feasibility of this project will be accepted not until the second half of 2017. The lower quality feedstock in Ust-Luga (about 2.5% of sulfur content) will inevitably lead to the Urals price discount, which may cause a decrease in the Company's export earnings, and, as a consequence, a decrease in tax proceeds to the budgets of the Russian Federation and the Republic of Tatarstan. In order to avoid such losses TATNEFT was reviewing a number of scenarios to respond to possible implementation of this initiative liaising with responsible state authorities and other interested parties in order to completely eliminate or minimize possible losses.

WORLD OIL CONSUMPTION, MLN. BARRELS PER DAY



Data source: International Energy Agency

28.7 mln tonnes - Total oil production for TATNEFT Group in 2016

STRATEGY IN ACTION

In the reporting year, in the context of declining demand and low hydrocarbon prices, currency market volatility, the Company took well-targeted actions to strengthen financial stability and operating efficiency for the long term.

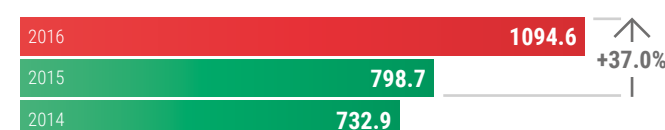
The targets have been set to secure a high-quality resource and production and engineering base, financial discipline, risk control, effective cash flow management and a sound investment policy.

In the difficult circumstances of the volatile industry market conditions and unstable global macroeconomics in general, we have made a lot of efforts to accomplish the detailed analysis and assessment of our potential, and we identified key challenges and growth points for the business segments of the Company.

While maintaining continuity with previous stages of development, the Strategy 2025 focuses on creating a high added value for the share capital and doubling the shareholder value of the Company.

As a result of our committed activities during the year under report we managed to increase the total value of the Company's consolidated assets by 295.9 bln rubles up to 1094.6 bln rubles.

TOTAL VALUE OF THE COMPANY'S CONSOLIDATED ASSETS, BLN RUBLES



UNIFORM EXTERNAL SCENARIO CONDITIONS FOR ALL BUSINESSES OF THE TATNEFT GROUP

Analysis and monitoring of potential changes in market conditions at the global and country levels.

The strategy is designed in three scenarios with assessing the risks of missing the targets and failing to meet the requirements for additional scenario initiatives.

INTEGRATED FINANCIAL AND ECONOMIC MODEL

The plans for all business activities are interlinked and synchronized.

Business contributions to the Company's value are evaluated on a fair market basis.

TATNEFT GROUP CORPORATE STRATEGY UP TO 2025

TATNEFT GROUP BUSINESS STRATEGIES

The Group's business portfolio was analyzed (SWOT, value chain).

The choice of strategy was based on an analysis of alternative development options.

ROAD MAPS

The key activities were developed for each business-block to implement the strategy objectives.

A high level plan of activities of the Corporate Centre was formed to ensure the strategy implementation.

OUR STRATEGY IS BUILT ON FUNDAMENTAL BUSINESS BASICS AND EFFECTIVE APPROACHES TO MANAGING ALL KINDS OF CORPORATE RESOURCES

The internal strategic potential of the Company is based on the development and the consolidation of the vertical integration balance of the business model, high-quality asset addition, sustainable use of natural resources and corporate social responsibility.

The Company's management gives a high profile for improving the corporate governance and the interaction mechanisms of the Corporate center with the business segments in line with strategic objectives. In 2016, the Company's businesses were formalized in the specialized blocks, the Development and Production Block and the Exploration Block underwent reorganizations, and the operating models were updated. As part of the improved reservoir management efficiency and improved well interventions the relevant competencies are combined in the specialized Centers. The work continued to build the complex of operating divisions based on the Business Servicing Center to provide a centralized support to the business-blocks of the Company.

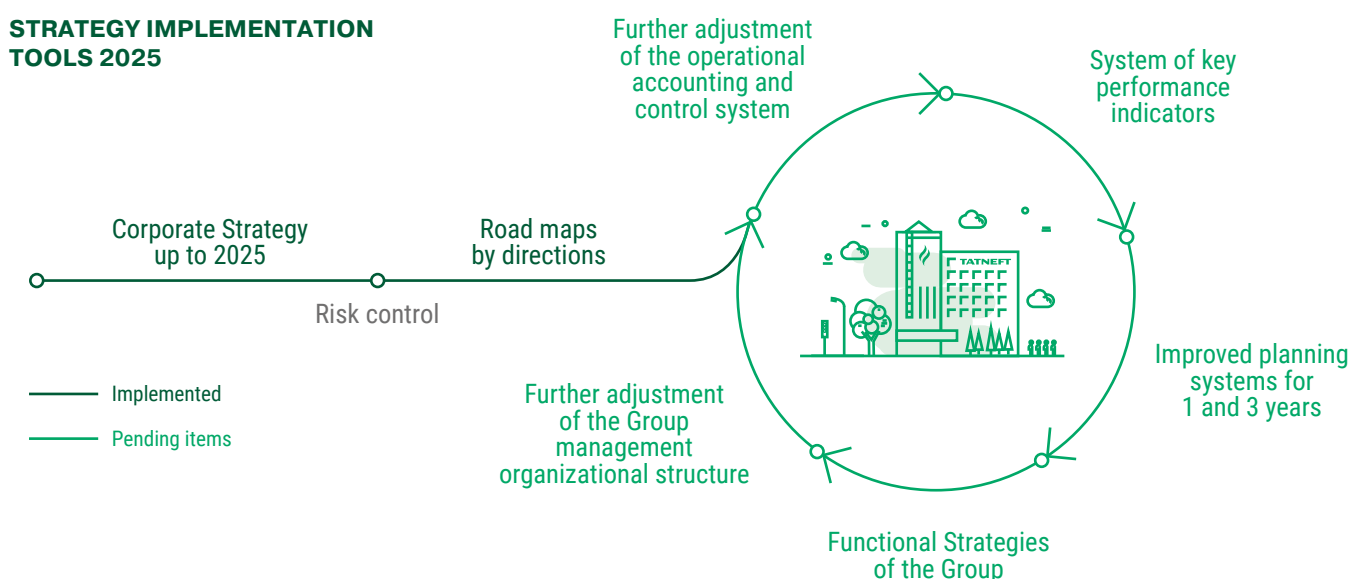
We use «road maps» for each segment of our business taking into account changes in the market conditions and price volatility of the industry market. The managers have the task to develop business and functional strategies.

A balanced approach to investment program and continuous monitoring of their effectiveness, control of key operational factors enables us to monitor and minimize risks in both the short and long term periods.

The Company keeps improving the efficiency of all operating processes through most advanced technologies, profitability control, benchmarking tools, qualitative development of goods and services procurement mechanisms.

The projects, which are currently in its active phase, include the KPI system development and implementation for decision making personnel, improving management business processes, annual and medium-term business planning, further adjustment of the management accounting and monitoring system.

STRATEGY IMPLEMENTATION TOOLS 2025



INVESTMENT POLICY

In 2016, the Company carried out its investment activities in accordance with its strategic development plans and current priorities in meeting the production and social objectives. The Corporate investment policy is based on the principles of maximizing investment efficiency and increasing profitability of each of the Company’s business activities.

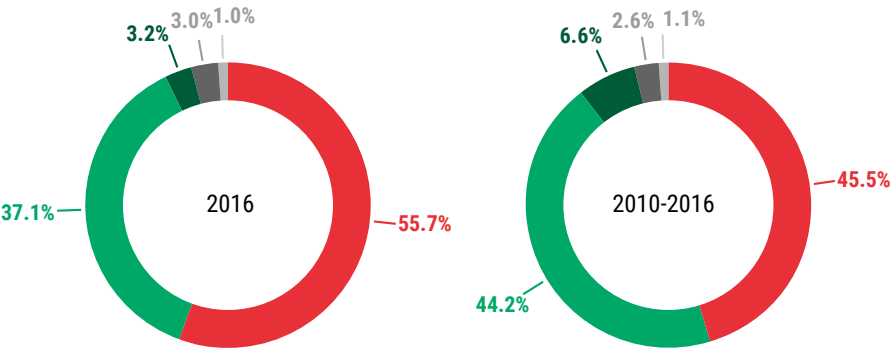
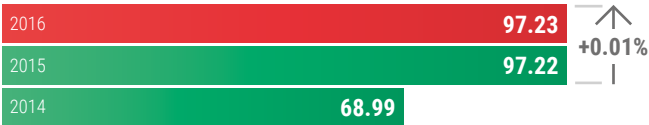
INVESTMENT PORTFOLIO STRUCTURE FOR THE PERIOD OF 2010 THROUGH 2016.

In 2016, the Company’s investments amounted to 97 230 mln rubles and 567 720 mln rubles for the period of 2010 through 2016.

MAIN INVESTMENT ACTIVITIES DURING 2010 THROUGH 2016, MLN RUBLES

Investment program	2016	2010 - 2016
Exploration and Production	54 175	258 369
-Tatneft within Republic of Tatarstan	29 609	177 688
-TATNEFT and subsidiaries within Russia	3 891	18 307
- Foreign projects	240	6 611
SVO field development	20 435	55 763
Crude oil and gas refining	36 071	251 179
Retail distribution network of fuel filling stations	791	11 961
Heat and Power Generation	2 908	14 547
Petrochemical Complex	1 553	10 079
Machinery	15	617
Service Subsidiaries	700	14 802
Social sphere	1 017	6 167
TOTAL	97 230	567 720

TOTAL INVESTMENT FOR TATNEFT GROUP, BLN RUBLES



	2016	2010-2016
Exploration and Production	55.7%	45.5%
Crude oil and gas refining	37.1%	44.2%
Development of petrochemical complex, retail business, machinery and service subsidiaries	3.2%	6.6%
Thermal power development	3.0%	2.6%
Social projects	1.0%	1.1%

FINANCIAL POLICY

The corporate policy priorities in financial management are focused on ensuring financing of the Company’s operational, investment and social activities as well as efficient use of financial resources.

All the payment obligations for work, services, delivered goods, taxes and fees to the PJSC TATNEFT extra-budgetary funds were promptly and fully fulfilled.

In 2016, The Company made several foreign currency hedging transactions using a currency forward.

The deals closed yielded the revenue which compensated for the USD exchange rate depreciation in the given period. In 2016, in order to execute the TATNEFT Group’s treasury operations subject to efficient use of current liquidity ratio and minimization of operating risks the Corporate Finance Center of the TATNEFT Group was created. There are eleven (11) companies of the Group operating in the single treasury. The work was completed to optimize the number of settlement accounts and reduce the commission expenses of the TATNEFT Group with regard to banking services. The liquidity functionality centralization made it possible to cover the cash gaps of the entities without external borrowing, earn additional revenues through optimizing the amounts and timing of the free cash allocation and to reduce the bank guarantees commission charges.

Over 2016, the bank deposits with the temporarily disposable monetary resources placed on and the interests accrued on the PJSC TATNEFT account balances generated the income in excess of 4 bln rubles.

A well-balanced policy of the Company enables it to operate amid repaying the borrowed loans. In 2016, the loans were repaid in the amount of \$32.9 million US dollars. In 2017, the debts owed to banking institutions are expected to be fully repaid.

For the best use of funds the Finance Office fulfilled a great deal of work in optimizing the settlements with counterparties. This work will be done in the future. In order to reduce the Company’s working capital diversion and to expedite the settlement payments with permanent counterparties the cross liabilities are discharged through the Mutual Liability Offset Centre. The settlements made through the Mutual Liability Offset Centre amounted to over 25.2 bln rubles.

BUDGET PLANNING SYSTEM

The 2016 PJSC TATNEFT balanced cash flow budget had been executed. The Company’s budget structure comprises 14 Control and Responsibility Centers (CRC). Each CRC headed by Deputy General Director or the Company’s Department Head oversees the respective business activity and manages its funding as well as is responsible for a proper and efficient use of funds.

FINANCIAL RESULTS

At the end of 2016, the consolidated revenue increased to 580.1 bln rubles exceeding the 2015 level by 5.0%. The free cash flow amounted to 45.7 bln rubles.

According to the results of the year under report the net profit of the Group’s shareholders amounted to 107.4 bln rubles that was up 8.5 bln rubles or 8.6% as compared with 2015.

The EBITDA growth against the last year was 7% reaching 166.6 bln rubles in absolute value. EBITDA is not a financial indicator. However, we believe that this indicator provides investors with useful information, since it reflects the effectiveness of our activities including our ability to finance capital expenditure, make investments, raise and maintain credit and loans. It is also used by analysts to assess and forecast the efficiency and value of oil and gas companies. Over the recent period the Company’s EBITDA has shown a strong dynamic growth rate.

The Company’s consolidated equity capital grew by 51.2 bln rubles in the reporting year and was valued at 708.9 bln rubles at the end of 2016.

The net assets of the parent company increased by 14.5% to 624.5 bln rubles during the reporting period. In the reporting year, PJSC TATNEFT generated 486 bln rubles in sales revenue (excluding VAT, excise and export duties), which is above the 2015 target by 5%; the net profit amounted to 104.8 bln rubles. This reflects improved asset and capital profitability ratios.

OPERATIONS

RESOURCE BASE

The hydrocarbon reserve life index takes the Company to the leading positions not only in Russia but worldwide as well. The proved reserves of the Company make it possible to sustain the current production for more than 30 years and including the probable reserves – 43 years. As at 1 January 2017 according to the Miller and Lents’ independent evaluation the Company’s proved reserves were estimated at 6213.737 mln barrels (872.348 mln tonnes of oil).

Most of the reserves are conventional and historically located within Tatarstan, where our main production volumes are concentrated.

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.

Our plans are aimed at expanding and diversifying the portfolio of hydrocarbon resources, including outside Tatarstan and Russia through access to oil and gas reserves, including through establishing strategic alliances.

The activities are underway to define the Domanikovian oil production prospects.

The strategic and current goals of operations are focused on 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.

The Company steadily offsets its oil production by oil reserves addition. 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.

109%

Current proved oil reserve replacement rate 109%

TATNEFT GROUP RESOURCE POTENTIAL

TATNEFT Group Resource Potential	Unit of measure	2012	2013	2014	2015	2016
Proved oil reseves, incl.	mln tonnes	869.2	847.3	851.5	869.8	872.3
Probable oil reserves	mln tonnes	313.6	310.5	323.7	346.4	353.5
Possible oil reserves	mln tonnes	30.9	33.8	28.9	55.1	55.4
unconventional oil reserves	mln tonnes	22.9	28.0	20.3	41.1	59.8

LICENSING

The hydrocarbon exploration and production operations are carried out under the Russian Federation legislation in compliance with license for the right to use subsurface mineral resources. As at the end of 2016, the TATNEFT Group’s license stock incorporated 96 licenses granting the mineral exploration and production right, geological survey right, including prospecting and appraisal of mineral deposits and geological survey right, including prospecting and appraisal of mineral deposits, mineral exploration and production within the Russian Federation.

In Tatarstan, the Company holds five (5) geological survey licenses for exploration areas including prospecting and appraisal of mineral deposits, mineral exploration and production in the north-eastern part of the Republic of Tatarstan on the western and northern slopes of the South Tatar Arch, on the south-eastern slope of the North Tatar Arch, on the eastern flank of the Melekessky Depression. In addition, one (1) Geological survey license including prospecting and appraisal of mineral deposits, mineral exploration and production for the Apastovsky area located in the west of the Republic of Tatarstan. Also, the Company holds one (1) geological prospecting license to explore for and appraise hydrocarbons within the Agbyazovsky area located in west of Tatarstan. In 2016, two new licenses were granted for testing sites particularly the geological survey license including prospecting and appraisal of mineral deposits, mineral exploration and production in the Elaursky area for the Bitumen Testing Site and another geological survey license including prospecting and appraisal of mineral deposits, mineral exploration and production in the Bulgarsky site for the Domanik Testing Site.

LICENSE STOCK AS OF DECEMBER 31, 2011, LICENSE COUNT

	2014	2015	2016
Total	97	95	96
Development, exploration and production of minerals	52	52	52
Geological survey including prospecting and assessment of mineral deposits	6	4	4
«на геологическое изучение, включающее поиск и оценку месторождений полезных ископаемых, разведку и добычу полезных ископаемых»	39	39	40



EXPLORATION

In the reporting year, eight (8) structures were brought into deep drilling, and twenty-seven (27) structures were prepared for deep drilling.

The Company’s exploration drilling (across the Group) accounted for 38.8 thous. m in the reporting year; the 2D and 3D seismic data were acquired for 135 running km and 717 sq. km, respectively. The production drilling meterage accross the Group exceeded 900 thous. m.

In order to discover hydrocarbon fields, along with seismic, the Company applies the following technologies:

- predicting hydrocarbon prospects using the artificial intelligence techniques;
- defining leads using field seismic and geochemical methods using a complex probability parameter (CPP) for hydrocarbon potential;
- Geochemical survey to search for oil and gas utilizing passive hydrocarbon adsorption.
- low-frequency seismic sounding (LSS);
- GTO LS geological-geophysical technology to optimize selection of well drilling locations;
- 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.

DEVELOPMENT AND PRODUCTION

Pursuing its Strategy, the Company was ramping up its crude oil production in the reporting year. In 2016, the total production across the Group grew by 5.3% against the last year and amounted to 28.7 million tons of oil. It was the highest oil production level achieved over the last twenty-four 24 years. Over a long period since 2000, TATNEFT has been the only company among other Russian vertically integrated oil companies (VIOC) which avoided oil production decrease despite the fact that most of our oil fields are developed at mature stage.

In 2016, the Company's operating well stock included 22 626 oil wells (about 13% in the total Russian structure), and 515 new producing wells were put into operation during the reporting year.

Average daily production rate across the Group was 9.1 tonnes per day, average daily production rate of active producing wells was 4.1 tonnes per day. Average recovery factor across the Company was > 0.43.

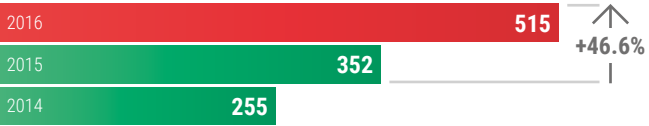
1.8

mln tonnes

Total production of super viscous oil (SVO) at the end of 2016 since pilot development start

The Company's investments in the Development and Production Business-Block amounted to 54.2 bln rubles, including 20.4 bln rubles invested in the SVO development, in 2016.

NEW PRODUCING WELL COMMISSIONING, WELLS



WELL STOCK AS OF 1.01.2017

Well Category	Well Count
Active producing well stock	20 460
Inactive producing well stock	2 142
Testing or waiting on testing	24
producing wells	24
Operating producing well stock	22 626

TATNEFT GROUP OIL PRODUCTION, MLN TONNES



OIL PRODUCTION ACROSS GROUP, MLN TONNES

Enterprises	2014	2015	2016
PJSC TATNEFT	26.223	26.927	28.333
Oil companies within RF, controlled by the PJSC TATNEFT, including	0.307	0.322	0.353
OOO Tatneft-Samara	0.287	0.304	0.338
OOO Tatneft-Severnoy	0.020	0.018	0.015
ZAO Severgazneftprom			0.00017
TATNEFT Group	26.529	27.249	28.686

TATNEFT GROUP OIL PRODUCTION, THOUS. BBLs



AVERAGE DAILY OIL PRODUCTION RATE, THOUS. BBLs PER DAY



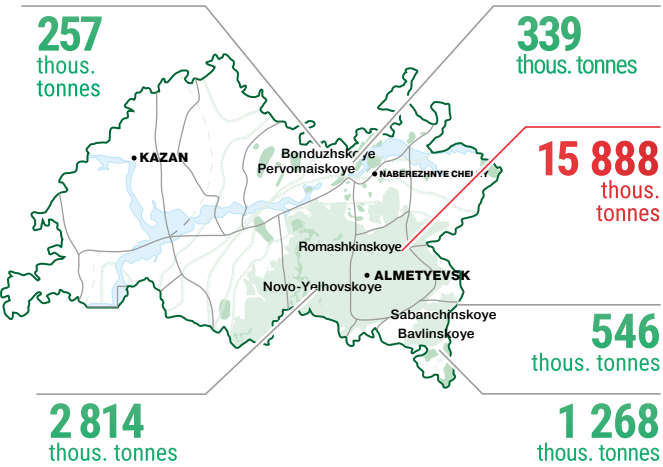
TATNEFT GROUP GAS PRODUCTION, MLN M³



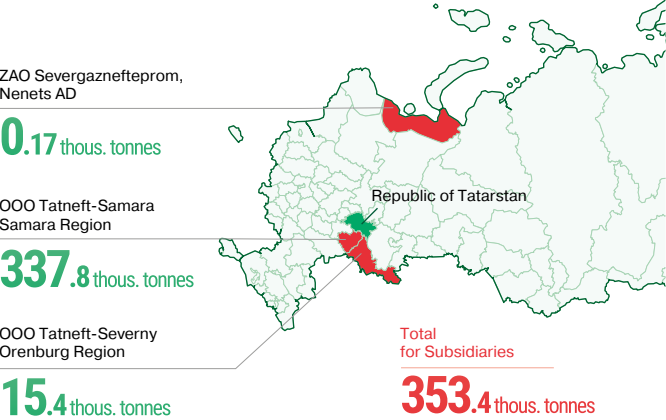
AVERAGE DAILY GAS PRODUCTION RATE, THOUS. BBLs PER DAY



OIL PRODUCTION BY LARGEST FIELDS WITHIN REPUBLIC OF TATARSTAN IN 2016



GEOGRAPHIC REACH IN EXPLORATION AND PRODUCTION OUTSIDE REPUBLIC OF TATARSTAN



Since 2017, subject to the agreement between Russia and OPEC to cut down crude oil production, the Company has taken the commitments to reduce its oil production in the short-term period. The Company takes a balanced approach to this step action, thoroughly analyzing all economic and technological aspects to ensure stable operation of our fields as well as to sustain production balance in the conditions of the current crude oil output constraints.



SVO FIELD DEVELOPMENT

The Company continued to successfully develop the super viscous oil (SVO) fields (Sheshminsky horizon) considering that as a strategic priority in strengthening and diversifying its resource base. Over the reporting period the SVO production output totaled 843 thous.tonnes. As compared with the last year the SVO production more than doubled in 2016. By the end of the year the daily production had reached 3 361 tonnes. Overall, since the commercial field development start, production had reached 1 million 781.7 thousand tonnes. Currently, seven (7) super viscous oil deposits of Sheshminsky horizon (four (4) deposits of the Ashalchinsky field, one (1) deposit of Languievsky field, one (1) deposit of the Karmalinsky field and one (1) deposit of Lower Karmalinsky field) are being developed.

As at 01.01.2017 there were 601 horizontal wells drilled (including 159 wells in 2016) and 1 782 appraisal wells drilled (including 185 wells in 2016) in the SVO fields. 27 Cyclic-Steam Stimulation (CSS) wells and 213 Steam Assisted Gravity Drainage (SAGD) wells were in operation. 157 wells were operated in steam injection, including 220 steam injecting wells, 17 CSS wells and 36 new pair wells and CSS wells (formation primary heating up).

The Company gains savings from the reduced tax rate for super viscous oil production in some of its fields, as well as other certain tax incentives related to the production and sales of super viscous oil.

The super viscous oil is treated with the process of «hard» thermo-chemical heat dehydration at the heating temperature of 90° C using coalescers and electrical dehydrators which ensures the super viscous oil upgrading to the 1-st quality group while reducing capital costs for sedimentation equipment.

SUPER VISCIOUS OIL PRODUCTION, THOUS. TONNES



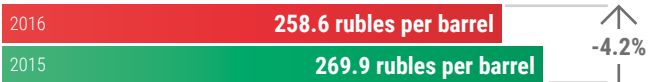
OIL PRODUCTION EFFICIENCY

A significant result of the successful cost-optimization activities as part of the development strategy for the exploration and production business-segment in the reporting year as compared with 2015 became lowering the cost to produce a barrel of oil by 4.2%.

The Company's production costs (for the Group) consist of oil production costs incurred by the Company's divisions and subsidiaries producing oil and gas, including costs associated with operated services, maintenance and insurance of equipment facilities, wages, formation stimulation costs to improve oil recovery, fuel and electric power costs, goods and materials used in production of crude oil, and other similar costs.

The costs incurred by the oil producing divisions and subsidiaries of the Company associated with the purchase of goods and services that are not related to the main line of business activity, as well as changes to oil and petroleum product reserves are excluded from oil production costs and are included in other operating expenses.

AVERAGE OIL PRODUCTION COSTS (ACROSS THE GROUP)



The production growth was attained mainly thanks to the ongoing improved oil production and enhanced oil recovery technologies.

The tertiary and hydrodynamic EOR production accounted for more than 40% of the Company's total oil output.

In 2016, the tertiary EOR was the key driver in oil production, with the additional production amounting to 7.7 million tonnes (113.1 per cent of 2015), which represents more than 27 per cent of total production.

Along with conventional methods used to prospect and develop oil fields new technologies are applied which enhance productivity and profitability of all oil and gas production processes.

Oil field exploration and production

Petroleum prospects and leads are predicted by artificial intelligence, 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.

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

Drilling

Application of new drilling technologies continues to be a matter of great consideration. In order to improve well cementing quality the Company utilize the silicate baths within the productive intervals as well as using G-grade cement and stage cementing collars. The horizontal and multilateral completions are constructed to achieve prolific oil flow rates.

In 2016, 131 horizontal wells (horizontals) and 4 multilateral wells (multilaterals) were drilled with the oil production of 156.02 thousand tonnes. Altogether, since the beginning of the program the count of horizontals and multilaterals had reached 967 and 115 wells, respectively.

274 slim hole wells (slim holes) were brought into production, of which 269 producers were placed into operation with the average daily production rate of 6.2 tonnes per day. The cumulative oil production was 181.8 thous. tonnes.

Well Workovers

In 2016, well servicing operations performed in the Company's licensed areas within and outside of the Republic of Tatarstan amounted to 10 198 and 71 jobs, respectively, with the workovers performed on 2 287 wells outside Tatarstan. 790 wells were hydrofractured.

Hydraulic fracturing is an effective technology for oil well stimulation and well injection capacity increase. In total, 4 809 fracs had been performed since the frac method introduction. In 2016, 790 frac jobs were done with 54 new wells fractured immediately after drilling. As a result of fracturing the flow rate increased by 4.5 tonnes per day. The incremental oil production amounted to more than 13 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), conversion of CSS wells to production/steam injection, well servicing (ESP replacement, preparing for well logging). These workover rigs were purchased as part of import substitution program (as substitute for Canadian workover rigs K-54).

The Company keeps showing one of the best Mean Time Between Repairs (MBTR) performance for well operations among large companies in Russia's oil industry.

The Mean Time Between Repair for well operation was 1 074 days. This high performance was attained thanks to implementing highly efficient and innovative technologies to provide high-quality and timely maintenance of oilfield equipment.

ASSOCIATED PETROLEUM GAS UTILIZATION RATE

The Company's associated petroleum gas (APG) utilization rate exceeded 96% in the reporting year. This is one of the highest rate throughout the industry against 95% regulatory value set by the Russian Federation government.

The Company intends to bring this level to 98% through the activities carried out under the project «Gas Gathering Network from NGDU Yamashneft and NGDU Yelkhovneft facilities».

APG is a valuable feedstock for production of a wide range of gas products of the highest quality, which are further used in petrochemicals and power generation.

ASSOCIATED PETROLEUM GAS UTILIZATION RATE, %



CRUDE OIL REFINING

In order to increase the production and sales of highly competitive finished goods the Company is strengthening its own oil refining business-segment based on the TANECO Complex in Nizhnekamsk. This is the key strategic downstream project of the Company. The success of the TANECO project has solidly consolidated the Company’s strategic positions on the petroleum product market in Russia. A significant event of the year was the delayed coker unit commissioning, enabling to enhance the petroleum feedstock conversion rate at the TANECO refinery to 99.2% by the end of the year (the average conversion depth in 2016 was 84.7%). The Nelson index was 7.12 points in 2016. After the Complex has been put into commission on a full scale, the Nelson index will be no less than 12 which will ensure shifting to the maximum output of light oil products. In the reporting year, the TANECO Refinery processed more than 8.7 mln tonnes of petroleum feedstock, produced 9.1 mln tonnes of petroleum products, including 1.6 mln tonnes of Euro-5 diesel fuel and more than 130 thous. tonnes of jet kerosene.

In 2016, the following new oil products were put into production at the TANECO Refinery:

- Distillate of sulfurous gas condensate as per STO 78689379-02-2016;
- Anode grade petroleum coke as per STO 78689379-03-2016;
- Coking naphtha as per STO 00151638-006-2015;
- Light and heavy coker gasoils as per TU 38.401-58-423-2015;
- DTf (Diesel technology fraction) as per STO 78689379-04-2016.



All the international and Russian environmental standards and regulations are complied with in the course of the refinery construction process. In particular, the hydrogen sulfide that is recovered during crude oil refining process runs to the sulfur regeneration unit, the sulphur recovery rate reaches 99.6%.

The investments of the Company in the TANECO Complex construction exceeded 34 bln. rubles in 2016.

In December 2016 the TANECO Complex became the winner of the Republican competition «Ecoleader» in the nominated category «Oil Producing and Petrochemical Industry».

In 2016, the TANECO Refinery products were awarded in the Russian competitions:

- «All-Russian Mark (III Millennium). Quality Mark of XXI Century» - the products of the enterprise (TC-1Jet Fuel , TATNEFT VHVI -4 and HVI-2 Isoparaaffinic Base Oils, EURO Diesel fuel) were highly appraised by the expert commission and were awarded with the Golden Quality Marks «All-Russian Mark (III Millennium). Quality Mark of XXI Century»;
- Jet A-1 Aviation Fuel produced by the TANECO Refinery was highly appraised at the International Air Transport Association (IATA) Forum in Prague. The management of the IATA Working Group on the basis of the submitted materials and the British Petroleum report that had been received earlier, sent the letter confirmation to PJSC TATNEFT with regard to the possibility of the Jet A- 1 Aviation Fuel export sales. PJSC TATNEFT became the first oil company in Russia to hold such a certificate;
- TS-1 aviation fuel for jet engines became a prize winner of the «Best Goods and Services of Tatarstan» and «100 Best Goods of Russia» competitions;
- By the RF Government Decision of 15 November 2016, No. 1190 the JSC TANECO was awarded with the 2016 RF Government Prize for achieving the significant results in the quality of products and services, ensuring their safety, and for implementation of high effective quality management techniques.

TANECO REFINERY PROCESS UNIT RATED AND ACHIEVED CAPACITIES

Process Unit	Rated capacity, thous. tonnes per year	Achieved capacity, thous. tonnes per year
CDU-VDU-7	7 000.0	8 710.1
Naphtha Stabilization Unit (s.1300)	1 101.6	1 321.8
Visbreaker	2 400.0	1 039.4
Amine Regeneration Unit:	170.5	93.8
LPG amine scrubbing assembly	121.6	141.9
Fuel gas amine scrubbing assembly - Hydrogen-bearing gas scrubbing assembly	35.9	24.7
Hydrogen-bearing gas scrubbing assembly		
Elemental Sulphur Recovery Unit	139.4	81.8
Hydro cracker unit	2 900.0	2 974.6
Hydrogen production unit	99.77	87.9
Lube base oil production unit	250.0	246.9
Delayed Coker Unit	2 000.0	947.6
Naphtha Splitter Stabilization Unit (s.1700)	600.0	167.5
Average daily gas production rate, thous. bbls per day	15.0	16.0

PETROLEUM PRODUCT OUTPUT SINCE OPERATION START OF TANECO COMPLEX, TONNES

	2011	2012	2013	2014	2015	2016	Since start
Primary feedstock for processing	431 642	7 018 741	7 622 920	8 520 904	8 658 594	8 710 075	40 962 877
Crude oil	431 642	7 018 741	7 618 569	8 511 288	8 649 710	8 697 385	40 927 334
Gas condensate			4 351	9 617	8 884	12 690	35 543
REFINED PETROLEUM PRODUCTS, TONNES							
Derived from feedstock:							
Natural Gas Liquids (LNGs)		49 985	104 672	169 039	108 870	114 851	547 418
Straight run gasoline	57 435	980 563	561 975				1 599 973
Stable natural gasoline			536 544	1 672 467	1 826 518	1 789 992	5 825 522
Diesel fuel				1 027 767	1 378 345	1 583 342	3 989 454
Commercial kerosene		12 337	38 890	199 500	146 529	99 079	496 335
Aviation Kerosene				8 248	51 918	136 984	197 150
Household furnace oil	115 588	2 250 309	836 427	45 441	47 935	431 542	3 727 242
Straight run kerosine-gasoil fraction			328 171				328 171
Low-viscosity marine fuel		14 499	1 179 548	2 603 089	2 537 588		6 334 724
Distillate of gas condensate middle (sulfurous), type I						1 864 299	1 864 299
Distillate of gas condensate middle (sulfurous), type III						416 814	416 814
DSf (Diesel technology fraction)						171 660	171 660
Vacuum gasoil/hydrotreated oil fuel/ lubricant compound/unconverted hydrocracked residues	58 577	1 642 332	1 926 530	515 750	367 438	425 033	4 935 661
Process-derived export-grade fuel					83 952	51 784	135 736
Visbreaking naphtha		36 637	84 525	61 396	13 841	55 544	251 943
Coking naphtha						102 445	102 445
Heavy coker gasoil						80 250	80 250
Isoparaaffinic base oil TATNEFT HVI-2				5 350	9 400	22 795	37 545
Isoparaaffinic base oil TATNEFT VHVI-4				6 135	12 608	113 661	132 403
Fuel oil/visbreaking residue/vacuum tower bottoms	195 131	1 919 212	1 920 693	2 152 966	2 250 430	1 270 106	9 708 537
Hydrogen				1 768	6 385	1 069	9 225
B-grade anode petroleum coke						278 782	278 782
Sulphur		2 613	7 684	50 001	59 420	81 821	201 540
Hydrocarbon gas for furnaces		25 945	48 922	223 626	288 834	365 064	952 391

CRUDE OIL SALES

In the reporting year, crude oil sales totaled 22.1 million tonnes, which was 10.8% more than the sales in 2015. The delivery directions were distributed in the following ratio: far abroad export - 55.8%; near abroad export - 5.1%; domestic market deliveries - 39.1%. In 2016, the crude oil sale revenues (excluding export duties) were up 10.7% to 298.1 bln rubles as compared with 269.2 bln rubles in 2015. The crude production growth led to higher crude oil sales across the Group.

In 2016 and 2015, The Group exported approximately 61% of all crude oil sold. The Group transports crude oil for export utilizing the services of the PJSC AK Transneft (Transneft), the state monopoly and the operator of the Russian trunk oil pipeline system. In 2016, The Company transported about 63% (46% in 2015) of all its oil for export through the Friendship pipeline owned by Transneft (mainly to Poland, Germany and Slovakia); 5% (14% in 2015) of exported oil was shipped through the Russian Black Sea ports (mainly Novorossiysk) and 32% (40% in 2015) of exported oil was shipped through the Russian Baltic Sea ports (mainly Primorsk).

The export oil sale channel is significant for Russia. Over the period from 2012 through 2016 oil exports increased from 240 mln tonnes to 255 mln tonnes, respectively. The TATNEFT's share in the Russian exports over 2012 to 2016 remained almost the same at about 5 % level.

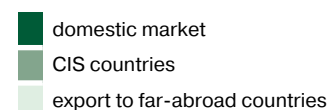
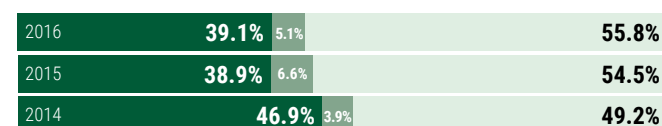
Crude oil deliveries to far abroad countries are a traditional sales market for the Russian oil companies due to the industry-wide balance of production and processing. For resources over 2015 to 2016 the overall structure of oil supplies by directions stayed balanced. Higher sales volumes resulted in oil sales revenue growth, respectively. Fall in the world oil prices in 2016 were offset by rise in the dollar exchange rate.

The ratio of oil sale revenue shares for 2015 to 2016 is identical to the share ratio of oil sales by directions, which confirms the TATNEFT's formed oil sales structure balance.

GROUP'S CRUDE OIL SALES, THOUS. TONNES



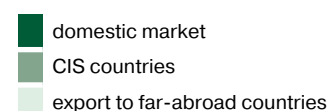
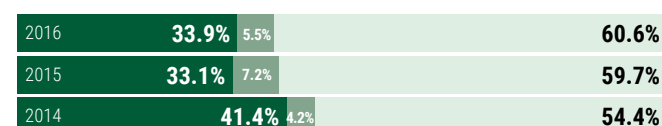
SHARES OF CRUDE OIL SALES ACROSS THE GROUP BY DELIVERY DIRECTIONS



REVENUES FROM CRUDE OIL SALES EXCLUDING EXPORT DUTIES AND EXCISE TAXES, BLN RUBLES



SHARES OF REVENUES FROM CRUDE OIL SALES EXCLUDING EXPORT DUTIES AND EXCISE TAXES BY DELIVERY DIRECTIONS



CRUDE OIL DISTRIBUTION

	Min tonnes
Produced	28.7
Procured	2.8
Total	31.4
Realization (sales)	22.1
Processing and NGL recovery	9.2
Other (mainly oil residue increase)	0.1
Total	31.4

PETROLEUM PRODUCT SALES

The total sales of petroleum products to the domestic and foreign markets in 2016 for the Tatneft Group amounted to 10.9 mln tonnes of petroleum products. 4.9 mln tonnes of petroleum products were exported (as compared with 5.4 mln tonnes in 2015). The total revenue from sales of petroleum products in the reporting year amounted to 212.3 bln rubles (excluding export duties and excises).

In 2016, the Delayed Coker Unit came on stream, which resulted in a qualitatively new structure of petroleum product production at the TANECO Complex facilities. Shifting to the full refining of vacuum tower bottoms eliminated black oil fuel realization. The output of middle distillates, naphtha and gases was increased. The residual product such as coke was in demand across the industry on the domestic market.

In 2016, there was a general decline in petroleum product exports from Russia by 10 per cent to 156 million tonnes against 2015 (172 mln tonnes). This is primarily related to the output structure changes and fuel oil production reduction in the Russian Federation. In 2016 the TATNEFT's petroleum product sales accounted for 2.8% of the total Russian export of petroleum products (4.4 million tonnes).

All that led to overall growth in the petroleum product deliveries to the domestic market.

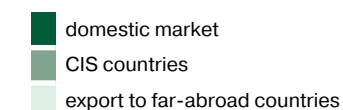
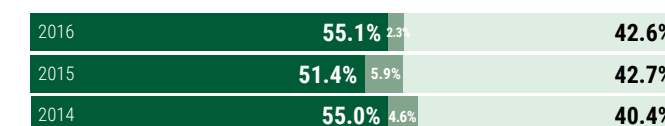
The revenue net of taxes was affected by the increased duties on the dark oil products up to 100% and excise indexation on light products taken place since January 1 and April 1, 2016.



GROUP'S PETROLEUM PRODUCT SALES, THOUS. TONNES



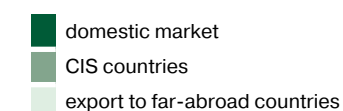
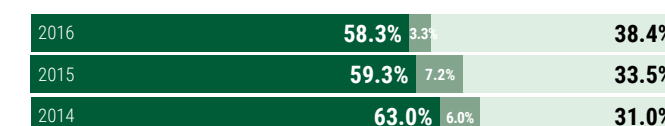
SHARE OF PETROLEUM PRODUCT SALES BY DELIVERY DIRECTIONS



SHARES OF REVENUES FROM PETROLEUM PRODUCT SALES EXCLUDING EXPORT DUTIES AND EXCISE TAXES, BLN RUBLES



SHARES OF REVENUES FROM PETROLEUM PRODUCT SALES EXCLUDING EXPORT DUTIES AND EXCISE TAXES BY DELIVERY DIRECTIONS



The supply structure optimization had a positive impact on the financial results of the year

RETAIL DISTRIBUTION NETWORK

The Company's retail distribution network, operating under the TATNEFT corporate brand, at the end of 2016 included 689 fuel filling stations (FFS) and 16 tank farms, of which 567 FFS located in Russia, 105 FFS in Ukraine and 17 FFS in the Republic of Belarus.

In 2016, three (3) new fuel stations were put into service within the RF as well as one (1) LPG autogas station and two (2) fuel stations were commissioned in the Republic of Belarus. Four LPG terminals are also installed in the existing fuel stations.

It is the fourth largest fuel filling network in Russia encompassing 24 regions. About 50 % of the fuel stations are located in the Central, Northwestern and Volga Federal Districts, the Company's main operating regions.

In accordance with the retail business development strategy, the efforts are made to increase the fueling network profitability by increasing the fuel supply attractiveness and marginality of related services, modernizing the fuel filling station formats, the effectiveness of marketing programs, and optimizing costs through the disposal of low-efficiency fuel filling stations. As a result of these actions the Company succeeded in scaling up its retail sales despite the overall decline in retail petroleum product consumption in Russia.

Total retail sales over the reporting year rose by 6% against last year and amounted to 2.6 million tonnes with more than 97 bln rubles in revenues. The average daily sales per fuel station were up 9 % against last year. As part of the non-fuel supply development the income from related goods and services was up 25 per cent as compared with 2015. High quality fuel is guaranteed by a multi-level control system using advanced technologies and software packages.

As at the end of 2016, 398 stores were operated at the Company's filling stations (2015 - 2424 stores) and 217 cafeterias (2015 - 53 cafeterias). Revenues from related goods and services significantly increased as compared with 2015.

In 2016, high-potential roadside services provided at the Company's filling stations continued to develop (at the year-end, the revenues from this business activity grew by 80% as compared to 2015), and a chain of self-service car washes was expanding as well.

The Company intends to develop its related business by continually introducing new customer services to improve the quality of service and increase revenue.

RETAIL SALES

2016	Retail		Small wholesale		Total	
	Qty., tonnes	Revenue, thous. rubles	Qty., tonnes	Revenue, thous. rubles	Qty., tonnes	Revenue, thous. rubles
RF	1 440 003	61 584 650	1 044 662	30 395 468	2 484 665	91 980 119
Ukraine	34 773	2 269 881	24 313	1 338 311	59 086	3 608 192
Belarus	30 490	1 504 451	939	41 550	31 429	1 546 001
Total	1 505 266	65 358 982	1 069 914	31 775 329	2 575 180	97 134 312
2015						
RF	1 325 395	55 545 909	1 030 508	28 384 530	2 355 903	83 930 438
Ukraine	33 599	2 223 402	28 014	1 573 704	61 613	3 797 106
Belarus	17 319	872 845	-	-	17 319	872 845
TOTAL	1 376 313	58 642 155	1 058 522	29 958 234	2 434 835	88 600 389
2014						
RF	1 193 429	47 432 511	785 137	18 158 328	1 978 566	65 590 839
Ukraine	41 242	2 233 670	23 453	1 157 052	64 695	3 390 722
Belarus	15 600	680 350	-	-	15 600	680 350
TOTAL	1 250 271	50 346 530	808 590	19 315 380	2 058 861	69 661 910

TATNEFT FUEL FILLING STATION COUNT, PCS.



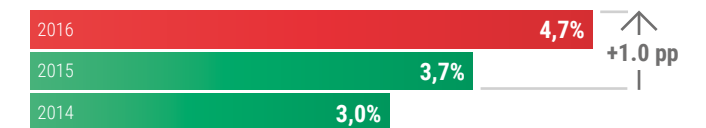
RELATED SERVICES FACILITIES, PCS.



PETROLEUM PRODUCT SALES THROUGH RETAIL NETWORK OF TATNEFT FUELING COMPLEX, MLN TONNES



RELATED SERVICE REVENUE SHARE IN TOTAL FUEL FILLING STATIONS REVENUE



PETROCHEMICAL

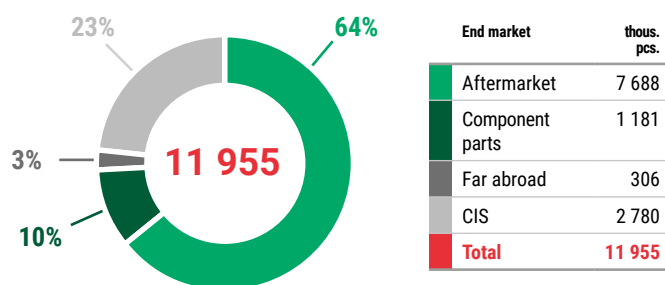
TIRE PRODUCTION

The unstable economic situation on the domestic market in 2016 (locking of access to international credit resources, reduction in purchasing power, deferred demand as a result of continued economic crisis expectation) had affected the tire market. Overall, the Russian tire market shrank by 3% against the previous year. In spite all of that, the Company managed to retain its key positions at last year's level that was 20% in the total domestic tire output. In the reporting year, the Company's Petrochemical Complex manufactured 11.5 mln tires, including more than 1 mln all- steel tires (more than 55% of the total Russian all-steel tire output). The Company's tires are mainly supplied on the domestic market and delivered to the largest manufacturers of the automotive vehicles such as AvtoVAZ, KAMAZ, UK GAZ Group, Volkswagen Group Rus, Ford Sollers Holding, and others. During 2016, our tires were supplied to 30 automobile manufacturers. Strong competitive advantages of the tire business are high-tech production facilities, wide popularity and experience in operating the «KAMA» and «Viatti» branded tires, optimal tire product line and range, development of potential models based on cooperation with automakers, a well-developed distribution network. Tire export supplies span over 40 countries. In the reporting year, total tires sales made about 12 mln pieces that was up 1.2% against 2015.

TIRE PRODUCTION IN RUSSIA

	11 522	
		50 099
Tire output	thous. pcs.	Share
Total for Russia, including:	50 099	100%
From PJSC TATNEFT:	11 522	23.0%

END MARKETS FOR PJSC TATNEFT'S TIRE PRODUCTS, THOUS. PCS.



TIRES SALES, THOUS. PCS.

2016	11 955	↑ +1.1%
2015	11 820	
2014	12 083	



POSITIONS OF PETROCHEMICAL COMPLEX (PCC) PRODUCTS ON RUSSIAN TIRE MARKET BY SEPARATE GROUPS

TIRES, TOTAL			8 869
			43 709
Tire output	2014	2015	2016
PCC sales, thous. pcs.	9 447	9 164	8 869
Russian tire market, thous. pcs.	55 716	45 052	43 709
PCC's market share, %	17.0	20.3	20.3

PASSENGER CAR TIRES			5 707
			32 096
Tire output	thous. pcs.	Share	
PCC Sales	5 707	17.8	
Russian passenger car tire market	32 096	100%	

LCV TIRES			1 206
			4 408
Tire output	thous. pcs.	Share	
PCC Sales	1 206	27.4	
Russian LCV Tire Market	4 408	100%	

HCV TIRES			1 057
			2 075
Tire output	thous. pcs.	Share	
PCC Sales	1 057	50.9	
Russian HCV Tire Market	2 075	100%	

ALL STEEL TIRES			791
			3 447
Tire output	thous. pcs.	Share	
PCC Sales	791	23.0	
All Steel Tire Russian Market	3 447	100%	

AGRICULTURAL AND INDUSTRIAL TIRES			107
			1 683
Tire output	thous. pcs.	Share	
PCC Sales	107	6.4	
Russian Agricultural And Industrial Tire Market	1 683	100%	

CARBON BLACK PRODUCTION

In addition to the tire business the Company's Petrochemical Complex produced 118 thous. tonnes of carbon black. The carbon black products are on a par with high quality foreign counterparts and is highly demanded on both the internal and export markets 28% sales came from exports with the main markets of Turkey, Poland, Bulgaria and other countries.

The carbon black export geography has expanded into 19 countries.

CARBON BLACK PRODUCTION, THOUS. TONNES

2016	118.0	↑ +0.8%
2015	117.1	
2014	120.5	

CARBON BLACK SALES BY YEARS, TONNES

Carbon black sales	2014	2015	2016
In Russia	86 085	91 336	85 174
Export	34 416	25 794	33 629
Total sales	120 501	117 130	118 803

Revenue from the sales of products and services of the Company's Petrochemical Complex in 2016 totaled 44.7 bln rubles that was more than in 2015 for 6.5 bln rubles (up 17.1%).

GENERATING ASSETS

In the reporting year, the Company continued to develop its own heat and power complex implementing the program to modernize its generating capacities using cutting-edge technologies and advanced production equipment. This is one of the key vectors of our strategy. The Complex incorporates the following enterprises: Tatneft-Energosbyt Management Company, Nizhnekamsk CHP and Almetyevsk Heating Networks.

Tatneft-Energosbyt

Tatneft-Energosbyt is the PJSC TATNEFT's wholly-owned subsidiary.

The main activities of the subsidiary include: Purchase and sale of electricity in the wholesale and retail electrical energy and power markets, organization of supply of gaseous fuels transmitted through gas distribution networks, as well as carrying out other works and rendering other services which are not prohibited and do not contradict the current legislation.

In 2016, Tatneft-Energosbyt supplied 5 034 646 thous kWh energy to the TATNEFT Group's enterprises, that was 338 842 thous. kWh or 7.2% more than in the same period of last year. On average, the annual increase in electricity consumption by the Tatneft Group's enterprises (in physical terms) was 7% over the period 2011 through 2016.

Our own generating assets that we have ensure reliability of energy supply to oil refining and petrochemical capacities of the Company as well as to the main production facilities of the Nizhnekamsk industrial hub. The Nizhnekamsk CHP modernization made it possible to increase power energy supply and improve the operating efficiency of the plant.

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Nizhnekamsk CHP

The «Construction of electric power generation facilities using low-grade steam turbines in Nizhnekamsk» project was completed in the first quarter of 2016.

Commissioning of the new power generation train enabled to increase the installed electrical capacity of the station to 730 MW, thanks to which the main production facilities of the Nizhnekamsk industrial hub would be supplied with electricity in the required quantities. The Nizhnekamsk CHP modernization allows to generate some part of the power energy in a condensing mode i.e. regardless of the amount of heat supplied to heat consumers.

The reconstruction project was initiated to shift the power boilers to burning of petroleum coke produced at the TANECO refinery. This will partially substitute natural gas with a new and cheaper fuel, thereby increasing the competitiveness of the station on the electrical and thermal energy market.

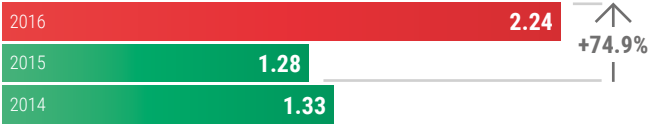
In 2016, the Company's enterprises generated 2.24 bln kWh and delivered 3.95 million Gcal of thermal energy.

Almetyevsk Heating Networks

The Company has been developing the Almetyevsk Heat Networks (APTS) to supply heat to the regional infrastructure facilities. «APTS» operates three mini-CHP plants with 24 MW of total electric output, where the MWM TCG2020V20 gas piston generating units (GPGU) with 2.0 MW of single electric output are installed.

The launching mini-CHP plants in 2016 made it possible to reduce the purchased electricity needed for the district boiler houses No. 2,3, 1 and 4 by 24.17 mln kWh per year. The current programs are moving ahead with regard to capacity optimization, cost control, energy saving and efficiency, lean production and setting up of system monitoring of heat losses in the heat supply networks.

ELECTRIC POWER GENERATION, BLN KWH



HEAT SUPPLY, MLN GCAL



SPECIFIC FUEL CONSUMPTION FOR THERMAL ENERGY SUPPLY, KGOE PER GCAL



SPECIFIC WATER CONSUMPTION FOR THERMAL ENERGY GENERATION, M³ PER GCAL



PJSC TATNEFT ENERGY AND RESOURCE EFFICIENCY PROGRAM FOR PERIOD UP TO 2020

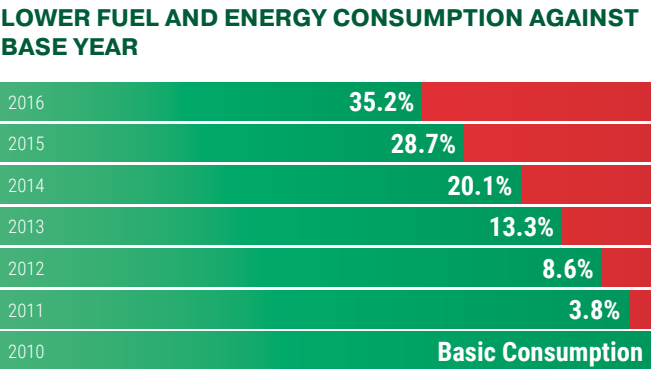
In the context of constantly growing tariffs of natural monopolies on energy resources, transportation services and increase of hydrocarbon production costs, the Company makes the comprehensive efforts to create maximum reserves for resource saving in all its business activities, including energy saving.

In 2011, the TATNEFT initiated the resource-saving program for the period up to 2020 was initiated as part of which the energy saving program is being implemented. In addition to the PJSC TATNEFT's oil and gas production divisions (NGDU) the service companies are involved in the new program. Altogether 25 enterprises participate in the program.

The goal of the energy saving program is saving the fuel and energy resources through their rational use and improved energy efficiency of the production. According to the program, by 2016, energy savings are expected to reach 8.6% (against baseline), and by 2020 - 13.5%.

The program implements the measures aimed at reducing the absolute consumption of fuel and energy resources, saving material and natural resources and cutting down the Company's energy costs.

Over the period from 2011 to 2016 as a result of the measures taken under Resource Saving Program the fuel and energy consumption relative to the base year was reduced by 35.2% with more than 380 thous. tonnes of fuel equivalent saved. This allowed to reduce the Company's need for fuel and energy resources by 6.3%



FUEL AND ENERGY USE INFORMATION

Energy Resource	Consumed in 2016	
	in physical terms	in monetary terms, rubles (excluding VAT)
Electric power energy	4 083 mln kWh	10 324 mln rubles
Including industrial consumption	4 083 million kWh	10 051 mln rubles
Thermal energy	4 077 thous. Gkal	4 644 mln rubles
Including industrial consumption	4 031 thous. Gkal	4 578 mln rubles
Gasoline	2 937.4 tonnes	132 mln rubles
Diesel fuel	1 709.4 tonnes	68 mln rubles
GAS	48.2 tonnes	1.4 mln rubles



TECHNOLOGY AND INNOVATION

IMPROVED OIL AND GAS OIL PRODUCTION TECHNOLOGIES

INNOVATIVE WELL CONSTRUCTION TECHNOLOGIES

1. Pumping high-viscosity pills at 100-150 m intervals during wellbore conditioning before running a casing in more than 50 degrees deviated borehole.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Cuttings transport	Cutting bed removal out of wellbore	0.121	13 wells

2. In horizontal wells with long horizontal sections or complex profiles before pulling a drilling tool out of hole for running liner in open hole, sweep a mud pill with mechanical lubricant in 5 kg/m³ concentration. Mud pill swept in balanced pressure condition.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Mechanical lubricant	Running liner to bottomhole	0.161	3 wells

3. Prepare a wellbore for primary completion in order to bring cement up to surface during production casing cementing without setting a packer and by injecting sealing and lost circulation materials, etc. into drilling pipe at closed BOP as the well is drilled deeper.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Reduction of material time costs for wellbore preparation	Reduction of material time costs for wellbore preparation	0.201	35 Wells

4. Application of high water-loss slurries to plug thief zones

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Lost-circulation zone elimination	Lost-circulation zone elimination	0.255	10 Wells

5. Application of sealing solutions RTS

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Lost-circulation zone elimination	Lost-circulation zone elimination	0.189	11 Wells

6. Drilling with simultaneous borehole reaming to set expandable casing (local casing lining equipment)

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Lost-circulation zone elimination	Lost-circulation zone elimination	0.34	6 wells

7. Gypsum-lime drilling mud application for directional well construction

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Lost-circulation zone elimination	Lost-circulation zone elimination	0.213	3

8. Application of PDC bits with enlarged nozzles to drill through lost circulation zones

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Possibility to drill through thief zones with inactive filler injecting	ROP increase	0.201	8

9. To optimize MWD costs we realized drilling of stabilization intervals under beneath of surface casing from the bottom of the Bashkirian horizon to the top of Tournaisian stage using stabilizing BHA without MWD system employed.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Drilling of stabilization intervals using stabilizing BHA without MWD system employed.	MWD cost saving	0.550	20

10. Using nipple centralizers to create an effective wellbore size and smooth running logging tools, production casing, core retrieving barrels in combination with screw bottomhole motors.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Create an effective wellbore size	No (less) borehole reaming trips due to nonpassage of logging tools, production casing, core retrieving barrels	0.161	4

11.Using dual stabilizer assembly for wellbore reaming in order to prepare wellbore for running liner with installed screens and packers, etc.

Brief Summary	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Wellbore preparation for running liner with installed screens and packers, etc.	Low risk of failure to run liner with installed screens and packers, etc.	0.141	8

INNOVATIVE OIL AND GAS PRODUCTION TECHNOLOGIES

Introduction of positive displacement pumps in oil gathering system

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Replacement of Sectional Centrifugal Pumps with Progressive Cavity Pumps at Booster Pump Stations (Group Metering Pump Stations) to reduce energy intensity in oil gathering system.	High energy intensity of oilfield equipment	Power consumption saving - 17 000 thous. kWh per year for deployment rate (40 Booster Pump Stations (Group Metering Pump Stations)).	NPV for project duration = 92 mln rubles for deployment rate (40 Booster Pump Stations (Group Metering Pump Stations))	6 pumps

INNOVATIVE TECHNOLOGIES AND EQUIPMENT FOR SVO PRODUCTION

1. Borehole washing with aerated fluid drilling

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
ESP units get stuck and fail because of presence of drilling mud in wellbore and deposition of calcium carbonate CaCO3 and solids on borehole walls during well operation.	Improved downhole pumping equipment reliability	To solve this problem, a wellbore is flushed before installing pumping unit to ensure the circulation and transport of mechanical impurities and sediments with aerated fluid.	Wellbore circulating with the aerated fluid helps avoid early failures of downhole pumping units due to it sticking with deposition of calcium carbonate, clay and solids. The economic benefit gained as a result of the idea implementation amounted to 0.620 million rubles per well.	108 wells

2. Replacing 12 kW and 16 kw downhole motors (DHM) with 22 kW DHM results in less SVO well servicing jobs required.

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Over 30% of all well services carried out on SVO wells are well repairs caused by pump clogging with solids which mainly consist of clay and carbonate particles. Fine particles getting in between pump moving elements cause pump shaft jamming and all kinds of pump shimming efforts (direct washing, rotation direction change, etc.) most often do not provide any good result. For this reason, a regular well servicing job usually includes a full range of costly and time-consuming efforts to clean a wellbore which do not ensure continued trouble-free. Almost all of the producing well stock using ESP- 125 and 160 with pressure head of 300 and 400 meters, are equipped with 16 kw DHM. The practice shows that DHM load averages 80 per cent of its power capacity at the average frequency of 41.4 Hz. This value does not ensure a reliable operation when solids get into the pump.	Improved downhole pumping equipment reliability	In order to reduce amount of SVO well repair services due to pump plugging with solids it is proposed to substitute 22 kW DHM for 12 kW and 16 kW DHM ensuring sustainable operation in harsh operating conditions.	Implementation of this solution will help reduce SVO well repair services, revise downhole units in a servicing company, number of well servicing crews and down-hole pumping equipment costs. The economic benefit gained as a result of the idea implementation amounted to 0.498 million rubles per well.	43 wells

3. Running metal-to-metal progressive cavity pumps manufactured by OOO Spectechnika-Almetyevsk in SVO cyclic steam stimulation (CSS) wells.

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Currently, the cyclic steam stimulation (CSS) wells are produced at the SVO fields. The concept of the wells is cyclic steam injection after the wellbore temperature cool-down. It requires to pull out downhole pumping equipment and run injecting tubing. The high content of steam-gas mixture which is present in cyclic steam stimulation (CSS) well often causes pump starvations. It is also necessary to rig up a workover rig and pull out the downhole pumping equipment (DHPE) which entails additional costs.	Improved downhole pumping equipment reliability	In order to reduce SVO well repair services to be performed to convert the wells to steam injectors it is recommended running the progressive cavity sucker-rod pumps manufactured by OOO Spectechnika-Almetyevsk in the SVO cyclic steam stimulation (CSS) wells and convert wells to steam injectors retrieving rotor from stator using a crane.	Implementation of this solution will help reduce SVO well repair services to convert wells to steam injectors, revise downhole units in a servicing company, number of well servicing crews The economic benefit gained as a result of the idea implementation amounted to 0.707 million rubles per well.	4 wells

4. Application of thermal-gel composition for enhanced oil recovery in SVO reservoirs (setting of «gel plug»)

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Technology designed to block transitional (water-oil) zones of reservoir using thermal-gel compositions help prevent (reduce) cooling down the fluid produced from the wells and stimulate establishing pressure communication between steam injector and oil producer in the SVO field produced by SAGD method.	Kazanian, Ufimian stages	The technological effect is achieved thanks to establishing a quality pressure communication between a pair of SAGD wells and shutting off water-saturated zone.	0.6989 mln rubles per well	35 wells (39 well treat-ments*)

* - 4 wells were stimulated repeatedly.

EOR INNOVATIVE TECHNOLOGIES

1. Enhanced Oil Recovery Technique using polymer-clay compositions and surfactants (PGK-M Technology)

Brief Summary	Technology Challenge Description	Deployment in 2016
Better reservoir sweep efficiency to displace oil from lower permeable zones by applying sequential injection of polymer-clay compositions and surfactants. Recommended for zones with the highest watercut, medium and high injectivity at any salinity.	Development of high-efficiency EOR for watered out reservoirs	50 well treatments

2.2. Enhanced Oil Recovery Technique using alkaline–polymer compositions (Technology ShchPK-N)

Brief Summary	Technology Challenge Description	Deployment in 2016
Better reservoir sweep efficiency with alkaline–polymer compositions, improved wettability and oil displacement from lower permeable oil saturated zone. Recommended for reservoirs with high heterogeneity, for zones to be flooded with mineralized waters.	Development of high-efficiency EOR for watered out reservoirs	30 well treatments

3. Formation stimulation technology for terrigenous and carbonate reservoirs with modified biopolymer compositions (Technology RBK-M)

Brief Summary	Technology Challenge Description	Deployment in 2016
Improved sweep and oil displacement efficiency by injecting alkaline solutions and biopolymer compositions with surfactants Gels are formed when using crosslinkers, which depending on the component concentrations can act as blocking and/or displacement agents. For terrigenous and carbonate reservoirs, at any salinity.	Development of high-efficiency EOR for watered out reservoirs	53 well-treatments

4.Enhanced Oil Recovery Technique through complex reservoir stimulation based on microdispersed silica gel (MDC Technology)

Brief Summary	Technology Challenge Description	Deployment in 2016
Better reservoir sweep efficiency to displace oil from lower permeable zones by applying sequential injection of microdispersed silica gel and surfactant solution. Silicate micron-size particles help isolate of water saturated intervals in remote zones of the reservoir. For terrigenous reservoirs, at any salinity.	Development of high-efficiency EOR for watered out reservoirs	38 well treatments

5.Polymer gel-forming and micro-gel injection technology (MGS-K Technology)

Brief Summary	Technology Challenge Description	Deployment in 2016
Improved sweep and oil displacement efficiency, main acting reagent is micro-gel Depending on application area conditions gel-forming and surfactant-polymer compositions can be pumped. For terrigenous reservoirs, at any salinity, for any field development stage.	Development of high-efficiency EOR for watered out reservoirs	177 well treatments

6.Water-flooding control technology for highly permeable reservoirs using composition system based on cellulose-polymer complex (CPK technology)

Brief Summary	Technology Challenge Description	Deployment in 2016
Technology is designed to improve reservoir sweep efficiency which is achieved by stimulating drainage of layers with lower permeability through changing local pressure gradients while reducing conductivity of layers with higher permeability by injecting composition system based on cellulose-polymer complex. For high and medium water-intake capacity wells, at any salinity and high heterogeneity.	Development of high-efficiency EOR for watered out reservoirs	10 well treatments

7.Improved technology for low concentrated polymer composition injection for low water intake capacity wells (NKPS-M technology)

Brief Summary	Technology Challenge Description	Deployment in 2016
Improved oil displacement efficiency technology based on surfactant-polymer solutions for low-permeability reservoirs in low water intake capacity well conditions and low-thickness reservoirs. For terrigenous and carbonate reservoirs, at any salinity, for any field development stage.	Development of high-efficiency EOR for watered out reservoirs	31 well treatments

8.Technology for application of hydrophobic (invert) emulsion systems to enhance oil recovery efficiency of water-flooded heterogeneous reservoirs (MGES-M technology).

Brief Summary	Technology Challenge Description	Deployment in 2016
The technology is designed for water conformance control of wells. Terrigenous reservoirs with heterogeneous permeabilities with medium and high water intake capacities.	Tula, Bobrikovian horizons	6
	Terrigenous Devonian Strata	16

9. Technology for application of high-strength cross-linked compositions to enhance oil recovery efficiency of water-flooded heterogeneous reservoirs (VPSK Technology).

Brief Summary	Technology Challenge Description	Deployment in 2016
Conformance control; eliminating water breakthrough into producing wells; shutting off of washed out zones and fractures; eliminating (control) injection water leak off in adjacent reservoirs; restricting water intake capacity of wells. Terrigenous and carbonate reservoirs with heterogeneous permeabilities with medium and high water intake capacities.	Terrigenous Devonian Strata	29
	Tula, Bobrikovian horizons	6
	Tournaisian stage (Kizelovian horizon)	8
	Bashkirian stage	1

10.Technology for application of high-strength polymer systems to control water flow to producing wells (VPSD (APA) Technology version).

Brief Summary	Technology Challenge Description	Deployment in 2016
Water flow control both injected to maintain reservoir pressure as well as invading into producing wells either from the bottom section of oil-saturated reservoir or from underlying water saturated reservoir that is directly adjacent to oil-saturated one. Near-wellbore area of terrigenous or carbonate reservoir with low, medium and high injectivities.	Terrigenous Devonian Strata	22
	Tula, Bobrikovian horizons	71
	Tournaisian stage (Kizelovian horizon)	2

11. Technology for application of high-strength cross-linked compositions to enhance oil recovery efficiency of water-flooded heterogeneous reservoirs (VPSK Technology).

Brief Summary	Technology Challenge Description	Deployment in 2016
Water flow control both injected to maintain reservoir pressure as well as invading into producing wells either from the bottom section of oil-saturated reservoir or from underlying water saturated reservoir that is directly adjacent to oil-saturated one. Near-wellbore area of terrigenous or carbonate reservoir with low, medium and high injectivities.	Terrigenous Devonian Strata	2
	Tula, Bobrikovian horizons	7
	Tournaisian stage (Kizelovian horizon)	2
	Vereiskian horizon	1
	Bashkirian stage	3
	Protvino	11

12. Technology for application of high-strength polymer systems to restrict water flow to producing wells (VPSD (PAA+CM) Technology version).

Brief Summary	Technology Challenge Description	Deployment in 2016
Water flow control both injected to maintain reservoir pressure as well as invading into producing wells either from the bottom section of oil-saturated reservoir or from underlying water saturated reservoir that is directly adjacent to oil-saturated one. Near-wellbore area of terrigenous or carbonate reservoir with high injectivity capacity.	Tula Horizon	5
	Terrigenous Devonian Strata	10

INNOVATIVE TECHNOLOGIES FOR AUTOMATED TECHNOLOGICAL PROCESS CONTROL SYSTEM

1.Using smartphones with the CIS ARMITC (Corporate Information System Automated Engineering and Technological Service Workplace) application to provide operational control oil well pumpers and receive work performance reports

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Furnishing oilfield pumpers with smartphones integrated with CIS ARMITC which enables to control a well site check-up route, promptly transmit photo and video information about any failures or breakdowns.	Introduction of a system for determining the optimum quality and completeness of information to ensure a minimum risk in field development and production process	- Monitoring oilfield pumper's working time, location, movement according to well site check up maps; - Monitoring designated well-site check-ups according to the well-site check-up schemes; - Ensuring on-site safety and security - Prompt transmittal of tasks to oilfield pumpers	Effect time, three (3) years NPV, thous. rubles 47 IDD, fr. unit 5. 000	584 pcs.

2. Operational Control and Management System for oil metering units (OMU) in NGDU

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Operational Control and Management System for oil metering units enables to upgrade oil production measuring process in a quality manner, promptly receive and validate the data so that the NGDU's specialists could make adequate decisions.	Introduction of a system for determining the optimum quality and completeness of information to ensure a minimum risk in field development and production process	- On-line monitoring of oil production measuring units - Obtaining full information on mass flow-meters (breakdowns); - Obtaining live data on water and oil specific gravity inputs. - Automatically determine water specific gravity and enter this parameter in transmitter of mass flow meter; - Archive emergency signals with accident type decoding.	Effect time - 5 years, NPV, thous. rubles 213 IDD, fr. unit 2.735	Deployed at seven (7) Booster Pumping Stations

RESERVOIR PRESSURE MAINTENANCE INNOVATIVE TECHNOLOGIES

1. Implementation of Russian-made positive displacement pumping units to optimize power consumption in Reservoir Pressure Maintenance System

Brief Summary	Technology Challenge Description	Brief Technology Efficiency	Brief Economic Efficiency, including in mln rubles per facility unit, or others.	Deployment in 2016
Utilization of Russian-made positive displacement pumps as an alternative for centrifugal ones will help reduce specific power consumption by 2 to 2.5 times (per pump) with the price which is half of that of foreign counterparts.	Optimization of power consumption in Reservoir Pressure Maintenance System	Optimization of specific consumption by 66 million kWh when implementing 54 pumps	NPV - 248.2 million rubles as a result of implementation of 54 pumping units	7 pumping units, Plan for 2017 - 18 pumping units

INTELLECTUAL PROPERTY

As part of the efforts made to reorganize the TATNEFT's intellectual property and intangible asset management to increase their efficiency and to further improve the Company's in asset management activities the Innovation Development Department was established at the Engineering Center with centralized management functions for the TATNEFT's intellectual property, intangible assets and innovations.

In order to set up the automated management of intellectual activity results the Integrated Automated system EDISON+ has been put in place and developed since 2004.

In line with the approved concept of the Company's strategy of doubling the value by 2025, one of the activity directions is the management of the Company's intangible assets.

At present, according to the external audit results the TATNEFT's share of intellectual property in the total assets testifies to the available potential for its overall value increase. Enhancing the intangible asset (IA) share is one of the tools for growth of the Company's credit rating and investment lure. The optimal model to increase the IA share in the TATNEFT's asset total value is being created within the project.

In 2016, 233 documents of title protecting the intellectual property items were granted and 179 applications for patents were filed. 13 250 rationalization proposals, 51 inventions, 25 useful models, 15 computer programs, 17 720 ideas for improvement (Kaizen proposals) have been introduced into production. The economic effect of the use of intellectual activity results (including rationalization proposals) amounted to 18 998 million rubles, including the use of inventions and useful models for 17 699 million rubles.

Centralization of corporate accounting and improvement of effective use of intangible assets as the TATNEFT's property complex objects are realized in accordance with the Corporate Governance Standard «TATNEFT Intangible Asset Management», «Regulations for Safeguarding and Legal Protection of Intellectual Property Objects» and «Regulations for relationship when transferring the IA use rights to TATNEFT's subsidiaries and third-party legal entities».

Since 2014, the «Procedures and Regulations for the EDISON+ Complex Automated System (CAS Edison+) users have been in place, incorporating the following modules: AIS «Innovator's Study Room», AIS «Rationalization», AIS «Patents», AIS «R&D Agreements», AIS «Experimental and Pilot Operations», AIS «Best Practices».

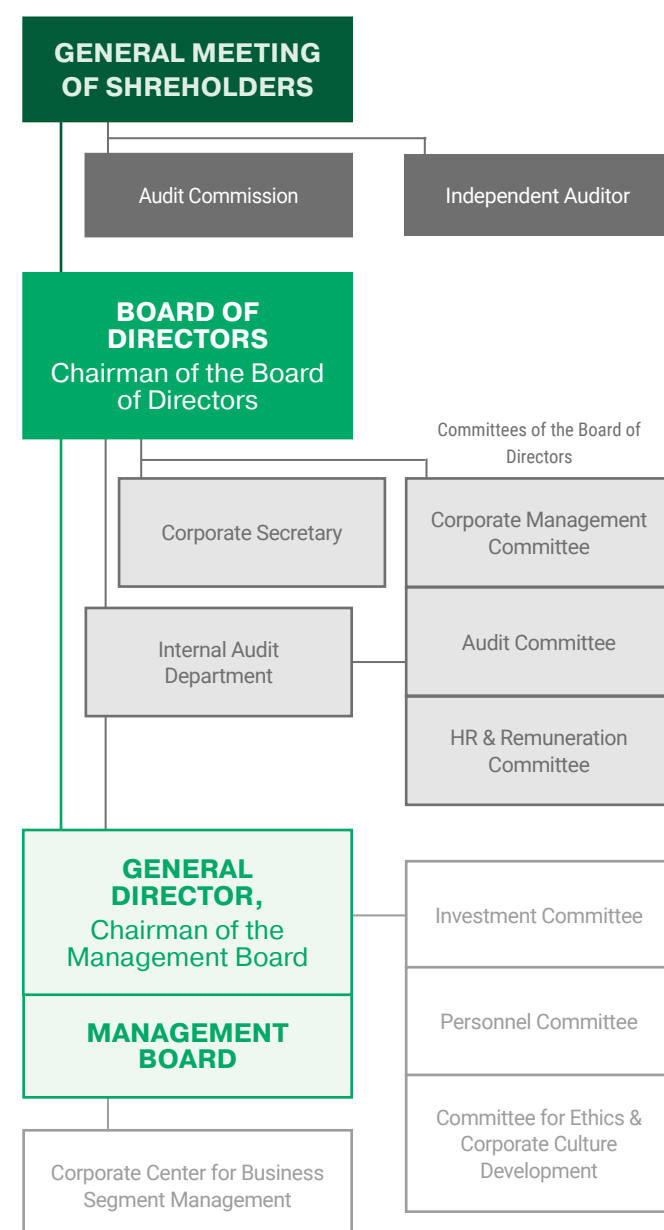
The CAS Edison+ is designed to meet the current production challenges and helps improve the cost-effectiveness of rationalization, inventive and experimental activities (pilot operations), R and D, best practices. Its use makes it possible to carry out continuous monitoring the introduction of new technology, inventions, rationalization proposals, best practices, maintain the commercial register of enterprise's intangible assets, provide more objective assessment of the efficiency of investments in experimental and pilot operations, R and D activities and make substantiated and well-grounded management decisions. The system is a highly effective tool for managing the TATNEFT employees' intellectual activity.

TATNEFT RANKS AMONG TOP 10 LEADERS IN THE WORLD AND IT IS THE ABSOLUTE LEADER IN EUROPE AND IN THE MIDDLE EAST BY QUANTITY OF OIL AND GAS PRODUCTION INVENTIONS. (DATA SOURCE: THOMSON REUTERS).

CORPORATE MANAGEMENT

COMPANY MANAGEMENT SYSTEM

MANAGEMENT STRUCTURE



Current activities of the Company are provided by the services of the Executive Office services, structural subdivisions, curators of business segments, as well as by authorized representatives in the managing bodies of subsidiaries and affiliates.

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.

There are three committees under the Board of Directors: the Corporate Management Committee, the Audit Committee and the HR and Remuneration Committee.

A position of the Corporate Secretary was introduced in 2016, and the Office of the Corporate Secretary was established.

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.

General control over the financial and economic activities of the Company is carried out by the Audit Commission.

PJSC TATNEFT is the corporate center of the Group, which coordinates the activities of enterprises that form business segments of the Company. The status of the TATNEFT Group, the management forms and the procedure for the relationship of the parent company and the members of the Group are governed by the Regulations for the TATNEFT Group approved by the PJSC TATNEFT Board of Directors. The system of the officials' authorities and responsibilities distribution by the areas of activity and ensuring the performance of business segments is based on KPI's.

There are the Investment Committee, the HR Committee, the Ethics and Corporate Culture Development Committee at the level of executive bodies in the Company.

The management of the TATNEFT Group is based on a unified mission and development priorities, while respecting fair interests of all the participants of the Group. In order to ensure unified management principles and transparency of the activities of subsidiaries and dependent companies, the Company develops appropriate policies and regulations that form the mechanisms of corporate relations, and there is also a system of unified corporate standards in operation.

INTERNAL DOCUMENTS THAT DETERMINE THE SYSTEM OF CORPORATE MANAGEMENT

- Articles of PJSC TATNEFT
- Regulation on the General Meeting of Shareholders of PJSC TATNEFT
- Regulation on the Board of Directors of PJSC TATNEFT
- Regulation on the Corporate Management Committee of the Board of Directors of PJSC TATNEFT
- Regulation on the Audit Committee of PJSC TATNEFT Board of Directors
- Regulation on the HR and Remuneration Committee of the Board of Directors of PJSC TATNEFT
- Regulation on the General Director of PJSC TATNEFT
- Regulation on the Management Board of PJSC TATNEFT
- Regulation on the Corporate Secretary of PJSC TATNEFT
- Regulation on the Internal Audit Department of PJSC TATNEFT
- Corporate Management Code of PJSC TATNEFT
- Regulation on the Information Policy of PJSC TATNEFT
- Regulation on the Information Provision to shareholders of PJSC TATNEFT
- Internal documents that determine the executive bodies' distribution of the authority and responsibility of managers and employees by the areas of activity

- Regulation on payment of remuneration to members of the PJSC TATNEFT Board of Directors
- Regulation on payment of remuneration to members of the Audit Commission of PJSC TATNEFT
- Register of unified corporate standards of PJSC TATNEFT
- Remuneration policy for members of PJSC TATNEFT management bodies

MAIN AREAS OF THE CORPORATE MANAGEMENT POLICIES

- Ensuring implementation of the Company's strategy and current operations of the Company
- Improvement of the organizational structure and introduction of unified corporate standards of the TATNEFT Group
- Improvement of the motivation system and KPI of the Company's management
- Constructive interaction with investors, business partners, public authorities and public organizations interested in the Company's activities
- Implementation of the information openness and transparency principles

THE TATNEFT COMPANY IS IN THE TOP FIVE WORLD LEADERS AMONG OIL COMPANIES

in terms of creating shareholder profitability by the rating «Creating value through active management of Portfolio of assets» (according to The Boston Consulting Group version).

TATNEFT BRAND IS INCLUDED IN THE TOP TEN MOST EXPENSIVE BRANDS IN RUSSIA WITH AA RATING (ACCORDING TO THE VERSION OF BREND FINANCE).

The Company complies with the principles of information openness, ensuring the timely provision of material information to its shareholders, the investment community and other interested parties.

TATNEFT IS INCLUDED IN THE TOP-10 RATING OF RUSSIAN ENTERPRISES OF THE FUEL AND ENERGY COMPLEX WITH THE HIGHEST LEVEL OF INFORMATION OPENNESS.

GENERAL SHAREHOLDERS' MEETING

The General Meeting is a Supreme Management Body of PJSC TATNEFT and it operates in accordance with the regulatory legal acts of the Russian Federation, the Company's Articles and this Regulation. The General Meeting of Shareholders delegates the overall management of the Company's activities to the Board of Directors. The procedure for holding the General Meeting of Shareholders fully ensures respect for the rights of shareholders. The procedure for preparing, convening, conducting and summarizing the results of the General Meeting of the Company Shareholders is defined by the Regulation on the General Meeting of Shareholders of PJSC TATNEFT. The Company holds the Annual General Meeting of Shareholders once a year not earlier than two and no later than six months after the end of the fiscal year. In addition to the General Meeting of the Shareholders, extraordinary meetings of shareholders may be convened. The Company provides to the shareholders the information on the issues on the agenda of the General Meeting of Shareholders in the amount and time that allows them choosing an informed position on the issues under consideration, as well as taking decisions on participation in the meeting and the manner of such participation. The annual General Meeting necessarily considers the issues of electing members of the Board of Directors and the Audit Commission, approval of the auditor, approval of the annual report, annual financial statements, distribution of profits, including payment (declaration) of dividends, and losses based on the operation results of the reporting year. Each shareholder has the right to participate in the work of the meeting personally or through proxies. At the General Meeting of Shareholders, the shareholders receive from the Board of Directors and executive bodies a detailed and reliable report on the Company's corporate policy and the Company's production and operations. The Board of Directors of the Company prepares reports for shareholders on each issue of the agenda reflecting his position, as well as special opinions of the members of the Board of Directors, if any. Shareholders make decisions on the most important issues of the Company's activities. During the election of the Board of Directors, the Company provides shareholders with detailed information on the biography, experience and skills of each candidate, and seeks to ensure the personal presence of candidates. The decisions on the agenda of the General Meeting of Shareholders shall be made by ballot voting in the manner prescribed by the current legislation and the Company's Articles. When formulating the decisions of the meeting, it is necessary to indicate by what majority of votes the decisions were taken and special opinions were introduced. The authenticity of the Minutes is certified by the signatures of the Chairman of the meeting and the Secretary.

The General Shareholders' Meeting was held on June 24, 2016 in the reporting year.

Decisions taken by the General Meeting of Shareholders:

1. Approve the Annual Report of the Joint Stock Company for 2015.
2. Approve the annual accounting (financial) statements, including the profit and loss account (profit and loss accounts) for 2015.
3. Approve distribution of profit based on financial year results.
4. Perform payment of dividends for 2015:
 - a) for preferred shares of PJSC TATNEFT in the amount of 1096% of the shares' face value;
 - b) for ordinary shares of PJSC TATNEFT in the amount of 1096% to the shares face value.Set July 8, 2016 as the date on which the persons entitled to receive dividends shall be determined. Determine the dividends' payment period in accordance with applicable law. Dividends shall be paid in cash.
5. Elect the composition of the Board of Directors of PJSC TATNEFT
6. Elect the members of the Audit Commission of the Company.
7. Approve JSC PricewaterhouseCoopers Audit as the auditor of PJSC TATNEFT for the implementation of the mandatory audit of the annual financial statements for 2016, prepared in accordance with Russian accounting rules, for a period of one year.
8. Approve a new version of the Articles of PJSC TATNEFT.
9. Approve a new version of the «Regulations on the General Meeting of Shareholders of the Public Joint-Stock Company TATNEFT n.a. V.D. Shashin.
10. Approve a new version of the «Regulations on the Board of Directors of the Public Joint Stock Company TATNEFT n.a. V.D. Shashin.
11. Approve a new version of the «Regulations on the General Director of the Public Joint-Stock Company TATNEFT n.a. V.D. Shashin.
12. Approve a new version of the «Regulations on the Management Board of the Public Joint Stock Company» TATNEFT n.a. V.D. Shashin.

BOARD OF DIRECTORS

The Board of Directors of PJSC TATNEFT carries out general management of the Company's activities in order to increase the Company's profits and ensure its stable financial and economic condition, as well as the risk management system, determines the main parameters of the budget and the control over its implementation, facilitate the timely disclosure of complete and reliable information on the Company's activities, as well as takes decisions on key projects and significant transactions.

The procedure of forming, the status, composition, functions, goals and tasks and powers of the Board of Directors, as well as the procedure of the Board operation and interaction with other management bodies of the Company are defined by the Articles and the Regulation on the Board of Directors.

The Board of Directors operates within the competence established by the current legislation, the Company's Articles and in accordance with the Regulation.

The competence of the Board of Directors of the Company includes resolving issues of general management of the Company's activities, with the exception of issues that are referred to the competence of the General Meeting of Shareholders by the current legislation and the Company's Articles.

The main task of the Board of Directors is to determine the development strategy of the Company in order to increase its shareholder value, ensure the Company's stable financial and economic condition and control the effective management of the Company.

COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors includes 15 directors, including three independent directors*, seven non-executive directors and five executive directors.

Participation of independent and non-executive directors the work of the Board of Directors ensures the maintenance of a balance between the interests of different groups of shareholders, which contributes to the objectivity of the decisions made, as well as to strengthening the trust of investors and shareholders to the Company. The annual General Meeting of Shareholders held on June 24, 2016 elected the Board of Directors numbering of 15 persons.

In June 2016, there were changes in the Board of Directors changed: R.S. Nurmukhametov was elected to the Board of Directors replacing M.Z. Taziyev, a retired member of the Board of Directors.

BOARD OF DIRECTORS			NUMBER OF THE BOARD OF DIRECTORS MEMBERS BY THE TERMS OF STAY IN THE BOARD OF DIRECTORS		
3	5	7	1	4	10
Independent Directors	Executive Directors	Non-Executive Directors	Less than	From to seven years	Over seven years
* Independence criteria have been defined by listing rules of ZAO «MICEX Stock Exchange»			QUANTITATIVE COMPOSITION OF THE COMMITTEES OF THE BOARD OF DIRECTORS, PERSONS:		
Yu.L Levin. was recognized by an independent director by the unanimous decision of the Board of Directors in connection with a formal relationship with a material counterparty (Minutes No. 2 of the Board of Directors Meeting of PJSC TATNEFT of June 24, 2016).			9	4	4
			Corporate Management Committee	Audit Committee	HR and Remuneration Committee

COMPOSITION OF THE PJSC TATNEFT’S BOARD OF DIRECTORS



Rustam N. MIN- NIKHANOV

Chairman of the Board of Directors of PJSC TATNEFT

Non-executive director

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 until March 2010 headed the Government of the Republic of Tatarstan. President of the Republic of Tatarstan since March 2010.

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

Executive Director

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.

% 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.



Radik R. GAIZAT- ULLIN

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

Non-executive Director

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.

% 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

Independent Director

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
Since 01.01.2017 – Managing Director of G Petroconsulting Ltd

% 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 G. IBRAGI- MOV

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.

Executive Director

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.

% share in the Joint Stock Company’s authorized capital – 0,019831.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0,02873.



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

Independent Director

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.

% 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. MUSLI- MOV

Member of PJSC TATNEFT’s Board of Directors’

Non-executive Director

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.

% 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

Non-executive Director

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 until 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.

% 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. SO-ROKIN

Member of the PJSC TATNEFT's Board of Directors

Non-Executive Director

Born in 1964.

1986 – graduated from the Kazan State University.

General Director of JSC Svyazinvestneftekhim since 2003

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



Shafagat F. TAKHAUTDINOV

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

Non-Executive Director

Born in 1946.

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

1999 until 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.

% 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

Executive Director

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.

% 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. KHAMAEV

PJSC TATNEFT's Board of Directors' Member

Non-Executive Director

Born in 1956.

1978 – graduated from Kazan Aviation Institute, specialty - mechanical engineer.
2000 – graduated from the Law Faculty of Kazan State University.

Appointed the First Deputy Minister of Land and Property Relations of the Republic of Tatarstan in December 2008.
Appointed Head of the Ministry of Land and Property Relations of the Republic of Tatarstan in March 2009.

% share in the Joint Stock Company's authorized capital – none.
% 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

Executive Director

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.

% 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

Independent Director

Born in 1964.

He has a degree in economics and graduated from Technical High School in Zurich in 1989.
Bachelor of Swiss Banking – Zurich, 1992.

Since 2011, co-founder, Program Director of the Private Equity FIDES Business Partner AG, Switzerland.

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



Rafael S. NUR-MUKHAMETOV

Member of the PJSC TATNEFT's Board of Directors (since 24.06.16)
Head of NGDU Leninogorskneft

Executive Director

Born in 1949.

He graduated from the Ufa Petroleum Institute

Since 1989 – he has been heading NGDU «Leninogorskneft»

% share in the Joint Stock Company's authorized capital – 0,010465.
% share of the Joint Stock Company's ordinary shares owned by the person – 0,010107.



Alexander T. YUKHIMETS

Secretary of the PJSC TATNEFT's Board of Directors (until 03.08.2016)

Since 04.08.2016 the functions of the Secretary of the Board of Directors of PJSC TATNEFT were transferred to the competence of the Corporate Secretary.

Born in 1949

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

Since 1995 until 03.08.2016 – Secretary of the Board of Directors of PJSC TATNEFT

% share in the Joint Stock Company's authorized capital – 0,000284.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

ATTENDANCE OF MEETINGS BY MEMBERS OF THE BOARD OF DIRECTORS

There were 12 full-time and one absentee meeting of the Board of Directors the reporting year.

Full name	29.01.2016	25.02.2016	23.03.2016	25.04.2016	25.05.2016	24.06.2016	03.08.2016	26.08.2016	29.09.2016	03.11.2016	24.11.2016	26.12.2016	Total
Minnikhanov R.N..	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Maganov N.U.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Ibragimov N.G.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	□	✓	11/12
Levin Yu.L.	✓	✓	✓	✓	✓	✓	✓	□	✓	✓	✓	□	10/12
Gaizatullin R.R.	✓	✓	✓	□	✓	✓	✓	✓	✓	□	✓	✓	10/12
Gerech L.	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Muslimov R.Kh.	✓	✓	□	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/12
Sabirov R.K.	✓	✓	✓	✓	✓	✓	✓	✓	✓	□	✓	✓	11/12
Sorokin V.Yu.	✓	✓	□	✓	✓	✓	✓	✓	✓	✓	✓	✓	11/12
Nurmukhametov R.S (From 24.06.2016).						✓	✓	✓	✓	✓	✓	✓	7/12
Taziyev M.Z. (Until 24.06.2016)	✓	✓	✓	✓	✓								5/12
Takhautdinov Sh.F.	✓	✓	✓	✓	✓	✓	✓	✓	✓	□	✓	✓	11/12
Khamaev A.K.	✓	✓	✓	✓	✓	✓	□	✓	□	✓	✓	✓	10/12
Khisamov R.S.	✓	✓	✓	✓	✓	✓	□	✓	✓	□	✓	✓	10/12
Khalimov R.Kh.. (From 26.06.2015)	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	12/12
Steiner R.F.	✓	✓	✓	✓	✓	✓	□	✓	✓	✓	✓	□	10/12

All members of the Board of Directors participated in the absentee meeting held on June 24, 2016.

LIST OF MAIN ISSUES CONSIDERED AT THE MEETINGS OF THE BOARD OF DIRECTORS IN 2016

1.

Results of the budget execution of PJSC TATNEFT.
2.

Approval of a new version of the Regulation on the Internal Audit Department.
3.

Results of the Internal Audit Department work and approval of the work plan of the UBA.
4.

Composition of the Management Board of PJSC TATNEFT.
5.

Annual General Meeting of Shareholders of PJSC TATNEFT.
6.

Progress of construction and the strategy for the further development of the TANECO project.
7.

Candidates to the Board of Directors, the Audit Commission of the Company and proposals to the agenda of the Annual General Meeting of shareholders.
8.

Approval of the Regulation on the Corporate Secretary of PJSC TATNEFT.
9.

Giving consent to the participation of the General Director and members of the PJSC TATNEFT Management Board in the management bodies of other companies.
10.

Approval of related party transactions.
11.

Crude oil production plans and geological and technical measures, the state of work to increase the oil recovery and the efficiency of the infill well drilling.
12.

Recommendation of the auditing company to the annual General Meeting of shareholders of PJSC TATNEFT to audit the reporting of PJSC TATNEFT in accordance with IFRS and RAS.
13.

The results of financial and economic activities of PJSC TATNEFT.
14.

Main work areas of the PJSC TATNEFT’s Audit Committee of the Board of Directors.
15.

About dividends on shares of PJSC TATNEFT.
16.

Results of the consolidated financial statements under IFRS for the TATNEFT Group of Companies.
17.

State of ecological monitoring of the bitumen oil fields operation.
18.

Work plan of the Board of Directors of PJSC TATNEFT.
19.

Statement of the Board of Directors of PJSC TATNEFT concerning independent directors.
20.

The official of PJSC TATNEFT on monitoring compliance with the requirements of the Russian Federation legislation on combatting the misuse of insider information and market manipulation.
21.

Establishment of Committees of the Board of Directors of PJSC TATNEFT.
22.

Development strategy of the TATNEFT Group of Companies for the period until 2025.
23.

Approval of Regulations on committees of the Board of Directors of PJSC TATNEFT.
24.

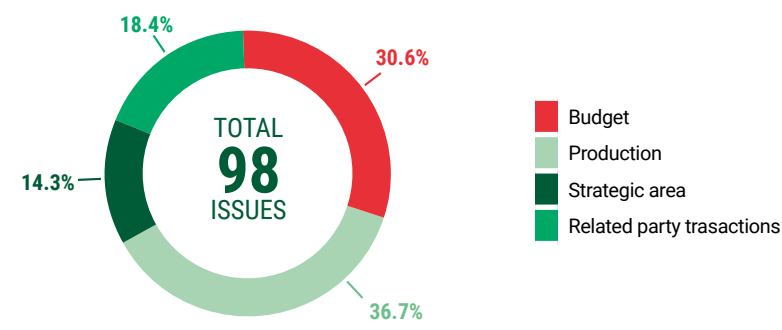
Results of implementing the corporate small business support program in the south-eastern part of the Republic and results of activity and strategy of development.
25.

Performance of PJSC TATNEFT’s subsidiaries.
26.

The strategy and innovations in performance of exploration works at PJSC TATNEFT until 2025.
27.

New approaches of PJSC TATNEFT in the field of well construction and repair.

STRUCTURE OF ISSUES CONSIDERED BY THE BOARD OF DIRECTORS IN 2016



EVALUATION OF THE BOARD OF DIRECTORS ACTIVITIES

The Code of Corporate Governance recommended by the Bank of Russia for public joint stock companies defines the procedure for assessing the work of the Board of Directors, its committees and members of the Board of Directors. The evaluation procedure should be conducted annually in the form of a self-assessment and additionally once in three years with the involvement of an external expert. The self-assessment procedure was carried out on 5 key components: the competence and authority of the Board of Directors, the composition of the Board of Directors, committees of the Board of Directors, the work procedure of the Board of Directors, the Annual General Shareholders Meeting for compliance with the principles of the Code and with the level of the corporate management. The questionnaire has been made in full compliance with the Code. The self-assessment procedure and the content of the questionnaire are coordinated by the Board of Directors' Corporate Management Committee and independent directors. Completing the questionnaire provides for the principle of confidentiality. The results of the self-assessment were considered at the in-person meeting of the Board of Directors on May 27, 2017.

Based on the results of the questionnaires preliminary analysis: the Company complies with the requirements of the Russian legislation in the field of corporate governance and fully follows the recommendations of the Russian Corporate Governance Code, and complies with a significant number of additional provisions of international best corporate governance practice. Simultaneously, the questionnaires reflect comments on further improvement of the mechanisms of work of committees of the Board of Directors and development of corporate practice. The summarized results of the self-assessment of the Board of Directors activities were transferred to the Corporate Management Committee.

REMUNERATION OF THE PJSC TATNEFT’S BOARD OF DIRECTORS’ MEMBERS

Remuneration to members of the Board of Directors of PJSC TATNEFT is paid on the basis of the “Regulation 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 and it is defined by the Regulation 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:

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

The remuneration amount for the Board of Directors members is set by the decision of the General Shareholders’ Meeting and includes:

- remuneration for the performing the duties of a member of the Board of Directors;
- remuneration for the performing the functions of the Chairman of the Board of Directors Committee.

In 2016, the total remuneration amount paid to the Joint Stock Company’s members of the Board of Directors amounted to RUB 148,842,246.68, including remuneration for participation in the work of the Board of Directors, salaries, bonuses and other forms of remuneration. Compensations to the Company’s Board of Directors members amounted to RUB 9,596,987.79.

CORPORATE SECRETARY OF PJSC TATNEFT



Rustam M. KHISAMOV

Corporate Secretary – Head of the Corporate Secretary Office of PJSC TATNEFT

Born in 1959.

He graduated from the Kazan Financial Economics Institute. He has been working at PJSC TATNEFT Since 1987.

Since 1994 – Deputy Head of Securities Department of PJSC TATNEFT.
Since 1998 – Securities Department Head of PJSC TATNEFT.
Since 07.12.2015 – Deputy Corporate Secretary – Head of the Corporate Secretary's Office.
Since 26.12.2016 – Corporate Secretary – Head of the Corporate Secretary Office Staff of PJSC TATNEFT.

CORPORATE SECRETARY THE PJSC TATNEFT'S CORPORATE SECRETARY'S OFFICE

The staff of the PJSC TATNEFT's Corporate Secretary Office ensures the procedure for preparing and holding of the General Meeting of Shareholders, as well as the activities of the Board of Directors and Committees of the Board of Directors, compliance of the Company with requirements of the current legislation, the Articles and internal documents of the Company guaranteeing the exercise of the rights and legitimate interests of the shareholders.

The Corporate Secretary – Head of the PJSC TATNEFT's Corporate Secretary's Office was approved by the Board of Directors Meeting, Minutes No. 8 of December 26, 2016.

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 December 7, 2015,

The competence of the Corporate Secretary Office includes maintaining an effective system of interaction among all participants of the 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 related party transactions of corporate relations and with the securities market, as well as with other securities market participants.

The Corporate Secretary's 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, Regulation 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's 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.

The objectives pursued by the Corporate Secretary work are as follows:

- ensuring compliance with the requirements of corporate legislation, the Articles and internal documents of the Company that guarantee the implementation and protection of the rights and legitimate interests of the shareholders;
- ensuring effective corporate management system of the Company, as well as interaction of all participants in corporate relations, including subsidiaries and dependent companies, in order to increase the Company's investment attractiveness, increase its capitalization;
- development of the corporate management practices of the Company in accordance with the interests of its shareholders.

PJSC TATNEFT BOARD OF DIRECTOR'S COMMITTEES

CORPORATE MANAGEMENT COMMITTEE

The Committee has been a permanent Committee under the Board of Directors since 2004. The main objective of the Committee is preliminary consideration and preparation of recommendations to the Board of Directors on the issues of development and improvement of the corporate management system in the Company. The Committee is guided in its activities by the laws of the Russian Federation, the Articles of the Company, the Regulation on the Board of Directors of the Company, decisions of the Board of Directors of the Company, this Regulations and other internal documents of the Company, as well as the decisions of the Committee.

COMMITTEE COMPOSITION

Chairman:

Nail U. Maganov – Member of the Board of Directors, Chairman of the Management Board, General Director of PJSC TATNEFT.

Committee Members:

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 – Member of the Management Board, Deputy General Director for Strategic Development of PJSC TATNEFT.

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

Rustam M. Khisamov – Corporate Secretary - Head of the PJSC TATNEFT's Corporate Secretary's Office.

Natalia E. Dorpeko – Corporate Consultant of the PJSC TATNEFT's General Director.

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

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

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

MAIN FUNCTIONS

- Regulation of relations between the shareholders, the Board of Directors and Executive Bodies of the Company, as well as the issues of interaction with entities controlled by the Company and other interested parties.
- Control over the reliability and effectiveness of the risk management system and the corporate governance system, including the analysis of implementing risk management policies, the evaluation of the effectiveness of the risk management procedures, corporate governance practices and preparation of proposals for their improvement.
- Evaluation of the corporate management system in the Company, development of a methodology for evaluating the corporate management system and formation of recommendations to the Board of Directors on the activities necessary to improve the corporate governance practices in the Company.

MAIN AREAS OF THE COMMITTEE WORK IN 2016

- Monitoring of the Company's compliance with the requirements of legislation on joint stock companies, regulatory acts of regulatory bodies, legitimate interests and shareholders' rights.
- Assistance to the Board of Directors of PJSC TATNEFT and the General Director in assessing the quality of corporate relations and in the development of the corporate management system in the Company - regulating the relationship between shareholders, the Board of Directors and the Company's management, as well as interaction with the Company's subsidiaries and other interested parties.
- Development of recommendations on the preparation and conduct of the Annual General Meeting of Shareholders.
- Development of recommendations for amending the Articles and other internal documents of the Company, which approval falls within the competence of the General Meeting of Shareholders and the Board of Directors.
- Development of recommendations on draft internal documents aimed at improving the Company's corporate management.

AUDIT COMMITTEE

The Committee has been a permanent Committee under the Board of Directors since 2004.

The Committee is guided in its activities by the legislation of the Russian Federation, the requirements of stock exchanges applicable to the Company as an issuer of securities (including outside the Russian Federation), the Company's Articles, the Regulation on the Board of Directors, decisions of the Board of Directors, Regulations on the Committee and other internal documents of the Company approved by the General Meeting of Shareholders of the Company and the Board of Directors, as well as by decisions of the Committee. The Committee acts in the interests of the Company's shareholders.

The Committee assists the Board of Directors in monitoring the reliability of the PJSC TATNEFT's financial statements, compliance with the requirements of laws and regulations, the selection of independent auditors, the work of independent auditors and the internal audit system, monitoring of financial and business activities, and other responsibilities within its competence.

COMMITTEE COMPOSITION

Chairman

Yuri L. Levin, Member of the PJSC TATNEFT's Board of Directors, Independent Director, Managing Partner of BVM Capital Partners Ltd.

Committee Members:

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 G Petroconsultant Ltd., Member of the HR and Remuneration Committee .

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.

MAIN FUNCTIONS

The main functions of the Committee are monitoring of the following aspects:

- ensuring the completeness, accuracy and reliability of the Company's accounting (financial) reporting;
- reliability and efficiency of the internal control system and risk management of the Company;
- ensuring independence and objectivity of the functions of the internal and external audit;
- effectiveness of the notification system of potential cases of fraudulent actions of the Company's and third parties' employees, as well as other violations in the activities of the Company, and monitoring the implementation of measures taken by the Company's executive bodies within such a system.

MAIN AREAS OF THE COMMITTEE WORK IN 2016:

- Control over the completeness, accuracy and reliability of PJSC TATNEFT's accounting (financial) statements.
- Coordination of the external auditors and the Internal Audit Department work, as well as regular review of their reports. Organization of an independent evaluation of the internal audit function performance and making proposals for improving the work of the Internal Audit Department.
- Verification of the independence of the external auditor and implementation of the internal audit function.
- Review and analysis of the quarterly, semi-annual and annual financial statements of PJSC TATNEFT, including the results of audits by the Company's external auditor.
- Conducting an evaluation of candidates for auditors and making recommendations to the Board of Directors on the election of independent auditors of PJSC TATNEFT's financial statements in accordance with IFRS and RAS.
- Assistance to the Board of Directors in monitoring the reliability and effectiveness of the internal control and risk management system of PJSC TATNEFT.
- Preliminary consideration of related-party transactions and transactions with PJSC TATNEFT-related parties submitted for approval by the PJSC TATNEFT's Board of Directors.

HR AND REMUNERATION COMMITTEE

The Committee is a body of the Board of Directors set up for preliminary consideration of issues referred by the Articles of the Company and the Regulations on the Board of Directors to the competence of the Board of Directors in the field of personnel policy and remuneration. The Committee has been a permanent Committee under the Board of Directors since 2004.

The Committee assists 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 is improving 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.

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, Member of the PJSC TATNEFT's Audit Committee.

Committee Members:

Laszlo Gerech, member of the Board of Directors of PJSC TATNEFT, Independent Director. Managing Director of G Petroconsultant Ltd., Member of the HR and Remuneration Committee. Member of the PJSC TATNEFT's Audit Committee.

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 Audit Committee.

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;

MAIN FUNCTIONS

- Drafting and periodic review of the Company's policy on remuneration of the management bodies' members.
- Preliminary assessment of the Company's management bodies work.
- Conducting a self-assessment and/or an external evaluation of the performance of the Board of Directors and committees of the Board of Directors.
- Interaction with shareholders in order to form recommendations to the shareholders on election of candidates to the Board of Directors.
- Planning of personnel appointments in the Company, taking into account the continuity in the Company's activities, members of the collegial executive body, making recommendations to the Board of Directors regarding candidates for the position of Corporate Secretary, members of the Company's executive bodies and other key management officials.

MAIN AREAS OF THE COMMITTEE WORK IN 2016

- Facilitation of the effective performance of the Board of Directors functions in the implementation of personnel planning, attracting qualified professionals to the Company's management and creation of the necessary incentives for their effective work.
- Development and periodic review of the Company's policy on remuneration of the Board of Directors members, members of the collegial executive body and the person acting as the sole executive body, overseeing its introduction and implementation. Consideration of the issue «Corporate social network as an instrument of intracorporate communications and organization of team work.»
- Introduction of a motivation system for managers of oil and gas producing divisions based on performance of key performance indicators and achievement of objectives.
- Consideration of the issue «Corporate University as an effective tool of the personnel development corporate system».
- Consideration of the issue «Remuneration of the Company's personnel following the results of 2016».

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 until 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 "Regulation 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 Regulation, 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 man-ning 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 it is composed of the Chairman and members of the Manage-ment Board.

The Management Board acts based on the laws of the Russian Federation, the Republic of Tatarstan, the Company's Articles and the Regulation on the Management Board.

The rights and duties of the members of the Management Board are determined by law, the Articles of the Company, these Regulations, as well as agreements concluded on behalf of the Company by the Chairman of the Board of Directors with each member of the Management Board.

The quantitative composition of the Management Board is determined by the Board of Directors. The procedure for the for-mation, status, composition, functions, goals and tasks, powers of the Management Board, the procedure for its operation and interaction with other management bodies of the Company are determined by the Regulation on the Management Board. Meetings of the Board are held in accordance with the work plan of the Board.

Core competencies of the Board:

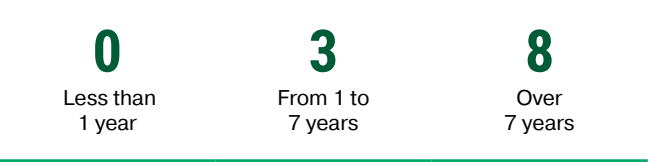
- participation in the development of prospective and current plans of the Joint Stock Company's activity, representation of Plans to the Board of Directors, preparation of reports on their fulfillment;
- Joint Stock Company's participation in commercial and non-profit organizations;
- implementation 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 Share-holders' 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 RUB 223,668,388.2 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 RUB 1,336,925.

NO. OF THE MANAGEMENT BOARD MEMBERS BY THE TERMS OF STAY IN THE MANAGEMENT BOARD



COMPOSITION OF THE PJSC TATNEFT’S MANAGEMENT BOARD



Nail U. MAGANOV

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



Anvar V. VAKHI-TOV

Director of OOO «TATNEFT-Neftekhim” Management Company.



Vladlen A. VOSKOBOINIKOV

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



Nikolay M. GLAZ-KOV

Deputy General Director for Capital Construction of PJSC TATNEFT



**Victor I. GOROD-
NY**

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



**Valery D. YER-
SHOV**

Head of PJSC TATNEFT’s Legal Department.



**Nail G. IBRAGI-
MOV**

First Deputy General Director for Production - Chief Engineer of PJSC TATNEFT since 2000.
PJSC TATNEFT’s Board of Directors Member.



Rustam N. MUKHAMADEEV

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

Born in 1958.

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

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.

% 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.

Born in 1951.

1980 – graduated from Kazan Institute of Chemical Technology.

April 2014 until present time – Director of «TATNEFT-Neftekhim” Management Company.

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

Born in 1965.

1993 – graduated from the Southern Alberta Institute of Technology in Calgary.

2005 until present time Head of PJSC TATNEFT’s Consolidated Financial Statements Department

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

Born in 1960.

1988 – graduated from Kazan Construction Engineering Institute.

2008-2010 – Head of Construction Department of PJSC TATNEFT.
2010 until present time – Deputy General Director for Capital Construction of PJSC TATNEFT.

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

Born in 1952.

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

1995 until present time – Deputy General Director – Head of PJSC TATNEFT’s Property Department since.

% share in the Joint Stock Company’s authorized capital – 0.000254.
% share of the Joint Stock Company’s ordinary shares owned by the person – none.

Born in 1949.

1978 – graduated from Kazan State University named after V.I. Ulyanov-Lenin.

2002 until present time – Head of Legal Department of PJSC TATNEFT.

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

Born in 1955.

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

2000 until present time – First Deputy General Director for Production – Chief Engineer of PJSC TATNEFT.

% share in the Joint Stock Company’s authorized capital – 0.019831.
% share of the Joint Stock Company’s ordinary shares owned by the person – 0,020873.

Born in 1952

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

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

% share in 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. NUR-MUKHAMETOV

Head of NGDU «Leninogorskneft of PJSC TATNEFT.



Nurislam Z. SY-UBAEV

Deputy General Director for Strategic Development. Member of the Corporate Management Committee of the Board of Directors



Evgeny A. TIKH-TUROV

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



Vladimir P. LA-VUSHCHENKO

PJSC TATNEFT's General Director Deputy for Economics Member of the PJSC TATNEFT's Management Board (until 03.08.2016)



Alexander T. YUKHIMETS

Secretary of the PJSC TATNEFT's Board of Directors (until 03.08.2016) From 04.0.2016 the functions of the Secretary of the Board of Directors of PJSC TATNEFT passed into the competence of the Corporate Secretary.

DISTRIBUTION OF RESPONSIBILITY AND AUTHORITY AREAS OF THE GENERAL DIRECTOR AND HIS DEPUTIES

In accordance with the “Regulation on General Director of PJSC TATNEFT”, the General Director has the right to entrust the resolution of certain issues to his deputies.

The acting organizational and administrative documents of the Company assign the responsibilities between the General Director and Deputies of the General Director, in terms of the work organization in the following areas:

- core activities: oil and gas production, creation of a technical base for the development of oil and gas fields;
- exploration and management of external oil and gas projects;
- workover, well drilling and enhanced oil recovery;
- capital construction;
- economics and finance;
- strategic development;
- selection, appointment, personnel training and development of their skills, creation of the managers and professionals reserve, planning and implementation of the Company's social development;
- interaction with federal governmental bodies, ministries, representative offices of foreign countries and companies.

The Deputies of the PJSC TATNEFT's General Director organize the work and are responsible for the relevant activities of the Company in terms strategic and long-term planning, performance of technical and economic indicators, efficient and rational use of fixed assets, raw materials, fuel and energy and other resources, organization of production and labor, labor protection and safety, as well as other activities.

Born in 1949.

1974 – graduated from the Ufa Oil Institute.

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

% share in the Joint Stock Company's authorized capital – 0,010465.
% share of the Joint Stock Company's ordinary shares owned by the person – 0,010107.

Born in 1960.

1982 – graduated from Moscow Institute of National Economy n.a. G.V. Plekhanov
2002 until present time – Deputy General Director for Strategic Development

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

Born in 1960.

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

1999 – until present time Head of PJSC TATNEFT's Department of Finance since.

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

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 VNIIO-ENG.
Doctor of Economics.
1997 until present time – Deputy General Director for economics of PJSC TATNEFT.

% 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.

Born in 1949.

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

Secretary of the PJSC TATNEFT's Board of Directors since 1995 until 03.08.2016.

% share in the Joint Stock Company's authorized capital – 0,000284.
% share of the Joint Stock Company's ordinary shares owned by the person – none.

PARTICIPATION OF THE MANAGEMENT BOARD MEMBERS IN THE BOARD MEETINGS IN 2016

Full Name	11.01	01.02	09.03	05.04	05.05	06.06	06.07	06.09	04.10	08.11	06.12	Бсего
Maganov N.U.	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	11/11
Voskoboinikov V.A.	☐	☑	☑	☑	☑	☑	☐	☐	☑	☑	☑	8/11
Gorodny V.I.	☑	☑	☑	☑	☑	☑	☑	☑	☐	☑	☑	10/11
Glazkov N.M.	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☐	10/11
Mukhamadeyev R.N	☑	☑	☑	☑	☐	☑	☑	☑	☐	☑	☑	9/11
Tikhturov E.A.	☑	☑	☐	☑	☐	☑	☐	☐	☑	☐	☑	6/11
Subaev N.Z.	☑	☑	☐	☑	☐	☑	☑	☐	☑	☑	☐	7/11
Lavushchenko V.P. 03.08.2016	☑	☑	☑	☑	☑	☑	☑					7/11
Yukhimets A.T. 03.08.2016	☑	☑	☑	☑	☑	☑	☑					7/11
Ershov V.D.	☑	☑	☑	☑	☐	☑	☐	☐	☑	☑	☑	8/11
Ibragimov N.G.	☑	☑	☑	☑	☑	☐	☑	☑	☑	☑	☐	9/11
Nurmukhametov R.S.	☑	☑	☑	☐	☑	☑	☑	☑	☑	☑	☑	10/11
Vakhitov A.V.	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	☑	11/11

LIST OF ISSUES REVIEWED AT THE MEETINGS OF THE MANAGEMENT BOARD IN 2015

- About participation in the establishment of the «1С-ТЕК» limited liability company and «ТатТнефт» limited liability company.
- Participation in PJSC Bank ZENIT.
- Participation in JSC Naberezhnye Chelny Heat Network Company.
- Participation in the company «Tatneft International Co-operative U.A.».
- Introduction of changes to the section «Disciplinary and financial liability for violations in the area of finance» of the PJSC TATNEFT’s Corporate Code.
- About participation of PJSC TATNEFT n.a. V.D. Shashin in the authorized capital of PJSC ZENIT Bank.
- On the main tasks and objectives of the development and production unit to reduce costs as part of the Company’s value doubling strategy until 2025.
- On the approval of the «PJSC TATNEFT Policy in the area of industrial safety, labor and environmental protection» and «PJSC TATNEFT Program in the area of industrial and occupational safety and health to prevent injuries, reduce risks, accidents and unscheduled losses».
- Information about the organization of the parade and the festive show at the square, the Lenin, Gagarin streets, and the site behind the Drama Theater in Almeteyevsk. Information about the preparation for the contest «Professional Excellence – 2016».
- On increasing the authorized capital of the «Nizhnekamsk CHP» Limited Liability Company from RUB 1,000,000 to RUB 3,399,522,716 paid for by the property on the balance sheet of the e for Lease Relations Department.
- On the implementation of the project «Involvement of personnel in in the industrial safety and labor protection processes on the basis of» Self-Declaration» at the NGDU “Almeteyevneft
- About work with the personnel reserve of PJSC TATNEFT.
- Increasing the effectiveness of NGDU based on the introduction of process management.
- On the effectiveness of investments in crude oil production in the territory of the Republic of Tajikistan for 9 months of 2016 and the program formation for 2017
- Proposals for the implementation of the TATNEFT Company employees’ health improvement program at Company’s own health resorts in 2017, taking into account the vouchers cost subsidizing.
- About transferring the share of PJSC TATNEFT amounting to 63.16% in ООО « LUCH TV Company» in the subsidiary.
- On the amount of voluntary contributions from the City Housing Department as part of the Housing Construction Program under the Social Mortgage for 2016 and 2017.
- On centralizing the management of PJSC TATNEFT’s social facilities.

COMMITMENT TO THE BEST PRACTICE OF CORPORATE MANAGEMENT

COMMENT OF THE CENTRAL BANK OF THE RUSSIAN FEDERATION: «THE CORPORATE GOVERNANCE IS A KEY ISSUE IN ESTABLISHING AN EFFECTIVE MARKET ECONOMY BASED ON THE RULE OF LAW. THEREFORE, THE PROBLEMS OF CORPORATE GOVERNANCE MOVES TO THE STATE LEVEL. IN THE EVENT OF EQUAL PRODUCTION, FINANCIAL AND OTHER BASIC INDICATORS THE COMPANIES WITH GOOD REPUTATION IN THE AREA OF CORPORATE MANAGEMENT ARE MUCH MORE EXPENSIVE. RUSSIAN COMPANIES MAY COUNT ON RECEIVING A BONUS TO THE PRICE OF THEIR SHARES IN THE AMOUNT FROM 20 TO 50% ONLY AT THE EXPENCE OF IMPROVING CORPORATE GOVERNANCE».

The Company's activity in the stock market is regulated by the current legislation and the requirements of the stock market regulators. The principles of the Corporate Governance Code of the Central Bank approved by the Government of the Russian Federation in February 2014 and the Board of Directors of the Bank of Russia in March 2014 and the principles of the best practices of the Organization for Economic Cooperation and Development (OECD) G20 / OECD have set a high benchmark for the development of the Company's corporate governance system.

Concepts and procedures from the best international corporate practices are consistently introduced into the Russian corporate environment.

The Russian Code of Corporate Governance contains requirements for corporate governance standards, covering virtually all areas of the corporate practice. This is based on the understanding that long-term investors need a clear understanding of the Company's strategic goals and prospects and the conviction that their rights will not be violated.

Система корпоративного управления ПАО «Татнефть» основывается на принципах, направленных на эффективное управление активами, рост рыночной стоимости, поддержание финансовой стабильности и прибыльности Компании, обеспечение законных прав и интересов акционеров и иных заинтересованных лиц, информационной открытости.

They started paying more attention in the Russian practice of corporate governance to the following issues:

- protection of the shareholders' rights in execution of significant corporate actions,
- adoption of a balanced and realistic development strategy, monitoring of its implementation,
- improving the efficiency of the Board of Directors' committees work,
- establishment of systems for effective risk management and conflict prevention,
- development of the remuneration policy principles for top managers of the Company.

The new version of the Bank of Russia's Corporate Governance Code focuses on ensuring the rights of shareholders, including:

- Protection of shareholders' dividend rights.
- Building effective work of the Board of Directors, defining the Board of Directors functions, organizing the work of committees, clarifying the requirements for directors, including the directors' independence.
- Construction of a remuneration system for members of management bodies and key executives of the Company.
- Building an effective system of risk management and internal control.
- Additional disclosure of material information about the Company and entities controlled by it.
- Formation and control of internal regulations and procedures for the conduct of material corporate actions (on increasing the authorized capital, acquisition, listing and delisting of securities, reorganization, major transactions), allowing to ensure protection of rights and equal treatment of shareholders.

INITIATIVES FOR THE DEVELOPMENT OF CORPORATE GOVERNANCE PRACTICES

To ensure full implementation of the new Listing Rules of the Moscow Stock Exchange and the provisions of the Corporate Governance Code recommended by the Bank of Russia, the Corporate Management Committee of PJSC TATNEFT's Board of Directors has formed an appropriate plan of actions.

The plan has been developed taking into account the approved work plan of the PJSC TATNEFT's Board of Directors and decisions of the Board of Directors and it includes the current and operational tasks of the corporate practice. The plan provides for joint the work of committees of the Board of Directors and interaction with the executive bodies of the Company's management.

In order to coordinate the work of the Board of Directors' committees, it is possible to hold joint meetings, including those in the «round table» format with the invitation of competent professionals to exchange views on significant corporate issues, as well as using electronic formats for the interaction through video and conference communications. Coordination of the committees' interaction is arranged by the Corporate Secretary – Head of the Corporate Secretary Office of PJSC TATNEFT.

High Level of Competencies

Management of the vertically integrated structure of the Company requires high competence and professionalism of the management team, an effective system of corporate governance and control. The Company has a clear and understandable organizational structure with a good level of interaction between management bodies and the distribution of responsibilities for control and management.

Liability Insurance of the Company's Management Bodies' Members

PJSC TATNEFT n.a. V.D. Shashin insures liability risks of the Company's management body members, including the insurance abroad, on terms and in amounts corresponding to the insurance market for such risks in the Russian Federation. The insurer of such risks were SK SOGAZ (throughout the year) and Chulpan (until September 2016).

FOCUS AREAS OF IMPROVING THE CORPORATE PRACTICE

In the area of respecting the shareholders' rights:

- Increasing the transparency of the information disclosed;
- Implementing a set of measures to improve interaction with shareholders;

In the area of improving the effectiveness of the managing bodies work:

- Improving certain procedures for organizing the work of the managing bodies;
- drafting new versions of the Company's key internal documents in order to bring them in line with the requirements of legislation, regulators and best practices of the corporate management.

In the area of improving the quality of corporate management and following the best practices:

- improving the subsidiaries' management system;
- updating of internal documents and procedures regulating the corporate management relations within the Group;
- analysis and assessment of the corporate management practices on a systematic basis.

In the area of information disclosure:

- drafting of a new version of the Regulation on the Information Policy of PJSC TATNEFT;
- drafting of the Regulation on provision of information to the shareholders of PJSC TATNEFT
- Improving the quality of information disclosure in the Annual Report and on the Company's website;
- consideration by the Board of Directors of the Information Policy based on the recommendations of the Corporate Management Committee.

The information policy is based on the principles of transparency combined with the preservation of the Company's interests in the area of protecting trade secrets and confidential information. The most important channels for disseminating information that available to the largest number of interested parties are the Company's official website (www.tatneft.ru) and the Annual Report. Adhering to the principle of fair accessibility to the information for all interested parties, the Company publishes information posted on the official website in Russian and English.

INTERACTION WITH SHAREHOLDERS

PRINCIPLES AND THE ORDER OF INTERACTION WITH SHAREHOLDERS

The Company ensures equal and fair treatment of all shareholders in the exercise of their right to participate in the management of the Company and builds relationships with shareholders based on the principles of:

Guaranteed equal protection and observance of the legitimate rights and interests of all shareholders of the Company, regardless of the size of the shareholding, established by the current legislation of the Russian Federation, requirements and recommendations of regulators of the stock markets, which the Company's shares circulate on.

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

Continuous improvement of the existing and development of new mechanisms and forms of interaction with shareholders, increasing the efficiency and quality of interaction, taking into account the emergence of new shareholders and the setting of new tasks by the shareholders.

Identification and resolution of all possible general and specific problems related to the shareholders exercising their rights.

Taking all necessary and possible measures in case of a conflict arising between the Company's bodies and the Company's shareholders (shareholder), as well as between the shareholders, if the conflict affects the interests of the Company, for a full settlement of the conflict, and creating conditions that exclude the conflict arising in the future.

The Company publishes on a quarterly basis «Management's analysis of the financial condition and performance results» - an Appendix to the financial statements of PJSC TATNEFT prepared in accordance with IFRS standards, and familiarizes the investors and analysts with the Company's own production assets, providing an opportunity for field meetings at production facilities. The interaction is based on the availability of responsible managers and employees of the Company to communicate with the shareholders, investors and analysts of the stock market, as well as consultants of institutional investors on voting.

The Company's interaction with shareholders and investors is maintained on a regular basis in the format of meetings, presentations, conference calls with participation of management and key experts within the framework of investment conferences and the Company's participation in «road shows» at the sites of international financial centers, allowing the shareholders, analysts and investors representing investment companies to receive information and answers to all their questions directly from the top managers of the Company. This format of interaction allows the shareholders and investors to form a fair understanding of the strategy and current Company's activities and at the same time enables the Company's management to assess the expectations of the shareholders and investors, generally providing for a constructive dialogue and the potential for working out optimal solutions for the Company's development, shareholders' assets management and sustainable development of the Company.

The Company seeks to further improve the mechanisms and forms of interaction with shareholders, taking into account the emergence of new shareholders and the setting of new tasks by the shareholders and improving the overall quality of the corporate governance.

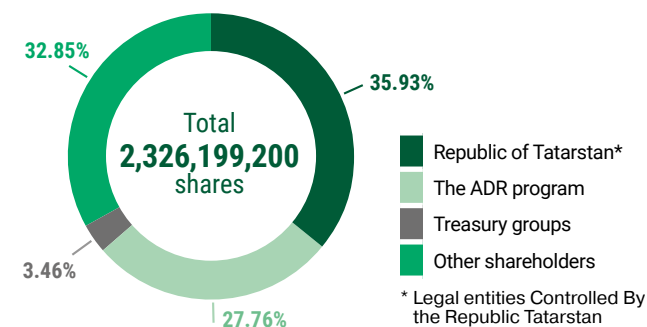
ENSURING LEGAL RIGHTS OF SHARE-HOLDERS	INFORMATION POLICY	DIVIDEND POLICY	INTEREST CONFLICT AVOIDANCE
<p>The Company guarantees compliance with and observance of legal rights and interests of all the Company's shareholders regardless of the number of shares they own and the location of the shareholders, 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.</p> <p>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.</p> <p>The Company provides the shareholders with access to documents in accordance with the applicable law.</p>	<p>The Company's information policy is aimed at effective information interaction of the Company with shareholders, investors and other interested parties.</p> <p>The Company's information policy is aimed at providing the information to the interested parties in the amount necessary to make a balanced decision on committing the actions that could affect the financial and economic activities of the Company.</p> <p>When providing the information to the Company's shareholders a reasonable balance is maintained between the interests of specific shareholders and the interests of the Company as such, which is interested in preserving the confidentiality of important commercial and official information that may have a significant impact the Company's competitiveness.</p> <p>Regulation on the Information Policy of PJSC TATNEFT and the Regulation on Providing Information to Shareholders of PJSC TATNEFT (Minutes of the of the Board of Directors of PJSC TATNEFT Meeting No. 12 of April 27, 2017)</p>	<p>The Company's dividend policy is based on strict observance of the legitimate rights and interests of the shareholders, is consistent with the mission and strategic goals of the Company aimed at increasing its capitalization and the level of dividend yield on invested capital, as a result of effective management of the shareholders' assets.</p> <p>The Company creates conditions that ensure the interest of management and the shareholders in increasing the Company's profitability (growth of net profit) and a long-term value.</p> <p>When determining the amount of dividends (per share) recommended to the General Meeting of Shareholders the Company's Board of Directors recommendation is based on the amount of the Company's net profit and it is assumes that the amount allocated for the dividends payment is at least 30% of the net profit determined under RAS.</p> <p>Regulation on Dividend Policy was approved by the Board of Directors of PJSC TATNEFT on April 25, 2016. Minutes of the Board of Directors Meeting No. 12</p>	<p>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 the shareholders, if the conflict affects the interests of the Company, identification and resolution of all possible general and specific problems relating to the rights of the shareholders.</p> <p>In case of a conflict arising there are mechanisms provided to take all necessary and possible steps to complete the conflict settlement, as well as create the conditions excluding the conflict in future.</p> <p>This work is carried out by the authorized division interacting with the Board of Directors committees, the Internal Audit Department and other relevant divisions of the Company.</p>

The authorized unit for ensuring the Company's interaction with shareholders is the Corporate Secretary's office.

ENSURING THE RIGHTS OF SHAREHOLDERS FOR RECEIVING INCOME AS DIVIDENDS

THE PJSC TATNEFT' SHARE CAPITAL STRUCTURE

THE PJSC TATNEFT'S SHARE CAPITAL STRUCTURE AS OF DECEMBER 31, 2016



TOTAL NUMBER OF SHARES OUT OF THEM:	2,326,199,200
Ordinary Shares	
Bcero	2,178,690,700
Foreign shareholders	562,260*
Russian shareholders	2,178,128,440
Preference shares	
Total	147,508,500
Foreign shareholders	91,667*
Russian shareholders	147,416,833

*without ownership through Russian nominal holders

INFORMATION ON EACH CATEGORY (TYPE) OF SHARES

Full name of securities (Rind and Type)	Ordinary registered shares	Preferred registered shares
Securities Issue Form	Non-documentary	Non-documentary
Quantity issued, pcs.	2,178,690,700	147,508,500
Nominal value of 1 (one) security (RUB)	1 000	1 000
Issued securities state registration number	1-03-00161-A	2-03-00161-A
Information on state registration	26.10.2001	26.10.2001

DIVIDEND POLICY

The Company's dividend policy is based on strict observance of the legitimate rights and interests of the shareholders, is consistent with the mission and strategic goals of the Company aimed at increasing the Company's capitalization and the level of the dividend yield on invested capital as a result of the efficient shareholders' assets management and follows principles:

- The Company recognizes dividends as one of the key indicators of the Company's investment attractiveness and seeks to increase the amount of dividends on the basis of the consistent profits growth;
- The Company creates conditions that ensure the interest of management and the shareholders in increasing its profitability (growth of net profit) and long-term value)
- The Board of Directors determines the amount of dividends recommended to the General Meeting of the Shareholders on the basis of an economically sound approach to the distribution the of profits and compliance with the balance sheet of short-term (revenue) and long-term (development of the Company) interests of the shareholders;
- The Company ensures equality of conditions for all shareholders, irrespective of the size of the shareholding and the location of the shareholders, and equal treatment of them by the Company in exercising their ability to participate in the Company's profits through the receipt of dividends;
- The Company ensures maximum transparency of the dividend policy.

The principles and conditions for making decisions on the payment (declaration) of dividends, the procedure for determining the size and payment of the dividends are determined by the Regulation on the Dividend Policy of pa TATNEFT approved by the Board of Directors of the Company. The Regulation is based on the observance of the rights of the shareholders provided for by the legislation of the Russian Federation, taking into account the recommendations of the corporate governance code of the Bank of Russia and the best practices of the corporate governance

HISTORY OF DIVIDEND PAYMENTS FOR THE FIVE COMPLETED FISCAL YEARS

Type of shares	2011		2012		2013		2014		2015	
	% of face value	dividend per share, rubles	% of face value	dividend per share, rubles	% of face value	dividend per share, rubles	% of face value	dividend per share, rubles	% of face value	dividend per share, rubles
Total amount of dividends (RUB bln)	16.5		20.0		19.2		24.6		25.5	
The percentage of net profit (under RAS) spent for paying dividends	30%		30%		30%		30%		30%	
Ordinary shares	708	7.08	860	8.60	823	8.23	1058	10.58	1096	10.96
Preference shares	708	7.08	860	8.60	823	8.23	1058	10.58	1096	10.96
Date of the decision to pay dividends	The Annual General Meeting of Shareholders for 2011, which was held on June 29, 2012, Minutes No. 19 of 03.07.2012		The Annual General Meeting of Shareholders on the results of 2012, which was held on June 28, 2013, Minutes No. 20 of 02.07.2013		The Annual General Meeting of Shareholders on the results of 2013, which was held on June 27, 2014, Minutes No. 21 of July 2, 2014		The Annual General Meeting of Shareholders following the results of 2014, which was held on June 26, 2015, Minutes No. 22 of July 30, 2015null		The Annual General Meeting of Shareholders on the results of 2015, which was held on June 24, 2016, Minutes No. 23 of July 29, 2016	
Actual date of Payments	August 27, 2012.		August 26, 2013		The nominal holder is July 29, 2014. Shareholders registered in the shareholders register – August 19, 2014.		The nominal holder on July 29, 2015. The shareholders registered in the shareholders register on August 19, 2015.		Nominal holder – July 22, 2016. To shareholders registered in the shareholders register – August 12, 2016.	

The amount of dividends on ordinary and preference shares of PJSC TATNEFT recommended by the Board of Directors to the General Meeting of Shareholders as of the end of 2016 is 22.81 rubles (2281% of the share's nominal value).

Dividends are paid in cash in the ruble equivalent. The Company and its Executive Bodies ensure timely accrual and full payment of dividends to the shareholders and nominal holders of shares, who have the right to receive them, in accordance with the procedure provided for by the current legislation and the Company's Articles.

Information on the decision to pay (declare) dividends, their amount and payment procedure is posted on the official Internet portal of the Company www.tatneft.ru in Russian and English, as well as on the website of the information agency authorized to perform the Company's information disclosure conduct actions.

COST OF PJSC TATNEFT SHARES FOR THE PERIOD 2006-2016. (PRIVILEGED, ORDINARY), RUB

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Ordinary	121.99	148.00	55.25	139.48	145.06	158.16	218.00	208.20	226.55	315.50	427.00
Preference	77.31	87.00	20.35	76.35	86.65	88.02	105.15	121.70	134.60	198.10	235.00

DIVIDENDA YIELD IN SHARES FOR THE PERIOD 2011-2016. (PREFERENCE, ORDINARY)

	2011	2012	2013	2014	2015	2016
Ordinary	3.17%	3.25%	4.13%	3.63%	3.35%	2.57%
Preference	5.70%	6.73%	7.07%	6.11%	5.34%	4.66%

In December 1996, TATNEFT became one of the first Russian companies to place the Company's securities on international financial markets and to provide for an access to the shares for international investors through depositary receipts. On December 12, 2016, N.U. Maganov, General Director of TATNEFT, opened trades on the London Stock Exchange and held a meeting with international investors in the presence of Nihil Rati, General Director of London Stock Exchange plc., and A.V. Yakovenko, Ambassador of the Russian Federation in the United Kingdom. The events were timed to coincide with the 20th anniversary of the company's listing on the London Stock Exchange. Heads of The Bank of New York Mellon (depository bank of the Company's depositary receipts program), PWC (auditor), Cleary Gottlieb (legal adviser accompanying the placement of the TATNEFT's securities on the international exchanges) also participated in the opening ceremony.

PRINCIPLES AND THE INFORMATION DISCLOSURE PROCEDURE

REPORT ON PUBLICLY DISCLOSED INFORMATION

The Company complies with all applicable legal requirements related to the information disclosure by public companies. Following the principle of the maximum business transparency, we provide for regular, efficient, affordable, reliable and meaningful disclosure. An important channel of the 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.

STATEMENTS DISCLOSURE

TATNEFT Company discloses 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 party 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 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.

REGISTER OF PUBLIC OPENING INFORMATION IN 2016

Ser. No.	Message Content	Date of disclosure
1	2	3
1.	Message about the date on which persons who have the right to exercise rights with regard to the issuer's equity securities are defined, including the date on which the list of persons entitled to participate in the general meeting of the issuer's shareholders is drawn up	25.02.2016
2.	Message on the person's termination 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.	12.02.2016
3.	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.	18.03.2016, 18.06.2016, 08.04.2016, 08.04.2016, 28.06.2016, 28.10.2016,
4.	Message on the procedure of access to information contained in a quarterly report.	12.02.2016, 13.05.2016, 12.08.2016, 11.11.2016
5.	Message about disclosure of the Company's affiliated entities list on the Internet page.	11.01.2016, 01.04.2016, 01.07.2016, 04.10.2016
6.	Notice of holding the meeting of the Board of Directors (Supervisory Board) and its agenda.	26.01.2016, 15.02.2016, 16.03.2016, 18.04.2016, 17.05.2016, 20.06.2016, 25.07.2016, 22.08.2016, 26.09.2016, 28.10.2016, 21.11.2016, 20.12.2016
7.	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.	25.02.2016
8.	Messages about paid income on the Issuer's securities.	12.08.2016
9.	Message of the Issuer's default to the holders of the securities issued	12.08.2016
10.	Message about information disclosure on the internet web site about annual financial statements of the Joint Stock Company	30.03.2016 Годовая БО, 27.04.2016, 28.07.2016, 28.10.2016
11.	Message on certain decisions adopted by the Board of Directors (Supervisory Board) of the Joint Stock Company.	01.02.2016, 25.02.2016, 23.03.2016, 25.04.2016, 25.05.2016, 24.06.2016, 24.06.2016, 03.08.2016, 26.08.2016, 30.09.2016, 24.11.2016
12.	Message about the issuer committing a related party transaction.	01.06.2016, 28.06.2016
13.	Message on the taken by the General Meeting of members (shareholders) of the Issuer	29.06.2016
14.	Message on the procedure of access to information contained in the Annual Report 2015.	29.06.2016
15.	Message about the Information Sent or Provided by the Issuer to a relevant Agency (Organization) of a Foreign State, a Foreign Exchange and (or) other Organizations under the Foreign Law for the purpose of Disclosure or Submission to Foreign Investors in Connection with the Placement or Circulation of the Issuer's Securities outside the Russian Federation.	29.06.2016, 04.08.2016, 11.08.2016, 26.08.2016, 31.08.2016, 30.11.2016, 12.12.2016
16.	Notice of the date of defining the persons entitled to exercise rights under the registered equity securities.	29.06.2016
17.	Messages about accrued income on the Issuer's securities.	29.06.2016
18.	Message on changes (corrections) the essential fact text "On certain decisions taken by the issuer's board of directors (Supervisory Board)"	26.02.2016
19.	Message about the issuer's disclosure of the consolidated statements (consolidated financial statements), as well as provision of the audit opinion prepared with regard to such statement	31.03.2016

1	2	3
20.	Message about acquisition (disposal) of the voting shares (stakes) of the issuer or securities of the foreign issuer certifying the rights in respect of the issuer’s voting shares by the issuer and/or by organization controlled by the issuer.	12.04.2016
21.	Message about web disclosure of the consolidated financial statements under IFRS for three months ended on March 31, 2016, June 30, 2016, September 30, 2016	09.06.2016, 26.08.2016, 30.11.2016
22.	Message about information, which by the issuer’s opinion, essentially affects the value of the is-suer’s equity securities	21.10.2016
23.	Message about the emergence of the organization controlled by the issuer essentially important for the issuer.	28.10.2016
24.	Message on the change (correction) of the text message of the essential fact “about the informa-tion sent or provided by the issuer to a relevant agency (organization) of a foreign state, a foreign exchange and (or) other organizations under the foreign law for the purpose of its disclosure or submission to foreign investors in connection with the placement or circulation of the issuer’s secu-rities outside the russian federation.	30.11.2016
25.	Message on the change correction of information earlier published in the news bulletin.	09.12.2016
According to international standards (in the form of press releases and publication of reports in accordance with the rules of the London Stock Exchange)		
26.	Publication of the annual consolidated financial statements under IFRS for 2015	31.03.2016
27.	Publication of the consolidated interim condensed financial statements under IFRS for the three months of 2016 (unaudited).	09.06.2016
28.	Publication of the consolidated interim condensed financial statements under IFRS for the six months of 2016 (unaudited).	26.08.2016
29.	Publication of the consolidated interim condensed financial statements under IFRS for the first nine months of 2016 (unaudited).	30.11.2016

PROTECTION OF INSIDER INFORMATION PROTECTION.

INSIDER INFORMATION PROTECTION COMMITTEE

The Company provides all necessary procedures for the protection of the insider information with the relevant internal regula-tory documents: Rules for Monitoring Compliance with the Legislation of the Russian Federation on Combatting the Illegal Use of Insider Information and Market Manipulation, the Regulation on the Procedure for Access to Insider Information and the Rules for the Protection of Its Confidentiality Based on the List of Information Relating to the Insider Information.

The Committee is guided in its activities by the legislation of the Russian Federation.

COMPOSITION OF THE INSIDER INFORMATION PROTECTION COMMITTEE IN 2016:

Chairman

Rustam M. KHISAMOV – Corporate Secretary - Head of the Corporate Secretary Office of PJSC TATNEFT, a responsible per-son for exercising control over the compliance with the Law on Combatting Illegal Use of the Insider Information.

Committee Members:

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

Alexey P. BESPALOV – Head of IT Department - Deputy Chief Engineer PJSC TATNEFT;

Ildar A. RAKHMATULLIN – Head of Internal Audit Department of PJSC TATNEFT;

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

Peter A. GLUSHKOV – Head of International Law Department, Department of Consolidated Financial Statements PJSC TAT-NEFT;

Rifdar R. KHAMADYAROV – Head of Personnel Office of PJSC TATNEFT.

MANAGEMENT OF RISKS

INTEGRATED RISK MANAGEMENT SYSTEM

The Company has an integrated risk management system based on the analysis and evaluation of possible factors that could materially affect the performance of PJSC TATNEFT's and the Group's entities production and financial and business activities, and also have a direct or indirect impact on the Company's current operations and / or strategic plans. An important component of the risk management system is the activity aimed at ensuring the implementation of unified corporate standards that regulate the main processes of production and financial and business activities of PJSC TATNEFT and the Group's enterprises.

When analyzing potential risks, both external and internal factors are taken into consideration.

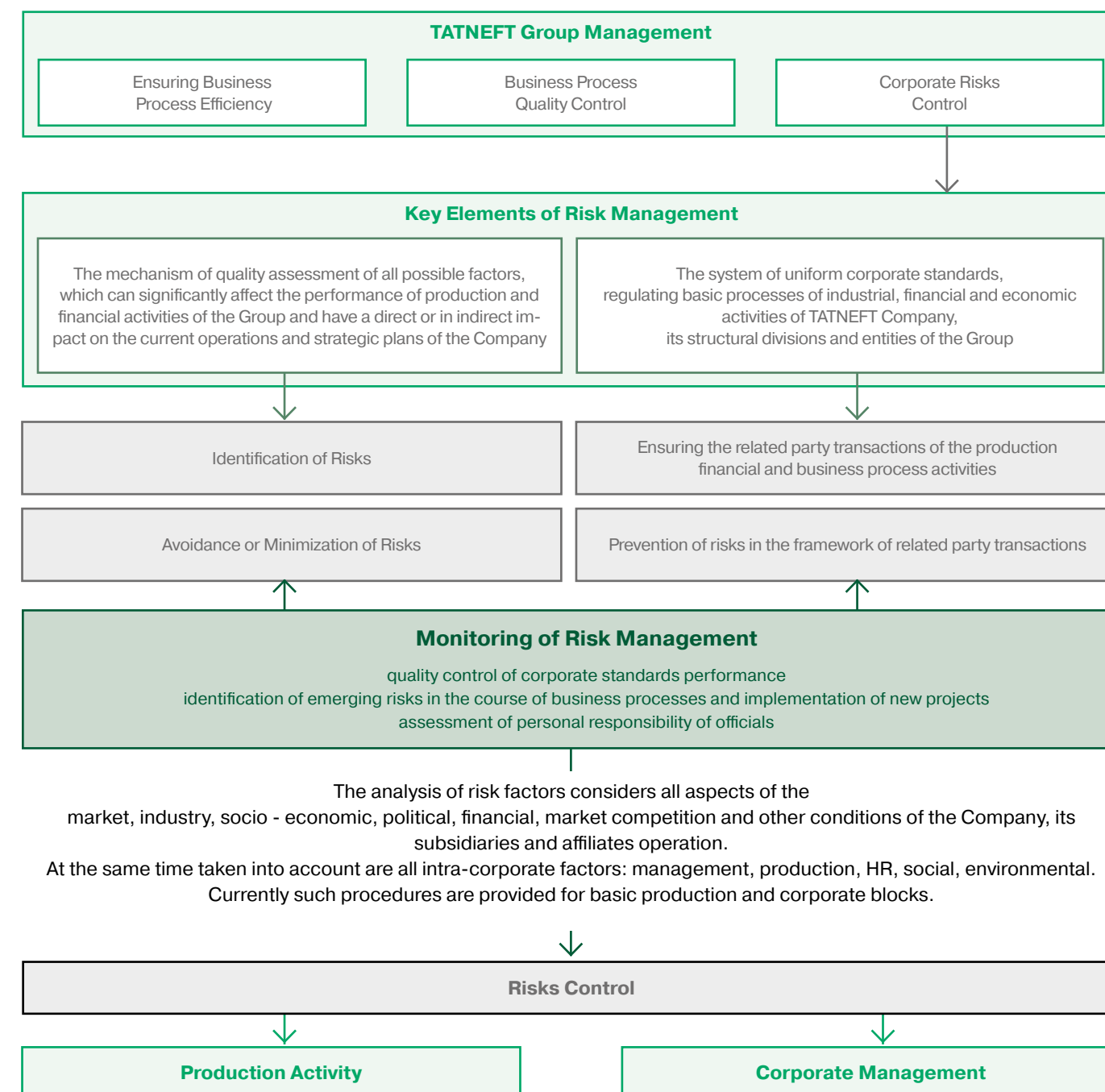
External market, sectoral, socio-economic, political, financial, conjuncture and other conditions of the Company and its subsidiaries and dependent companies are referred to the external risks category.

While managerial, production, personnel-related , social, environmental and others factors are of intra-corporate nature.

The corporate risk management system is aimed at identifying potential risks and the possibility of taking timely measures to eliminate or minimize them, which makes it possible to adjust the business planning, investment activities and social policy of the Company. The corporate standards in the Company significantly reduce the intra-corporate risks.

Given the dynamic development of the business environment, the constant change in the composition, quality and intensity of factors that can affect the Company's operations, the risk management system is constantly being improved to ensure prompt response to such processes. Based on the processing of large data sets, better forecasting tools are being developed that allow taking measures aimed at eliminating or minimizing potential risks. The corporate planning system uses, in particular, various development scenarios that allow reacting promptly to changes related to the factors affecting the Company's operations.

CORPORATE INTEGRATED SYSTEM OF RISKS MANAGEMENT



MAIN RISKS ASSOCIATED WITH THE COMPANY'S ACTIVITIES

INDUSTRY RISKS

Risk of oil and refined products prices. Cash inflows, profitability and the future level of growth largely depend on the existing prices for crude oil and oil products. In the past, the crude oil and oil products prices fluctuated over a wide range under the influence of many factors, among which:

- international and regional supply and demand (reflecting, inter alia, expectations of future supply and demand) for the oil and petroleum products;
- weather conditions;
- national and foreign governmental regulation, including export restrictions and taxes;
- prices and availability of alternative fuels;
- prices 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;
- global and regional economic situation.

Over the years, the prices for crude oil and petroleum products have been relatively high, but in recent years, there has been a significant decline. The prices for crude oil and petroleum products vary in different directions. The fall in prices for oil and oil products adversely affects the results of operations and the financial position of the Company. Despite certain stabilization of oil prices, which has been observed recently, lower prices from the current levels may lead to a reduction in the volume of profitable oil production by the Company, which will lead to a reduction in the volume of effective development of the Company's reserves and to a decrease in the economic efficiency of the programs for carrying out search-prospecting works.

It is worth noting that despite the development of alternative energy sources and the potential for increasing the fleet of electric vehicles, in the medium term the Company does not expect that they will be able to significantly lead to substitution of oil and oil products, while the demand for oil and oil products will continue growing in many respects at the expense of countries with developing economies. Therefore, according to the Company, no significant deterioration in of the demand structure in the industry is expected.

Technical and technological risks.

Exploration, development and equipping of new fields, maintenance of operating wells, drilling of new ones, as well as treatment, transportation and processing of oil and gas are a very complex and capital-intensive process. Additional investments are required for enhanced oil recovery, which is especially important for the Company. The role of special methods of the oil recovery enhancement will increase in the future, as a result of deposits depletion. Accordingly, the economic efficiency of the fields exploration and development will largely depend on the ability of the Company to use the most productive and affordable technologies. The Company pays considerable attention to the development and application of the most advanced technologies in the area of exploration, production, treatment, transportation and refining of oil and gas, being one of the innovation leaders in this area in Russia.

The Company and its subsidiaries and dependent companies operate sophisticated process systems and facilities for the extraction, treatment, transportation and refining of oil and gas, which are classified as hazardous production facilities. The Company takes all necessary measures aimed at ensuring safe operation of these production facilities, compliance with all applicable standards and requirements, applies the best practices in this area, and also provides liability insurance for a number of facilities.

Transportation. Since most of the regions of crude oil production in Russia are remote from the main markets for oil and oil products sailing, oil companies depend on the degree of the transport infrastructure development, as well as on the possibility of accessing it. The Company transports a significant portion of crude oil, which the Company sells for export and to the domestic market through the system of trunk pipelines in accordance with contracts concluded with PJSC "Transnet" and its subsidiaries, which formulate the main obligations between the parties, including the right of "Transneft" Company to mix or replace the Company's oil with the oil from other producers. A significant part of the oil transported through the pipeline is delivered to sea ports for further transportation by sea. The Russian marine terminals have certain restrictions related to geographical location, weather conditions and the throughput. The transportation of petroleum products across Russia is mainly carried out by rail. The railway infrastructure of the Russian Federation is owned and operated by JSC "Russian Railways". "Transneft" and "Russian Railways" are state-owned companies. Since the activities of the above companies are part of the natural monopolies, their tariff policy is determined by the state

bodies to ensure the balance of interests of the state and all participants in the transportation process. Tariffs of the natural monopolies are established by the Federal Tariff Service of the Russian Federation ("FST"). The tariff amount depends on the transportation direction, the volume of supply, the distance to the destination, and also on some other factors. The FST reviews the tariffs at least once a year. The Company closely follows the development and maintenance of the transport infrastructure necessary for the delivery of produced oil and produced oil products to customers, as well as the tariff policy, and actively participates in relevant sectorial discussions and initiatives.

Environmental risks. The oil and gas sector of the economy is subject to a high degree of environmental risks. In case of violation of environmental standards, there is a risk of penalties. In addition, there is a possibility of revising federal and regional environmental standards in the direction of their further tightening. The Company continuously carries out and introduces new technical and organizational measures that minimize the impact of technical and environmental risks.

STRATEGIC RISK

The activities and results of the Company's financial activities depend on many factors, including those related to changes in the energy market environment, state policy, primarily taxation-related, technologies development and the labor market dynamics. The Company's managing bodies decisions related with development (strategy) are prepared on the basis of all available information relevant to possible development scenarios and seek to take into account all reasonably foreseeable variations in the assumptions used in such planning. Taking into consideration the existence of a high-tech oil and refining base formed over many years, the Company has a stable platform for development and, adjusts its plans, as necessary. At the same time, since the implementation of the main investment projects by the Company is usually carried out during a number of years, a significant negative change in the prerequisites laid down when making decisions on the implementation of a project may have a negative impact on the results of operations and the Company's profitability.

COUNTRY AND REGIONAL RISKS

The Company is registered and carries out most of its activities in the Russian Federation. The Company's main production assets are located, and the main production activity is carried out in the territory of the Republic of Tatarstan - a constituent entity of the Russian Federation. In particular, the political situation in the Russian Federation and in the Republic of Tatarstan is stable. The risks of a possible military conflict, announcement of a state of emergency or a strike in the region of the Company's core business are assessed as low. At the same time, the Company has approved procedures that can be activated in the event of a state of emergency to reduce the impact of such a situation on the lives, health and safety of employees and residents of the regions of operations, as well as the Company's production activities. Geographical features of the region of the Company's core business are not characterized by an increased risk of natural disasters, which may have a significant impact on normal production activities. When planning and carrying out the works for the production, treatment, transportation and storage of oil and gas, oil and gas products, as well as materials involved in production, the Company takes into account the geographical, including climatic, features of the region of activity. In the event of negative consequences for the Company's operations that may be caused by natural disasters such as floods, earthquakes, mudflows, hurricane winds and others, the Company approved procedures and policies aimed at prompt elimination of such consequences. The Company has monitoring procedures, using modern technical means, aimed at preventing possible occurrence of negative consequences of the natural phenomena and informing the population of the Company's activities region about the possibility of such consequences. The region of the Company's core business is not remote from the point of view of transport and other infrastructure.

FINANCIAL RISKS

The main financial risks of the Company's operations are related to currency fluctuations, inflation, as well as the conjuncture in financial markets and the stability of the banking system.

Currency risks. The Company is exposed to risks of unfavorable changes in exchange rates, the main of which is the fluctuation of the ruble against the US dollar. This is due to the fact that a significant share of the Company's revenues is denominated in US dollars, while the greater part of its expenses is expressed in rubles. The currency structure of the Company's debt as a whole reflects the structure of the Company's income, which reduces dependence on the currency fluctuations.

Influence of inflation. The current level of inflation does not have a significant negative impact on the Company's financial position. It is not possible to predict the critical level of inflation for the Company, since in addition to the level of consumer prices, it is necessary to take into account the change in the real purchasing power of the ruble, the conjuncture in the Russian and international oil markets, as well as the market of materials and services for the oil industry, and the state's further policy with regard to tariffs.

Financial markets. In accordance with the Company's development strategy until 2025, the main investments in development are planned to be financed received from the income of the operating activities (equity capital). At the same time, the Company periodically raises borrowed funds and the ability to do so at acceptable rates and in the required quantities depends on the environment in the financial markets. In particular, the change in interest rates may have an impact on the Company's operations of borrowing money and servicing the current debt: in the case of borrowing funds in the form of bank loans with a floating interest rate, an increase in the general level of interest rates on the market leads to an increase in the amount of funds, payable on interest. When planning its activities and forming budgets, the Company takes into account the current and forecasted situation in the financial markets and supports access to a wide range of financing sources to ensure that funds can be raised on optimal terms.

The Company periodically places part of its cash in financial instruments, which value depends on the situation on the market. These financial instruments may differ in terms of risk and return. The Company pursues a balanced policy in the area of the allocating the free cash, it monitors the risks associated with such investments, but can not in all cases guarantee the achievement of the expected results for such investments.

Risks of the banking system. The Company's cash is allocated on the accounts and placed in deposits with banks of the Russian Federation. The Company implements a diversified approach when placing its free cash. At the same time, the Company encountered the situations of normal activity suspension and withdrawal of licenses of the credit institutions where funds were placed. Due to the above diversification, as well as monitoring the state of credit institutions where the funds are placed, the Company reduces the risks of their loss.

RISK OF THE BUSINESS REPUTATION LOSS

Due to the fact that the main products sold by the Company (oil, oil products and gas products) are homogeneous and are produced in strict compliance with the current requirements and standards, and the Company itself is one of the largest Russian oil companies with more than 65 years of history, an understanding of the financial stability or financial position of the Company among the main counterparties (customers) of the Company's products does not have a significant impact on their decision to cooperate with the Company.

At the same time, the representation of consumers of the Company's products and the quality of products and services affects the sales volumes and profitability of this segment. The Company carries out continuous monitoring of the quality of oil and gas products sold through the network of filling stations, expands the range of services rendered to customers at the filling station stations and undertakes other measures to improve the quality of services. In addition, the Company constantly informs its customers and counterparties of the Company's activities through publishing materials and press releases on the Internet, distributing them through the media, and through mobile applications. There are free telephone lines for customers of the filling station network to receive feedback and complaints about the quality of products and services. The Company has adopted and operates procedures to promptly respond to the customer claims and complaints in order to eliminate their causes. In addition to the regular disclosure of information (compulsory and voluntary), at the request of customers and counterparties, subject to the requirements of the law, the Company provides all necessary information on its financial position and sustainability.

LEGAL RISKS

PJSC TATNEFT is a subject of foreign economic activity, among other things, exporting oil and oil products, equipment and services outside the Russian Federation, and investing in projects abroad. In this regard, any changes in the legislation of the Russian Federation or other countries, where the Company operates, in the area of currency regulation and currency control, as well as rules of customs control and duties that may limit the funds of repatriation, export or importation of goods and equipment, as well as requiring compliance with preliminary or subsequent procedures related to currency transactions or customs procedures, may complicate the Company's operations and lead to additional expenditures. The Company believes that the risk of adverse changes in exchange control and customs regulations in the Russian Federation at present are not significant.

Given the role of the oil industry for the Russian economy, tax revenues of the Company are significant. Changes in tax legislation may have a material impact on the Company's operations, profitability of its operations, financial position and the value of securities. The larger part of taxes and duties, primarily in the form of a mineral extraction tax and a customs export duty on oil and oil products, are levied on the basis of gross indicators (volumes of production or exports), regardless of the profitability of the Company's operating activities. At the same time, the current legislation provides the Company with a number of privileges for these taxes and fees, including the oil production from deposits with a high degree of reserves depletion and the development of high-viscosity oil fields, which economic effectiveness largely depends on their availability. At the moment, the Russian Federation is developing mechanisms for taxing the oil industry on the basis of the activities profitability, including, in particular, the introduction of a tax on additional income from the extraction of hydrocarbon raw materials, which is planned to be pre-tested in a number of pilot projects, as well as additional changes in the use of export duty on oil and petroleum products (up until its cancellation). These possible changes may have both a positive and negative impact on the Company's financial performance and investment projects.

To carry out its activities, the Company receives licenses for the exploration and production of oil and gas, for the operation of hazardous production facilities and other activities in accordance with applicable law. At present, the Company does not expect significant changes related to the licensing procedure for the exploration and development of oil and gas fields, the operation of hazardous production facilities, including oil and gas refineries, which could have a significant negative impact on the activities of PJSC TATNEFT and its subsidiaries.

The Company is involved as a defendant in a number of court cases, as well as a party in other proceedings arising in the course of its normal business.

SYSTEM OF CORPORATE CONTROL AND INTERNAL AUDIT

POLICY IN THE AREA OF INTERNAL AUDIT

The internal audit is carried out within the framework of the annual plan approved by the Board of Directors. Such items as the system of internal control over the operational efficiency of processes, compliance with legislation and safety of property are considered within the framework of the audit. The audit is conducted on a risk-oriented basis approach. A report on the internal audit results is sent to the Company's management and to the Audit Committee.

Subsequently, the Internal Audit Department monitors the implementation of activities and informs the Company's management and the Audit Committee about the progress in eliminating the identified shortcomings.

There were 9 audits performed in 2016. In addition, following the instructions of the Company's management the Department's representatives participated in 32 unscheduled projects on various issues of the financial and economic activity.

2016 witnessed monitoring implementation of the action plans based on the results of audits carried out in 2009-2016. All the cases of non-fulfillment of the action plans were initially reported to the management of the relevant division after which the General Director was informed.

The PJSC TATNEFT's Internal Audit Department successfully performed in November 2016 evaluation of the internal audit functions quality. Based on the results of the evaluation, the experts of ZAO Deloitte & Touche CIS concluded that the activities of the Department as a whole are in line with the International Professional Standards of the Internal Audit and the Code of Ethics of the Institute of Internal Auditors.

The internal audit procedures are an integral part of the corporate management system and include targeted actions taken by the Board of Directors and the Company's management aimed at improving the risk management process and increasing the likelihood of achieving the set goals. As part of the improvement of corporate management practices, in the reporting corporate year, there were amendments made to the Regulation on the Internal Audit Department of PJSC TATNEFT. The Board of Directors approved the new version of the Regulation in March 2016.

INTERNAL CONTROL

The Internal Control Service participates in the audits of structural divisions and subsidiaries of the TATNEFT Group. The corporate control function is to provide methodological support to the management staff of the Executive Office and structural subdivisions of the TATNEFT Group of Companies in terms of compliance with the norms of both the tax legislation and the accounting legislation. This function helps ensuring compliance with legislative norms and reducing the tax and financial risks in the Company.

INDEPENDENT AUDITOR

In in view of the independent assessment of the financial statements reliability, the Company annually attracts an external auditor to conduct an audit of the IFRS and RAS financial statements.

The PJSC TATNEFT's Board of Directors Audit Committee preliminarily considers candidates for external auditors of the Company, which recommendations are the basis of made for further approval of the external auditors in accordance with the procedure established by the law.

The General Meeting of Shareholders approved JSC PricewaterhouseCoopers Audit as the auditor of the Company's accounting statements under RAS for 2016.

The General Meeting of Shareholders approved JSC PricewaterhouseCoopers Audit as the auditor of the Company's consolidated financial statements in accordance with IFRS for 2016.

ANTI-CORRUPTION POLICY OF PJSC TATNEFT

In 2014 the decision of the Board of Directors of PJSC TAT-NEFT approved the organization standard the «Anti-corruption policy of PJSC TATNEFT n.a. V.D. Shashin (STO TH 123-2014)», which sets out the basic principles aimed at preventing the corruption.

The main principles of the anti-corruption policy are:

Non-Acceptance of Corruption and the Ban on the Corruption Actions

The Company’s activities are based on preventing the corruption in all forms and manifestations. All employees, members of the Company’s management bodies and other persons acting on behalf of the Company or in its interests are prohibited directly or indirectly, personally or through any intermediary, to be involved in corrupt practices, regardless of the business doing practice in a particular country or region.

PJSC TATNEFT does not allow any corrupt acts, including a conflict of interest manifestation, both in relation to representatives of the state, public formations, organizations of any form of ownership, politicians and other third parties, and with regard to the Company’s employees, in any way, including through abuse of office aimed at gaining any personal benefit.

Inevitability of Punishment

The Company carries out an investigation of all reasonably justified reports of violating proper procedures to counteract involvement in corrupt activities and prosecutes perpetrators without regard to their position, term of service, status in the Company and other relationships with it in the manner prescribed by the applicable law and local regulatory documents of the Company. The Company applies all possible reasonable and legitimate efforts for the quickest possible restraint of violations. The Company makes public the information about persons who violated the requirements of applicable the law and this Anti-Corruption Policy.

Legitimacy

The Company and its employees in the course of carrying out their duties are obliged to comply with the norms of the Russian anti-corruption legislation, as well as the applicable norms of any foreign anti-corruption legislation in case of entering into legal relations subject to such a legislation.

Top Management Attitude

The managing officials of the Company, including members of management bodies, heads of departments, offices and other divisions of the Company, must declare an irreconcilable attitude to any forms and manifestations of corruption at all levels, demonstrate, implement and comply with it in practice.

Regular Risks’ Assessment of Involvement in Corrupt Activities

The Company identifies, evaluates and periodically reassesses the corruption risks inherent in its potentially vulnerable business processes. In identifying and assessing the risks, the Company takes into account the completeness of information on the Company’s activities and plans, the including investment and strategic ones, available at the time of valuation and reassessment.

Consistency and Adequacy

The Company develops and implements a system of proper procedures on combating and preventing any involvement in corrupt activities. The Company strives to make the procedures as transparent, clear, feasible and reasonably responsive to the identified risks as possible.

Due Diligence Principle

The Company monitors and checks counterparties and candidates for positions in the Company before deciding whether to start or continue business relations or hire to the positions for their reliability, non-acceptance of corruption and the conflict of interest risk.

Information Sharing and Training

The Company informs and clarifies the principles and norms of the applicable legislation, the Anti-Corruption Policy and other local regulatory documents with respect to combatting any involvement in corruption activities, including training employees on the basics of combatting the involvement in any corruption activities and clarifying the Company’s policy in this area to counterparties.

Monitoring

The Company continuously monitors implemented procedures to combat and prevent involvement in corrupt activities and controls their compliance. The Company periodically makes an independent assessment of the state of the system for counteracting involvement in corrupt activities, as well as assessing the compliance of the Company’s activities with the norms of the applicable legislation and the Anti-Corruption Policy. The results of the evaluation are communicated to the shareholders and to the public in the annual report, press releases and other information materials.

Improving the Due Diligence Procedures System

The Company develops and maintains an alert system for violations and risks associated with corrupt activities. This system applies both to the employees and other persons with the possibility of maintaining anonymity. The Company guarantees confidentiality to all employees and other persons who have faithfully reported on the corruption risks and violations.

Reports on violations of the Anti-Corruption Policy can be transferred in the following ways:

- directly to the immediate or superior managing person;
- through the round-the-clock phone of the PJSC TATNEFT’s «hotline»;
- to law enforcement agencies.

Protection of Workers’ Interests

No sanctions can be applied to the employee for:

- refusal to participate in corrupt activities, even that such a refusal resulted in the Company’s incurring losses, loss of profits, commercial and / or not obtaining competitive advantages;
- bona fide reporting of alleged violations, facts of corrupt activities, other abuses or inadequate effectiveness of existing control procedures.

If an employee or other person provides knowingly false information or attempts, using anticorruption procedures, to obtain personal benefits contrary to the interests of the Company or the applicable law, then such a person may be held liable in accordance with the current legislation and local regulatory documents of PJSC TATNEFT.

All employees, irrespective of the position held, are liable under the current legislation of the Russian Federation for compliance with the principles and requirements of the Anti-Corruption Policy, as well as for the actions (inaction) of subordinate persons violating these principles and requirements. The persons guilty of violating the requirements of the Anti-Corruption Policy may be brought to disciplinary, administrative, civil or criminal liability on following the initiative of the Company, law enforcement agencies or other persons in the manner and on the grounds provided for by the laws of the Russian Federation, the Company’s Articles, local regulations and Labor contracts.

“HOT LINE”

The Company effectively operates a special confidential channel through which an employee or an outsider can report the facts of various violations related to the Company’s activities, including corruption: the “Hotline”.

Reception of calls is carried out by an independent operator. There were 790 applications of various nature received and processed in 2016. Appropriate measures have been taken, including introduction of new standards and regulations to the corporate practice aimed at reducing the risks of violations in the Production and economic activities, as well as at improving labor discipline and employees’ responsibility. Additional control measures have been introduced to prevent violations of the earlier identified nature in the future.

THERE IS A «HOT LINE» INFORMATION SYSTEM OPERATING AT THE COMPANY SINCE 2015
PHONE: 8 800 100 41 12

PJSC TATNEFT'S REPORT ON COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF CORPORATE GOVERNANCE CODE

COMMENT:

This Report has been generated in accordance with Chapter 70 of Bank of the Russia Regulation No. 454-P of Dec. 30, 2014 "On disclosure of information by issuers of equity securities" and it reflects the Company's compliance with the principles and recommendations of the Corporate Governance Code (hereinafter also referred to as the Code) recommended by the Bank of Russia for use by joint-stock companies, which securities are admitted to organized trading.

The text of the Corporate Governance Code is posted on the official website of the Bank of Russia on the Internet at: http://www.cbr.ru/finmarkets/files/common/letters/2014/inf_apr_1014.pdf.

As a methodology for assessing compliance of PJSC TATNEFT with principles of corporate governance, the recommendations set forth in the Bank of Russia Letter No. IN-06-52 / 8 of February 17, 2016 "On disclosure of a report on compliance with the principles and recommendations of the Code of Corporate Governance in the annual report of a public joint stock company".

Description of the most significant aspects of the model and practice of the corporate governance at PJSC TATNEFT is contained in the section "Corporate Management" of the Company's Annual Report for 2016, as well as on the Company's official Internet website at www.tatneft.runull.

THE PJSC TATNEFT'S BOARD OF DIRECTORS CONFIRMS THAT THE PRESENT REPORT CONTAINS COMPLETE AND RELIABLE INFORMATION ABOUT THE COMPANY'S COMPLIANCE WITH PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE RECOMMENDED BY THE BANK OF RUSSIA.

PJSC TATNEFT, being a company registered in the Russian Federation, fully complies with the requirements of Russian legislation and is guided by the national principles of the corporate governance recommended for application by the regulatory authorities for the securities market of the Russian Federation. At the same time, the Company applies the principles of the best international corporate practices and strives to generally comply with the best standards of the corporate governance.

PJSC TATNEFT adheres to the appropriate standards to provide all stakeholders with understandable, complete and structured information on the corporate governance system that has evolved in the Joint-Stock Company, explaining the key reasons, factors and (or) circumstances, in which the Company does not respect or adhere to the full principles of the corporate governance, formalized in the Code of Corporate Governance.

During 2016, the Company was developing the corporate practice and improving internal corporate procedures in accordance with the recommendations of the Corporate Governance Code recommended by the Bank of Russia.

The following internal documents, which are fundamental to the Company's corporate practice system were updated in the reporting corporate year:

- Articles of Public Joint Stock Company TATNEFT n.a. V.D. Shashin (24.06.2016);
- Regulation on the General Meeting of Shareholders of the Public Joint Stock Company TATNEFT n.a. V.D. Shashin (24.06.2016);
- Regulation on the Board of Directors of the Public Joint Stock Company TATNEFT n.a. V.D. Shashin (24.06.2016);
- Regulation on the General Director of the Public Joint Stock Company TATNEFT n.a. V.D. Shashin (24.06.2016);
- Regulation on the Management Board of the Public Joint Stock Company TATNEFT n.a. V.D. Shashin (24.06.2016);
- Regulation on the Board of Directors' Audit Committee of PJSC TATNEFT n.a. V.D. Shashin (29.09.2016);
- Regulation on the Board of Directors' HR and Remuneration Committee of PJSC TATNEFT n.a. V.D. Shashin (29.09.2016);
- Regulation on the Board of Directors' Corporate Management Committee of PJSC TATNEFT n.a. V.D. Shashin

New adopted documents:

- Regulation on the Corporate Secretary of PJSC TATNEFT n.a. V.D. Shashin (25.02.2016);
- Regulation on the Dividend Policy of PJSC TATNEFT n.a. V.D. Shashin (25.04.2016).

No.	Corporate Governance Principle	Criteria for Assessing Compliance with the Principle of Governance	Status ³⁷ of Compliance with the Principle of the Corporate Governance	Explanations ³⁸ for Deviations from the Criteria for Assessing the Compliance with the Corporate Governance Principle
1	2	3	4	5
1.1.	The Company shall ensure equal and fair treatment of all shareholders in the exercise of their right to participate in the management of the Company.			
1.1.1.	The Company shall create the best possible conditions for shareholders to participate in the general meeting and develop informed positions on issues on its agenda and to coordinate the Company's actions, as well as an opportunity to express the opinions on the issues being discussed.	1. The "Regulation on the General Meeting of the Shareholders", approved by the General Meeting of the Shareholders and regulating the procedures for holding the General Meeting, is publicly available. (The new version was approved by the decision of the General Meeting of the Shareholders of PJSC TATNEFT on June 24, 2016). 2. The Company provides an affordable way of communicating with the Company, such as a hotline, e-mail, allowing the shareholders to express their opinion and forward questions regarding the agenda for the General Meeting in preparation. These actions used to be taken by the Company on shortly before each General Meeting that took place in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.1.2.	The procedure for notification on holding a General Meeting and provision of materials for the general Meeting gives shareholders the opportunity to properly prepare for participation in it the General Meeting.	1. The Company made a notice of holding the General Meeting of the Shareholders posted (published in the news line) on the Internet website at least 30 days before the date of the General Meeting. 2. The communication on holding the meeting provides information on the meeting venue and documents required for admission to the premises. 3. The shareholders were provided with access to the information about who proposed the agenda and who nominated candidates to the Board of Directors and the Audit Commission of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.1.3.	During the preparation and holding of the General Meeting, the shareholders shall have the opportunity to receive information about the meeting and materials to it without hindrance and in a timely manner, to pose questions to the executive bodies and to communicate with each other.	1. During the reporting year, the shareholders were offered the opportunity to pose questions to members of the Company's executive bodies and the Company's Board of Directors members shortly before and during the Annual General Meeting. 2. The Board of Directors' position of (including dissenting opinions incorporated in the Minutes) for each agenda item of General Meetings held during the reporting period was included into the materials prepared for the General Meeting of the Shareholders. 3. The Company provided for the access of the shareholders to the list of persons entitled to participate in the General Meeting from the date of its receipt by the Company, in all cases of holding General Meetings in the reporting year.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.1.4.	The exercise of the shareholder's right to demand convocation of the General Meeting, nominate candidates for the management bodies and carry proposals for inclusion in the agenda of the General Meeting shall not be accompanied by unjustified complexities.	1. In the reporting year, the shareholders had the opportunity, for at least 60 days after the end of the relevant calendar year, to submit proposals for inclusion in the agenda of the annual General Meeting. 2. In the reporting year, the Company did not refuse to accept proposals on the agenda or nominees for the bodies of the Company due to misprints and other insignificant shortcomings in the shareholder's proposal.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	The Company emanates from the sufficiency principle of 55 days term as defined by the Articles.
1.1.5.	Each shareholder had the opportunity to freely exercise the right to vote in the simplest and most convenient way for him.	1. The Company's internal documents (internal policy) contain provisions according to which each participant of the General Meeting can request a copy of the ballot filled out by him before the meeting completion.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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1.1.6.	Procedures for holding a General Meeting set by the Company shall provide an equal opportunity for all persons present at the general meeting to express their opinions and ask questions that might be of interest to them.	1. When holding a General Meeting of the Shareholders in the form of a meeting (joint attendance of the shareholders) during the reporting period, sufficient time was provided for the reports on the agenda items and time for discussion of these issues. 2. The candidates for management and control bodies of the Company were available to answer questions from the shareholders at the meeting at which their nominees were put to a vote. 3. The Board of Directors, when making decisions related to the preparation and conduct of the General Meeting of the Shareholders, considered the issue of using telecommunications to provide remote access to the shareholders for participation in the General Meeting in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.2.	The shareholders shall be given an equal and fair opportunity to participate in the Company's profits distribution through receiving dividends			
1.2.1.	The Company shall develop and implement a transparent and understandable mechanism for determining the amount of dividends and their payment.	1. The Company has developed and made publicly available the "Regulation on the dividend policy of PJSC TATNEFT" approved by the decision of the Board of Directors of PJSC TATNEFT n.a. V.D. Shashin, Minutes No. 12 of April 25, 2016.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.2.2.	The Company shall not decide on the payment of dividends, unless such decision, formally not violating the restrictions established by law, is economically unjustified and can lead to the formation of false perceptions about the Company's activities.	1. The Company's dividend policy contains clear indications of financial/economic circumstances in which a Company should not pay dividends.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.2.3.	The Company shall not allow deterioration of the existing shareholders' dividend rights.	1. In the year under review, the Company did not take any actions leading to a deterioration in the dividend rights of the existing shareholders. 2. The history of dividend payments reflects the Company's consistency in ensuring a high level of the dividend yield, while maintaining the balance of short-term (receiving the income in the form of dividend payments) and long-term (investing in the development of the Company).	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.2.4.	The Company shall strive to exclude the use by the shareholders of any other ways of generating profit (income) from the Company in addition to dividends and the Company's liquidation value distribution.	1. In order to exclude any other ways of the shareholders generating profit (income) from the Company in addition to the dividends and the liquidation value distribution, internal documents of the Company establish control mechanisms that ensure the timely identification and the procedure for approving transactions with persons affiliated with material shareholders having the right to dispose of votes falling on voting shares), in cases where the law does not formally recognize such transactions as related party transactions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.3.	The system and practice of the Corporate governance ensure equal terms and conditions for all shareholders owing shares of the same category (type), including minority (small) and foreign shareholders, and equal treatment of them by the Company.			
1.3.1.	The Company shall create the conditions for fair treatment of each shareholder by the Company's management bodies and supervisory persons, in particular, ruling out the abuse possibility of minority shareholders by major shareholders.	1. During the reporting period, the procedures for managing potential conflicts of interest of the essential shareholders were effective, and the Board of Directors paid due attention to the conflicts between shareholders, if any.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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1.3.2.	The Company shall not perform any actions, which will or might result in artificial reallocation of the corporate control.	1. There were no quasie-treasury shares or they did not participate in the voting during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
1.4.	The shareholders shall be provided with reliable and effective ways of recording the rights to the shares, as well as the possibility of unhindered and easy disposal of their shares.			
1.4.1.	The shareholders shall be provided with reliable and effective ways of recording rights to the shares, as well as the possibility of free and easy disposal thereof.	1. The quality and reliability of activities carried out by the Company's Registrar in maintaining the register of securities' owners correspond to the needs of the Company and its shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.	The Board of Directors shall carry out the strategic management of the Company, define major principles and approaches to the organizing of the Company's risk and internal control management system, monitor the activities of the Company's executive bodies, and also exercise other key functions.			
2.1.1.	The Board of Directors shall be responsible for making decisions related to the appointment and dismissal of the executive bodies, including due to their improper performance of their duties. The Board of Directors shall also ensure that the Company's executive bodies act in accordance with the approved development strategy and the main lines of the Company's business.	1. The Board of Directors has the authority stipulated in the Articles of Association to appoint, discharge from office and determine the terms of contracts with respect to members of the executive bodies. 2. The Board of Directors considered the report of the sole executive body and members of the collegial executive body on the implementation of the Company's strategy.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.2.	The Board of Directors shall set the basic long-term targets for the Company's activities, and shall assess and approve its key performance indicators and principal business goals, as well as its strategy and business plans with regard to the Company's principal areas of operations.	1. During the reporting period, the Board of Directors considered the issues related to the implementation and actualization of the strategy, approval of the Company's financial and economic plan (budget), as well as considered the criteria and indicators (including interim ones) of implementing the strategy and business plans.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.3.	The Board of Directors shall define the principles and approaches to the organization of the risk and internal control management system in the Company	1. The Board of Directors defined the principles and approaches to the organization of the risk and internal control management system in the Company 2. The Board of Directors performed the assessment of the Company's risk and internal control management system during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.4.	The Board of Directors shall define the Company's policy of remuneration and (or) reimbursement of expenses (compensations) to the Board of Directors' members, executive bodies and other key executives of the Company.	1. The Company has developed and implemented a policy (policies) approved by the Board of Directors for the compensation and reimbursement of the Board of Directors' members, the executive bodies of the Company and other key executives of the Company. 2. During the reporting period, the meetings of the Board of Directors considered issues related to this policy (policies).	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.5.	The Board of Directors shall play a key role in preventing, identifying and resolving internal conflicts among the Company's bodies, and the shareholders of the Company and employees of the Company.	1. The Board of Directors plays a key role in preventing, identifying and resolving internal conflicts. 2. The Company has created a system for identifying transactions related to conflicts of interest and a system of measures aimed at resolving such conflicts.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.1.6.	The Board of Directors shall play a key role in ensuring the transparency of the Company, the timeliness and completeness of the Company's information the disclosure and easy access of the shareholders to the documents of the Company.	1. The Board of Directors has approved a Regulation on the information policy. 2. There were the persons responsible for the implementation of the information policy determined in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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2.1.7	The Board of Directors shall exercise control over the practice of the corporate governance in the Company and shall plays a key role in the material corporate events of the Company.	1. During the reporting period, the Board of Directors considered the issue of the corporate governance practices in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.2.	The Board of Directors shall be accountable to the Company's shareholders.			
2.2.1.	The information on the work of the Board of Directors shall be disclosed and provided to the shareholders.	1. The annual report of the Company for the reporting period includes the information on the attendance of meetings of the Board of Directors and the Committees by individual directors. 2. The annual report contains the information on the main results of evaluating the operation of the Board of Directors carried out in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.2.2.	Chairman of the Board of Directors shall be available to communicate with the shareholders of the Company.	1. There is a transparent procedure implemented in the Company that provides shareholders with the opportunity to send questions to the Chairman of the Board of Directors and express their position.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.3.	The Board of Directors shall be an effective and professional management body of the Company, capable of making objective independent judgments and making decisions that are in the best interests of the Company and its shareholders.			
2.3.1.	Only persons with an impeccable business and personal reputation and possessing the knowledge, skills and experience necessary to make decisions within the competence of the Board of Directors, which are required for the effective performance of its functions, may be elected as the Board of Directors' members.	1. The accepted in the Company procedure for evaluating the performance of the Board of Directors includes, among other things, assessing the professional qualifications of the Board of Directors' members. 2. In the reporting period, the Board of Directors (or its nominations committee) evaluated the candidates to the Board of Directors in terms of their having necessary experience, knowledge, business reputation, lack of conflict of interest, etc.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.3.2.	Members of the Company's Board of Directors shall be elected through a transparent procedure that allows the shareholders to obtain information about the candidates sufficient to form an idea about their personal and professional qualities.	1. In all cases of the holding of the General Meeting of the Shareholders in the reporting period, which agenda included the items about electing of the Board of Directors, the Company provided the shareholders with biographical data of all candidates for membership in the Board of Directors, results of the evaluation of such candidates made by the Board of Directors (or its nominations committee), as well as information on the candidate's compliance with the independence criteria, in accordance with recommendations 102 - 107 of the Code and the written consent of the candidates for election to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.3.3.	The composition of the Board of Directors shall be balanced in terms of its members' qualifications, their experience, knowledge and business qualities, and the Board shall enjoy confidence of the shareholders.	1. As part of the procedure for evaluating the Board of Directors' work in the reporting period, the Board of Directors analyzed the own needs in terms of professional qualifications, experience and business skills.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.3.4.	The quantitative composition of the Board of Directors shall enable to organize the activities of the Board of Directors in the most efficient manner, including the possibility of forming committees of the Board of Directors, and assures that the substantial minority shareholders of the Company may elect to the Board of Directors a candidate, who they vote for.	1. As part of the evaluation procedure for the Board of Directors in the reporting period, the Board of Directors considered the issue of the quantitative composition of the Board of Directors compliance with the needs of the Company and the interests of the shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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2.4. The Board of Directors shall include a sufficient number of independent directors.				
2.4.1.	An independent director shall be a person who has sufficient professionalism, experience and independence to form his own position, is able to make objective and conscientious judgments that are independent of the Company's executive bodies' influence, of certain groups of the shareholders or other parties concerned. However, it should be noted that, under normal circumstances, a candidate (elected director) cannot be regarded as independent if he is connected with the Company, a substantial shareholder, a material trading partner or a competitor, or connected with the Government.	1. During the reporting period, all independent members of the Board of Directors met all the independence criteria specified in recommendations 102-107 of the Code, or were deemed independent by the decision of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.4.2.	An assessment shall be made of the candidates for the Board of Directors' membership compliance with independence criteria, and a regular analysis of the independence of the independent Board of Directors members shall be carried out. In the performance of such an assessment, the content should prevail over the form.	1. In the reporting period, the Board of Directors (or the committee on nominations to the Board of Directors) formed an opinion on the independence of each candidate to the Board of Directors and presented the relevant conclusion to the shareholders. 2. During the reporting period, the Board of Directors (or the Board of Directors nomination committee) at least once examined the independence of the current members of the Board of Directors, whom the Company indicates as independent directors in its annual report. 3. The Company has developed procedures that determine the necessary actions of a member of the Board of Directors in the event that it ceases to be independent, including the obligation to promptly inform the Board of Director.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.4.3.	The independent directors shall account for at least one-third of all directors elected to the Board.	1. The independent directors account for at least one-third of all directors elected to the Board.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	The Board of Directors includes three independent directors. The Company believes that the composition of Board of Directors is optimal for ensuring the interests of all groups of shareholders.
2.4.4.	The independent directors shall play a key role in preventing internal conflicts in the Company and in its performance of material corporate actions.	1. The independent directors (who have no conflict of interest) preliminarily assess the essential corporate actions associated with a possible conflict of interests, and the results of such an assessment are submitted to the Board of Directors	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.5. Chairman of the Board of Directors shall contribute to the most efficient implementation of the functions assigned to the Board of Directors.				

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2.5.1.	An independent director shall be elected as a Chairman of the Board of Directors, or a senior independent director out of the independent directors number shall be appointed to coordinate the independent directors work and interact with the Chairman of the Board of Directors	1. The Chairman of the Board of Directors is an independent director, or a senior independent director is defined among the independent directors. 2. The role, rights and duties of the Chairman of the Board of Directors (and the senior independent director, if applicable) are duly determined in the internal documents of the Company.	<input type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input checked="" type="checkbox"/> no compliance	In the year under review, Chairman of the Board of Directors was a non-executive Director, and there were no senior director determined among independent directors. The Chairman of the Board of Directors was elected unanimously by all Members of the Board of Directors, as the most authoritative member of the Board of Directors, possessing professionalism and knowledge. The Company assumes that all members of the Board of Directors have equal rights, and also takes into account the fact that the independent directors did not determine the senior independent director.
2.5.2.	The Chairman of the Board of Directors shall provide for a constructive atmosphere for holding meetings, free discussion of issues on the agenda of the meeting, monitoring the implementation of decisions taken by the Board of Directors.	1. The efficiency of the Chairman of the Board of Directors was evaluated in the framework of the procedure for assessing the effectiveness of the Board of Directors in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.5.3.	The Chairman of the Board of Directors shall take the necessary measures for the timely provision to the Board of Directors of the information necessary for making decisions on the agenda items.	1. The duty of the Chairman of the Board of Directors to take measures to ensure the timely provision of materials to the Board of Directors members on the agenda of the Board of Directors is fixed in the documents of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.6. The Board of Directors' members shall act in good faith and reasonably in the interests of the Company and its shareholders on the basis of sufficient knowledge and with due of care and diligence.				
2.6.1.	The Board of Directors' members shall make decisions taking into account all available information, in the absence of a conflict of interest, taking into account the equal treatment of the Company's shareholders, in the normal course of business risk.	1. The Company's internal documents establish that a member of the Board of Directors must notify the Board of Directors if it has a conflict of interest with respect to any item on the agenda of the meeting of the Board of Directors or before the Board of Directors begins discussion on the corresponding agenda item. 2. The Company's internal documents provide that a member of the Board of Directors must refrain from voting on any issue in which he has a conflict of interest. 3. The Company has established a procedure that allows the Board of Directors to receive professional advice on matters within its competence, at the expense of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.6.2.	The rights and duties of the Board of Directors' members shall be clearly articulated and secured in the internal documents of the Company.	1. The Company adopted and published an internal document clearly defining the rights and duties of members of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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2.6.3.	The Board of Directors' members shall have enough time to fulfill their duties.	1. The individual attendance of the meetings of the Board of Directors and its committees, as well as the time devoted to preparing for participation in the meetings, was taken into account in the evaluation procedure of the Board of Directors in the reporting period. 2. In accordance with the internal documents of the Company, members of the Board of Directors are obliged to notify the Board of Directors of their intention to become members of the management bodies of other organizations (other than the controlled and dependent organizations of the Company), as well as the fact of such appointment.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.6.4.	All the Board of Directors' members shall have equal access to the Company's documents and information. Sufficient information about the Company and the work of the Board of Directors shall be provided to the newly elected members of the Board of Directors as soon as possible.	1. In accordance with the internal documents of the Company, members of the Board of Directors have the right to access documents and make inquiries concerning the Company and its controlled entities, and the Company's executive bodies are required to provide relevant information and documents. 2. There is a formalized program in the Company of familiarization activities for newly elected members	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.7. Meetings of the Board of Directors, preparation for and participation in them of the Board of Directors' members ensure the effective functioning of the Board of Directors.				
2.7.1.	Meetings of the Board of Directors shall be held as necessary, taking into account the scale of the activities and the Company's tasks in a certain period.	1. The Board of Directors held at least six meetings in the reporting year.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.7.2.	The procedure for preparing and holding meetings of the Board of Directors shall be stipulated in the Company's internal documents, which provide for the Board of Directors members to properly prepare for the meeting.	1. The Company has approved an internal document that defines the procedure for preparing and holding meetings of the Board of Directors, which also stipulates that a notice of the meeting should be made, as a rule, at least 5 days before the date of the meeting holding.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.7.3.	The form of the meeting of the Board of Directors shall be determined taking into account the importance of the issues on the agenda. The most important issues shall be resolved at physical meetings.	1. The Company's Articles or internal documents stipulate that the most important issues (according to the list given in Recommendation 168 of the Code) should be considered at the physical meetings of the Board.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.7.4.	Decisions on the most important issues of the Company shall be taken at the meeting of the Board of Directors by a qualified majority or a majority of all elected members of the Board of Directors.	1. The Company's Articles stipulate that decisions on the most important issues set out in the Recommendation 170 of the Code should be taken at a meeting of the Board of Directors by a qualified majority of not less than three-quarters of the votes, or by a majority of all elected members of the Board Of Directors.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	Not formalized, but actually performed
2.8. The Board of Directors shall establishes Committees for preliminary consideration of the most important issues of the Company's business.				
2.8.1	It is recommended to establish an Audit Committee consisting of independent directors for the preliminary consideration of issues related to the control over the financial and economic activities of the Company.	1. The Board of Directors established an Audit Committee consisting entirely of independent directors. 2. The Company's internal documents define the tasks set out before the Audit Committee, including the tasks contained in Recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has experience and knowledge in the preparation, analysis, assessment and audit of the accounting (financial) statements. 4. Meetings of the Audit Committee were held at least once a quarter during the reporting period.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	One non-executive Director taking into account vast experience and the competencies required

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2.8.2	It is recommended to establish a Remuneration Committee consisting of independent directors and headed by an independent director who is not the Chairman of the Board of Directors for the preliminary consideration of issues related to the formation of an effective and transparent remuneration practice.	1. The Board of Directors established the Remuneration Committee, which consists of independent directors only. 2. The Chairman of the Remuneration Committee is an independent director who is not the Chairman of the Board of Directors. 3. The tasks of the Remuneration Committee are defined in the internal documents of the Company, including the tasks contained in Recommendation 186 of the Code.	<input type="checkbox"/> complied with <input checked="" type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	One non-executive Director taking into account vast experience and the competencies required
2.8.3	It is recommended to establish a Nomination Committee (appointments, cadres) for the preliminary consideration of issues related to the HR planning (succession planning), professional composition and efficiency of work of the Board of Directors, with the majority of members presenting independent directors.	1. The Board of Directors established the Nomination Committee (or its tasks specified in Recommendation 186 Code are implemented within the framework of another Committee) with the majority of members being independent directors. 2. In the internal documents of the Company, the tasks of the Nomination Committee (or the corresponding Committee with a combined functionality) are defined, including tasks specified	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.8.4	Given the scale of the activities and the level of risk, the Company's Board of Directors shall make sure that the composition of its Committees fully meets the objectives of the Company. Additional Committees either had to be established or were not deemed necessary (Strategy Committee, Corporate Management Committee, Ethics Committee, Risk Management Committee, Budget Committee, Health, Safety and Environment Committee, etc.).	1. In the reporting period, the Board of Directors of the Company considered the issue of the consistency of its Committees with the tasks of the Board of Directors and the objectives of the Company. The additional committees had either been established, or they were not deemed necessary	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.8.5	The Committees' composition should have been defined in a way allowing for a comprehensive preliminary discussion of the issues to be considered, taking into account different opinions.	1. The committees of the Board of Directors are headed by independent directors. 2. The Company's internal documents (policies) include the provisions according to which persons, who are not members of the Audit Committee, the Nomination Committee and the Remuneration Committee, may attend the meetings of the Committees upon the invitation of the Chairman only.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.8.6	Chairmen of the Committees shall on the regular basis inform the Board of Directors and its Chairman about the work of their Committees.	1. During the reporting period, the Chairmen of the Committees regularly reported on the work of the Committees to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
2.9. The Board of Directors provides for the assessment of the Board of Directors, its Committees and the Board of Directors' members work.				
2.9.1	The performance evaluation of the Board of Directors shall be aimed at determining the degree of effectiveness of the Board of Directors, the Committees and the Board of Directors' members, their relevance to the development needs of the Company, the revitalization of the Board of Directors and the identification of areas in which their activities improved.	1. The self-assessment or the external evaluation of the Board of Directors operation in the reporting period included the work evaluation of the Committees, individual members of the Board of Directors and the Board of Directors as a whole. 2. The results of the self-assessment or the external evaluation of the Board of Directors conducted during the reporting period were considered at the physical meeting of the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

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2.9.2	The work evaluation of the Board of Directors, Committees and the Board of Directors' members shall be carried out on a regular basis at least once a year. The independent external organization (consultant) shall be invited for assessing the work quality of the of the Board of Directors at least once every three years.	1. The Company invited the independent external organization (consultant) to evaluate the work quality of the Board of Directors, at least once during the last three reporting periods).	<input type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input checked="" type="checkbox"/> no compliance	Over the past three years, the Company has not brought an external organization to carry out an independent evaluation of the work of the Board of Directors, since this procedure would have involved additional costs (time, financial costs).
3.1. The Company's Corporate Secretary shall carry out effective current interaction with shareholders, and coordinate the actions of the Company to protect the rights and interests of the shareholders, supporting the effective operation of the Board of Directors.				
3.1.1	The Corporate Secretary shall have the knowledge, experience and qualifications that are sufficient to fulfill the duties assigned to him, an impeccable reputation and shall enjoy the confidence of the shareholders.	1. The internal document has been adopted and disclosed in the Company: the Regulation on the Corporate Secretary. 2. The biographical information on the Corporate Secretary with the same level of detail as for the members of the Board of Directors and the executive management of the Company has been placed on the Company's website and in the Company's Annual Report.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
3.1.2	The Corporate Secretary shall be sufficiently independent from the executive bodies of the Company and shall have the necessary powers and resources to carry out the tasks assigned to him.	1. The Board of Directors approves appointment, removal from office and additional remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.1. The level of remuneration paid by the Company shall be sufficient to attract, motivate and retain individuals, who are qualified and competent for the Company. The remuneration to the members of the Board of Directors, executive bodies and other key executives of the Company shall be paid in accordance with the Company's remuneration policy.				
4.1.1	The level of remuneration provided by the Company to the Board of Directors members, executive bodies and other key executives shall create sufficient motivation for their effective work, allowing the Company to attract and retain competent and qualified specialists. However, the Company shall avoid setting the compensation level any higher than necessary as well as an unjustifiably large gap between the remuneration levels of these individuals and employees of the Company.	1. The Company has adopted an internal document (policy) for the remuneration of members of the Board of Directors, executive bodies and other key management personnel, which clearly outlines the approaches to the remuneration for these individuals.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.1.2	The Company's compensation policy has been devised by the Remuneration Committee and approved by the Company's Board of Directors. The Board of Directors, with the support of the Remuneration Committee, shall oversee the implementation the remuneration policy in Company, and, if necessary, shall revise and correct it.	1. During the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and practices of its (their) implementation and, if necessary, submitted appropriate recommendations to the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.1.3	The Company's remuneration policy shall contain transparent mechanisms for determining the remuneration of the Board of Directors' members, executive bodies and other key executives of the Company, as well as regulate all types of payments, benefits and privileges granted to these persons.	1. The Company's remuneration policy contains transparent mechanisms for determining the remuneration of members of the Board of Directors, executive bodies and other key executives of the Company, and also regulates all types of payments, benefits and privileges granted to these persons.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

1	2	3	4	5
4.1.4	The Company shall define a policy of expenses reimbursement (compensation), which shall specify the list of expenses to be reimbursed, and the level of service that the Board of Directors' members, executive bodies and other key executives of the Company can claim. Such a policy can be an integral part of the Company's remuneration policy.	1. The remuneration policy (policies) or other internal documents of the Company set the rules for compensating the expenses of the members of the Board of Directors, executive bodies and other key executives of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.2. Remuneration system of the Board of Directors members shall ensure that the financial interests of the directors shall be in line with the long-term financial interests of the shareholders.				
4.2.1.	The Company shall pay a fixed annual fee to the Board of Directors members. The Company shall not pay remuneration for participation in the individual meetings of the Board or the committees of the Board of Directors. The Company shall not apply forms of short-term motivation and any additional material incentives to the Board of Directors' members.	1. The fixed annual remuneration was the only monetary form of remuneration for members of the Board of Directors for their work on the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.2.2.	The long-term ownership of the Company's shares shall be the most conducive to convergence of the financial interests of the Board of Directors' members with long-term interests of shareholders. At the same time, the Company shall not stipulate the rights to sell shares by achieving certain performance indicators, and the Board of Directors' members shall not participate in option programs.	1. If an internal document (documents): the Company's policy (policies) provide for the provision of the Company's shares to the Board of Directors members, clear rules for the ownership of shares by members of the Board of Directors should be provided and disclosed, aimed at encouraging the long-term ownership of such shares.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.2.3.	The Company shall not provide for any additional payments or compensation in the event of early powers termination of the Board of Directors' members in connection with the transfer of control over the Company or due to other circumstances.	1. The Company does not provide for any additional payments or compensation in the event of early termination of the powers of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.3. The remuneration system of members of the executive bodies and other key executives of the Company shall provide for the dependence of the reward on the results of the Company's operation and their personal contribution to achieving this result.				
4.3.1.	Remuneration of members of the executive bodies and other key executives of the Company shall be determined in such a way as to ensure a reasonable and justified ratio of the fixed part of the remuneration and the variable part of the remuneration depending on the results of work of the Company and the personal (individual) contribution of the employee to the final results.	1. During the reporting period, the annual performance indicators approved by the Board of Directors were used to determine the amount of variable compensation for members of the executive bodies and other key management personnel of the Company. 2. In the course of the latest evaluation of the remuneration system for members of the executive bodies and other key management personnel, the Company, the Board of Directors, ascertained that an effective ratio of the fixed part of the remuneration and the variable part of the remuneration are applied in the Company. 3. There is a procedure existing at the Company ensuring the return to the Company of bonus payments illegally received by the members of the executive bodies and other key management personnel of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

1	2	3	4	5
4.3.2.	The Company has implemented a program of the long-term motivation of the members of the executive bodies and other key executives of the Company using the Company's shares (options or other derivative financial instruments, which underlying assets are the Company's shares).	1. The Company introduced a long-term motivation program for members of the executive bodies and other key executives of the Company using the shares of the Company (financial instruments based on the shares of the Company). 2. The program of the long-term motivation of the members of executive bodies and other key executives of the Company provides that the right to sell shares and other financial instruments used in such a program shall start only after three years from the date of their provision. At the same time, the right to sell them is conditioned by the achievement of certain performance indicators of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
4.3.3.	The amount of compensation ("golden parachute") paid by the Company in case of early termination of powers to members of executive bodies or key executives on the initiative of the Company and in the absence of unfair acts on their part shall not exceed twice the value of the fixed portion of the annual remuneration.	1. The amount of compensation ("golden parachute") paid by the Company in the event of early termination of powers to members of the executive bodies or key executives on the initiative of the Company and in the absence of unfair acts on their part did not exceed twice the fixed part of the annual remuneration in the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
5.1.	The Company shall establish an efficient risk and internal control management system aimed at ensuring reasonable confidence in achieving the goals set for the Company.			
5.1.1.	The Company's Board of Directors shall define the principles and approaches to the organization of the risk and internal control management system in the Company.	1. The functions of various management bodies and divisions of the Company in the system of risk and internal control management are clearly defined in the internal documents/corresponding policies of the Company, approved by the Board of Directors.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
5.1.2.	The Company's executive bodies shall ensure the creation and maintenance of the effective risk management and internal control system in the Company.	1. The Company's executive bodies ensured distribution of functions and authorities with regard to the risk management and the internal control among the subordinate managers (heads) of departments and divisions accountable to them.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
5.1.3.	The system of risk and internal control management in the Company shall ensure an objective, fair and clear picture of the current state and prospects of the Company, the Company's integrity and transparency of reporting, as well as the soundness and acceptability of the Company's accepted risks.	1. The Company has adopted a policy on combatting corruption. 2. There is an accessible way established in the Company to inform the Board of Directors or the Audit Committee of the Board of Directors of violations of law, internal procedures, the Code of Ethics of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
5.1.4.	The Company's Board of Directors shall take the necessary steps to ensure that the current risk and internal control management system complies with the Board of Directors' principles and approaches to its organization and functions effectively.	1. During the reporting period, the Board of Directors or the Audit Committee of the Board of Directors conducted an evaluation of the effectiveness of the Company's risk and internal control management system. The information on the main results of such an assessment is included in the annual report of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
5.2.	The Company shall organize the internal audit for a regular independent evaluation of the reliability and effectiveness of the risk and internal control management system, and the Corporate Governance practice.			
5.2.1.	It is recommended that internal audits be performed by a separate structural division (internal audit department) to be established by the Company or by retaining an independent outside body. The functional and administrative accountability of the internal audit division shall be differentiated. The internal audit division shall be functionally accountable to the Board of Directors.	1. A separate structural division for conducting the internal audit functions has been established in the Company, which is functionally accountable to the Board of Directors or the Audit Committee, or an independent external organization with the same principle of accountability has been invited.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

1	2	3	4	5
5.2.2.	The Internal Audit Division shall perform effectiveness evaluation of the internal control system, as well as effectiveness evaluation of the risk management system, and the corporate governance system. The Company shall apply generally accepted activity standards in the area of the internal audit.	1. The effectiveness of the internal control and risk management system was assessed during the reporting period within the framework of the internal audit. 2. The Company applies commonly accepted approaches.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.1.	The Company and its activities shall be transparent to the shareholders, investors and other interested parties.			
6.1.1.	The Company shall develop and implement an information policy ensuring the efficient exchange of information by the Company, its shareholders, investors, and other interested parties.	1. The Board of Directors of the Company has approved the information policy of the Company, developed in accordance with the recommendations of the Code. 2. The Board of Directors (or one of its Committees) has considered issues related to the Company's compliance with its information policy at least once during the reporting period.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.1.2.	The Company shall disclose the information on the corporate governance system and practice, including detailed information on the compliance with the principles and recommendations of the Code.	1. The Company discloses the information on the Company's corporate governance system and the general principles of the corporate governance applied in the Company, including the information disclosed on the Company's Internet website. 2. The Company discloses the information on the composition of the executive bodies and the Board of Directors, the independence of the members of the Board and their membership in the Committees of the Board of Directors (as defined by the Code). 3. In the event that there is a person controlling the Company, Company publishes a memorandum of supervisory authority regarding the plans of such a person with respect to corporate governance in the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.2.	The Company shall timely disclose full, up-to-date and reliable information about the Company to ensure the possibility of making informed decisions by the Company's shareholders and investors.			
6.2.1.	The Company shall disclose the information in accordance with the principles of regularity, consistency and efficiency, as well as availability, reliability, completeness and comparability of the disclosed data.	1. The Company's information policy identifies approaches and criteria for identifying the information that can have a significant impact on the Company's valuation and the value of its securities and procedures that ensure the timely disclosure of such information. 2. In the event that the Company's securities are circulated in foreign organized markets, the disclosure of material information in the Russian Federation and in such markets is carried out synchronously and is equivalent during the reporting year. 3. If foreign shareholders own a significant number of the Company's shares, then during the reporting year, the information is disclosed not only in Russian, but also in one of the most common foreign languages.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.2.2.	The Company shall avoid a formal approach in disclosing the information and shall disclose significant information about its activities, even if the law does not provide for the disclosure of such information.	1. During the reporting period, the Company was disclosing the annual and semi-annual financial statements prepared in accordance with IFRS. The annual report of the Company for the reporting period includes annual financial statements prepared in accordance with IFRS, together with an audit report. 2. The Company discloses full information on the Company's capital structure in accordance with Recommendation 290 of the Code in the annual report and on the Company's Internet website.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

1	2	3	4	5
6.2.3.	The Company's annual report, as one of the most important tools of the Company's information exchange with shareholders and other interested parties, shall contain information making it possible to assess the Company's performance results for the year.	1. The annual report of the Company contains information on the key aspects of the Company's operations and its financial results. 2. The Company's annual report contains information on the environmental and social aspects of the Company's activities.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.3.	The Company shall provide information and documents at the requests of the shareholders in accordance with the principles of equal and unhindered accessibility			
6.3.1.	The Company shall provide the information and documents at the request of the shareholders in accordance with the principles of fairness and ease.	1. The Information Policy of the Company defines an easy procedure for providing the shareholders with access to the information, including the information on entities controlled by the Company, at the request of the shareholders.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
6.3.2.	It is recommended that when providing the information to the shareholders the Company shall maintain a reasonable balance between the interests of individual shareholders and the Company's interests, which is interested in preserving the confidentiality of important commercial information that may have a significant impact on the Company's competitiveness.	1. During the reporting period, the Company did not refuse to satisfy the shareholders' requests for the information, or such refusals were justified. 2. In cases determined by the Information Policy of the Company, the shareholders are warned about the confidential nature of the information and assume the responsibility for maintaining its confidentiality.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
7.1.	Actions that shall or may materially affect the structure of the Company's share capital and financial position and, accordingly, the shareholders' position (material corporate actions) shall be carried out on fair terms ensuring compliance with the rights and interests of the shareholders as well as other parties concerned.			
7.1.1.	Material corporate actions shall be deemed to include reorganization of the Company, acquisition of 30 per cent or more of the Company's voting shares (takeover), making major transactions, increasing or reducing the Company's share capital, listing and delisting of the Company's shares, as well as other actions, which might result in material changes in the rights of the shareholders or infringement of their interests. It is recommended that the Company's Articles of Association shall define a list (criteria) of transactions or other actions, deemed to be material corporate actions, and refer the consideration of such actions to the competence of the Company's Board of Directors.	1. The Company's Articles determined a list of transactions or other actions that are material corporate actions and the criteria for their determination. Decisions on the material corporate actions are within the competence of the Board of Directors. In cases where the implementation of these corporate actions is directly attributed by law to the competence of the General Meeting of the Shareholders, the Board of Directors provides appropriate recommendations to the shareholders. 2. As a minimum, the Company's Articles consider the following events as essential corporate actions: reorganization of the Company, acquisition of 30 percent or more of the voting Company's shares (takeover), fulfillment of substantial transactions by the Company, increase or decrease in the capital of the Company, listing and delisting of the Company's shares.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
7.1.2.	The Board of Directors shall play a key role in making decisions or making recommendations for material corporate actions. The Board of Directors shall base its position on the opinion of the Company's independent directors.	1. The Company provides for a procedure whereby the independent directors declare their position on the material corporate actions prior to their approval.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

1	2	3	4	5
7.1.3.	When taking material corporate actions, which would affect rights or legitimate interests of the shareholders, it is recommended that equal terms and conditions be guaranteed for all shareholders; if the statutory machinery designed to protect the shareholders' rights proves insufficient, then additional measures shall be introduced to protect their rights and legitimate interests. In such instances, the Company shall comply with formal requirements of the law and with the corporate governance principles set out in this Code.	1. The Company's Articles, taking into account the specifics of its activities, set at a lower level than the statutory minimum criteria for classifying the Company's transactions as material corporate actions. 2. During the reporting period, all material corporate actions went through the approval procedure prior to their implementation.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
7.2.	The Company shall provide a procedure for taking material corporate actions that enables its shareholders to receive full information about such actions in due time and influence them, and also guarantee that the shareholder rights are observed and duly protected when such actions are taken.			
7.2.1.	The information on the performance of the material corporate actions shall be disclosed with an explanation of the reasons, conditions and consequences of committing such actions.	1. During the reporting period, the Company disclosed in a timely manner and in detail the information on the material corporate actions of the Company, including the grounds and timing of such actions.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	
7.2.2.	The rules and procedures related to the Company's performance of material corporate actions shall be formulated in the Company's internal documents.	1. The internal documents of the Company provide for the procedure for attracting an independent appraiser to determine the value of property disposed of or acquired by a major transaction or an related party transaction. 2. The internal documents of the Company provide for the procedure for engaging an independent appraiser to estimate the cost of acquiring and repurchasing the shares of the Company. 3. The internal documents of the Company provide for an expanded list of grounds, on which the members of the Board of Directors of the Company and other persons provided for by the law are recognized as interested in the transactions of the Company.	<input checked="" type="checkbox"/> complied with <input type="checkbox"/> partial compliance <input type="checkbox"/> no compliance	

INFORMATION ON RELATED PARTY TRANSACTIONS CONCLUDED BY PJSC TATNEFT N.A. V.D. SHASHIN IN 2016

COMMENT:

This Report contains a list of transactions concluded by PJSC TATNEFT named after V.D. Shashin (hereinafter referred to as PJSC TATNEFT) in 2016, which were recognized transactions as related party in accordance with Federal Law No. 208-FZ “On Joint Stock Companies” of 26.12.1995 on the basis of their status at the time of the transactions.

This Report in the form of an independent document is published by the Company for the first time in accordance with requirements of Articles 52 and 81 of the Federal Law No. 208-FZ “On Joint Stock Companies” of 26.12.1995

The Board of Directors shall also in prepare a report on the related party transactions concluded by PJSC TATNEFT named after V.D. Shashin in 2016 for the approval of the Annual General Meeting of Shareholders.

The report is signed by the General Director of PJSC TATNEFT.

The reliability of the data contained in the Report is confirmed by the Audit Commission of PJSC TATNEFT.

The information included in the Report contains:

- name of counterparties to transactions;
- list of persons interested in transactions, and the basis for recognizing these persons as the parties interested in transactions;
- subject of transactions and essential conditions for them.

This Report on the related party transactions of PJSC TATNEFT n.a. V.D. Shashin in 2016, were reviewed and approved at the meeting of the Board of Directors of PJSC TATNEFT on May 27, 2017.

LIST OF RELATED PARTY TRANSACTIONS CONCLUDED BY THE COMPANY IN 2016:

Transaction Date	Transaction Approval Date	The Company's Body That Approved the Transaction	Information about the Person (Persons), Interested in Concluding the Transaction, Subject of the Transaction and Its Essential Terms
1	2	3	4
01.03.2016	25.02.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Seller) and ООО “Nizhnekamsk CHP” (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: the sale and purchase of spare tools and accessories for the equipment under the project “Construction of power generation facilities using turbines of low-potential steam at Nizhnekamsk”.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and ООО “Nizhnekamsk CHP”.</p> <p>Sign of interest: ООО “Nizhnekamsk CHP”, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Amount – RUB 46,000,000.00 (46 million) 00 kopecks.</p> <p>Deadline for the fulfilment of obligations under the transaction: 30 calendar days since the day of signing the relevant specification.</p> <p>Monetary valuation of property under the transaction: RUB 46,000,000 accounting for 0.0075% of the Company’s assets book value as of September 30, 2015.</p>
01.03.2016	25.02.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Lease contract of immovable property and land plots between PJSC TATNEFT n.a. V.D. Shashin (Lessor) and ООО “Nizhnekamsk CHP” (Lessee).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Lease of immovable property and land plots.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin ООО “Nizhnekamsk CHP”.</p> <p>Sign of interest: ООО “Nizhnekamsk CHP”, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Deadline for the fulfilment of obligations under the transaction: Lease term is 11 months from the contract conclusion date.</p> <p>Leased property:</p> <ul style="list-style-type: none">• immovable property, costing RUB 3,022,154,012.05;• land plots, costing RUB 17,148,396.08. <p>The amount of rent for one month of using the immovable property and land plots (Contract price):</p> <ul style="list-style-type: none">• immovable property: RUB 13,205,991.94 (Thirteen million two hundred five thousand nine hundred ninety one) 94 kopecks (Including 18% VAT);• land plots: RUB 533,175.34 (five hundred thirty three thousand one hundred seventy five) 34 kopecks (Including 18% VAT). <p>Monetary valuation of property under the transaction: RUB 3,039,302,408.13 (three billion thirty nine million three hundred two thousand four hundred eight) 13 kopecks, accounting for 0.49% of the Company’s assets book value as of September 30, 2015.</p>
01.03.2016	25.02.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Lease contract of movable property between PJSC TATNEFT n.a. V.D. Shashin (Lessor) and ООО “Nizhnekamsk CHP” (Lessee).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Rent of movable property.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and ООО “Nizhnekamsk CHP”.</p> <p>Sign of interest: ООО “Nizhnekamsk CHP”, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Deadline for the fulfilment of obligations under the transaction: Lease term is 11 months from the contract conclusion date. The amount of rent for one month of using the movable property (Contract price): 11,903,655.62 (eleven million nine hundred and three thousand six hundred and fifty five) 62 kopecks.</p> <p>Monetary valuation of property under the transaction: 11,903,655.62 (eleven million nine hundred and three thousand six hundred and fifty five) 62 kopecks, accounting for 0.61% of the Company’s assets book value of September 30, 2015.</p>

1	2	3	4															
11.04.2016*	23.03.2016 26.08.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Seller) and ООО “Nizhnekamsk CHP” (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: Sale and purchase of equipment under the project “Reconstruction of installed power boiler units TGME-464 of the Nizhnekamsk CHP for burning petroleum coke in the form of dust from the delayed coking unit JSC TANECO.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and ООО “Nizhnekamsk CHP”.</p> <p>Sign of interest: ООО “Nizhnekamsk CHP”, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Deadline for the fulfilment of obligations under the transaction: Property transfer time – 30 calendar days since the day of signing the relevant specification.</p> <p>Monetary valuation of property under the transaction: RUB 3,400,703,564.94 (three billion four hundred million seven hundred three thousand five hundred sixty four rubles and 94 kopecks), accounting for 0.55% of the company’s assets book value as of September 30, 2015.</p>															
24.05.2016	25.04.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Immovable property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Seller) and JSC TANECO (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Sale and purchase of immovable property.</p> <p>immovable property item: title 007 section 1700: “Naphtha Splitter Section”.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <p>Deadline for the fulfilment of obligations under the transaction: 10 working days from the date of handing technical documentation for the facility and Signing reconciliation reports of completed construction and installation works.</p> <p>Monetary valuation of property under the transaction: RUB 1,192,332,009 (One billion one hundred ninety two million three hundred thirty-two thousand nine) and 53 kopecks, accounting for 0.19% of the Company’s assets book value as of December 31, 2015.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO																
1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)																
2. R.K. Sabirov	Board of Directors member	Board of Directors member																
3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member																
4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																
06.06.2016	25.04.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Supplementary Agreement to the Purchase and Sale Contract between PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: Increasing the amount of the Contract for the Purchase of inventory items, including spare tools and accessories (SPTA) for equipment for the facilities of the Complex of Oil Refining and Petrochemical Plants in Nizhnekamsk, No. 430/13.02-06/13 dated October 23.,2013.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
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1	2	3	4															
			<p>Deadline for the fulfilment of obligations under the transaction: 06.06.2016</p> <p>Monetary valuation of property under the transaction – RUB 300,000,000 (three hundred million) and 00 kopecks, accounting for 0.05% of the Company’s assets book value as of December 31, 2015.</p>															
06.06.2016	25.04.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Supplementary Agreement to the Purchase and Sale Contract between PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: Increasing the amount of the Contract for the Purchase of inventory items, including spare tools and accessories (SPTA) for equipment for the facilities of the Complex of Oil Refining and Petrochemical Plants in Nizhnnekamsk, No. 430/13.02-06/13 dated October 23., 2013.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <p>Deadline for the fulfilment of obligations under the transaction: 06.06.2016</p> <p>Monetary valuation of property under the transaction – RUB 300,000,000 (three hundred million) and 00 kopecks, accounting for 0.05% of the Company’s assets book value as of December 31, 2015.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO																
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4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																
04.05.2016	25.05.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Agreement on paying up the contribution with “Tatneft International Co-operative U.A.”</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: paying up the contribution on the following essential terms: amount of contribution shall not exceed 49,900 (forty-nine thousand nine hundred) US dollars.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and “Tatneft International Co-operative U.A.”</p> <p>Sign of interest: “Tatneft International Co-operative U.A., a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>“Tatneft International Co-operative U.A.</th></tr><tr><td>1. N.Z. Syubayev</td><td>Member of the collegial executive body</td><td>Member of the collegial executive body</td></tr></table> <p>Monetary valuation of property under the transaction: no more than RUB 3,241,504, accounting for 0.0005 % of the Company’s assets book value as of March 31, 2016.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	“Tatneft International Co-operative U.A.	1. N.Z. Syubayev	Member of the collegial executive body	Member of the collegial executive body									
FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	“Tatneft International Co-operative U.A.																
1. N.Z. Syubayev	Member of the collegial executive body	Member of the collegial executive body																
01.06.2016	25.05.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Sale and Purchase Contract of immovable property between PJSC TATNEFT n.a. V.D. Shashin (Seller) and JSC TANECO (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at the Purchase and Sale of immovable property.</p> <p>Items of immovable property:</p> <ul style="list-style-type: none">● title 015, section 5100: “Delayed Coking Unit”, costing RUB 11,602,990,000.00 (Excluding VAT);● Land plot, with cadastral number 16:00:000000:450, total area of 41,673 sq. m., costing RUB 20,867,754.75 (Excluding VAT). <p>Contract price: RUB 11,623,857,754 (Eleven billion six hundred twenty three million eight hundred fifty seven thousand seven hundred fifty four) and 75 kopecks.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders’ capital, contributions, shares of the mentioned legal entity.</p>															

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			Parties interested in the transaction: <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <p>Deadline for the fulfilment of obligations under the transaction: 10 working days from the date of handing technical documentation for the facility and Signing reconciliation reports of completed construction and installation works.</p> <p>Monetary valuation of property under the Monetary valuation of property under the transaction: RUB 11,623,857,754 (Eleven billion six hundred twenty three million eight hundred fifty seven thousand seven hundred fifty four) and 75 kopecks, accounting for 1.78% of the Company's assets book value as of March 31, 2016.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO																
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4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																
25.05.2016	25.05.2016	Board of Directors PJSC TATNEFT	<p>Transaction type and subject matter: Guarantee Contract No. VLG/PR/080/16 with PJSC ROSBANK.</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: The Guarantor agrees to have full joint and several liability with the Limited Liability Company "Tatneft-Neftekhimsnab" (hereinafter referred to as the Client) to the Bank for the execution by the Client of any and all of its obligations arising from or in connection with the Agreement on the opening of documentary letters of credit (hereinafter referred to in the text as the Basic Agreement) concluded between the Bank and the Client on the following essential terms:</p> <ul style="list-style-type: none">• The maximum amount of all current letters of credit opened by the Bank on behalf of the Client under the Basic Agreement) shall not exceed 30,000,000.00 (Thirty million and 00/100) US dollars;• The expiry date of each Letter of Credit opened within the framework of the Agreement cannot exceed 6 months (subject to a deferred payment under the letter of credit), and it shall not fall on a date later than the date that occurs 18 months from the date of concluding the Agreement for Opening the documentary letters of credit. <p>Sign of interest: OOO Tatneft-Neftekhimsnab belongs to the group of persons of the public Joint-Stock Company TATNEFT named after V.D. Shashin.</p> <p>Validity Term of the Guarantee Contract: until November 30 2019.</p> <p>Monetary valuation of property under the transaction: 30,000,000.00 (Thirty million and 00/100) US dollars, accounting for 0.3% of the Company's assets book value as of March 31, 2016.</p>															
06.06.2016	25.04.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Sale and purchase of ordinary registered uncertificated shares (individual state registration number of the shares' issue – 10103255B007D, date of the issue state registration – March 25, 2016).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Sale and Purchase Contract No. 17-002/2016 of ordinary registered uncertificated shares (individual state registration number of the shares' issue – 10103255B007D, date of the issue state registration – March 25, 2016).</p> <p>Deadline for the fulfilment of obligations under the transaction: No later than 10 working days from the date of conclusion of the agreement to pay the value of shares, the seller within three working days after transferring the value of shares to conduct operations in the register on making a credit entry on the personal account</p> <p>Transection parties and beneficiaries: PJSC TATNEFT n.a. V.D. Shashin (Buyer) and PJSC Zenit Bank (Seller).</p> <p>Sign of interest: PJSC Zenit Bank, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:<table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>PJSC Zenit Bank</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. N.Z. Syubayev</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. Sh.F. Takhautdinov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr></table></p> <p>Transaction amount in monetary terms: RUB 6,700,000,000 (Six billion seven hundred million).</p> <p>Transaction amount as a percentage of the issuer's assets value: 1.03% of the Company's book assets value.</p> <p>The issuer's assets value as of the end date of the last completed reporting period preceding the transaction (conclusion of the contract): RUB 651,259,342 thousand, as of March 31, 2016.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	PJSC Zenit Bank	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. N.Z. Syubayev	Member of the collegial executive body	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. Sh.F. Takhautdinov	Board of Directors member	Board of Directors member
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18.07.2016	26.08.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Supplementary Agreement No. 3 of July 18, 2016 to Guarantee Contract No. 85130007/1 of September 30, 2013, concluded between PJSC TATNEFT n.a. V.D. Shashin and PJSC Sberbank.</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: Supplementary Agreement No. 3 of July 18, 2016 to Guarantee Contract No. 85130007/1 of September 30, 2013, concluded between PJSC TATNEFT n.a. V.D. Shashin and PJSC Sberbank, which is a related party transaction in securing the performance of JSC TANECO's obligations under the Bank Guarantee Agreement No. 85130007 of April 23, 2013. The Supplementary Agreement provides for:</p> <ul style="list-style-type: none">• Reduction of the fee for providing the Guarantee – down by 0.17 (zero point seventeen) percent per annum.• Reduction of the total liability limit of the Guarantor PJSC TATNEFT n.a. V.D. Shashin under the current Guarantee Contract No.85130007/1 of September 30, 2013 to the amount of RUB 9,500,000,000 (Nine billion five hundred million) rubles.• Other terms of the Contract remain without change. <p>Beneficiary under the transaction – JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
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3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member																
4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																
03.08.2016	26.08.2016	Board of Directors PJSC TATNEFT	<p>Transaction type and subject matter: Property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Buyer) and OOO "Nizhnetskamsk CHP" (Seller).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Sale and purchase of flanges.</p> <p>Property total cost: RUB 416,385 (four hundred and sixteen thousand three hundred and eighty-five and 36 kopecks (Excluding VAT);</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and OOO "Nizhnetskamsk CHP".</p> <p>Sign of interest: OOO "Nizhnetskamsk CHP", a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p> <p>Deadline for the fulfilment of obligations under the transaction: Deadline for the property transfer – 30 calendar days after the day of signing the relevant specification.</p> <p>Monetary valuation of property under the transaction: RUB 416,385 (Four hundred sixteen thousand three hundred and eighty five) and 36 kopecks, accounting for 0.00006% of the Company's assets book value as of June 30, 2016.</p>															
25.11.2016	24.11.2016	Board of Directors of PJSC TATNEFT	<p>Transaction type and subject matter: Supplementary Agreement to Contract No. 0083/26/108 of June 01, 2016 PJSC TATNEFT n.a. V.D. Shashin (Seller) and JSC TANECO (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at:</p> <p>Subject matter of the supplementary agreement: The amount reduction of the immovable property sale contract No. 0083/26/108 of June 01, 2016.</p> <p>Supplementary Agreement price: 382,845,022.18 (three hundred and eighty-two million eight hundred forty-five thousand twenty-two) rubles and 18 kopecks.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p>															

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			<div>Parties interested in the transaction:</div> <table><tr><th>ФИО</th><th>ПАО «Татнефть» им. В.Д. Шашина</th><th>АО «ТАНЕКО»</th></tr><tr><td>FULL NAME</td><td>PJSC TATNEFT n.a. V.D. Shashin</td><td>JSC TANECO</td></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <div>Deadline for the fulfilment of obligations under the transaction: November 25, 2016</div> <div>Monetary valuation of property under the transaction: RUB 382,845,022.18 (three hundred and eighty-two million eight hundred forty-five thousand twenty-two) and 18 kopecks accounting for 0.055% of the Company's assets book value as of September 30, 2016.</div>	ФИО	ПАО «Татнефть» им. В.Д. Шашина	АО «ТАНЕКО»	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
ФИО	ПАО «Татнефть» им. В.Д. Шашина	АО «ТАНЕКО»																			
FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO																			
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3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member																			
4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																			
Transaction not completed	26.08.2016	Board of Directors PJSC TATNEFT	<div>Transaction type and subject matter: Immovable property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Seller) and JSC TANECO (Buyer).</div> <div>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Sale and purchase immovable property.</div> <div>Immovable property items:<ul style="list-style-type: none">Title 066, section 8220 Pumping unit at the flushing and off-test product park delayed coking unit", costing RUB 210,369,397.68;Title 124/4, section 9504 "Stand-alone distribution and transformer substation of the off-plot facilities", costing RUB 265,276,831.98;Title 030/1, section 8204 "Flushing and off-test product park of the diesel fuel hydrotreatment installation", costing RUB 160,196,494.16;Title 062, section 8217 "Pumping unit at the flushing and off-test product park of the installations of hydrotreatment of gasoline fraction, kerosene, diesel fuel", costing RUB 139,402,171.80;Title 015/1, section 5110, facility No. 1 "Unit of loading petroleum coke into dump trucks", costing RUB 233,499,672.10;Land plot with cadastral number 16:30:011701:250, total area of 3466 sq. m., costing RUB 40,646.88;Land plot with cadastral number 16:30:011701:256, total area of 496 sq. m., costing RUB 31,570.28.</div> <div>Contract price: RUB 1,008,816,784 (one billion eight million eight hundred sixteen thousand seven hundred and eighty four) and 89 kopeck.</div> <div>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</div> <div>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</div> <div>Parties interested in the transaction:</div> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <div>Monetary valuation of property under the transaction: RUB 1,008,816,784 (one billion eight million eight hundred sixteen thousand seven hundred and eighty four) and 89 kopecks, accounting for 0.15% of the Company's assets book value as of June 30, 2016.</div>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member			
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Transaction not completed	26.08.2016	Board of Directors PJSC TATNEFT	<div>Transaction type and subject matter: Supplementary Agreement to Contract the Purchase and Sale Contract between PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO No. 430/13.02-06/13 or 23.10.2013</div> <div>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at: Increasing the contract amount for the purchase and sale of inventories, including spare tools and supplies (SPTA) for equipment for the facilities of the Complex of Oil Refining and Petrochemical Plants in Nizhnekamsk, No. 430 / 13.02-06 / 13 of October 23, 2013</div> <div>Supplementary Agreement price: 400 000 000 (Four hundred million) rubles 00 kopeck;</div> <div>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</div> <div>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</div>																		

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4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member																
			Monetary valuation of property under the transaction: RUB 400,000,000 (four hundred million) and 00 kopecks accounting for 0.06% of the Company's assets book value as of June 30, 2016.															
Transaction not completed	24.11.2016	Board of Directors PJSC TATNEFT	<p>Transaction type and subject matter: Immovable property Sale and Purchase Contract between PJSC TATNEFT n.a. V.D. Shashin (Seller) and JSC TANECO (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination of the transaction is directed at: Immovable property sale and purchase.</p> <p>Immovable property item:</p> <ul style="list-style-type: none">● title 007 section 1300: "Naphtha hydrotreatment";● Contract price: RUB 2,596,327,212.62 (two billion five hundred ninety six million three hundred twenty seven thousand two hundred twelve) and 62 kopecks. <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and JSC TANECO.</p> <p>Sign of interest: JSC TANECO, a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p> <p>Parties interested in the transaction:</p> <table><tr><th>FULL NAME</th><th>PJSC TATNEFT n.a. V.D. Shashin</th><th>JSC TANECO</th></tr><tr><td>1. N.U. Maganov</td><td>Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body</td><td>Board of Directors member (Chairman)</td></tr><tr><td>2. R.K. Sabirov</td><td>Board of Directors member</td><td>Board of Directors member</td></tr><tr><td>3. E.A. Tkhturov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr><tr><td>4. N.M. Gazkov</td><td>Member of the collegial executive body</td><td>Board of Directors member</td></tr></table> <p>Monetary valuation of property under the transaction: RUB 2,596,327,212.62 (two billion five hundred ninety six million three hundred twenty seven thousand two hundred twelve) and 62 kopecks, accounting for 0.375% of the Company's assets book value as of September 30, 2016.</p>	FULL NAME	PJSC TATNEFT n.a. V.D. Shashin	JSC TANECO	1. N.U. Maganov	Board of Directors member, Member of the collegial executive body (Chairman), Sole executive body	Board of Directors member (Chairman)	2. R.K. Sabirov	Board of Directors member	Board of Directors member	3. E.A. Tkhturov	Member of the collegial executive body	Board of Directors member	4. N.M. Gazkov	Member of the collegial executive body	Board of Directors member
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Transaction not completed	24.11.2016	Board of Directors PJSC TATNEFT	<p>Transaction type and subject matter: Supplementary Agreement to the Sale and Purchase Contract of PJSC TATNEFT n.a. V.D. Shashin (Seller) and OOO "Nizhnekamsk CHP" (Buyer).</p> <p>The content of the transaction, including civil rights and obligations, which establishment, modification or termination the transaction is directed at:</p> <p>Subject matter of the Supplementary Agreement: Increasing the amount of the Sale and Purchase Contract of No. 0083/21/2 of March 01, 2016</p> <p>Price of the Supplementary Agreement: RUB 15,000,000 (Fifteen million) and 00 kopecks.</p> <p>Parties to the Transaction: PJSC TATNEFT n.a. V.D. Shashin and OOO "Nizhnekamsk CHP".</p> <p>Sign of interest: OOO "Nizhnekamsk CHP", a legal entity in which Public Joint Stock Company n.a. V.D. Shashin is entitled to dispose of more than 20 percent of the votes attached to voting shares or composing the authorized capital or the shareholders' capital, contributions, shares of the mentioned legal entity.</p> <p>Monetary valuation of property under the transaction: RUB 15,000,000 (Fifteen million) and 00 kopecks, accounting for 0.00216% of the Company's assets book value as of September 30, 2016.</p>															

INFORMATION ON MAJOR TRANSACTIONS MADE BY THE COMPANY IN THE REPORTING YEAR:
The Company did not make any major transactions in 2016.

PERSONNEL MANAGEMENT

AVERAGE NUMBER OF PJSC TATNEFT AND TATNEFT GROUP EMPLOYEES

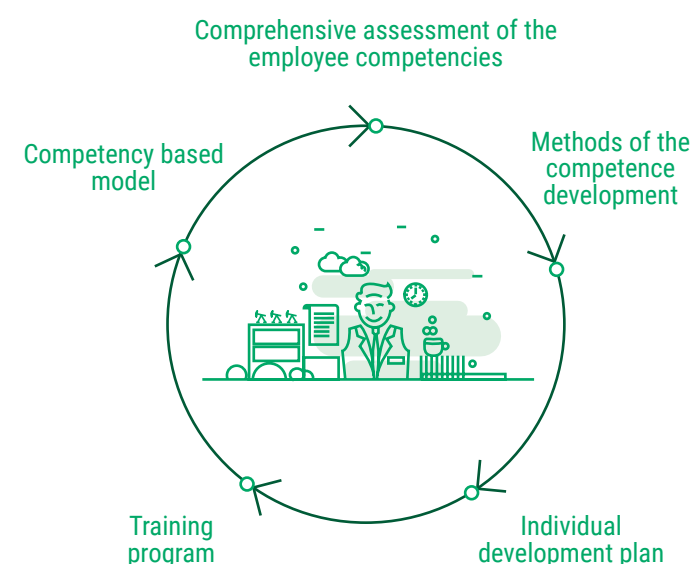
In 2016 the average number of PJSC TATNEFT employees was 20 899 persons. The total number of the TATNEFT Group's personnel is 53 thousand persons (by enterprises consolidated under IFRS). The main reason for the change in the number of personnel for the TATNEFT Group is related to the change in the list of enterprises consolidated under IFRS.

PERSONNEL MANAGEMENT POLICY

In 2016, the Personnel Management Policy of PJSC TATNEFT underwent significant changes in the development of the Company's employees.

A Competency based model of the Company has been created, competency indicators have been developed, a system of integrated personnel assessment has been introduced, and a new business process scheme "Staff reserve formation" has been built.

The approved Competency-based model is balanced and includes the following elements: qualification requirements, formed list of corporate competencies, as well as evaluation of the employee's performance.



The Competences are formed and consolidated in corporate professional standards on the basis of existing professional standards, based on the specifics of the organization of the production process.

Block of Corporate Competencies:

- Management competencies ("Personnel development" for the whole category of managers and the competency "Solutions Systemic Character", which is absorbed by "Strategic thinking" - for the managerial level of the heads of enterprises, offices, deputy directors of PJSC TATNEFT);
- General professional competencies ("Knowledge of information and communication technologies", "Labor protection, industrial and environmental safety", "Competent communication");
- Competencies related to ensuring the performance of labor functions within the scope of the type of production activity.

Since July 1, 2016, amendments to the Labor Code on the specifics of the using professional standards have come into force (Federal Law No. 122-FZ of May 2, 2015). Since then, the employers are obliged to apply professional standards, if the law or regulations establish requirements for the qualifications required for the employees to perform a certain work function (Article 195.3 of the Labor Code of the Russian Federation, from July 1, 2016).

THE COMPANY'S HR MANAGEMENT POLICY IS BASED ON THE IMPORTANCE OF THE HUMAN CAPITAL, ATTRACTING HIGHLY SKILLED WORKERS AND ARRANGEMENT OF CONDITIONS FOR THEIR SUSTAINABLE MOTIVATION TO ACHIEVE MAXIMUM PRODUCTIVITY, PROFESSIONAL AND PERSONAL GROWTH.

SUCCESSION PIPELINE

The Company has established mechanisms for the transparent formation of the personnel reserve. Each employee can take part in the formation of the staff reserve - business unit managers, enterprise managers, personnel departments of enterprises, ordinary employees who can apply for inclusion their colleagues into the personnel reserve.

There are two levels of the staff reserve formation: the Company's reserve and the reserve of the Group's enterprises. Two types of reserve are also defined: operational and prospective personnel reserve.

Adhering to the general trend of business development in the industry, TATNEFT opens projects for the removal of operational functions from the main productions and business blocks.

In 2016, the Company established the Center for Regulatory Research, the Center for Human Resources Management and Motivation, and the plans provide that in 2017 the Center for Accounting and Tax Support, the Procurement Center, the Corporate Finance Center and the Personnel Administration Center will be opened.

The plans for 2017 provide for revising the existing personnel management system in PJSC TATNEFT with the establishment of the Corporate Center as a separate unit in the organizational structure of the Company, which will be assigned with strategic functions of the General Service Center, which assumes the centralization of operational functions, and particularly in the Company's structural enterprises, the so-called supporting functionality that performs HR functions at the sites.

TRAINING AND DEVELOPMENT PROGRAMS FOR THE TATNEFT GROUP EMPLOYEES

Since 2016, the main goal of the Company in terms of the staff development is the transfer of the training to the corporate format. The training, organized in the corporate format, allows motivating the staff for the achievement of high results, rallying the team of efficient professionals and making the Company even more successful, profitable and competitive.

In 2016, the Company upgraded the skills of its mid-level professionals in accordance with the Training Plan for Company's Managers and professionals approved by the General Director of PJSC TATNEFT, as well as with the Personnel Development Plans. The training was conducted at the Corporate University of PJSC TATNEFT and at the TATNEFT Personnel Training Center on the basis of profile universities of the region and the Russian Federation.

550 educational programs have been developed, including 278 vocational training programs for workers, 177 additional training programs for workers and 95 additional training programs for managers and professionals.

67 vocational training programs have been developed taking into account professional standards approved by the Ministry of Labor and Social Protection of the Russian Federation.

In 2016, more than 19,000 employees of the Company were trained and upgraded. The amount over RUB 130 million was allocated for the purpose.

February 2016 witnessed the completion of a large-scale professional retraining project of the Company's geological service in accordance with the program of the Non-State Educational Private Institution of Additional Professional Education "Moscow Institute of Oil and Gas Business", "Geotechnologies for Oil and Gas Production": 75 professionals received professional retraining diplomas.

From March 2015 to December 2016 10 professionals of PJSC TATNEFT went through the corporate training under the 14 module program of the Higher School of the Kazan (Privolzhsky) Federal University "MBA of Extractive Industries".

In 2016, the Company's professionals took part in federal training programs going through the Russian and foreign internships:

- 120 persons. have been upgrading their qualifications in the Kazan (Privolzhsky) Federal University within the framework of the industry dedicated program;
- 25 persons were sent for training at enterprises and research institutes in Russia;
- 12 persons were sent for an internship in France;
- 18 persons - Managers and professionals of the structural divisions of PJSC TATNEFT (including 5 professionals from the personnel reserve) were trained under the Presidential Program of Management Personnel for the National Economy at the Kazan (Privolzhsky) Federal University.

PJSC TATNEFT STAFF STRUCTURE BY SEX FOR THE PERIOD 2014-2016

	2014		2015		2016	
	persons.	%	persons.	%	persons.	%
Male	12,843	60.8	13,388	61.7	13,212	62.2
Female	8,287	39.2	8,315	38.3	8,028	37.8
TOTAL	21 130		21 703		21 240	

PJSC TATNEFT STAFF STRUCTURE BY AGE FOR THE PERIOD 2014-2016

	2014 (%)	2015 (%)	2016 (%)
Up to 30	24.2	25.2	24.3
From 31 to 50	51.4	51.5	52.7
Over 50	24.4	23.3	23

STAFF TURNOVER BY AGE AND SEX AT PJSC TATNEFT FOR 2014-2016

	Dismissed Total (%)	Of them		Of them by age (years)					
		M (%)	F (%)	to 20 (%)	From 20 to 30 (%)	From 30 to 40 (%)	From 40 to 50 (%)	From 50 to 60 (%)	Over 60 (%)
2014	4.87	3.45	1.42	0.19	2.29	1.25	0.76	0.33	0.05
2015	3.44	2.5	0.94	0.1	1.39	0.99	0.61	0.29	0.06
2016	3.13	2	1.13	0.25	1.2	0.88	0.5	0.24	0.06

In December 2016 in Almetyevsk, corporate training of 161 accounting professionals of PJSC TATNEFT was organized with the involvement of an external provider; the Institute of Development of Modern Educational Technologies in Moscow.

The corporate training was organized on the basis of the Almetyevsk State Petroleum Institute in the course "Statistical Management". 115 employees of the Company were trained.

At the beginning of October 2016, within the framework of training activities in the area of information security for 13 professionals, a corporate training seminar "Cybersecurity of modern industrial systems" was organized by the Competence Center of the Kaspersky Laboratory of the ANO VU "University of Innopolis" in Almetyevsk.

DISTRIBUTION OF PJSC PERSONNEL BY COUNTRIES FOR THE PERIOD 2014-2016

	2014 (%)	2015 (%)	2016 (%)
Russian Federation	99.728	99.810	99.806
Turkmenistan	0.219	0.139	0.146
Libya	0.048	0.046	0.43
Ukraine	0.005	0.005	0.005

THE DYNAMICS OF THE MEN AND WOMEN RATIO IN THE MANAGEMENT OF PJSC TATNEFT FOR 2014-2016

	2014 (%)	2015 (%)	2016 (%)
Male	82.2	82.1	82.1
Female	17.8	17.9	17.9

COOPERATION WITH EDUCATIONAL INSTITUTIONS

An integrated system of continuous professional education has developed and successfully operates in the Company. It has been created with the support of the Government of Tatarstan and in close cooperation with specialized educational institutions. This allows maintaining the intellectual potential of the Company and its competitiveness in the oil industry of the country at a sufficient level.

The Company develops training centers, opens basic chairs at the educational institutions, organizes all types of internship for students.

PJSC TATNEFT together with the leading higher educational institutions of the Republic of Tatarstan annually organizes targeted contract training for attracting young professionals at expense of the federal and republican budgets.

To date, there are about 250 students studying in the areas of training relevant to the Company at the Russian State University of Oil and Gas named after I.M. Gubkin, Kazan (Privolzhsky) Federal University, Almetyevsk State Petroleum Institute, Kazan National Research Technological University and other educational institutions. Students are assigned to the companies of the TATNEFT Group. In accordance with the terms of the targeted contract training concluded the students will be employed at these enterprises upon completion of the training.

Employees of the profile production services of the Company's enterprises hold meetings with students, discuss questions of academic progress, writing the term and diploma papers, and doing all kinds of internship.

For many years already TATNEFT Company has been successfully implementing a cluster system of continuous professional education with the participation of the Almetyevsk State Petroleum Institute (AGNI), Almetyevsk Polytechnic, Leninogorsk Oil, the Bugulma Engineering Colleges and the TATNEFT Personnel Training Center.

In 2016, the Company supported opening at the premises of AGNI of a unique training course for masters in the field "Oil and Gas Business" under the program "Modeling and management of hydrocarbon fields development".

The Company annually establishes personal scholarships to encourage the best students who have distinguished themselves in their studies and the research work. In 2016, 111 students from the Almetyevsk State Petroleum Institute, the Almetyevsk Polytechnic College, the Leninogorsk Oil Technical College and the Bugulma Engineering College received 111 special scholarships from PJSC TATNEFT. The amount of the scholarship paid was RUB 3,477 thousand.

In 2016, PJSC TATNEFT structural divisions employed 220 graduates of the profile educational institutions of higher and secondary vocational education, mainly graduates of the Almetyevsk State Petroleum Institute, Kazan (Privolzhsky) Federal University, Kazan National Research Technological University, Kazan State Technical University n.a. A.N. Tupolev, Ufa State Petroleum Technical University, Almetyevsk Polytechnic College, Leninogorsk Oil Technical College, Bugulma Engineering College and other specialized educational institutions of higher professional education.

In 2016, financial assistance provided to the educational institutions of higher professional education amounted to RUB 183,404 thousand, secondary vocational education – RUB 5,664 thousand.

CORPORATE UNIVERSITY

In 2016, the order of PJSC TATNEFT's General Director established the Corporate University as a division of the Company.

The Corporate University is part of the emerging Corporate Personnel Development System of the TATNEFT Group, aimed at creating effective HR-cycle processes.

Within the framework of the «Definition of Criteria» and «Staff Assessment» programs the main tasks of the Corporate University are:

- methodical support of the Company's transition to the system of professional standards, including ensuring the active participation of the Company in the creation both in the Republic of Tatarstan and in the Russian Federation of a system of professional public accreditation of educational programs for training professionals for the oil and gas industry and a system of professional certification of the already working professionals;
- development and implementation of corporate professional standards, including the definition for all employees of general corporate, managerial, professional and general professional competencies;
- organization of the staff evaluation procedures in terms of new qualification requirements and competencies.

Within the framework of new approaches to the personnel management, the Corporate University developed a two-day course «National Qualification System of the Russian Federation: Qualification Frame, Professional Standards, Competency Approach» for managers, employees of HR departments and the Company's Offices of labor organization and salaries.

More than 200 persons were trained in this course, including the employees of PJSC TATNEFT, Tatneft-Neftekhim Management Company, OOO Tatneft-AZS Center.

On May 27, 2016 the PJSC TATNEFT's Corporate University together with GMC Consulting held a national scientific and practical seminar «Professional standard as a tool for personnel policy. Problems of adaptation and implementation», which was attended by more than 200 representatives of the leading companies of the Republic of Tatarstan.

In 2016, the Corporate University developed the main corporate educational programs aimed at shaping and development of general corporate and management competencies of the Company's employees.

All educational programs are built on a modular basis.

In accordance with the concept, the professional retraining program «Efficient Manager» includes the following educational modules:

- fundamentals of management and economics;
- psychology of management;
- personal potential of the manager;
- leadership and teambuilding;
- personnel management and fundamentals of coaching;
- project management;
- change management;
- time management;
- information management systems;
- corporate culture and efficient communication.

In 2016, the Corporate University of PJSC TATNEFT received a license to conduct educational activities under the programs of additional vocational education.

The training was organized for 2,409 persons in 2016.

There was a project «Professionalism from the first person» initiated in PJSC TATNEFT to improve the quality of shaping the professional competencies of the graduates of the educational organizations, which form the basis for the training of the Company's personnel. In 2016 there were 26 sessions organized and conducted by the Company's managers for the students of AGNI.

The project was launched to create a unified IT-platform for training and development of the TATNEFT Group employees, which takes into account the needs of all types of business.

STAFF CERTIFICATION

The issues of staff appraisal in the Company are regulated by the «PJSC TATNEFT's Personnel Certification Standard». The standard establishes a uniform procedure for attestation of personnel in all divisions of the Company and it is recommended for application in subsidiaries and dependent companies.

The personnel certification/ which is an integral part of the human resources management system, aimed at implementing the corporate strategy, is conducted in accordance with the Labor Code of the Russian Federation and relevant regulatory documents.

The purpose of personnel certification is to identify the compliance of the employees' competence with and qualification requirements, as well as to assess the opportunities for their further career growth.

Managers, professionals and employees of the Company are subject to attestation.

RESULTS OF TRAINING ORGANIZATION, PERSONS

CU Trainings	974
CU Webinars	326
Training on the basis of AGNI	229
Invited teachers	880



A word cloud on a green background featuring various Russian economic indicators. The most prominent text includes '965 млрд руб.' at the top center, '624,5 млрд руб.' in the middle right, and '107,4 млрд руб.' at the bottom left. Percentages like '+2,57%', '+35%', and '+10,8%' are also visible. Smaller text includes 'млрд руб.', 'млн', 'тыс', and 'млрд руб.' repeated multiple times. The background is filled with faint, repeating text such as 'около 43%', '57,2 млн тонн', and '51,2 млрд руб.'

28.7 mln tonnes - Total oil production for TATNEFT Group in 2016

ACCOUNTING STATEMENTS PREPARED IN ACCORDANCE WITH RUSSIAN ACCOUNTING STANDARDS

AUDITOR’S REPORT

Independent Auditor’s Report

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

Opinion

In our opinion, the attached financial statements reflect fairly, in all material respects, the financial position of PJSC Tatneft n.a. V.D. Shashin (the «Company») as of December 31, 2016, as well as its financial results and cash flows for the year then ended, in accordance with the accounting rules established in the Russian Federation.

Subject of audit

We have audited the Company’s financial statements, which include:

- balance sheet as of December 31, 2016;
- statement of financial results for the year ending on that date;
- statement of changes in equity for the year ending on that date;
- statement of cash flows for the year ending on that date;
- explanations to the balance sheet and the financial results report.

GROUND S FOR EXPRESSING THE OPINION

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibility in accordance with these standards is described further in the section «Auditor’s Responsibility for the Audit of Financial Statements» of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our report.

Independence

We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA) and the ethical requirements of the Code of Professional Ethics of Auditors and the Rules of Independence of Auditors and Audit Organizations applicable to our audit of accounting in the Russian Federation. We have also fulfilled other ethical duties in accordance with these requirements and the Code of IESBA.

OUR AUDIT METHODOLOGY OVERVIEW

Materiality

Materiality at the level of the Company’s accounting statements as a whole: 5,400 million Russian rubles (million rubles), which is 4% of profit before tax.

Key issues of audit

Estimation of the obligation to liquidate fixed assets and of restoration of natural resources.

Our audit methodology assumes the definition of materiality and the assessment of the risks of material misstatement of the financial statements. In particular, we analyzed in which areas the management made subjective judgments, for example, with respect to significant accounting estimates, which included the application of assumptions and consideration of future events with which uncertainty is due to their nature. We also considered the risk of circumvention of the internal controls by management, including, among other things, an assessment of whether there are signs of management bias that creates the risk of material misstatement due to fraud.

The scope of the audit is defined by us in such a way that we can perform the work in sufficient volume to express our opinion on the accounting statements as a whole, taking into account the Company’s structure, accounting processes and controls used by the Company, as well as taking into account the specifics of the industry in which the Company operates.

Materiality

The determination of the scope of our audit was influenced by the application of our materiality. The audit is intended to obtain reasonable assurance that the financial statements do not contain material misstatement. Distortions can arise as a result of unfair acts or mistakes. They are considered significant if it is reasonable to expect that individually or collectively they will affect the economic decisions of users made on the basis of these financial statements.

Based on our professional judgment, we have established certain quantitative thresholds for materiality, including materiality at the level of the Company’s accounting as a whole, as indicated in the table below. With the help of these values and taking into account qualitative factors, we have determined the scope of our audit, as well as the nature, timing and scope of our audit procedures and assessed the impact of distortions (taken separately and in aggregate), if any, on the financial statements as a whole.

MATERIALITY AT THE LEVEL OF ACCOUNTING IN GENERAL:

RUB 5,400 million

HOW DID WE DETERMINE IT:

4% of the Company's profit before taxation

RATIONALE FOR THE APPLIED LEVEL OF MATERIALITY:

We decided to use as a base indicator to determine the level of materiality of profit before tax, because we believe that it is this base indicator that is most often considered by users to assess the performance of the Company, and it is a generally accepted benchmark.

We have established materiality at 4%, which falls within the range of acceptable quantitative thresholds of materiality applicable to profit-driven companies in this industrial sector.

Key audit issues

The key issues of the audit are issues that, according to our professional judgment, were the most significant for our audit of financial statements for the current period. These issues were considered in the context of our audit of the financial statements in general and in the formation of our opinion on these financial statements, and we do not express a separate opinion on these issues.

Key audit question

What audit procedures were performed regarding the key issue of the audit

Assessment of an estimated liability for fixed assets liquidation and natural resources restoration

See Explanation 8 (table section), Explanations 2 and 13 (text part) to the balance sheet and the financial results report.

The Company's financial statements reflect the estimated liability to liquidate fixed assets related to exploration, development and production activities after the end of their operation and to restore natural resources («OLOS»).

We carried out the following procedures with respect to the calculation models for estimating OLOS:

- verification of the arithmetic accuracy of calculations and the completeness of the data used, such as the list of objects subject to liquidation, the cost of conservation and abandonment of wells, the number of wells and other fixed assets, the cost of reclamation and the area of land, the period before abandonment of the field (discount period);

The evaluation of OLOC is carried out by the management annually and involves the use of various estimates and judgments of the management due to the complexity inherent in the estimation of future costs, while the amount of the estimated liability is significant for the Company's balance sheet.

As of December 31, 2016, the amount of this liability amounted to RUB 30,406 million. As of December 31, 2015, it was RUB 33,545 million (lines 1430 and 1540 «Estimated liabilities» of the balance sheet).

We paid considerable attention to the evaluation of OLOS in view of the materiality of this obligation, and especially in connection with the reduction in the amount of OLOS during 2016 by RUB 3,139 million, which affected the financial results of the Company for 2016. Expenses in the amount of RUB 3,271 million and income in the amount of RUB 7,150 million from the changes in OLOS are reflected in the statement of financial results under lines 2330 «Interest payable» and 2340 «Other income», respectively. This decrease was due to several multidirectional factors, the most significant of which is revision of the assumptions used in the calculation, in particular, the inflation rate, the discount rate, the cost of liquidation of fixed assets and the period of discounting.

- An analysis of the validity of the assumptions used in calculating OLOS, such as the inflation rate and the discount rate

Our procedures for verifying the validity of the management costs used by the management for estimating OLOS of the cost of liquidation of wells, other fixed assets and land reclamation included discussion with the Company's technical experts of the list and procedure for conducting liquidation and restoration works, as well as reconciliation with the standard estimates of the Company for the liquidation of fixed assets.

The most significant effect on the change in the value of OLOS during 2016 was the change in the inflation rate used to estimate the future cost of liquidation of fixed assets. We checked the inflation rate applied by the Company's management to the forecasts of the socio-economic development of the Russian Federation prepared by the Ministry of Economic Development of the Russian Federation.

We have also checked the discount rate used by the Company's management to the level of profitability of government securities, the maturity of which is comparable to the expected deadline for fulfilling obligations to liquidate fixed assets and restore natural resources.

Based on the results of the conducted procedures, we came to the conclusion that the assessment of the obligation to liquidate fixed assets and restore natural resources as of December 31, 2016, made by the Company's management, is appropriate.

OTHER INFORMATION

The management is responsible for other information. Other information contains the Company's Annual Report for the year 2016 and the Issuer's Quarterly Report for the 1st quarter of 2017 (but excludes the financial statements and our audit report on these financial statements), which are expected to be provided to us after the date of this audit report.

Our report on the financial statements does not apply to other information, and we do not and will not provide a conclusion expressing confidence in any form regarding this information.

In connection with our audit of the financial statements, our responsibility is to acquaint ourselves with the above other information and to consider whether there are material inconsistencies between other information and accounting statements or our knowledge obtained during the audit and whether other information contains other possible material distortions.

If, upon acquaintance with the Company's Annual Report for 2016 and the Quarterly Report of the Issuer for the 1st quarter of 2017, we come to the conclusion that they contain material distortions, we are obliged to bring this to the attention of those responsible for corporate governance.

RESPONSIBILITY OF THE MANAGEMENT AND PERSONS RESPONSIBLE FOR CORPORATE GOVERNANCE FOR FINANCIAL STATEMENTS

The management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting rules established in the Russian Federation and for the internal control system that the management considers necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of the Company to continue its business continuously, for disclosure, as appropriate, of information relating to business continuity and for reporting on the basis of the assumption of business continuity, unless the management intends to liquidate the Company, to terminate its activities or when it lacks any other real alternative, except for the liquidation or termination of activities.

The persons responsible for corporate governance are responsible for overseeing the preparation of the Company's financial statements.

AUDITOR’S RESPONSIBILITY FOR AUDIT OF FINANCIAL STATEMENTS

Our goal is to obtain reasonable assurance that the financial statements do not contain material misstatements due to fraud or error, and in the issuance of an audit report containing our opinion. Reasonable confidence is a high degree of certainty, but it is not a guarantee that an audit conducted in accordance with ISA always reveals material distortions when they are present. Distortions can be the result of fraud or error and are considered material if it can reasonably be assumed that individually or in combination they can affect the economic decisions of users taken on the basis of this accounting.

As part of the audit conducted in accordance with ISA, we apply professional judgment and maintain professional skepticism throughout the audit. In addition, we perform the following:

- identify and assess the risks of material misstatement of financial statements due to fraud or error; develop and conduct audit procedures in response to these risks; obtain audit evidence that is sufficient and appropriate to serve as a basis for expressing our opinion. The risk of not detecting a material misstatement as a result of unfair acts is higher than the risk of not detecting a material distortion as a result of an error, since unfair acts may include collusion, fraud, intentional omission, misrepresentation or circumvention of the internal control system;
- obtain an understanding of the internal control system that is relevant to the audit in order to develop audit procedures appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control system;
- assess the appropriate nature of the accounting policies applied and the reasonableness of accounting estimates and the corresponding disclosure of information prepared by management;
- conclude that the management has accepted the assumption of continuity of business and, on the basis of the audit evidence obtained, the conclusion is whether there is significant uncertainty in connection with events or conditions that may raise significant doubts about the Company’s ability to continue its business. If we come to the conclusion that there is significant uncertainty, we must draw attention to our disclosure in the financial statements in our audit report, or, if such disclosure is improper, modify our report. Our conclusions are based on the audit evidence received before the date of our audit report. However, future events or conditions may lead to the Company losing the ability to continue its business continuously;
- assess the presentation of the accounting statements in general, its structure and content, including disclosure of information, and also whether the accounting statements present the underlying operations and events in such a way as to ensure their reliable representation.

We carry out informational interaction with persons responsible for corporate governance, bringing to their attention, among other things, information about the planned scope and timing of the audit, as well as significant comments on the audit results, including significant deficiencies in the internal control system that we identify in the audit process.

We also provide those responsible for corporate governance with a statement that we have complied with all relevant ethical requirements for independence and have informed these individuals of all relationships and other matters that can reasonably be considered influencing the independence of the auditor and, where necessary, a statement on appropriate precautions.

Of those issues that we brought to the attention of those responsible for corporate governance, we identify the issues that were most significant for the audit of financial statements for the current period and, therefore, were key audit issues. We describe these issues in our audit report, except in cases where public disclosure of information about these issues is prohibited by law or regulation, or when in very rare cases we come to the conclusion that information about an issue should not be reported in our report, as it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit from its communication.

Maxim Timchenko
Head of the assignment, which resulted in the issuance of this auditor’s report of an independent auditor.

March 28, 2017
Moscow, Russian Federation

Maxim Timchenko, Head of the assignment (Qualification certificate No. 01-000267),

PricewaterhouseCoopers Audit Joint Stock Company

Auditee: Public corporation «Tatneft named after V.D. Shashina

The certificate of state registration No. 632 was issued by the Ministry of Finance of the Republic of Tatarstan on January 21, 1994. The certificate of entry in the Unified State Register of Legal Entities for No. 1021601623702 was issued on July 18, 2002 by the Interdistrict Inspectorate of the Ministry of the Russian Federation for Taxes and Levies No. 16 for the Republic of Tatarstan 423450 Russia, Republic of Tatarstan, Almetyevsk, ul. Lenin 75

Independent Auditor: PricewaterhouseCoopers Audit Joint Stock Company

The certificate of state registration No. 008.890 was issued by the Moscow Registration Chamber on February 28, 1992. The certificate of entry in the Unified State Register of Legal Entities was issued on August 22, 2002 under No. 1027700148431 Member of the self-regulatory organization of auditors «Russian Union of Auditors» (Association) ORNZ in the register of auditors and audit organizations - 11603050547

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, Almet'yevsk 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 2016

BALANCE SHEET

thousand RUB

ASSETS	Line Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
I. FIXED ASSETS				
Intangible assets	1110	465 285	363 181	307 582
Research and development results	1120	632 054	425 495	325 099
Intangible exploration assets	1130	4 288 829	4 298 721	4 256 953
Tangible exploration assets	1140	2 376 749	1 181 376	1 133 728
Fixed assets	1150	207 011 450	185 402 361	121 288 999
incl. incomplete capital investments	1151	87 479 230	79 479 182	27 392 755
advance payments given for procurement and construction of fixed assets	1152	4 575 908	9 896 607	8 688 542
Income-bearing investments in tangible assets	1160	4 776 524	2 302 366	1 888 783
Financial investments	1170	253 078 329	234 265 798	213 205 328
Deferred tax assets	1180	-	-	-
Other fixed assets	1190	51 255 795	37 433 580	40 578 570
assets retirement obligations	1191	28 996 993	29 293 324	29 232 592
TOTAL for section I	1100	523 885 015	465 672 878	382 985 042
II. CURRENT ASSETS				
Reserves	1210	33 955 382	27 195 783	26 948 648
incl. raw materials and supplies	1211	4 900 427	2 581 938	1 994 190
Work in progress costs	1212	421 525	412 249	225 794
Finished products and goods for resale	1213	25 781 234	21 045 366	17 399 856
Goods shipped	1214	2 398 102	2615 128	6 700 323
Other reserves and expenses	1215	454 094	541 102	628 485
Value added tax on acquired assets	1220	3 386 647	3 708 117	4 308 690
Accounts receivable	1230	88 128 999	107 136 545	82 279 954
incl. noncurrent nondelinquent accounts receivable (that are due beyond 12 months after the reporting date)	1231	4 686 487	6 348 987	6 656 414
incl. buyers and customers	1232	436 418	128 897	582 784
Advances paid	1233	822 812	363	188
Other debtors	1234	3 427 257	6 219 727	6 073 442
incl. current nondelinquent accounts receivable (that are due in the next 12 months after the reporting date)	1235	83 442 512	100 787 558	75 623 540
incl. buyers and customers	1236	64 239 889	56 610 370	47 652 992
Advances paid	1237	6 843 389	27 710 973	188 165 38
Other debtors	1238	12 359 234	16 466 215	9 154 010
Financial investments (except for cash equivalents)	1240	55 736 376	28 266 335	45 942 537
Cash and cash equivalents	1250	21 949 639	8 393 083	34 916 922
Other current assets	1260	1 259 705	19 634	17 200
TOTAL for section II	1200	204 416 748	174 719 497	194 413 951
BALANCE	1600	728 301 763	640 392 375	577 398 993

BALANCE SHEET (CONTINUED)

thousand RUB

LIABILITIES	Line Code	As of December 31, 2016	As of December 31, 2015	As of December 31, 2014
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	11 294 898	10 546 619	9 799 512
Capital surplus (without revaluation)	1350	320 092	441 293	252 710
Reserve capital	1360	1 328 926	1 364 610	1 341 864
Undistributed profit (uncovered loss)	1370	609 147 154	530 650 255	471 369 384
TOTAL for Section III	1300	624 417 269	545 328 976	485 089 669
IV. LONG-TERM LIABILITIES				
Borrowings	1410	370 000	1 568 072	3 144 387
Deferred tax liabilities	1420	10 272 462	8 602 514	10 372 405
Estimated liabilities	1430	30 330 233	33 486 117	29 975 977
Other liabilities	1450	392	-	-
TOTAL for Section IV	1400	40 973 087	43 656 703	43 492 769
V. SHORT-TERM LIABILITIES				
Borrowings	1510	4 207 953	2 396 685	8 739 722
Accounts payable	1520	56 573 009	47 072 098	38 349 893
incl. suppliers and contractors	1521	21 155 447	26 585 497	19 086 327
Liabilities to the state non-budgetary fund	1522	545 876	462 037	337 717
Taxes and dues payable	1523	19 498 095	10 059 307	8 982 193
Advances received	1524	8 403 106	2 939 963	6 432 831
Dividends payable	1525	149 472	133 304	117 215
Other creditors	1526	6 821 013	6 891 990	3 393 610
Deferred revenues	1530	55 757	3 568	4 478
Estimated liabilities	1540	2 074 688	1 934 345	1 722 462
Other liabilities	1550	-	-	-
TOTAL for Section V	1500	62 911 407	51 406 696	48 816 555
BALANCE	1700	728 301 763	640 392 375	577 398 993

PROFIT AND LOSS STATEMENT FY 2016

thousand RUB			
Indicator Description	Line Code	FY 2016	FY 2015
Revenues	2110	486 176 316	462 962 074
Cost of goods sold	2120	(312 524 760)	(306 851 332)
Gross profit (loss)	2100	173 651 556	156 110742
Selling expenses	2210	(36 919 888)	(36 617 097)
Administrative expenses	2220	-	-
Mineral exploration and evaluation expenses	2230	(127 769)	(72 494)
Profit (loss) on sales	2200	136 603 899	119421 151
Participation capital	2310	1 593 297	707 955
Interest receivable	2320	4 857 244	9 845 751
Interest payable	2330	(3 451 408)	(3 801 044)
Other income	2340	64 995 252	19 168 972
Other expenses	2350	(71 033 928)	(33 833 924)
Profit (loss) before taxation	2300	133 564 356	111 508 861
Current income tax	2410	(27 313 688)	(28 308 902)
incl. permanent tax liabilities (assets)	2421	(2 270 765)	(4 237 239)
Changes in deferred tax liabilities	2430	(1 669 948)	1 769 891
Changes in deferred tax assets	2450	-	-
Miscellaneous	2460	49 045	45 445
Adjusted tax on the profit for the consolidated group of taxpayers	2465	194 284	(6 557)
Net profit (loss)	2400	104 824 049	85 008 738
Surplus on revaluation of fixed assets not included in the net income (loss) for the period	2510	1 095 374	826 602
Result from other operations not included in the net income (loss) for the period	2520	(121 201)	188 583
Total profit/loss for the period	2500	105 798 222	86 023 923
FOR REFERENCE			
Basic earnings (loss) per share	2900	47,20	38.28
Diluted earnings (loss) per share	2910		-

* The full version of the accounting (financial) statements under RAS is available at:
http://www.tatneft.ru/storage/block_editor/files/fc100472fb7ea0fab305d3ec5ebadc2748f99559.pdf

ESSENTIAL ASPECTS OF THE ACCOUNTING POLICY AND PRESENTATION OF THE ACCOUNTING STATEMENTS

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 “Account–ing 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 cur–rency 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 ex–penses. 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 60,6569 to USD 1.00 as of December 31, 2016 (RUB 72,8827as of December 31, 2015; RUB 56,2584 as of December 31, 2014); RUB 63,8111 to EURO 1.00 (RUB 79.6972 as of December 31, 2015; RUB 68.3427 as of December 31, 2014).

INTANGIBLE ASSETS

As a part of intangible assets there are software programs for computers reflected; databases; inventions; useful models; 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 the documents are received confirming the Company’s exclusive rights to the results of intellectual activity or means of individualization irrespective of in–tangible 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 in-tangible assets is reflected in the accounting period, which they refer to and and which 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 ad-justments 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 ex-penses 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, 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 min-eral 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 performance and coordination of works on exploration, evaluation and prospect-ing 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 explora-tion 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 manage-ment 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 re-source 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 con-firming commercial feasibility of oil production in the relevant licensed block or recognizing lack of prospects of mineral re-sources 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 (buildings for industrial purposes; facilities, such as pipelines, machinery and equipment (except for data equipment) based on the current value (replacement asset value) at the end of the report-ing 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	1-26

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 “Capital expenditures 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 “Capital expenditures 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”.

OTHER NONCURRENT ASSETS

Assets under construction are Included in other noncurrent assets, which the management decided to sell.

Also included in other non-current assets are costs associated with the production of extra-viscous oil, which had been incurred before the start of production. These costs are written off evenly over the period of oil production at the relevant development target, starting 1 day of the month following the month of the start of production.

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 current market value are reflected in financial statements as of the re–porting date at original cost after deduction of the reserve amount formed for their depreciation. The provision for depreciation of financial investments is created by the amount of the difference between the book value and their estimated value if the results of the depreciation test confirm a sustained significant decrease in the value of financial investments.

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.

Raw materials and materials transferred to processing on a give-and-take basis continue to be accounted for in raw materials and materials of the Company. Monthly raw materials and materials that have passed through all processing stages are recognized in the finished products.

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 (reflected as part of the accounts receivable) is determined based on the 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 proven to be such.

Accounts receivable not paid within the time limits or which will most likely not be paid within the time limits stipulated in contracts and not secured with respective guarantees is shown after deduction of accrued reserves for doubtful debts. The reserve is created for each doubtful debt outstanding (depending on the financial condition (solvency) of the debtor and an estimated probability of debt repayment in whole or in part) on the basis of the receivables inventory, made for the last day of the reporting month.

Income and expenses generated in the creation and recovery of allowance for doubtful debts within one financial year are reflected in the financial results statement in the lines "Other Income" or "Other Expenses".

Advance payments issued and received are presented in the balance sheet less the value added tax (from the amount of advance payments) that is subject to deduction (payment) in accordance with tax legislation.

CASH AND CASH EQUIVALENTS

In accordance with the RAS 23/2011 "Report of Cash Flows" approved by Order No. 11 n 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. «Accounting for assets and liabilities, which are expressed in foreign currency», approved by the Order of the Ministry of Finance of Russia on November 27, 2006 No. 154n. 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 out of it are reflected as balanced result being part of other income (payments) for the current activity in the line of "Other Income" ("Other Payments").
- Proceeds from the sale of products and goods contain customs duties.

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

- cash receipts from certain entities stipulate 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 etc.);
- cash flows are characterized by quick return, large amounts and short payback periods (purchase and resale of financial investments, short-term investments (up to three months) using the proceeds from borrowings etc.);
- 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 "Financial Investments" in the Notes to the balance sheet and financial results statement.
- Cash flows for loans received by the Company from subsidiaries - participants in the Treasury system. These loans are characterized by a rapid turnover, large amounts and short terms of return.

AUTHORIZED CAPITAL, SURPLUS CAPITAL AND RESERVE FUNDS

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

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 financial results 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 financial results 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.

IFRS CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED 31 DECEMBER 2016



Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Tatneft:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the PJSC Tatneft and its subsidiaries (together – the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of profit or loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

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Our audit approach

Overview



Overall group materiality: 6,000 million Russian Roubles ("RUB"), which represents 4.3% of profit before tax.

- We conducted our audit work at 4 significant reporting units.
- The group engagement team visited the Group's operations in Almetievsk, Nizhnekamsk and Moscow.
- Our audit scope addressed 98% of the Group's total assets, 93% of the Group's revenues and 90% of the Group's absolute value of underlying profit before tax.

Key audit matter:

- Acquisition accounting for ZENIT Banking Group under IFRS 3 "Business combinations".

We designed our audit by determining materiality and assessing the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.



Overall group materiality	RUB 6,000 million
How we determined it	4.3% of Group's profit before tax
Rationale for the materiality benchmark applied	<p>We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark.</p> <p>We chose 4.3% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector.</p>

Audits undertaken at the component level for Group reporting purposes were performed at lower levels of materiality applicable to each individual entity, which ranged from RUB 130 million to a maximum of RUB 5,400 million.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
<p><i>Acquisition accounting for ZENIT Banking Group under IFRS 3 "Business combinations"</i></p> <p>Refer to Note 29 of the consolidated financial statements.</p> <p>Through a series of transactions in June and October 2016, the Group increased its share in ZENIT Banking Group ("Bank ZENIT") from 24.6% to 50.4%. As a result, as of 27 October 2016 the Group obtained control over Bank ZENIT and began to consolidate it.</p> <p>We focused on this area because the acquisition and consolidation of Bank ZENIT has significant effect for the Group's consolidated financial statements and requires the use of significant management judgements regarding the identification and valuation of assets and liabilities acquired.</p>	<p>In testing the valuation of assets and liabilities acquired we:</p> <ul style="list-style-type: none">assessed the methodology adopted by management for calculating fair values;assessed discount rates applicable to the transaction;compared the assumptions used within the valuation models to market indicators;assessed completeness and adequacy of recorded provisions;



Key audit matter	How our audit addressed the Key audit matter
	<ul style="list-style-type: none">validated and challenged management's key inputs, assumptions and data used in valuation of provision for loans impairment;validated the amount of re-measurement of the previously held interest based on the results of the valuation of assets and liabilities acquired. <p>Where applicable we used PwC valuation specialists to assess the appropriateness of the valuation model and independently re-perform valuations prepared by management.</p> <p>We read relevant contracts, agreements and board minutes which supported our final conclusions in respect of acquisition accounting.</p> <p>We assessed the adequacy of respective disclosures provided in the consolidated financial statements of the Group.</p> <p>Based on our procedures, we believe that the purchase price allocation has been performed in accordance with IFRS 3 "Business combinations", including the disclosures thereon. We also found management's key assumptions applied in the purchase price allocation to be within a reasonable range of our audit expectations.</p>

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to be able to give an opinion on the consolidated financial statements as a whole, taking into account the geographic and management structure of the Group, the accounting processes and controls and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component teams operating under our instruction. Where the work was performed by component team of Bank ZENIT, we determined the level of involvement we needed to have in the audit work at those reporting units to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's consolidated financial statements as a whole.

We identified the following significant reporting units where we performed full-scope audit procedures: PJSC Tatneft (parent holding company, corporate centre located in Almetievsk), JSC TANECO (oil refinery subsidiary located Nizhnekamsk), PJSC Nizhnekamskshina (tires producing subsidiary located in Nizhnekamsk) and Bank ZENIT (banking subsidiary, corporate centre located in Moscow). In addition, we performed specified audit procedures over selected financial information at a number of less significant reporting units in order to increase the level of audit comfort.



The audit work performed by the audit teams at all the components and by the corporate team enabled us to get 98% coverage of the Group's total assets, 93% coverage of the Group's revenue and 90% coverage of the Group's absolute value of underlying profit before tax.

By performing the procedures above at significant and less significant reporting units, combined with additional procedures at the Group level, we obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Other information

Management is responsible for the other information. The other information comprises "Management's discussion and analysis of financial condition and results of operations for the three months and the year ended 31 December 2016" (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and PJSC Tatneft Annual Report 2016 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2017, which are expected to be made available to us after that date.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, 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.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is M. E. Timchenko.

AO PricewaterhouseCoopers Audit

3 April 2017

Moscow, Russian Federation

M.E. Timchenko

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

Audited entity: TATNEFT

State registration certificate № 1531, issued by Ministry of Finance of the Republic of Tatarstan on 20 January 2004

Certificate of inclusion in the Unified State Register of Legal Entities issued on 08 July 2002 under registration № 01070042902

75, Lenina St., Abuzetevsk, Tatarstan, Russia, 423250

Independent auditor: AO PricewaterhouseCoopers Audit

State registration certificate № 000180, issued by the Moscow Registration Chamber on 18 February 1992

Certificate of inclusion in the Unified State Register of Legal Entities issued on 08 August 2002 under registration № 0027700048430

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

ORSE 11603030347 in the register of auditors and audit organizations

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	6	77,106	24,600
Banking: Mandatory reserve deposits with CB RF		1,988	-
Restricted cash		3	318
Accounts receivable, net	7	63,900	60,151
Banking: Loans to customers	8	69,103	-
Other short-term financial assets	9	57,931	13,055
Inventories	10	33,271	32,042
Prepaid expenses and other current assets	11	23,889	48,033
Prepaid income tax		1,058	1,030
Non-current assets held for sale	12	4,247	-
Total current assets		332,496	179,229
Long-term accounts receivable, net	7	1,807	2,248
Banking: Loans to customers	8	123,923	-
Other long-term financial assets	9	44,397	48,469
Investments in associates and joint ventures	13	639	5,632
Property, plant and equipment, net	14	583,614	557,778
Deferred income tax assets	15	2,043	2,535
Other long-term assets	16	5,678	2,800
Total non-current assets		762,101	619,462
Total assets		1,094,597	798,691
LIABILITIES AND SHAREHOLDERS' EQUITY			
Short-term debt and current portion of long-term debt	17	19,288	5,281
Accounts payable and accrued liabilities	18	45,509	43,488
Banking: Due to banks and CB RF	19	13,935	-
Banking: Customer accounts	20	177,422	-
Taxes payable	15	23,737	18,202
Income tax payable		4,511	1,940
Other short-term liabilities	18	1,961	-
Total current liabilities		286,363	68,911
Long-term debt, net of current portion	17	34,842	12,880
Banking: Due to banks and CB RF	19	4,415	-
Banking: Customer accounts	20	3,292	-
Decommissioning provision, net of current portion	14	30,324	33,352
Deferred income tax liability	15	22,600	21,771
Other long-term liabilities	21	3,857	4,119
Total non-current liabilities		99,330	72,122
Total liabilities		385,693	141,033

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

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	31 December 2016	31 December 2015
Shareholders' equity			
Preferred shares (authorized and issued at 31 December 2016 and 2015 – 147,508,500 shares; nominal value at 31 December 2016 and 2015 – RR1.00)	22	746	746
Common shares (authorized and issued at 31 December 2016 and 2015 – 2,178,690,700 shares; nominal value at 31 December 2016 and 2015 – RR1.00)	22	11,021	11,021
Additional paid-in capital		85,224	85,170
Accumulated other comprehensive income		1,293	1,639
Retained earnings		615,477	532,821
Less: Common shares held in treasury, at cost		(10 250)	(3 083)
(75,481,000 shares and 55,491,000 shares at 31 December 2016 and 2015, respectively)		(10,250)	(3,083)
Total Group shareholders' equity		703,511	628,314
Non-controlling interest	28,29	5,393	29,344
Total shareholders' equity		708,904	657,658
Total liabilities and equity		1,094,597	798,691

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

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Sales and other operating revenues on non-banking activities, net	25	580,127	552,712
Costs and other deductions on non-banking activities			
Operating expenses		(119,480)	(108,294)
Purchased oil and refined products		(80,166)	(59,913)
Exploration	14	(1,185)	(1,856)
Transportation		(30,478)	(30,149)
Selling, general and administrative		(46,754)	(48,871)
Depreciation, depletion and amortization	25	(21,626)	(25,052)
Loss on impairments of property, plant and equipment and other assets	14, 30	(5,616)	(5,981)
Taxes other than income taxes	15	(126,590)	(137,380)
Maintenance of social infrastructure and transfer of social assets	14	(5,182)	(4,665)
Total costs and other deductions on non-banking activities		(437,077)	(422,161)
Gain/(loss) on disposals of interests in subsidiaries and associates, net	13, 28	1,951	(50)
Other operating (expenses)/income, net		(917)	3,684
Operating profit on non-banking activities		144,084	134,185
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities			
Interest, fee and commission income	25	7,955	-
Interest, fee and commission expense		(5,105)	-
Provision for loan impairment		(1,167)	-
Operating expenses		(2,258)	-
Loss arising from dealing in foreign currencies, net		(175)	-
Other operating expenses, net		(230)	-
Total net interest, fee and commission and other operating expenses and losses on banking activities		(980)	-
Other income/(expenses)			
Foreign exchange (loss)/gain, net	30	(3,304)	2,283
Interest income on non-banking activities	24	5,430	11,023
Interest expense on non-banking activities, net of amounts capitalized	24	(3,920)	(7,691)
Share of results of associates and joint ventures	13, 29	(339)	(2,172)
Total other (expenses)/income		(2,133)	3,443
Profit before income tax		140,971	137,628

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

IN MILLIONS OF RUSSIAN ROUBLES

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

	Прим.	За год, закончившийся 31 декабря 2016	За год, закончившийся 31 декабря 2015
Income tax			
Current income tax expense		(29,657)	(30,954)
Deferred income tax expense		(5,184)	(902)
Total income tax expense	15	(34,841)	(31,856)
Profit for the year		106,130	105,772
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		(1,050)	318
Unrealized holding gains on available-for-sale securities		1,338	222
Items that will not be reclassified to profit or loss:			
Actuarial loss on employee benefit plans	21	(634)	(789)
Other comprehensive loss		(346)	(249)
Total comprehensive income for the year		105,784	105,523
Profit/(loss) attributable to:			
- Group shareholders		107,389	98,930
- Non-controlling interest		(1,259)	6,842
		106,130	105,772
Total comprehensive income/(loss) attributable to:			
- Group shareholders		107,043	98,681
- Non-controlling interest		(1,259)	6,842
		105,784	105,523
Basic and diluted earnings per share (RR)			
Common	22	47.50	43.56
Preferred		47.48	43.53
Weighted average shares outstanding (millions of shares)			
Common	22	2,113	2,123
Preferred		148	148

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

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to Group shareholders									Non-con-trolling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Unrealized holding gains on available-for-sale securities	Retained earnings	Total shareholders' equity		
Balance at 1 January 2015	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
Profit for the year	-	-	-	-	-	-	-	107,389	107,389	(1,259)	106,130
Other comprehensive (loss)/income for the year	-	-	-	-	(634)	(1,050)	1,338	-	(346)	-	(346)
Total comprehensive (loss)/income for the year	-	-	-	-	(634)	(1,050)	1,338	107,389	107,043	(1,259)	105,784
Treasury shares	(19,990)	-	-	(7,167)	-	-	-	-	(7,167)	-	(7,167)
- Acquisitions	(20,196)	-	-	(7,215)	-	-	-	-	(7,215)	-	(7,215)
- Disposals	206	-	-	48	-	-	-	-	48	-	48
Business combinations (Note 29)	-	-	-	-	-	-	-	-	-	7,395	7,395
Acquisition of non-controlling interest in subsidiaries	-	-	54	-	-	-	-	-	54	(229)	(175)
Disposal of subsidiaries (Note 28)	-	-	-	-	-	-	-	-	-	(29,855)	(29,855)
Dividends declared	-	-	-	-	-	-	-	(24,733)	(24,733)	(3)	(24,736)
Balance at 31 December 2016	2,250,718	11,767	85,224	(10,250)	(1,621)	1,201	1,713	615,477	703,511	5,393	708,904

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

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 December 2016	Year ended 31 December 2015
OPERATING ACTIVITIES		
Profit for the year	106,130	105,772
Adjustments:		
Net interest, fee and commission and other operating expenses and losses on banking activities	980	-
Depreciation, depletion and amortization	21,626	25,052
Income tax expense	34,841	31,856
Loss on impairments of property, plant and equipment, other assets and disposals of interest in subsidiaries and associates	3,665	6,031
Effects of foreign exchange	(1,774)	1,501
Share of results of associates and joint ventures	339	2,172
Change in provision for impairment of financial assets	(226)	1,862
Change in fair value of trading securities	(48)	(30)
Interest income on non-banking activities	(5,430)	(11,023)
Interest expense on non-banking activities, net of amounts capitalized	3,920	7,691
Other	(3,020)	(4,913)
Changes in operational working capital, excluding cash:		
Accounts receivable	(5,336)	(16,608)
Inventories	(1,412)	(776)
Prepaid expenses and other current assets	5,326	2,771
Financial assets at fair value through profit or loss	(51)	1,303
Accounts payable and accrued liabilities	7,417	885
Taxes payable	6,934	3,999
Other non-current assets	(519)	333
Net cash provided by non-banking operating activities before income tax and interest	173,362	157,878
Net interest, fee and commission and other operating expenses and losses on banking activities	(980)	-
Adjustments:		
Provision for loan impairment	1,167	-
Other	(1,235)	-
Changes in operational working capital on banking activities, excluding cash:		
Mandatory reserve deposits with CB RF	4	-
Due from banks	2,770	-
Loans to customers	(8,651)	-
Due to banks and CB RF	(506)	-
Customers accounts	1,083	-
Debt securities issued	(1,950)	-
Financial assets at fair value through profit or loss	(983)	-
Other assets and liabilities	(30)	-
Net cash used in banking operating activities before income tax	(9,311)	-

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

IN MILLIONS OF RUSSIAN ROUBLES

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

	Note	Year ended 31 December 2016	Year ended 31 December 2015
Income taxes paid		(26,888)	(27,792)
Interest paid on non-banking activities		(807)	(1,032)
Interest received on non-banking activities		5,015	11,462
Net cash provided by operating activities		141,371	140,516
INVESTING ACTIVITIES			
Additions to property, plant and equipment		(95,669)	(92,872)
Proceeds from disposal of property, plant and equipment		993	895
Net cash inflow/(outflow) on acquisition of subsidiaries	29	48,534	(2,122)
Proceeds from disposal of subsidiaries and associates, net of disposed cash	13	33,155	-
Purchase of available-for-sale financial assets		(7,566)	(19,821)
Purchase of held to maturity investments		(3,037)	-
Proceeds from disposal of available-for-sale financial assets		5,587	-
Proceeds from redemption of held to maturity investments		2,174	-
Proceeds from sale of non-current assets held for sale		110	-
Purchase of investments in associates and joint ventures	13	(6,700)	(20,129)
Placement of bank deposits		(40,096)	(98,851)
Proceeds from redemption of bank deposits		10,032	112,368
Proceeds from redemption of loans and notes receivable		6,151	7,748
Issuance of loans and notes receivable		(2,940)	(8,291)
Dividends received	13	1,521	-
Change in restricted cash		315	1,317
Net cash used in investing activities		(47,436)	(119,758)
FINANCING ACTIVITIES			
Proceeds from issuance of debt from non-banking activities		2,129	12,072
Repayment of debt from non-banking activities		(6,629)	(24,914)
Issuance of bonds		1,504	-
Redemption of bonds		(5,081)	-
Dividends paid to shareholders		(24,717)	(24,008)
Dividends paid to non-controlling shareholders		(3)	(2,034)
Purchase of treasury shares	26	(7,215)	(5)
Proceeds from sale of treasury shares		48	9
Proceeds from issuance of shares by subsidiaries		-	57
Net cash used in financing activities		(39,964)	(38,823)
Net change in cash and cash equivalents		53,971	(18,065)
Effect of foreign exchange on cash and cash equivalents		(1,465)	1,117
Cash and cash equivalents at the beginning of the period		24,600	41,548
Cash and cash equivalents at the end of the period		77,106	24,600

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

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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, refined products as well as production and marketing of petrochemicals and since October 2016, with acquisition of the controlling interest in ZENIT Banking Group (Bank ZENIT) the Group is also engaged in banking activities (see Note 29).

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 2016 and 2015 the government of Tatarstan controls approximately 36% of the Company’s voting stock. Tatarstan also holds a “Golden Share”, a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and “major” and “interested party” transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group’s suppliers and contractors.

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

NOTE 2: BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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”), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated 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 involving

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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 financial statements to conform to the current year presentation; such reclassifications had no effect on net profit for the year, shareholders’ equity or cash flows.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Under IAS 21 revenues, costs, capital and non-monetary assets and liabilities are translated at 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 Rubles 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 Rubles are recorded in a separate component of shareholders’ equity entitled foreign currency translation adjustments. Revenues, expenses and cash flows are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rate of exchange, as published by the Central Bank of Russian Federation (“CB RF”), of the Russian Ruble (“RR”) to the US Dollar (“US \$”) at 31 December 2016 and 2015 was RR 60.66 and RR 72.88 to US \$, respectively. Average rate of exchange for the years ended 31 December 2016 and 2015 were RR 67.03 and RR 60.96 per US \$, respectively.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes 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 recognized 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 recognized directly in the profit and loss for the year.

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Inter-company transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. Unrealized 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 recognized 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 recognized 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 recognized 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 recognized 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 recognize 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.

Cash and cash equivalents. Cash represents cash on hand and in bank accounts and CB RF, other than mandatory reserves deposits with CB RF, 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. Cash and cash equivalents are carried at amortised cost.

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.

Mandatory reserve deposits with the CB RF. Mandatory reserve deposits with the CB RF represent non-interest bearing funds placed with the CB RF that are not available to finance the Group's day-to-day operations and, therefore, are not considered part of cash and cash equivalents. The amount to be deposited with the CB RF is calculated in accordance with the CB RF's regulation and depends on the volume of funds attracted by the Group from its customers and banks in the course of banking activities.

Financial Assets. All financial assets are initially recognized when an entity becomes a party to the contract, they are recognized 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, restricted cash, mandatory reserve deposits with CB RF, banking customer loans, deposits, due from banks, securities, derivatives, precious metals, 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; (d) held to maturity investments. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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The Group derecognizes financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

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 amortized cost using the effective interest method, less any impairment losses. The accrued interest is included in the profit and losses for the year. The allowance for impairment of loans and receivables is established if there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the loans and receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, discounted at the financial asset's original effective interest rate at the date of origination of the loan or receivable. 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.

Due from banks. Amounts due from banks other than those that are part of the Group are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost. Deposits, placed in the course of banking activities in other banks having maturity exceeding one working day from the balance sheet date are treated as amounts due from banks. Due from banks that mature within three months or less from the date of placement are included in cash and cash equivalents. Due from banks are initially recognized at fair value. These balances are subsequently re-measured at amortized cost at the effective interest method and are carried net of any allowance for impairment.

Loans to customers. Loans issued in the course of banking activities that have fixed or determinable payments that are not quoted in an active market are classified as loans to customers. Loans to customers are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

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. Coupon and interest earned on financial assets at fair value through profit or loss are reflected as interest, fee and commission income. Dividends received, all other elements of the changes in the fair value and gains or losses on derecognition are recorded in other operating income/(expenses) in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

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. Dividends on available-for-sale equity instruments are recognized in profit or loss for the year when the Group's right to receive payment is established and it is probable that the dividends will be collected. All other elements of

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changes in the fair value are recognized in other comprehensive income until the investment is derecognized or impaired, at which time the cumulative gain or loss is reclassified from other comprehensive income to profit or loss for the year. Impairment losses are recognized in profit or loss for the year when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of investment securities available for sale.

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.

Held to maturity investments. Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity. Held to maturity investments are measured at amortized cost using the effective interest method less any impairment.

If the Group were to sell or reclassify more than an insignificant amount of held to maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the current financial year and following two financial years.

Impairment of financial assets carried at amortized cost. Impairment losses are recognized in profit or loss when incurred as a result of one or more events (“loss events”) that occurred after the initial recognition of the financial asset and which have an impact on the amount or timing of the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. If the Group determines that no objective evidence exists that impairment was incurred for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. The primary factors that the Group considers in determining whether a financial asset is impaired are its overdue status and realisability of related collateral, if any.

Repurchase agreements. Repurchase agreements (“REPO”) are used by the Group as an element of its treasury management and trading business in a course of its banking activities and are treated as secured financing transactions.

A REPO is an agreement to transfer a financial asset to another party in exchange for cash or other consideration and a concurrent obligation to reacquire the financial assets at a future date for an amount equal to the cash or other consideration exchanged plus interest.

Financial assets sold under REPO are included into financial assets at fair value through profit or loss, available-for-sale financial assets or held to maturity investments and funds received under these agreements are accounted for as amounts due to banks and CB RF and customer accounts as appropriate. Financial assets purchased under agreements to resell (“reverse repurchase”) are recorded as amounts due from banks or loans to customers as appropriate. Gain/loss on the sale of the above instruments is recognized as interest income or expense on banking activities in the consolidated statement of profit or loss and other comprehensive income based on the difference between the repurchase price accreted to date using the effective interest method and the sale price when such instruments are sold to third parties. When the reverse REPO/REPO is fulfilled on its original terms, the effective yield/interest between the sale and repurchase price negotiated under the original contract is recognized using the effective interest method.

Financial liabilities. All financial liabilities are recognized 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, due to banks and CB RF, banking customer accounts, debt securities and bonds issued, credit facilities, subordinated debt and other borrowings.

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

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A financial liability is derecognized 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 recognized in the profit and loss for the year.

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognized amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Due to banks and CB RF, customer accounts and subordinated debt. Amounts due to banks and CB RF, customer accounts and subordinated debt are initially recognized in accordance with the accounting policy for financial instruments and subsequently re-measured at amortized cost. Any difference between net proceeds and the redemption value of these amounts due is recognized in the consolidated statement of profit or loss and other comprehensive income over the life of related financial liability using the effective interest method.

Debt securities and bonds issued. Debt securities issued include promissory notes and certificates of deposit issued by the Group to its customers in the course of its banking activities. Bonds issued represent securities issued by the Bank that are traded and quoted in the open market. Promissory notes carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the customer can sell at a discount in the over-the-counter market. Debt securities and bonds issued are accounted for according to the same principles used for amounts due to banks and CB RF, customer accounts and subordinated debt. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount and the amount paid is recognized as a gain or loss on redemption of debt.

Non-current assets held for sale. A non-current asset is classified as held for sale if it is highly probable that the asset’s carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification of an asset as held for sale.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. If the fair value less costs to sell of an asset held for sale is lower than its carrying amount, an impairment loss is recognized in the consolidated statement of profit or loss and other comprehensive income as other operating income/expense. Any subsequent increase in an asset’s fair value less costs to sell is recognized to the extent of the cumulative impairment loss that was previously recognized in relation to that specific asset.

Precious metals. Assets and liabilities denominated in precious metals are translated at the current rate computed based on the second fixing of the London Metal Exchange rates, using the RR/US \$ exchange rate effective at the date. Changes in the bid prices are recorded in other operating income/expenses from banking activities.

Inventories. Inventories of crude oil, refined oil products, materials and supplies, finished goods and other inventories 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.

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.

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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 recognized 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 857 and RR 766 per ton in 2016 and 2015, 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 559 per ton (в 2015: RR 530 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 559 per ton (2015: RR 530 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 and related production facilities are capitalized.

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

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

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

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

Proved oil and gas properties include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of maintenance, repairs and replacement of minor items of property are expensed

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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 recognized 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 other income and expenses in the consolidated statement of profit or loss and other comprehensive income.

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

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

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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.

Interest income on non-banking activities. Interest income on non-banking activities is recognized on a time-proportion basis using the effective interest method.

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 recognized using the projected unit credit method.

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

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

Past service costs are recognized as an expense immediately.

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

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

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

The liability at 31 December 2016 and 2015 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.

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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 recognized 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 recognized 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.

Financial guarantee contracts issued and letters of credit. Financial guarantee contracts and letters of credit issued by the Group in the course of its banking activities are credit insurance that provides for specified payments to be made to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due under the original or modified terms of a debt instrument. Such financial guarantee contracts and letters of credit issued are initially recognized at fair value. Subsequently they are measured at the higher of (a) the amount recognized as a provision in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets» and (b) the amount initially recognized less, where appropriate, cumulative amortization of initial premium revenue received over the financial guarantee contracts or letter of credit issued.

Income Taxes. Effective 1 January 2012, the Company has established the Consolidated Taxpayer Group which currently includes 5 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 recognized in profit or loss for the year, except if it is recognized in other comprehensive income or directly in equity because it relates to transactions that are also recognized, 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 recognized 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.

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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 statement 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 statement 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.

Recognition of interest, fee and commission income and expense on banking activities. Interest income and expense are recognized on an accrual basis calculated using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Commissions and other fees are recognized when the related transactions are completed. Loan origination fees for loans issued to customers, are deferred (together with related direct costs) and recognized as an adjustment to the loans effective yield. Other income and expenses are recognized on an accrual basis.

Once a financial asset or group of similar financial assets has been written down (partly written down) as a result of an impairment loss, interest income is thereafter recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

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Loan origination fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the loan. Where it is probable that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are deferred, together with the related direct costs, and recognized as an adjustment to the effective interest rate of the resulting loan. Where it is unlikely that a loan commitment will lead to a specific lending arrangement, the loan commitment fees are recognized in the consolidated statement of profit or loss and other comprehensive income over the remaining period of the loan commitment. Where a loan commitment expires without resulting in a loan, the loan commitment fee is recognized in the consolidated statement of profit or loss and other comprehensive income on expiry. Loan servicing fees are recognized as revenue as the services are provided. Loan syndication fees are recognized in the consolidated income statement when the syndication has been completed. All other commissions are recognized when services are provided.

Transportation expenses. Transportation expenses recognized 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.

Fiduciary activities. The Group provides fiduciary services to its customers in the course of its banking activities. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets and liabilities held by the Group in its own name, but on behalf of third parties, are not reported on the consolidated statement of financial position. The Group accepts the operational risk on these activities, but its customers bear the credit and market risks associated with such operations.

NOTE 4: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the amounts recognized 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 recognized 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 property, plant and equipment;
- Impairment of loans to customers on banking activities;
- Financial instruments fair value estimation.

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

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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 discount rate:

	Change in	Impact on decommissioning provision	
		At 31 December 2016	At 31 December 2015
Discount rate	+1%	(6,812)	(7,892)
	-1%	8,954	10,534

Information about decommissioning provision is presented in Note 14.

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Impairment of property, plant and equipment. At 31 December 2016 management assessed whether there is any indication of impairment of long-lived assets. Based on the stable financial performance, absence of significant adverse changes in economic and market environment and decrease in interest rates the management believes that there is no indication of impairment as of 31 December 2016.

Impairment of loans to customers on banking activities. The Group regularly reviews its loans to assess for impairment. The Group’s loan impairment provisions are established to recognize incurred impairment losses in its portfolio of loans and receivables. The Group considers accounting estimates related to allowance for impairment of loans and receivables a key source of estimation uncertainty because (i) they are highly susceptible to change from period to period as the assumptions about future default rates and valuation of potential losses relating to impaired loans and receivables are based on recent performance experience, and (ii) any significant difference between the Group’s estimated losses and actual losses would require the Group to record provisions which could have a significant impact on its financial statements in future periods.

The Group uses management’s judgment to estimate the amount of any impairment loss in cases where a borrower has financial difficulties and there are few available sources of historical data relating to similar borrowers. Similarly, the Group estimates changes in future cash flows based on past performance, past customer behavior, observable data indicating an adverse change in the payment status of borrowers in a group, and national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the group of loans. The Group uses management’s judgment to adjust observable data for a group of loans to reflect current circumstances not reflected in historical data.

The allowances for impairment of financial assets in the consolidated financial statements have been determined on the basis of existing economic and political conditions. The Group is not in a position to predict what changes in conditions will take place in the Russian Federation and what effect such changes might have on the adequacy of the allowances for impairment of financial assets in future periods.

Financial instruments fair value estimation. Financial instruments that are classified at fair value through profit or loss or available-for-sale, and all derivatives are stated at fair value. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument, in exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets. Any difference between the transaction price and the value based on a valuation technique is not recognized in the consolidated statement of profit or loss and other comprehensive income on initial recognition. Subsequent gains or losses are only recognized to the extent that they arise from a change in a factor that market participants would consider in setting a price.

Information on fair value of financial instruments where estimate is based on assumptions that do not utilize observable market prices is presented in Note 30.

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 Russian Federation became effective for the periods beginning on or after 1 January 2016 but did not have any significant impact on the Group’s consolidated financial statements:

- IFRS 14, Regulatory Deferral Accounts (issued in January 2014 and effective for annual periods beginning on or after 1 January 2016).

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- 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).

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2017 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 recognized 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 recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

Amendments to IFRS 15, Revenue from Contracts with Customers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not change the underlying principles of the Standard but clarify how those principles should be applied. The amendments clarify how to identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract; how to determine whether a company is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and how to determine whether the revenue from granting a licence should be recognized at a point in time or over time. In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for a company when it first applies the new Standard.

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 recognize: (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.

Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The amended IAS 7 will require disclosure of a reconciliation of movements in liabilities arising from financing activities. The Group will present this disclosure in its 2017 financial statements.

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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:

- Recognition of Deferred Tax Assets for Unrealised Losses – Amendments to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2, Share-based Payment (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).

All new standards, amendments to standards and interpretations are approved for application in Russian Federation except for those listed below. These new pronouncements are also not expected to have material impact on the Group when adopted:

- 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 a date to be determined by the IASB).
- Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4 (issued on 12 September 2016 and effective, depending on the approach, for annual periods beginning on or after 1 January 2018 for entities that choose to apply temporary exemption option, or when the entity first applies IFRS 9 for entities that choose to apply the overlay approach).
- Annual Improvements to IFRSs 2014-2016 cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017 for amendments to IFRS 12, and on or after 1 January 2018 for amendments to IFRS 1 and IAS 28).
- IFRIC 22 - Foreign Currency Transactions and Advance Consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- Transfers of Investment Property – Amendments to IAS 40 (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).

NOTE 6: CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise the following:

	At 31 December 2016	At 31 December 2015
Cash on hand and in banks	40,847	12,273
Term deposits with original maturity of less than three months	22,744	12,327
Due from banks	13,515	-
Total cash and cash equivalents	77,106	24,600

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The fair value and credit quality analysis of cash and cash equivalents is presented in Note 30.

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NOTE 7: ACCOUNTS RECEIVABLE

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

	At 31 December 2016	At 31 December 2015
Short-term accounts receivable:		
Trade receivables	61,295	58,170
Other financial receivables	4,239	3,891
Less: provision for impairment	(1,634)	(1,910)
Total short-term accounts receivable	63,900	60,151
Long-term accounts receivable:		
Trade receivables	1,581	1,512
Other financial receivables	334	794
Less: provision for impairment	(108)	(58)
Total long-term accounts receivable	1,807	2,248
Total financial assets within trade and other receivables	65,707	62,399

Fair value of short-term and long-term accounts receivable is presented in Note 30.

Analysis by credit quality of trade and other receivables is as follows:

	At 31 December 2016		At 31 December 2015	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Neither past due nor impaired				
- international crude oil and oil products traders	17,079	-	15,399	-
- Russian crude oil and oil products traders	7,783	-	8,166	-
- Russian refineries	14,054	-	7,903	-
- central and eastern Europe refineries	11,183	-	5,005	-
- Russian tire dealers and automotive manufacturers	2,862	-	3,134	-
- Russian construction companies	1,172	-	6,866	-
- unrated	6,646	4,170	10,423	4,059
Total neither past due nor impaired	60,779	4,170	56,896	4,059
Past due but not impaired				
- less than 90 days overdue	646	24	852	60
- 91 to 180 days overdue	42	-	417	59
- over 180 days overdue	-	46	-	56
Total past due but not impaired	688	70	1,269	175
Individually impaired (gross)				
- less than 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- over 180 days overdue	1,409	333	1,517	451
Total individually impaired	1,409	333	1,517	451
Less: provision for impairment	(1,409)	(333)	(1,517)	(451)
Total	61,467	4,240	58,165	4,234

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

	At 31 December 2016		At 31 December 2015	
	Trade receivables	Other financial receivables	Trade receivables	Other financial receivables
Provision for impairment at 1 January	(1,517)	(451)	(19,880)	(447)
Provision for impairment during the year	(167)	(140)	(498)	(4)
Amounts written off during the year as uncollectible	165	251	18,111	-
Foreign exchange gain	103	-	750	-
Change in Group structure	7	7	-	-
Provision for impairment at 31 December	(1,409)	(333)	(1,517)	(451)

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 27). 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: BANKING: LOANS TO CUSTOMERS

	At 31 December 2016	At 31 December 2015
Loans to legal entities	159,176	-
Loans to individuals	35,017	-
Loans to customers before impairment	194,193	-
Provision for impairment	(1,167)	-
Total loans to customers	193,026	-
Less: long term loans	(125,090)	-
Less: provision for long term loans impairments	1,167	-
Total short term loans to customers and current portion of long term loans to customers	69,103	-

Since acquisition of Bank ZENIT additional provision of loans to customer of RR 1,167 million was accrued.

As at 31 December 2016 the Group granted loans to 36 customers totaling RR 78,955 million, which individually exceeded 5% of the Bank ZENIT equity.

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Risk concentrations by customer industry within the customer loan portfolio are as follows:

	At 31 December 2016		At 31 December 2015	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Trade	37,883	19.51%	-	-
Manufacturing	34,895	17.97%	-	-
Construction	33,733	17.37%	-	-
Services	33,811	17.41%	-	-
Food	4,983	2.57%	-	-
Finance	6,765	3.48%	-	-
Agriculture	2,653	1.37%	-	-
Oil and gas	1,629	0.84%	-	-
Individuals, including:	35,017	18.03%	-	-
mortgage loans	23,182	11.94%	-	-
consumer loans	10,105	5.20%	-	-
car loans	973	0.50%	-	-
plastic cards overdrafts	638	0.33%	-	-
Other	119	0.06%	-	-
Other	2,824	1.45%	-	-
Total loans to customers before impairment	194,193	100%	-	-

Loans to customers' credit quality analysis is presented in Note 30.

As at 31 December 2016, the total amount of pledged loans to legal entities is RR 7,246 million and loans to individuals is RR 5,435 million. The loans are pledged against the funds accounted within Due to banks and CB RF (Note 19).

NOTE 9: OTHER FINANCIAL ASSETS

Short-term other financial assets comprise the following:

	At 31 December 2016	At 31 December 2015
Loans and receivables:		
Notes receivable	3	5,596
Other loans (net of provision for impairment of RR 5 million and RR 23 million as of 31 December 2016 and 2015)	1,107	3,617
Bank deposits (net of provision for impairment of RR 5,400 million as of 31 December 2016)	32,206	2,594
Due from banks	3,022	-
REPO with banks	6,638	-
Financial assets at fair value through profit or loss:		
Held-for-trading	8,190	1,248
Available-for-sale financial assets	4,254	-
Held to maturity investments	2,511	-
Total short-term financial assets	57,931	13,055

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Other long-term financial assets comprise the following:

	At 31 December 2016	At 31 December 2015
Loans and receivables:		
Notes receivable (net of provision for impairment of RR 318 million as of 31 December 2016 and 2015)	455	4,181
Loans to employees (net of provision for impairment of RR 1,476 million and RR 1,414 million as of 31 December 2016 and 2015)	1,018	1,262
Other loans	2,284	1,963
Bank deposits	500	17,774
Due from banks	227	-
Available-for-sale financial assets	31,864	23,289
Held to maturity investments	8,049	-
Total long-term financial assets	44,397	48,469

Fair value, credit quality and maturity analysis for financial assets are presented in Note 30.

Financial assets at fair value through profit or loss

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

	At 31 December 2016	At 31 December 2015
Held-for-trading:		
Russian government and municipal debt securities	1,928	85
Corporate debt securities	5,673	562
Corporate shares	589	601
Total financial assets at fair value through profit and loss	8,190	1,248

Corporate bonds consist of Russian Ruble, US Dollar and Euro denominated bonds and Eurobonds issued by Russian banks and companies. These bonds mature from 2017 to 2046. The annual coupon rates on these securities range from 4.7% to 13.3%, and yields to maturity vary from 4.2% to 13.2%.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation and mature from 2017 to 2023. The annual coupon rates on these securities range from 7.5% to 11.9%, and yields to maturity vary from 8.6% to 10.9%.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as "OFZ" and Russian Federation Eurobonds. These bonds mature from 2023 to 2031. The annual coupon rates on these securities vary from 7% to 8.5%, and yield to maturity vary from 8.3% to 8.6%.

Corporate shares include quoted shares of Russian companies and banks.

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Available-for-sale financial assets

Available for sale financial assets comprise of the following:

	At 31 December 2016	At 31 December 2015
Russian government and municipal debt securities	543	-
Corporate debt securities	7,822	-
Corporate shares	8,150	3,505
Investment fund units	19,603	19,784
Total available-for-sale financial assets	36,118	23,289

Corporate bonds consist of Russian Ruble, US Dollar and Euro denominated bonds and Eurobonds issued by Russian banks and companies. Corporate bonds include RR 16 million securities sold under REPO agreements. These bonds mature from 2017 to 2046. The annual coupon rates on these securities range from 3.2% to 15%, and yields to maturity vary from 1.2% to 43.3%.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation and mature in 2020. The annual coupon rate on these securities is 8.2% and yield to maturity is 9.4%.

Federal loan bonds consist of OFZ and Russian Federation Eurobonds. These bonds mature from 2017 to 2028. The annual coupon rates on these securities vary from 6.5% to 12.8%, and yield to maturity vary from 4.8% to 10.7%.

Corporate shares include quoted and unquoted shares of Russian companies and banks. At 31 December 2016 and 2015 unquoted securities include investment in AK BARS Bank ordinary shares (8.6%) in the amount of RR 2,300 million. The fair value of these shares is measured using combination of the net asset method (based on IFRS consolidated financial statements of AK BARS Bank) and comparable company valuation multiples technique.

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

Held to maturity investments

Held to maturity investments comprise of the following:

	At 31 December 2016	At 31 December 2015
Municipal debt securities	483	-
Corporate debt securities	10,077	-
Total held to maturity securities	10,560	-

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation and mature from 2017 to 2021. The annual coupon rates on these securities range from 9.7% to 10.9%, and yields to maturity vary from 8.5% to 9.6%.

Corporate bonds consist of Russian Ruble, US Dollars and Euro denominated bonds and Eurobonds issued by Russian banks and companies. Corporate bonds include RR 1,066 million securities sold under REPO agreements. These bonds mature from 2017 to 2027. The annual coupon rates on these securities range from 0.5% to 12%, and yields to maturity vary from 2.6% to 9.6%.

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NOTE 10: INVENTORIES

	At 31 December 2016	At 31 December 2015
Materials and supplies	9,696	11,861
Crude oil	9,996	6,436
Refined oil products	9,087	7,586
Petrochemical supplies and finished goods	4,183	6,159
Other	309	-
Total inventories	33,271	32,042

NOTE 11: PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are as follows:

	At 31 December 2016	At 31 December 2015
Prepaid export duties	4,490	6,678
VAT recoverable	5,375	9,473
Advances	11,475	28,985
Prepaid transportation expenses	1,679	1,192
Other	870	1,705
Prepaid expenses and other current assets	23,889	48,033

NOTE 12: NON-CURRENT ASSETS HELD FOR SALE

Long-term financial assets include the following:

1 January 2016	-
Addition as a result of acquisition of subsidiary	4,347
Addition by taking possession of collateral	217
Impairment	(159)
Disposal as a result of sale	(158)
31 December 2016	4,247

As at 31 December 2016 non-current assets held for sale include real estate which the Group received in the course of its banking activities by taking possession of collateral held as security for loans and receiving other property. These non-cash settlements were excluded from the consolidated statement of cash flows. The carrying amount of non-current assets held for sale will be recovered through a sale transaction. The Group's management approved a sales plan and the Group has started the process of active marketing of non-current assets held for sale in order to sell them within 12 months starting from the date of their classification into this category. The property in the amount of RR 158 million has been converted into cash during fourth quarter of 2016 with a loss of RR 48 million.

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NOTE 13: 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 at 31 December		Share of results of associates and joint ventures	
	2016	2015	2016	2015	2016	2015
Associates and joint ventures:						
Bank ZENIT	-	25	-	5,246	(4,690)	(2,111)
Nizhnekamskneftekhim	-	-	-	-	4,098	-
Other	20-75	20-75	639	386	253	(61)
Total			639	5,632	(339)	(2,172)

On 17 March 2016 the Group acquired a 25% minus 1 share voting interest in Nizhnekamskneftekhim for total cash consideration of RR 19,850 million which was paid in December 2015. 26 December 2016 the Group sold its share in Nizhnekamskneftekhim for RR 32,000 million, received in December 2016. RR 9,800 million gain on sale is presented within gain on disposals of interests in subsidiaries and associates of consolidated statement of profit or loss and other comprehensive income. During 2016 the Group received dividends from Nizhnekamskneftekhim in the amount of RR 1,521 million net of RR 227 million income tax withheld at source.

In June 2016, the Group increased its equity share in Bank ZENIT through a subscription to the bank's additional share emission for a cash consideration of RR 6,700 million. As a result of the transaction the Group increased its share in Bank ZENIT from 24.56% to 48.79%. As a result of the mandatory offer carried out by the Company in accordance with the Federal Law on "Joint-Stock Companies", Tatneft Group's stake in the share capital of Bank ZENIT increased and exceeded 50% in the fourth quarter of 2016. At 31 December 2016 the Group's share in Bank ZENIT is 50.43% (Note 29).

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:

	2016	2015
Net book value at 1 January	5,632	7,212
Share of profit or loss of associates and joint ventures	2,407	(2,172)
Share of other comprehensive income of associates and joint ventures	24	222
Dividends from associates	(1,748)	-
Remeasurement of investment in associate upon business combination (Note 29)	(2,746)	-
Acquisition of associates	26,550	-
Reclassification of investment in Bank ZENIT to subsidiaries (Note 29)	(7,278)	-
Disposal of associates	(22,200)	-
Other	(2)	370
Net book value at 31 December	639	5,632

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

	Year ended 31 December 2016		Year ended 31 December 2015
	Other	Bank ZENIT	Other
Sales/interest income	4,274	32,318	3,496
Net income/(loss)	801	(9,498)	(139)
Other comprehensive income	-	902	-
Total comprehensive income/(loss)	801	(8,596)	(139)
Total assets	9,040	314,817	6,502
Total liabilities	9,382	293,771	6,138

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NOTE 14: PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
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
Cost					
As of 31 December 2015	359,901	186,248	147,972	135,723	829,844
Additions	19	-	1	92,780	92,800
Disposals	(497)	(1,358)	(524)	(1,995)	(4,374)
Changes in Group structure (Note 28, 29)	(58,426)	(3,257)	(20,776)	(230)	(82,689)
Transfers	36,742	15,869	4,852	(57,463)	-
Changes in decommissioning provision	(6,253)	-	-	-	(6,253)
As of 31 December 2016	331,486	197,502	131,525	168,815	829,328
Depreciation, depletion and amortisation					
As of 31 December 2015	171,366	32,194	68,506	-	272,066
Depreciation charge	10,723	4,693	7,900	-	23,316
Disposals	(370)	(831)	(453)	-	(1,654)
Changes in Group structure (Note 28, Note 29)	(29,214)	(2,078)	(16,722)	-	(48,014)
As of 31 December 2016	152,505	33,978	59,231	-	245,714
Net book value					
As of 31 December 2015	188,535	154,054	79,466	135,723	557,778
As of 31 December 2016	178,981	163,524	72,294	168,815	583,614

Included within construction in progress are advances for construction of RR 7,329 million and RR 12,326 million at 31 December 2016 and 2015, respectively.

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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 2015	11,323
Additions	430
Reclassification (to)/from other categories	(150)
Charged to expense	(4,558)
At 31 December 2015	7,045
Additions	3,076
Reclassification (to)/from other categories	6,948
Charged to expense	-
At 31 December 2016	17,069

For the years ended 31 December 2016 and 2015, operating and investing cash flows used for exploration and evaluation activities amounted to RR 1,185 million and RR 3,076 million and RR 1,856 million and RR 430 million, respectively.

Social assets. During the years ended 31 December 2016 and 2015 the Group transferred social assets with a net book value of RR 264 million and RR 22 million, respectively, to local authorities. At 31 December 2016 and 2015 the Group held social assets with a net book value of RR 5,954 million and RR 5,459 million, respectively, all of which were constructed after the privatization date.

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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 4,918 million and RR 4,643 million for the years ended 31 December 2016 and 2015, 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:

	2016	2015
Balance, beginning of period	33,417	45,738
Unwinding of discount	3,271	5,337
New obligations	770	502
Release of existing obligations	(29)	(27)
Changes in estimates	(7,023)	(18,133)
Balance, end of period	30,406	33,417
Less: current portion of decommissioning provisions (Note 18)	(82)	(65)
Long-term balance, end of period	30,324	33,352

In 2016 the Group recorded the change in estimate for oil and gas properties decommissioning mainly due to the change in discount rate and expected long-term inflation rate. In 2015 the Group recorded the change in estimate for oil and gas properties decommissioning mainly 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 2016	At 31 December 2015
Discount rate	8.56%	9.75%
Inflation rate	4.30%	5.85%

NOTE 15: TAXES

Income tax expense comprises the following:

	Year ended 31 December 2016	Year ended 31 December 2015
Current income tax expense	(29,657)	(30,954)
Deferred income tax expense	(5,184)	(902)
Income tax expense for the year	(34,841)	(31,856)

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Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% (2015: 20%) to income before income tax:

	Year ended 31 December 2016	Year ended 31 December 2015
Profit before income tax	140,971	137,628
Theoretical income tax expense at statutory rate	(28,194)	(27,526)
Increase due to:		
Non-deductible expenses, net	(5,484)	(3,150)
Unrecognized deferred tax assets	(1,163)	-
Other	-	(1,180)
Income tax expense	(34,841)	(31,856)

At 31 December 2016 no provision has been made for additional income taxes on RR 35,385 million (2015: 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 2,191 million (2015: 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 2016	At 31 December 2015
Tax loss carry forward	3,736	4,220
Decommissioning provision	6,065	6,670
Prepaid expenses and other current assets	304	-
Long-term investments	85	-
Other	886	814
Deferred income tax assets	11,076	11,704
Property, plant and equipment	(29,145)	(29,449)
Inventories	(1,896)	(980)
Accounts receivable	(413)	(57)
Long-term investments	(166)	217
Other liabilities	(13)	(671)
Deferred income tax liabilities	(31,633)	(30,940)
Net deferred tax liability	(20,557)	(19,236)

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

	At 31 December 2016	At 31 December 2015
Deferred income tax asset	2,043	2,535
Deferred income tax liability	(22,600)	(21,771)
Net deferred tax liability	(20,557)	(19,236)

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 2016, the Group had recognized deferred income tax assets of RR 3,736 million (RR 4,220 million at 31 December 2015) in respect of unused tax loss carry forwards of RR 18,680 million (RR 21,102 million at

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31 December 2015). Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The ten year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2020. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit. 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 is subject to a number of taxes other than income taxes, which are detailed as follows:

	Year ended 31 December 2016	Year ended 31 December 2015
Mineral extraction tax	119,393	129,608
Property tax	5,623	5,888
Penalties and interest	-	86
Other	1,574	1,798
Total taxes other than income taxes	126,590	137,380

For mineral extraction tax for fields whose depletion rate exceeds a certain threshold the Group received a benefit of approximately RR 23.2 billion and RR 24.3 billion for the years ended 31 December 2016 and 2015, respectively.

At 31 December 2016 and 2015 taxes payable were as follows:

	At 31 December 2016	At 31 December 2015
Mineral extraction tax	14,652	7,401
Value Added Tax on goods sold	2,707	3,909
Export duties	1,277	2,534
Property tax	1,128	1,360
Other	3,973	2,998
Total taxes payable	23,737	18,202

NOTE 16: OTHER LONG-TERM ASSETS

Other long-term assets are as follows:

	At 31 December 2016	At 31 December 2015
Prepaid computer programs	1,721	1,521
Precious metals	974	-
Prepaid license agreements	11	59
Other long-term assets	2,972	1,220
Total other long-term assets	5,678	2,800

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NOTE 17: DEBT

	At 31 December 2016	At 31 December 2015
Short-term debt		
Bonds issued	3,903	-
Debt securities issued	4,894	-
US \$2.0 bln 2010 credit facility	830	-
US \$75 mln 2011 credit facility	2,001	-
US \$144.5 mln 2011 credit facility	3,584	-
EUR 55 mln 2013 credit facility	2,925	-
Other debt	695	1,313
Total short-term debt	18,832	1,313
Current portion of long-term debt	456	3,968
Total short-term debt, including current portion of long-term debt	19,288	5,281
Long-term debt		
US \$2.0 bln 2010 credit facility	-	3,144
US \$75 mln 2011 credit facility	-	2,952
US \$144.5 mln 2011 credit facility	-	4,921
EUR 55 mln 2013 credit facility	-	4,038
Bonds issued	28,795	-
Subordinated debt	4,497	-
Other debt	2,006	1,793
Total long-term debt	35,298	16,848
Less: current portion of long-term debt	(456)	(3,968)
Total long-term debt, net of current portion	34,842	12,880

Fair value of debt is presented in Note 30. Maturity and currency analysis of debt is presented in Note 30.

Credit facilities

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

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Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

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

Bonds issued. At 31 December 2016 bonds issued are bonds denominated in Russian Rubles issued by Bank ZENIT that mature between 2017 and 2026. The annual coupon rates on these securities range from 8.5% to 12.5%, and yields to maturity vary from 7.5% to 12.3%.

Subordinated debt. At 31 December 2016 subordinated debt is presented with eight subordinated loans raised by Bank ZENIT, including five subordinated loans from Deposit Insurance Agency (DIA). Further information on subordinated debt received from DIA is provided in Note 30. Other subordinated loans bear interest at rates ranging from 6.5% to 8.3% and mature from 2019 to 2024.

In relation to two of subordinated loans maturing in 2021 and 2024 bearing an interest rate of 8.3% the Group is obliged to comply with eight financial covenants. As of 31 December 2016 the Group failed to comply with some of these covenants. The Group has obtained a waiver on breach of the covenants as of 31 December 2016.

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

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

Other debt. Other debt is primarily comprised of loans with Russian companies and banks. Other debt bear contractual interest rates of 0.5% to 4.8% per annum as of 31 December 2016 and 0.5% to 4.4% per annum as of 31 December 2015.

NOTE 18: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	At 31 December 2016	At 31 December 2015
Trade payables	25,575	27,816
Dividends payable	149	133
Other payables	430	580
Total financial liabilities within trade and other payables	26,154	28,529
Salaries and wages payable	4,555	4,746
Advances received from customers	10,361	2,847
Current portion of decommissioning provisions (Note 14)	82	65
Other accounts payable and accrued liabilities	4,357	7,301
Total non-financial liabilities	19,355	14,959
Accounts payable and accrued liabilities	45,509	43,488

The fair value of each class of financial liabilities included in short-term trade and other payables at 31 December 2016 and 2015 is presented in Note 30.

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NOTE 19: BANKING: DUE TO BANKS AND CB RF

	At 31 December 2016	At 31 December 2015
Term deposits from other banks	11,810	-
Term deposits from CB RF	6,080	-
Correspondent accounts and other banks' overnight deposits	460	-
Total due from banks and CB RF	18,350	-
Less: long term due from banks and CB RF	(4,415)	-
Total short term of due from banks and CB RF	13,935	-

Included in amounts due to banks as at 31 December 2016 are RR 12,510 million of correspondent accounts and term deposits from three Russian banks, which individually exceeded 5% of the Bank ZENIT equity. Term deposits from the CB RF mature from 25 January 2017 to 27 December 2018. The interest rates on term deposits from CB RF range from 10.3% to 10.8%. As at 31 December 2016 term deposits in the amount of RR 10,974 million are collateralized with loans to customers in the amount of RR 12,669 million discussed in Note 8.

NOTE 20: BANKING: CUSTOMER ACCOUNTS

	At 31 December 2016	At 31 December 2015
State and public organizations		
Current / settlement accounts	739	-
Term deposits	4,457	-
Other legal entities		
Current / settlement accounts	21,022	-
Term deposits	44,640	-
Individuals		
Current / settlement accounts	11,578	-
Term deposits	98,278	-
Total customer accounts	180,714	-
Less: long-term customer accounts	(3,292)	-
Total short-term customer accounts	177,422	-

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

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Risk concentrations by customer industry within customer accounts are as follows:

	At 31 December 2016		At 31 December 2015	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Individuals	109,856	60.79%	-	-
Finance	34,953	19.34%	-	-
Oil and gas	3,193	1.77%	-	-
Trade	7,358	4.07%	-	-
Services	8,368	4.63%	-	-
Manufacturing	5,176	2.86%	-	-
Construction	6,456	3.57%	-	-
Other	5,354	2.97%	-	-
Total customer accounts	180,714	100%	-	-

NOTE 21: OTHER LONG-TERM LIABILITIES

Other long-term liabilities are as follows:

	At 31 December 2016	At 31 December 2015
Pension liability	3,856	3,871
Other long-term liabilities	1	248
Total other long-term liabilities	3,857	4,119

Pension liabilities

The Group has various pension plans covering substantially all eligible employees and members of management. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the "Statement of Organization of Non-Governmental Pension Benefits for OAO Tatneft Employees" and the contracts concluded between the Company or its subsidiaries, management, and the JSC "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 2016	At 31 December 2015
Discount rate	8.33%	9.7%
Rate of increase in salary levels	7.23%	6.27%
Actuarial rate of NPF	3.0%	3.0%
Statutory insurance contributions rate	31.73%	30.69%

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.

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Amounts recognized in the consolidated statement of financial position:

	At 31 December 2016	At 31 December 2015
Present value of defined benefit obligation	5,442	5,834
Less: Fair value of plan assets	(1,586)	(1,963)
Net defined benefit liability	3,856	3,871

Change in the defined benefit obligation amount:

	2016	2015
Defined benefit obligation at beginning year	5,834	4,379
Effect of exchange rate changes	(38)	48
Current service cost	151	140
Interest cost	566	558
Benefits paid	(604)	(677)
Remeasurement losses/(gains):		
Actuarial losses arising from changes in financial assumptions	775	643
Actuarial losses arising from changes in demographic assumptions	11	38
Actuarial (gains)/losses - Experience	(95)	640
Past service cost	-	65
Disposal of subsidiaries (Note 28)	(1,158)	-
Defined benefit obligation at the end of the year	5,442	5,834

The amounts recognized in profit or loss are as follows:

	2016	2015
Service cost	151	205
Net interest expense	376	350
Remeasurement losses/(gains):		
Actuarial losses arising from changes in financial assumptions	141	143
Actuarial losses arising from changes in demographic assumptions	3	13
Actuarial (gains)/losses– Experience	(125)	153
Disposal of subsidiaries (Note 28)	(711)	-
Total included in ‘employee benefits expense’	(165)	864

The amounts recognized in other comprehensive income are as follows:

	2016	2015
Remeasurement losses:		
Actuarial losses arising from changes in financial assumptions	634	229
Actuarial losses arising from changes in demographic assumptions	8	25
Actuarial losses – Experience	30	487
Effect of exchange rate changes	(38)	48
Total included in other comprehensive income	634	789

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

	2016	2015
Plan assets at beginning of year	1,963	1,630
Interest income	190	208
Contributions	183	193
Benefits paid	(305)	(340)
Actuarial gain/(loss)	2	272
Disposal of subsidiaries (Note 28)	(447)	-
Plan assets at year end	1,586	1,963

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 2016	At 31 December 2015
Russian corporate bonds and equity securities of Russian issuers	49.36%	32.61%
Russian government and regions bonds	11.86%	11.6%
Bank deposits	27.87%	33.86%
Foreign government securities	6.61%	6.9%
Other	4.3%	15.03%
Total plan assets	100%	100%

Expected contributions to be paid during the next annual reporting period are RR 493 million.

NOTE 22: SHAREHOLDERS' EQUITY

Authorized share capital. At 31 December 2016 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. Tatarstan 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:

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- 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 2016 and 2015, the Company had a statutory current profit of RR 104,824 million and RR 85,009 million, respectively.

In June 2016 the shareholders of the Company approved the payment of dividends for the year ended 31 December 2015 in amount of RR 10.96 per preference and ordinary share. 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.

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 2016	Year ended 31 December 2015
Profit attributable to Group shareholders	107,389	98,930
Common share dividends	(23,116)	(22,463)
Preferred share dividends	(1,617)	(1,561)
Income available to common and preferred shareholders, net of dividends	82,656	74,906

Basic and diluted:

Weighted average number of shares outstanding (millions of shares):		
Common	2,113	2,123
Preferred	148	148
Combined weighted average number of common and preferred shares outstanding	2,261	2,271
Basic and diluted earnings per share (RR)		
Common	47.50	43.56
Preferred	47.48	43.53

Non-controlling interest. Non-controlling interest is adjusted by dividends paid by the Group's subsidiaries amounting to RR 3 million and RR 2,034 million at 31 December 2016 and 2015, respectively.

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NOTE 23: EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December 2016	Year ended 31 December 2015
Wages and salaries	29,569	39,018
Statutory insurance contributions	8,656	11,438
Bonus certificates granted to directors and employees	1,215	1,257
Pension costs – defined benefit plans (Note 21)	(165)	864
Other employee benefits	2,043	2,055
Total employee benefit expense	41,318	54,632

Employee benefit expenses are included in operating expenses, selling, general and administrative expenses, maintenance of social infrastructure and transfer of social assets, other expenses and operating expenses from banking activities in the consolidated statement of profit or loss and other comprehensive income.

NOTE 24: INTEREST INCOME AND INTEREST EXPENSE ON NON-BANKING ACTIVITIES

Interest income on non-banking activities comprises the following:

	Year ended 31 December 2016	Year ended 31 December 2015
Interest income from loans and receivables	5,084	10,873
Unwinding of the present value discount of long-term financial assets	346	150
Total interest income on non-banking activities	5,430	11,023

Interest expense on non-banking activities comprises the following:

	Year ended 31 December 2016	Year ended 31 December 2015
Bank loans	564	1,082
Unwinding of the present value discount of decommissioning provision	3,271	5,337
Unwinding of the present value discount of long-term financial assets and liabilities	85	1,272
Total interest costs recognized in profit or loss	3,920	7,691

NOTE 25: SEGMENT INFORMATION

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

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

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

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments,
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations,
- Petrochemical products include production and sales of tires and petrochemical raw materials and refined products, which are used in production of tires.
- Banking segment includes operations of Bank ZENIT.

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

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income taxes and non-controlling interest not including interest income and expense on non-banking activities, share of results of associates and joint ventures, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December 2016, revenues of RR 79,257 million or 14% of the Group's total sales and operating revenues is derived from one external customer.

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.

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

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

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

	Year ended 31 December 2016	Year ended 31 December 2015
Exploration and production		
Domestic own crude oil	86,486	73,486
CIS own crude oil	16,572	19,328
Non-CIS own crude oil	173,371	150,295
Other	4,601	5,864
Intersegment sales	94,592	117,088
Total exploration and production	375,622	366,061
Refining and marketing		
Domestic sales		
Crude oil purchased for resale	14,498	15,735
Refined products	123,743	127,592
Total Domestic sales	138,241	143,327
CIS sales		
Refined products	6,979	15,411
Total CIS sales(1)	6,979	15,411
Non-CIS sales		
Crude oil purchased for resale	7,165	10,374
Refined products	81,608	72,155
Total non-CIS sales(2)	88,773	82,529
Other	7,008	5,882
Intersegment sales	2,271	3,305
Total refining and marketing	243,272	250,454

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Petrochemicals	32,861	27,641
Tires – domestic sales		
Tires – CIS sales	8,443	6,802
Tires – non-CIS sales	1,709	1,999
Petrochemical products and other	2,250	2,385
Intersegment sales	929	1,142
Total petrochemicals	46,192	39,969
Banking		
Interest income	7,054	-
Fee and commission income	901	-
Total banking	7,955	-
Total segment sales	673,041	656,484
Corporate and other sales	12,833	17,763
Elimination of intersegment sales	(97,792)	(121,535)
Total sales and other operating revenues	588,082	552,712

(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 2016	Year ended 31 December 2015
Segment earnings		
Exploration and production	146,618	122,657
Refining and marketing	13,899	16,617
Petrochemicals	1,463	1,482
Banking	(980)	-
Total segment earnings	161,000	140,756
Corporate and other	(17,896)	(6,571)
Other income/(expenses)	(2,133)	3,443
Profit before income tax	140,971	137,628

For the year ended 31 December 2016 corporate and other loss includes loss on deconsolidation of subsidiaries (Note 28), gain on disposal of interest in associate (Note 13) and impairment of bank deposits (Note 30). For the year ended 31 December 2015 corporate and other loss included impairments of financial assets and other losses.

Segment assets.

	At 31 December 2016	At 31 December 2015
Assets		
Exploration and production	300,673	297,517
Refining and marketing	356,191	338,852
Petrochemicals	29,977	31,674
Banking	286,421	
Corporate and other	121,335	130,648
Total assets	1,094,597	798,691

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As of 31 December 2016 and 2015 corporate and other comprised RR 639 million and RR 5,632 million, respectively, investments in associates and joint ventures. For the year ended 31 December 2016 deconsolidation of subsidiaries (Note 28) caused disposal of exploration and production segment assets and corporate and other assets on amount of RR 33,149 million and RR 14,289 million respectively.

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 2016	Year ended 31 December 2015
Depreciation, depletion and amortization		
Exploration and production	11,848	13,340
Refining and marketing	7,120	7,137
Petrochemicals	1,852	1,995
Banking	56	-
Corporate and other	750	2,580
	21,626	25,052

	Year ended 31 December 2016	Year ended 31 December 2015
Additions to property, plant and equipment		
Exploration and production	47,694	19,809
Refining and marketing	34,433	58,163
Petrochemicals	1,193	1,027
Corporate and other	3,273	5,531
Total additions to property, plant and equipment	86,593	84,530
Итого поступления основных средств	86 593	84 530

For the years ended 31 December 2016 and 2015 additions to property, plant and equipment of exploration and production segment are shown net of RR 6,253 million and RR 17,631 million, respectively, associated with changes in the decommissioning provision.

NOTE 26: 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.

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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 2016	Year ended 31 December 2015
Revenues and income		
Sales of refined products	975	15
Other sales	1,019	294
Interest income	2,113	3,622
Costs and expenses		
Purchases of crude oil	-	103
Other services	1,231	1,575
Other purchases	5,055	597
Прочие закупки	5 055	597

For the years ended 31 December 2016 and 2015, the Group sold crude oil on a commission basis from related parties for RR 0 million and RR 103 million, respectively.

At 31 December 2016 and 2015 the outstanding balances with associates, joint ventures and other related parties were as follows:

	At 31 December 2016	At 31 December 2015
Assets		
Cash and cash equivalents	-	9,392
Restricted cash	-	211
Accounts receivable	675	373
Other financial assets		
Notes receivable	-	5,085
Trading securities	146	7
Other loans receivable	361	428
Prepaid expenses and other current assets	469	325
Due from related parties short-term	1,651	15,821
Long-term accounts receivable	142	14
Other financial assets		
Notes receivable	-	4,156
Bank deposits	-	17,199
Available for sale	3,758	-
Other loans receivable	2,022	1,715
Due from related parties long-term	5,922	23,084
Liabilities		
Accounts payable and accrued liabilities	(47)	(42)
Customer accounts	(812)	-
Other debt	-	(814)
Due to related parties short-term	(859)	(856)
Other debt	(33)	-
Due to related parties long-term	(33)	-

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Russian Government bodies and state organizations

At 31 December 2016 and 2015 the outstanding balances with Russian Government bodies and state organizations were as follows:

	At 31 December 2016	At 31 December 2015
Assets		
Cash and cash equivalents	19,899	3,388
Banking: Mandatory reserve deposits with CB RF	1,988	-
Accounts receivable	1,720	616
Banking: Loans to customers	2,279	-
Other financial assets		
Bank deposits	409	907
Trading securities	3,138	6
Available-for-sale	1,452	-
Held to maturity	571	-
Other loans	290	-
Prepaid expenses and other current assets	9,052	23,575
Due from related parties short-term	40,798	28,492
Other financial assets		
Available-for-sale	5,027	-
Held to maturity	3,453	-
Other loans	238	-
Due from related parties long-term	8,718	-
Liabilities		
Accounts payable and accrued liabilities	(961)	(511)
Banking: Due to banks and CB RF	(4,700)	-
Banking: Customer accounts	(4,061)	-
Other debt	(3)	(378)
Due to related parties short-term	(9,725)	(889)
Subordinated debt	(2,140)	-
Banking: Due to banks and CB RF	(9,624)	-
Due to related parties long-term	(11,764)	-

At 31 December 2015 prepaid expenses and other current assets include prepayments for acquisition of 25% minus 1 share of Nizhnekamskneftekhim, the transaction was completed in March 2016 (Note 13).

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

	Year ended 31 December 2016	Year ended 31 December 2015
Sales of crude oil	567	-
Sales of refined products	10,501	11,439
Other sales	3,994	1,841
Interest income	585	2,865
Interest expense	460	-
Purchases of crude oil	-	841
Purchases of refined products	21,941	19,141
Purchases of electricity	12,897	11,507
Purchases of transportation services	22,272	20,005
Other services	3,943	3,867
Other purchases	1,735	7,750

In April 2016 the Group purchased 20 million treasury shares from the company related to Russian Government bodies and state organizations in the amount RR 7,168 million.

Compensation to key management personnel

As of 31 December 2016 and 2015 total remuneration, including pension cost, for key management personnel was RR 1,677 million and RR 1,797 million, respectively.

For the year ended 31 December 2016, the Company issued 2.1 million Awards to key management personnel, all of which are expected to be settled at a price of RR 252.81 per Award. Final settlement is subject to approval at the Company's Management Committee meeting in July-September 2017. For the year ended 31 December 2015, the Company issued 3.3 million Awards to key management personnel, all of which were expected to be settled at a price of RR 200.76 per Award. The amount of related compensation expense recognized in selling, general and administrative expenses of the consolidated statement of profit or loss and other comprehensive income for the years ended 31 December 2016 and 2015 was RR 534 million and RR 667 million, respectively.

At 31 December 2016 key management personnel customer accounts in Bank ZENIT amounted to RR 21,667 million.

NOTE 27: CONTINGENCIES AND COMMITMENTS

Operating Environment of the Group

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

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

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

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

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

Capital commitments. As of 31 December 2016 and 31 December 2015 the Group has outstanding capital commitments of approximately RR 46,176 million and RR 59,294 million, respectively, mainly for the construction of the TANECO refinery complex. These commitments are expected to be paid between 2017 and 2019.

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 17).

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.

Operating lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	At December 31 2016	At December 31 2015
Less than one year	481	-
More than one year and less than five years	1,115	-
More than five years	21	-
Total operating lease commitments	1,617	-

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

Outstanding credit related commitments are as follows:

	At December 2016	At December 2015
Loan commitments	24,885	-
Guarantees issued	15,211	-
Import letters of credit	1,082	-
Total credit related commitments before impairment	41,178	-
Less: allowance for credit related commitment impairment	(978)	-
Less: client funds held as security for guarantees issued	(354)	-
Less: client funds held as security for import letter of credit	(751)	-
Total credit related commitments	39 085	-

Trustee services. These assets are not included in the Group’s consolidated statement of financial position as they are not assets of the Group and are held in custody or safekeeping for customers. The nominal values disclosed below are normally different from the fair values of respective securities.

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	At December 2016	At December 2015
Bills of exchange	25,611	-
Corporate bonds	15,672	-
Banks’ shares	5,074	-
Corporate eurobonds	3,747	-
Federal loan bonds (OFZ)	2,736	-
Companies’ shares	2,030	-
Municipal bonds	338	-
Investment funds’ units	90	-
Depository notes	26	-
Total	55,324	-

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management’s interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities. The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

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

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

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group’s policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. 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.

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.

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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. Ukraine filed an appeal of award in Court of Appeals in Paris, France (seat of arbitration) which on 29 November 2016 refused the appeal. In March 2017 Ukraine has filed a cassation appeal against the Paris Court of Appeals decision of November 29, 2016 rejecting its request for annulment. At this time it is not clear whether and when the appeal will be heard. Filing of the cassation appeal shall not preclude Tatneft from commencing enforcement of the award.

On 23 March 2016 Tatneft commenced court proceedings in England against Gennady Bogolyubov, Igor Kolomoisky, Alexander Yaroslavsky and Pavel Ovcharenko. Tatneft alleges that in 2009 those individuals fraudulently diverted to themselves sums owed to Tatneft for oil it had supplied to Kremenchug refinery (Ukratnafta). Tatneft claims damages of US\$ 334.1 million plus interest. On 8 November 2016 the High Court refused the claim. On 23 November 2016 Tatneft filed with the Court of Appeals permission to appeal the judgement of 8 November 2016. Permission to appeal will be heard by the Court of Appeals on the week commencing 24 July 2017.

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

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

NOTE 28: PRINCIPAL SUBSIDIARIES

Set out below are the Group’s principal subsidiaries at 31 December 2016. 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 2016		At 31 December 2015	
		% 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
Bank ZENIT	Banking operations	50	50	-	-
Tatneft Europe AG	Export oil sales	100	-	100	-
TANECO	Oil refinery	100	-	91	9
TMS Group	Oil lifting services	-	-	-	100
Nizhnekamskshina	Tires production	85	15	73	27
Nizhnekamskiy zavod shin CMK	Tires production	100	-	100	-
Trade House Kama	Tires sales	100	-	100	-
Tatneft AZS-Centr	Oil products sales	100	-	100	-
Tatneft AZS-Zapad	Oil products sales	100	-	100	-

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On 1 January 2016 several entities of the Group ceased to meet the power criteria for consolidation under IFRS 10 “Consolidated financial statements” and were deconsolidated as of that date. The Group did not have any direct or indirect ownership in the deconsolidated entities but exercised control over them in prior years. Deconsolidation resulted in one-off loss on disposal in amount of RR 8,745 million recorded within gains/(losses) on disposals of interest in subsidiaries and associates in the consolidated statement of profit or loss and other comprehensive income. Non-controlling interest in the consolidated statement of financial position decreased by RR 29,878 million comparing to non-controlling interest as at 31 December 2015.

Loss attributable to total non-controlling interest for the year ended 31 December 2016 is RR 1,259 million, of which RR 790 million is attributed to Bank ZENIT. Profit attributable to 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 and Burenie. As of 31 December 2016 accumulated non-controlling interest in Bank ZENIT was RR 6,605 million and as of 31 December 2015 accumulated non-controlling interest in TMS Group was RR 8,699 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 2016						
Bank ZENIT	139,869	136,694	219,019	54,459	7,955	(1,508)
Nizhnekamskshina	2,413	3,652	4,034	3,584	15,407	(287)
Total	142,282	140,346	223,053	58,043	23,362	(1,795)
Year ended 31 December 2015						
TANECO	10,690	181,959	25,622	155,253	38,508	6,520
TMS Group	1,278	30,147	585	4,751	33,435	1,977
Nizhnekamskshina	2,411	3,004	3,709	2,972	15,344	199
Burenie	-	-	-	-	11,182	797
Total	14,379	215,110	29,916	162,976	98,469	9,493

NOTE 29: BUSINESS COMBINATIONS

In June 2016, the Group increased its equity share in PJSC “Bank ZENIT” through a subscription to the bank’s additional share issue for a cash consideration of RR 6,700 million. As a result of this transaction the Group increased its share in PJSC “Bank ZENIT” from 24.56% as of 31 December 2015 to 48.79% as of 30 June 2016. The Group continued to exercise significant influence and applied the equity method of accounting for its investment in PJSC “Bank ZENIT”.

In October 2016, as a result of the mandatory offer procedure in accordance with the Federal Law “On Joint Stock Companies”, the Group acquired additional 1.64% interest in PJSC “Bank ZENIT” for cash consideration of RR 327 million increasing its interest to 50.43% and, as a result, obtained control over PJSC “Bank ZENIT” in October 2016.

At 31 December 2016 the Group had finalized purchase price allocation and in accordance with IFRS 3 “Business Combinations” recognized the acquired assets and liabilities at fair value. The fair values of assets and liabilities acquired are based on discounted cash flow models and market quotes.

Purchase consideration of RR 7,605 includes cash for the 1.64% interest in PJSC “Bank ZENIT” acquired in October 2016 in the amount of RR 327 million and fair value of previously held 48.79% interest accounted for using the equity method in the amount of RR 7,278.

As a result of the Group obtaining control over PJSC “Bank ZENIT”, the Group’s previously held 48.79% interest was remeasured to fair value, resulting in a loss of RR 2,746 recognized in share of results of associates and joint ventures in the statement of profit or loss and other comprehensive income.

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Details of the fair values of assets and liabilities acquired and goodwill arising are as follows:

	Attributed fair value
Cash and cash equivalents	60,023
Banking: Mandatory reserve deposits with CB RF	1,992
Accounts receivable, net	623
Inventories	398
Banking: Loans to customers	185,500
Other financial assets	
Due from banks	12,924
Financial assets at fair value through profit or loss	5,389
Available-for-sale financial assets	10,856
Held to maturity investments	10,679
Prepaid expenses and other current assets	448
Prepaid income tax	265
Non-current assets held for sale	4,347
Property, plant and equipment, net	3,951
Other assets	3,454
Debt	
Bonds issued	(38,023)
Subordinated debt	(14,500)
Debt securities issued	(12,775)
Accounts payable and accrued liabilities	(587)
Banking: Due to banks and CB RF	(19,086)
Banking: Customer accounts	(198,545)
Taxes payable	(164)
Other liabilities	(2,109)
Income tax payable	(5)
Deferred tax liability	(136)
Fair value of identifiable net assets of subsidiary	14,919
Less: non-controlling interest	(7,395)
Goodwill arising from the acquisition	81
Total purchase consideration and previously held interest in the acquiree	7,605
Less: Non-cash consideration	(7,278)
Less: Cash and cash equivalents of subsidiary acquired (net of intercompany accounts)	48,507
Inflow of cash and cash equivalents on acquisition	48,834

The acquired subsidiary contributed revenue of RR 7,955 million and loss of RR 1,508 million to the Group for the period from the date of acquisition to 31 December 2016.

NOTE 30: FINANCIAL RISK MANAGEMENT

Financial risk management objectives and policies.

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 as of 31 December 2016.

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	21,348	13,628	5,871	40,847
Term deposits with original maturity of less than three months	22,744	-	-	22,744
Due from banks	13,496	6	13	13,515
Restricted cash	3	-	-	3
Banking: Mandatory reserves with CB RF	1,988	-	-	1,988
Accounts receivable				
Trade receivables	32,805	27,214	1,448	61,467
Other financial receivables	4,240	-	-	4,240
Banking: Loans to customers	173,725	18,568	733	193,026
Other financial assets				
Bank deposits	32,706	-	-	32,706
Due from banks	6,758	2,621	508	9,887
Notes receivable	458	-	-	458
Loans to employees	1,018	-	-	1,018
Other loans	3,391	-	-	3,391
Financial assets at fair value through profit or loss	6,168	2,005	17	8,190
Available-for-sale financial assets	32,596	3,489	33	36,118
Held to maturity investments	3,847	6,713	-	10,560
Total financial assets	357,291	74,244	8,623	440,158

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	Russian Ruble	US Dollar	Other	Total
Financial liabilities				
Trade and other financial payables				
Trade payables	24,302	941	332	25,575
Dividend payable	149	-	-	149
Other payables	404	26	-	430
Debt				
Bonds issued	32,698	-	-	32,698
Subordinated debt	2,060	2,437	-	4,497
Debt securities issued	2,265	2,629	-	4,894
Credit facilities	-	6,415	2,925	9,340
Other debt	1,951	750	-	2,701
Banking: Due to banks and CB RF	10,989	653	6,708	18,350
Banking: Customer accounts	142,404	29,724	8,586	180,714
Other short-term liabilities	1,398	-	-	1,398
Total financial liabilities	218,620	43,575	18,551	
Net position	138,671	30,669	(9,928)	159,412

В таблице ниже представлен риск Группы в отношении изменения обменного курса валют по состоянию на 31 декабря 2015 г.:

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	3,422	8,733	118	12,273
Term deposits with original maturity of less than three months	11,299	1,028	-	12,327
Due from banks	-	-	-	-
Restricted cash	318	-	-	318
Accounts receivable				
Trade receivables	36,005	20,487	1,673	58,165
Other financial receivables	4,232	-	2	4,234
Other financial assets				
Bank deposits	17,157	3,211	-	20,368
Notes receivable	1,718	8,059	-	9,777
Loans to employees	1,262	-	-	1,262
Other loans	5,272	308	-	5,580
Financial assets at fair value through profit or loss	1,219	29	-	1,248
Available-for-sale financial assets	23,289	-	-	23,289
Total financial assets				
	105,193	41,855	1,793	148,841
Financial liabilities				
Trade and other financial payables				
Trade payables	25,616	-	2,200	27,816
Dividend payable	133	-	-	133
Other payables	308	272	-	580
Debt				
Credit facilities	-	11,017	4,038	15,055
Other debt	1,738	1,368	-	3,106
Total financial liabilities	27,795	12,657	6,238	46,690
Net balance sheet position	77,398	29,198	(4,445)	102,151

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For the year ended 31 December 2016 recognized RR 17,170 million and RR 20,474 million foreign exchange gains and losses respectively in the consolidated statement of profit or loss and other comprehensive income (2015: RR 39,779 million and RR 37,496 million).

The following table presents sensitivities of profit and loss and equity to changes in US Dollar exchange rates applied at the end of the reporting period relative to Russian Ruble:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
US Dollar strengthening by 10%	3,067	2,453	2,825	2 260
US Dollar weakening by 10%	(3,067)	(2,453)	(2,825)	(2 260)

b) Interest rate risk.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Non-banking operations interest rate risk management

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.

Banking operations interest rate risk management

The majority of the Group's interest rate sensitive banking financial assets and liabilities are at fixed rates. Therefore, the Group's interest rate risk arises primarily from unmatched positions on maturities of assets and liabilities carried at fixed rates.

Management of interest rate risk is performed through analysis of the structure of assets and liabilities by re- pricing dates. Interest rates that are contractually fixed on both assets and liabilities may be renegotiated before any new credit tranche is issued to reflect current market conditions. All new credit products and transactions are assessed in respect of interest rate risk upfront, prior to starting these transactions.

Additionally, as disclosed in the maturity analysis above, the maturity dates applicable to the majority of the Group's assets and liabilities are relatively short-term and that provides the Group with a certain level of flexibility to react to changing market conditions.

The Group's overall interest rate risk is monitored by Assets and liabilities committee ("ALCO") which reviews the structure of assets and liabilities, current and projected interest rates. Treasury departments are responsible for day-to-day management of the interest rate mismatch, preliminary approval of interest rates on projected transactions, preparation and submission for approval suggestions on acceptable interest rate levels by instrument and duration. Risk management departments review current interest rate gaps and assess resulting effects of interest rate risk on the Group's interest margin and economic capital.

The Group's approach to interest rate risk assessment is based on advisory materials of the Basel Committee on Banking Supervision, CB RF regulations and IFRS. The methodology is designed on the current experience of mathematical simulation models of interest rate sensitive assets and liabilities and dynamics of interest rates using the series models, which consider major statistical regularities.

An automated procedure of interest rate risk assessment designed in accordance with the above methodology uses scenario simulation (Monte Carlo simulation) of fluctuations of interest rate sensitive assets and liabilities depending on the model of volume

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and term structure of assets and liabilities. The new methodology provides that interest rate risk, with adequacy confirmed by results of back-testing, is assessed as Value at Risk ("VaR") estimation with 99 percent confidence level for a one-year holding period. The given VaR-estimation of the Group interest rate risk includes the risk of new interest rate, basis risk, yield curve risk and optional risk.

The quantitative estimation of interest rate risk is carried out using stress-models which quantify the change in net interest margin due to fluctuations of interest rate sensitive assets and liabilities. For this purpose the Group identifies interest rate sensitive assets and liabilities and assesses the level of interest rate sensitivity by each asset or liability. The analysis is made by currencies on an annual horizon and is based on certain assumptions in respect of expected fluctuations of interest rates and most sensitive stress scenario. The results are used for on-going interest margin monitoring and regulation and are included in the quarterly report on the Group's consolidated risks.

Interest rate risk analysis on banking and non-banking operations of the Group

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 2 years	From 2 to 5 years	More than 5 years	Non-sensitive	Total
31 December 2016								
Total financial assets	43,011	66,740	63,016	25,130	75,899	40,544	125,818	440,158
Total financial liabilities	33,040	73,097	53,797	11,847	15,040	32,370	61,554	280,746
Net interest sensitivity gap	9,971	(6,356)	9,219	13,283	60,859	8,173	64,264	159,412
31 December 2015								
Total financial assets	11,020	7,887	5,970	4,453	4,291	16,341	98,878	148,841
Total financial liabilities	-	2,983	2,298	2,546	6,552	3,782	28,529	46,690
Net interest sensitivity gap	11,020	4,904	3,672	1,907	(2,261)	12,559	70,349	102,151

The table below summarizes the effective average year end interest rates, by major currencies (US Dollars, Russian Ruble), for financial instruments outstanding as of 31 December 2016 and 2015. The analysis has been prepared on the basis of weighted average effective interest rates for the various financial instruments using year-end contractual terms and conditions.

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	At 31 December 2016		At 31 December 2015	
	Russian Ruble	US Dollar	Russian Ruble	US Dollar
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	2.00%	0.13%	-	-
Term deposits	10.34%	-	10.36%	-
Due from banks	10.30%	2.50%	-	-
Banking: Loans to customers	12.48%	6.64%	-	-
Other financial assets				
Bank deposits	10.83%	6.50%	12.26%	7.17%
Due from banks	12.90%	4.00%	-	-
Notes receivable	0.10%	-	8.15%	2.47%
Loans to employees	3.19%	-	3.95%	-
Other loans	3.75%	6.20%	4.36%	5.90%
Financial assets at fair value through profit or loss	10.81%	5.62%	-	-
Available-for-sale financial assets	9.84%	6.70%	-	-
Held to maturity investments	6.52%	6.51%	-	-
Financial liabilities				
Debt				
Bonds issued	11.33%	-	-	-
Subordinated debt	11.90%	7.95%	-	-
Debt securities issued	8.65%	4.00%	-	-
Credit facilities	-	2.93%	-	2.66%
Other debt	4.77%	2.61%	4.37%	3.52%
Banking: Due to banks and CB RF	10.10%	2.09%	-	-
Banking: Customer accounts	10.15%	2.62%	-	-

The following table presents a sensitivity analysis of interest rate risk on banking and non-banking financial assets and liabilities:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Increase by 100 basis points	(951)	(761)	(188)	(150)
Decrease by 100 basis points	951	761	70	56

c) Commodity and financial instruments price risk

Commodity price risk management

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.

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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.

Financial instruments price risk management

Financial instruments prices risk is the risk that movements in market prices resulting from factors associated with an issuer of financial instruments (specific risk) and general changes in the market prices of financial instruments (general risk) will affect the fair value or future cash flows of a financial instrument and, as a result, the Group's profitability.

Financial instruments prices risk for financial instruments held with in the Group's financial assets at fair value through profit or loss is managed: (a) through maintaining a diversified structure of portfolios; and (b) by setting position limits (i.e. limits restricting the total amount of an investment or maximum mismatch between respective assets and liabilities) as well as stop-loss and call-level limits, in addition to these, the Group sets limits on a maximum duration of debt financial instruments. When necessary the Group establishes margin and collateral requirements.

Financial instruments prices risk is managed primarily through daily mark-to-market procedures, sensitivity analysis and control of limits established for various types of financial instruments.

Financial instruments prices sensitivity is assessed using the VaR method. This is a technique that estimates potential losses that could occur on a risk position as a result of movements in market rates and prices over a specified time horizon and to a given level of confidence. The method is predominantly based on historical simulation models which incorporate the following features: (i) potential market movements calculated with reference to data from the previous two years: (ii) risk is calculated to a 98.5 per cent confidence level: and (iii) risk is calculated for a one-day holding period. The Group uses a VaR model that relies on Monte Carlo simulations.

VaR estimates in respect of financial assets at fair value through profit or loss and available-for-sale financial assets as of 31 December 2016 and 2015 are as follows:

	Year ended 31 December 2016		Year ended 31 December 2015	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Fixed income securities price risk	153	122	-	-
Total price risk	153	122	-	-

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.

Non-banking activities credit risk management

Credit risk arises from cash and cash equivalents, bank 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

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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.

Banking activities credit risk management

The Group takes on exposure to credit risk which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review. Limits on the level of credit risk by product, borrower, group of borrowers and industry sector are described in the Credit Policies, which are approved by Management Boards, and are reviewed on a regular basis. The credit risk exposure is monitored on a regular basis to ensure that the credit limits and credit worthiness guidelines established by the Group's risk management policy are not breached.

The Group is generally exposed to credit risk through its financial assets and contingent liabilities. The Group's maximum exposure to credit risk, ignoring the fair value of any collateral, is generally reflected in the carrying amounts of financial assets in the consolidated statement of financial position. The impact of possible netting of assets and liabilities to reduce potential credit exposure is not significant.

In accordance with the Group's collateral policies and procedures the Group may securitize its loans by multi- collateral, i.e. to take different types of collateral in order to secure the same loan, in these cases the value of collateral taken by the Group may exceed amounts lent to the customer. Therefore, maximum credit risk exposure on such loans is limited to the amount of loan balances outstanding at reporting dates.

For risk management purposes, credit risk arising from positions held-for-trading and other financial instruments at fair value through profit and loss is managed and reported as a market (financial instruments prices) risk.

In order to optimize the decision-making process on taking credit risk the Group established several credit committees with different levels of responsibilities. Credit committees and their level of responsibility in respect of approval of maximum exposures on a borrower or group of related borrowers are as follows:

	Maximum exposure allowed to be approved
Assets and Liabilities Management Committee	More than RR 600 million
Credit committee	RR 600 million
Credit committee on small and medium business borrowers	RR 100 million
Credit committee on retail lending	RR 14 million

Exposure to credit risk is managed through regular analysis of the ability of borrower and potential borrowers to meet interest and principal repayment obligations and by changing these lending limits, where appropriate. Exposure to credit risk is also managed, in part, by obtaining collateral and corporate or personal guarantees. The Group implements a continuous monitoring system of risk factors on substandard loans.

Internal instructions to assess potential borrowers are developed and applied for each segment of lending activities including lending to legal entities, individuals, small and medium-size enterprises and certain others.

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The decision making process within the Group is designed to ensure a thorough risk assessment is performed before any credit risk is taken and on all transactions submitted for approval. Therefore, an initiator of the transaction prepares a resume with a description of the suggested project, ensures (where appropriate) that an independent assessment of the collateral and its quality is performed and forwards all transaction related documentation to the risk management department, which is responsible for the independent risk assessment of the project itself, the transaction structure and the assessment of the adequacy of limits, terms and conditions associated with the transaction. The risk management department formulates its own conclusion on the project, which is submitted for approval along with all other transaction related documents.

The core procedure to assess credit risk associated with corporate lending is the analysis of corporate borrowers' financial statements for the latest available four quarters, their market position, business developments, organizational and functional structure, business cycle and cash flows, transparency of shareholders (owners) as well as reputational risks of the borrowers.

Underwriting procedures with respect to individual borrowers are built to minimize internal costs in order to maximize financial results taking into account potential risks. These procedures are based on certain rating techniques such as scoring methods that allow the minimization of credit risks both on a separate loan and on a portfolio basis. The rating accounts for the financial position of an individual borrower as well as the specifics of each credit product. However, the portion of loans to individuals issued purely using scoring models is still insignificant.

The majority of loans to individuals are approved by specialized credit committees winch include transaction initiators and representatives of units responsible for risk assessment, control and monitoring. Such underwriting procedures allow a flexible combination of formalized techniques and non-formalized knowledge of experts which is adequate for the current retail lending operations and provide a good basis for further development of retail business.

The Group securitizes its credit risk exposure by taking guarantees and collateral.

If a guarantee is taken the Group assesses a guarantor's financial stability and business profile in a similar manner to the assessment of a borrower described above.

The assessment of collateral is performed internally by special divisions responsible for collateral assessment and control. They use several methodologies developed for each type of collateral. Valuations performed by third parties, including independent appraisal firms authorized by the Group, may serve as additional data for such assessment. The Group usually requires collateral to be insured by insurance companies authorized by the Group.

Collateral is not generally held over amounts due to banks, except where securities are held as a part of reverse re-purchase and sale transactions.

The Group measures and monitors credit risk on corporate portfolios by individual corporate exposure and estimates quantitative parameters of credit risk such as expected and unexpected losses on credit exposures. These calculations are based on internal ratings of creditworthiness assigned to each corporate borrower. The internal rating system is regularly updated and developed. The information accumulated over tins period provides a sound ground for assessment of ratings migration and allows the Group to calibrate corresponding parameters of default probability. While the revision of a recovery number in classes of corporate borrowers is performed the historical data on losses is taken into consideration. In the final calculations of losses on loans, liquid and reliable collateral is considered.

The Group uses the following rating categories for the analysis of credit quality of loans to customers:

- Rating I – standard quality transaction: low probability of default on the transaction due to stable financial position of the borrower allowing generation of cash flows sufficient for meeting requirements of analyzed transaction;
- Rating II –stable quality transaction: average probability of default due to acceptable quality of the borrower's cash flows, however, the borrower's financial position and its performance against business plans require closer monitoring;
- Rating III – middle and low quality transaction: middle and high probability of default because of non- stable financial position of the borrower, or the lack of or poor quality of collateral; and
- Rating IV – non-recoverable loans which may be collected through legal procedures, claims to guarantors or realization of collateral but expected results of these collection procedures are uncertain.

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The Group does not enter into transactions with an initial rating of III or IV.

Procedures on subsequent monitoring of credit risk include:

- analysis of actual exposures versus established limits;
- control over compliance with internal policies, procedures, instructions and orders issued by respective management bodies;
- review of corporate borrowers' quarterly financial statements and, where appropriate. actual performance versus business plans;
- control over existence and valuation of collateral taken;
- monitoring of business, economic and political events in order to assess whether these events can negatively affect (a) an industry or a region where the Group's corporate borrowers operate; (b) the reputation of these corporate borrowers and of the Group itself;
- monitoring of macroeconomic parameters in order to assess adequacy of risk assessment associated with corporate lending portfolios and to validate scoring models used for retail lending programs; and
- portfolio analyses showing trends in default rates, concentrations/diversifications by borrowers or groups of borrowers, products, industries, countries, etc.

Attention is paid to improve efficiency of distressed debt collection and to protect the Group against illegal actions. Distressed debt collection procedures are initiated if loans are overdue by more than 30 days. These procedures include the Group's proprietary techniques and the best practices of international and Russian banks in this area such as debt restructuring, searching for evading debtors and their property, claims to property and earnings and actions against lending fraud. Debt collection procedures are performed on the basis of current Russian legislation and international standards in close interaction with legal and law enforcement authorities.

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group applies the same credit policies in making conditional obligations as it does for off-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

The Group also uses several types of limits on amounts due from other banks such as maximum credit exposure on counterparty and on a group of transactions with tins counterparty including lending, purchase and sale of securities, currency and other financial assets if these transactions may cause a credit risk. In order to establish these limits the Group uses credit quality assessment procedures similar to the ones applicable to corporate borrowers discussed above.

Credit risk analysis on banking and non-banking operations of the Group

The following table represents aggregate amounts affecting overall credit risk of the Group as of 31 December 2016:

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	Maximum exposure to credit risk	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	77,106	-	77,106	-	77,106
Restricted cash	3	-	3	-	3
Banking: Mandatory reserves with CB RF	1,988	-	1,988	-	1,988
Accounts receivable	65,707	-	65,707	-	65,707
Banking: Loans to customers	193,026	-	193,026	(162,258)	30,768
Other financial assets	102,328	-	102,328	(6,639)	95,689
Total balance sheet credit risk	440,158	-	440,158	(168,897)	271,261
Loan commitments	24,885	-	24,885	(2,094)	22,791
Guarantees issued	13,869	-	13,869	(5,431)	8,438
Import letters of credit	331	-	331	(161)	170
Total off-balance sheet credit risk	39,085	-	39,085	(7,686)	31,399
Total credit risk	479,243	-	479,243	(176,583)	302,660

The following table represents aggregate amounts affecting overall credit risk of the Group as of 31 December 2015:

	Maximum exposure to credit risk	Offset	Net exposure after offset	Collateral pledged	Net exposure after offset and collateral
Cash and cash equivalents	24,600	-	24,600	-	24,600
Restricted cash	318	-	318	-	318
Accounts receivable	62,399	-	62,399	-	62,399
Other financial assets	61,524	-	61,524	-	61,524
Total credit risk	148,841	-	148,841	-	148,841

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The table below shows credit quality by class of loans to customers as of 31 December 2016:

	Loans to legal entities	Loans to individuals	Total
Neither past due nor impaired			
- rating I	111,316	31,615	142,931
- rating II	17,139	541	17,679
- rating III	-	875	875
- rating IV	-	272	272
Total neither past due nor impaired	128,455	33,302	161,757
Past due but not impaired			
- less than 30 days overdue	285	27	312
- 30 to 90 days overdue	4	40	44
- 91 to 180 days overdue	15	93	108
- 181 to 360 days overdue	2	137	139
- more than 360 days overdue	3	275	278
Total past due but not impaired	309	572	880
Individually impaired			
- not overdue	27,012	-	27,012
- less than 30 days overdue	68	53	121
- 30 to 90 days overdue	233	81	314
- 91 to 180 days overdue	524	186	710
- 181 to 360 days overdue	335	274	609
- more than 360 days overdue	2,104	686	2,790
Less: provision for impairment	(1,030)	(137)	(1,167)
Total loans to customers	158,009	35,017	193,026

The Group uses the following rating categories for the analysis of credit quality of assets other than loans to customers and accounts receivable:

- 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;
- non-investment (speculative) grade ratings classification referred to as Ba1 to C for Moody's Investment Services, as BB+ to B- for Fitch Rating and as BB+ to D for Standard and Poor's Rating, respectively.

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The table below shows credit quality of assets other than loans to customers and accounts receivable as of 31 December 2016:

	Investment grade rating	Non-investment grade rating	Unrated	Total
Cash and cash equivalents				
Cash on hand and in banks	16,014	948	23,885	40,847
Term deposits	-	13,585	9,159	22,744
Due from banks	2,066	-	11,449	13,515
Restricted cash	-	3	-	3
Banking: Mandatory reserves with CB RF	-	-	1,988	1,988
Other financial assets				
Bank deposits	-	32,206	500	32,706
Due from banks	3,447	5,000	1,440	9,887
Notes receivable	-	-	458	458
Other loans	-	-	3,391	3,391
Financial assets at fair value through profit or loss	1,900	3,528	2,762	8,190
Available-for-sale financial assets	2,743	3,208	27,876	33,827
Held to maturity investments	3,774	4,632	2,153	10,560
Past due but not impaired	-	-	-	-
Individually impaired				
Other financial assets				
Bank deposits	-	5,400	-	5,400
Due from banks	-	-	-	-
Notes receivable	-	-	318	318
Loans to employees	-	-	2,494	2,494
Financial assets at fair value through profit or loss	-	-	23	23
Available-for-sale financial assets	-	3,585	-	3,585
Held to maturity investments	-	602	-	602
Less: provision for impairment	-	(7,287)	(1,827)	(9,114)
Total credit risk	29,944	65,412	86,069	181,425

Included in short term bank deposits is RR 5,400 million placed within Tatfondbank. Starting from 15 December 2016 a three-month moratorium on satisfying claims of creditors was imposed on Tatfondbank. DIA has been authorized to perform duties of a temporary administration for a period of six months. Subsequently, in March 2017, by the order of CB RF the license to conduct banking operations was withdrawn from Tatfondbank. At December 31, 2016, the Group created a provision for impairment of deposits placed with Tatfondbank in the amount of RR 5,400 million recognized within short term bank deposits.

The table below shows credit quality of assets other than loans to customers and accounts receivable as of 31 December 2015:

	Investment grade rating	Non-investment grade rating	Unrated	Total
Cash and cash equivalents				
Cash on hand and in banks	1,758	9,053	1,462	12,273
Term deposits	-	4,758	7,569	12,327
Restricted cash	-	211	107	318
Other financial assets				
Bank deposits	-	17,204	3,164	20,368
Notes receivable	-	9,242	535	9,777
Other loans	-	-	5,580	5,580
Financial assets at fair value through profit or loss	-	117	1,131	1,248
Available-for-sale financial assets	-	-	20,988	20,988
Past due but not impaired	-	-	-	-
Individually impaired				
Other financial assets				
Notes receivable	-	-	318	318
Loans to employees	-	-	2,676	2,676
Other loans	-	-	23	23
Available-for-sale financial assets	-	3,585	-	3,585
Less: provision for impairment		(1,285)	(1,755)	(3,040)
Total credit risk	1,758	42,885	41,798	86,441
Итого кредитный риск	1 758	42 885	41 798	86 441

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Non-banking operations liquidity risk management

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.

Banking operations liquidity risk management

It is unusual for banks ever to be completely matched on maturities of assets and liabilities since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

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The Group's approach to liquidity management is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both ordinary and stressed conditions, without incurring unacceptable losses or damaging the Group's reputation.

The Group endeavors to maintain a stable and diversified funding base including core corporate and individual customer accounts; short-, medium- and long-term loans from other banks; promissory notes and bonds issued. On the other hand, the Group tends to keep diversified portfolios of liquid and highly liquid assets in order to be able to settle unforeseen liquidity requirements in an efficient and timely manner.

Key parameters in liquidity risk management such as the structure of assets and liabilities, composition of liquid assets and acceptable liquidity risks are established by ALCO. ALCO sets and reviews limits on liquidity gaps which are assessed on the basis of liquidity stress-tests in regard to medium- and long-term liquidity. These tests are performed using the following information:

- current structure of assets and liabilities including any known renewal arrangements as at the date of the respective test;
- amounts, maturity and liquidity profiles of transactions projected by business units;
- current and projected characteristics of liquid assets which include, apart from cash and cash equivalents, amounts due from other banks and certain financial assets held-for-trading; and
- relevant external factors.

The resulting models allow for the assessment of future expected cash flows due to projected future business and different crisis scenarios. While managing liquidity risk treasury departments of the Group distinguish liquidity required within a current business day and term liquidity with a 1-year horizon. For managing current liquidity (with a 1-day horizon) the following methods are used:

- reallocation of cash between accounts with other banks;
- collection of information from business and other supporting units on large transactions (both proprietary and customer based);
- purchase and sale of certain financial assets in liquid portfolios;
- accelerating closure of trade positions;
- estimation of minimum expected cash inflow during a business day; and
- daily control over the balance of cash and estimated liabilities to be settled on demand.

For managing term liquidity treasury departments of the Group use liquidity graphs that reflect volume and time of liquidity mismatches (surpluses or deficiencies). These liquidity graphs, in essence, present projected cash flows estimated with due regard for expected maturities of assets and liabilities. The Group sets limits on acceptable accumulated liquidity mismatches which are calculated by using the following instruments:

- discounts to assets are applied to recognize market risk in case of accelerated realization of respective assets; and
- models showing cash flow fluctuations due to accelerated settlement of liabilities.

In the normal course of business, liquidity reports covering the current and projected structure of assets and liabilities as well as future expected cash flows are submitted to ALCO once every two weeks. Decisions on liquidity management made by ALCO are implemented by treasury departments within their duties and responsibilities, in addition to this, ALCO reviews and approves model of maturity for the minimum required daily balances of current accounts by currencies on the basis of analysis of historical dynamics.

Liquidity analysis for banking and non-banking operations of the Group

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments as of 31 December 2016:

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	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities					
Trade and other financial payables					
Trade payables	25,575	-	-	-	25,575
Dividend payable	149	-	-	-	149
Other payables	430	-	-	-	430
Debt					
Bonds issued	9,471	8,734	13,866	23,146	55,217
Subordinated debt	223	224	3,940	1,552	5,939
Debt securities issued	4,713	94	36	29	4,872
Credit facilities	9,781	-	-	-	9,781
Other debt	1,224	219	1,173	625	3,241
Banking: Due to banks and CB RF	5,551	9,369	6,240	-	21,160
Banking: Customer accounts	200,234	8,728	8,183	-	217,145
Other short-term liabilities	1,398	-	-	-	1,398
Credit related commitments (Note 27)	26,127	5,465	6,231	1,262	39,085
Total	284,876	32,833	39,669	26,614	383,992

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments as of 31 December 2015:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
Financial liabilities					
Trade and other financial payables					
Trade payables	27,816	-	-	-	27,816
Dividend payable	133	-	-	-	133
Other payables	580	-	-	-	580
Debt					
Credit facilities	5,289	3,138	5,576	3,782	17,786
Other debt	738	-	1,758	144	2,640
Total	34,557	3,138	7,334	3,926	48,955

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.

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IN MILLIONS OF RUSSIAN ROUBLES

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 2016				At 31 December 2015			
	Level 1	Level 2	Fair value Level 3	Carrying value	Level 1	Level 2	Fair value Level 3	Carrying value
Financial assets at fair value through profit or loss	7,759	-	431	8,190	803	-	445	1,248
Available-for-sale financial assets	9,509	2,300	24,309	36,118	-	3,504	19,785	23,289
Total	17,268	2,300	24,740	44,308	803	3,504	20,230	24,537

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 2016 and 2015:

	Fair value hierarchy	Valuation technique and key input data
Available-for-sale financial assets	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach Publicly available information, comparable market prices

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the year ended 31 December 2016 (2015: 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 2016				At 31 December 2015			
	Level 1	Level 2	Fair value Level 3	Carrying value	Level 1	Level 2	Fair value Level 3	Carrying value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	-	40,847	-	40,847	12,273	-	-	12,273
Term deposits	-	22,744	-	22,744	12,327	-	-	12,327
Due from banks	-	13,515	-	13,515	-	-	-	-
Restricted cash	-	3	-	3	318	-	-	318
Banking: Mandatory reserve deposits with CB RF	-	-	1,988	1,988	-	-	-	-
Accounts receivable								
Trade receivables	-	-	61,467	61,467	-	-	58,165	58,165
Other financial receivables	-	-	4,240	4,240	-	-	4,234	4,234
Banking: Loans to customers	-	-	193,026	193,026	-	-	-	-
Other financial assets								
Bank deposits	-	32,706	-	32,706	-	-	20,161	20,368
Due from banks	-	9,887	-	9,887	-	-	-	-
Notes receivable	-	-	458	458	-	-	9,518	9,777
Loans to employees	-	-	1,018	1,018	-	-	1,262	1,262
Other loans	-	-	3,391	3,391	-	-	5,162	5,580
Held to maturity investments	10,560	-	-	10,560	-	-	-	-
Total financial assets	10,560	119,702	265,588	395,850	24,918	-	98,502	124,304
Trade and other financial payables								
Trade payables	-	-	25,575	25,575	-	-	27,816	27,816
Dividend payable	-	-	149	149	-	-	133	133
Other payables	-	-	430	430	-	-	580	580
Debt								
Bonds issued	32,698	-	-	32,698	-	-	-	-
Subordinated debt	-	-	4,497	4,497	-	-	-	-
Debt securities issued	-	-	4,894	4,894	-	-	-	-
Credit facilities	-	-	9,340	9,340	-	-	13,744	15,055
Other debt	-	-	2,701	2,701	-	-	3,106	3,106
Due to banks and CB RF	-	18,350	-	18,350	-	-	-	-
Customer accounts	-	180,714	-	180,714	-	-	-	-
Other liabilities	-	-	1,398	1,398	-	-	-	-
Total financial liabilities	32,698	199,064	48,984	280,746	-	-	45,379	46,690

The carrying amounts of financial assets and liabilities carried at amortized cost approximates their fair values.

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

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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 defines capital under management as equity as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2016 was RR 703,511 million (2015: RR 628,314 million). The Group manages capital for banking and non-banking operations separately.

Non-banking operations capital management

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.

	Year ended 31 December 2016	Year ended 31 December 2015
Consolidated total borrowings excluding borrowings of Bank ZENIT:	12,301	18,421
Credit facilities	9,340	15,055
Other debt	2,701	3,106
Notes payable	260	260
Consolidated shareholders’ equity	703,511	628,314
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders’ equity)	2%	3%

Banking operations capital management

The Group’s policy on capital management is to maintain a strong capital base in order to support further business development of the Group and to satisfy requirements set by regulatory authorities.

The Group has been developing procedures for the economic capital calculation on the basis of best international risk management practices.

The CB RF establishes and controls capital adequacy requirements.

The Group also monitors capital requirements set by the CB RF for credit institutions. Under the current capital requirements banks have to maintain a ratios of capital to risk-weighted assets (“statutory capital ratios”) above the prescribed minimum levels. The CB RF sets the following mandatory capital ratios requirements for core capital, Tier 1 and total capital: 4.5%, 6% and 8% respectively. As of 31 December 2016 and during the period from Bank ZENIT acquisition till 31 December 2016 the Group complied with the statutory requirements related to the capital ratio.

In September 2015 Bank ZENIT received five subordinated loans totalling RR 9,933 million from DIA within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements DIA paid these loans by securities (OFZ of five series), that should be returned upon maturity of the subordinated loans. These subordinated loans mature from January 2025 to November 2034 and bear interest equal to OFZ coupon rate plus 1%. In accordance with IAS 39 "Financial Instruments: Recognition and Measurement" if securities are loaned under an agreement to return them to the transferor, they are not derecognized because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognized. Therefore, OFZ

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and the subordinated loan received from DIA are not recognized within assets and liabilities in the consolidated statement of financial position. In accordance with the Bank of Russia’s Regulation No. 395-P these subordinated loans accounted for in capital adequacy ratio calculation in accordance with Bank of Russia’s Regulation No. 395-P.

NOTE 31: SUBSEQUENT EVENTS

On 7 March 2017, the Central Bank of Russian Federation registered an additional issuance of 14 billion of PJSC “Bank ZENIT” ordinary shares with par value of RR 1 per share. The additional shares issuance will be placed via closed subscription in favour of PJSC “Tatneft”. As a result of this transaction, after giving effect to PJSC “Bank ZENIT” new share issuance, the Group’s share in PJSC “Bank ZENIT” will increase to 71.12%.

SOCIAL RESPONSIBILITY

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 collabora-tion 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 as-sessment 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 in the southeast of the Republic of Tatarstan	Program on health care support	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:

- 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”
- Social Articles of the Russian Business Community.
- In general, the Report for 2016 con-tains standard elements of GRI Guideline version G4 reporting.

In addition to the Guideline, GRI Oil and Gas Sector Supple-ment 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 complemented 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.

CORPORATE STANDARDS AND REGULATIONS FOR INTERACTION WITH STAKEHOLDERS

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.
	Corporate culture code of the TATNEFT Company
	HR management policy
Employees	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
Trade Union	Provisions on the allocation of loans for private housing construction or participation in joint housing construction (with other entities involved in housing construction)
	Standard for the Collective Agreement
Veterans and Pensioners	Provisions on the workplace protection committee (commission)
	Workplace protection agreement
	Provisions on the arrangement of non-governmental pension provision for employees

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
	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
Consumers	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
Local Communities and Public Organizations	Rules of the TATNEFT Company's trade practice in respect of diesel fuel realization in the Russian Federation
	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

INTERACTION WITH 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 (RNKMNS)

SOCIAL RESPONSIBILITY

REGISTRY OF CORPORATE SOCIAL PROJECTS OF 2016

In many cities and towns of the southeast of the Republic, Tatneft's enterprises are city-forming. In Almetyevsk, Leninogorsk, Aznakaevo, Bavly, Jalil, Yelabuga and other towns of the enterprise PJSC TATNEFT provides tens of thousands of people with modern jobs, a decent salary, forming the main part of the local budget, which allows full and timely payment of pensions and salaries for those employed in the budgetary sphere.

Following the principles of corporate social responsibility, TATNEFT annually makes a weighty contribution to improving the quality of life of residents of the Republic of Tatarstan. Social programs of the Company are regular and well-planned.

Lines of Social Investments	Projects	Places of implementation
Program on infrastructure development in cities and settlements	Wedding Palace construction	Leninogorsk
	Repair of the roof in multiple flat buildings	Nurla
	Purchase of utility machinery	Urussu urban-type settlement of Yutaza municipal district, Bugulma municipal district
	Overhaul of housefronts and square reconstruction	Aznakaevo
	Repair of urban streets and roads	Almetyevsk and Almetyevsk municipal district, Aznakaevo, Bavly, Leninogorsk, Urussu urban-type settlement of Yutaza municipal district Leninogorsk, Bugulma municipal district
	Improvement of inner areas adjacent to houses	Almetyevsk, Leninogorsk, Karabash urban-type settlement of Bugulma municipal district, Bugulma municipal district
	Overhaul of the central park, water supply and disposal system	Bugulma municipal district
	Construction of squares	Bugulma municipal district
	Organization and holding of physical education and recreational events	oil region of the Republic of Tatarstan
	Support for the adolescent and juvenile boxing, wrestling, volleyball, karate, figure skating, equestrian sports	Oil region of the Republic of Tatarstan
Program on development of popular sports and physical culture in oil region of the Republic of Tatarstan	Sports center construction	Nizhnaya Maktama urban-type settlement (Alnetyevsk)
	Cycling trek construction	Almetyevsk
	Reconstruction of the 'Jubileyny' Ice Sports Palace	Almetyevsk
	Construction of an ice sports palace	Aznakaevo, Leninogorsk
	Construction of multipurpose sports hall with a swimming pool	Almetyevsk, Agryz
	Construction of a tennis court	Jalil urban-type settlement of Sarman municipal district
	Reconstruction and repair of stadiums	Almetyevsk, Aznakaevo, Leninogorsk, Chistopol, Jalil urban-type settlement of Sarman municipal district
	Establishment of ice hockey rinks with changing rooms and lighting	Almetyevsk, Alkeev, Atna municipal districts
	Preparation of five sites in squares and parks for the free "Green Fitness" – dancing exercises, yoga, Zumba, calanetics and a number of other sports activities	Almetyevsk
	Furnishing of apartments acquired by social mortgage	oil region of the Republic of Tatarstan
Program on housing improvement	Provision of loans for employees to cover the first installment under the social mortgage program	oil region of the Republic of Tatarstan

The Corporate Calendar of the Company's Events for 2016 is detailed on the corporate website tatneft.ru

Culture Support Program	Construction of a hotel with a bath complex - an analogue of the historical White Chamber of Bulgar of the XIV century	
	Construction of an art gallery	Almetyevsk
	Construction of children's art school	Novosheshminsk village
	Construction of Civil Registry Office	Novosheshminsk village
	Overhaul and equipment of the Culture House	Cheremshan, Yersubaykino
	Support of the CH "Neftche" and the Drama Theater	Almetyevsk
	Conducting cultural events, celebrating of the Victory Day and Sabantuy	oil region of the Republic of Tatarstan
	"Cultural Environment" pilot project was launched, aimed at developing of an active creative urban environment	Almetyevsk
Program on the social guarantees provided for the personnel	Collective Agreement	oil region of the Republic of Tatarstan
	Program on non-governmental pension provision	oil region of the Republic of Tatarstan
Program on sup- port for veterans and handicapped people	Purchase of equipment for handicapped people	Almetyevsk
	Payment for the utility services for the local communities of handicapped people	Almetyevsk
	Repair of the premises of the boarding houses for the elderly and disabled	Jalil Sarman district, Aznakaevo, Nurlat Municipal Districts
	Financial aid to war veterans, widows, rear workers of the oil region of the Republic of Tatarstan	oil region of the Republic of Tatarstan
	Various activities for people with disabilities	oil region of the Republic of Tatarstan
Program on health care support in the southeast of the republic	Overhaul of the Central District Hospital	Almetyevsk
	Purchase of medical equipment	Medical Sanitary Station of PJSC TATNEFT and Almetyevsk
	Design work on the reconstruction of a pediatric hospital	Children's hospital with perinatal center in Almetyevsk
	Construction of a radiotherapy complex in the oncologic dispensary	Almetyevsk
	Acquisition of medical clothing and surgical underwear for medical institu- tions	oil region of the Republic of Tatarstan
	Implementation of the "Winter Without Cold" Municipal Project	Almetyevsk
Program on maternity and childhood welfare	Health improvement for children of employees in the budgetary sphere in recreation camps of the oil region of RT	oil region of RT
	Overhaul of a kindergarten	Bugulma
	Overhaul of seven kindergartens	Almetyevsk
	Overhaul of secondary schools, gymnasiums and lyceums	Almetyevsk, Aznakaevo, Nurlat, Cheremshan municipal districts
	Installation of 30 children's playgrounds in the courtyards of the city. Instal- lation of 5 children's playgrounds in the courtyards of the village	Almetyevsk, Sarmanovo village
Program on education support	Almetyevsk State Oil Institute modernization and re-equipment	Almetyevsk
	Acquisition of equipment, inventory for the dining rooms of the Almetyevsk State Oil Institute	Almetyevsk
	Repair of the student hostel	Almetyevsk
	The completed satchels and sports suits for multi-child families and low- income families were acquired within the framework of the campaign "Help to Be Going to School"	Almetyevsk
	Reconstruction of the central library	Almetyevsk
	Repair of the roof of Youth Sports School building	Bugulma
	Repair of the children's health camp "Rodnichok"	Leninogorsk orphan asylum
	Acquisition of a playground for orphaned children	Laishevo Boarding School
	Participation in the implementation of the "Day5" project	Almetyevsk

Program on occupa- tional safety	Workplaces assessment	oil region of the Republic of Tatarstan
	Acquisition of coveralls	oil region of the Republic of Tatarstan
Agricultural Support Program	Allocation of funds for agriculture development	Almetyevsk municipal district
Large-scale environ- mental program	Creation of green zones, parks and avenues	oil region of the Republic of Tatarstan
	Construction of a park	Novosheshminsk village
	Improvement of the park zone	Aznakaevo
	Improvement of the central city park	Nizhnekamsk
	Landscaping and planting of greenery in the park and the Central Park	Bavly
	Landscaping of the park and the central park	Chuvashskoe village, Sirenkino of Alme- tyevsk district
	Reconstruction of water bodies (lakes)	Sosnovka village, Almetyevsk municipal district, Leninogorsk
	Normalization of the reservoirs, Chernaya River Banking	Almetyevsk, Aznakaevo
	Construction of water reservoirs	Aznakaevo, Bavly, Nurlat municipal district
	Provision of clean drinking water	oil region of the Republic of Tatarstan
Program of spiritual revival	A charitable aid was allocated for the organization of the Hajj in the Kingdom of Saudi Arabia for Muslims with limited material resources, for holding the Republican Iftar (rendition), for the implementation of the plan of activities of the Strategic Vision Group "Russia - Islamic World"; on the restoration of the Cathedral of the Kazan Icon of the Mother of God	Spiritual Administration of Muslims of the Republic of Tatarstan, Kazan
	The company takes part in the re-creation of the Bulgarian Islamic Acad- emy	Bolgar, Spassky municipal district.
	Charity aid was provided to muhtasibat	Almetyevsk, Aktanysh, Bugulma municipal districts
	Funds were allocated for capital repairs of the roof of the building of Kazan Cathedral	Almetyevsk
	Funds were allocated for the reconstruction of the church	New Mikhailovka village Almetyevsk
	Cemeteries improvement	Bigash village, Kichuchatovo village, Alme- tyevsk
	Construction of a church	Aznakaevo
	Construction of an Orthodox church	Alexandrovka
	Construction of a mosque	Middle Kashir, Sarmanovo district

Part of the large-scale work on social development of the region was the grant system introduced by Tatneft this year. Through it, funds have been allocated for the implementation of social initiatives aimed at addressing the pressing problems of the region.

In 2016 the grant committee considered about 70 projects from different regions of Tatarstan in the categories “Social Sphere”, “Citizenship and Patriotism”, “Culture and Art” and “Sport”, 28 of them received financial aid from the Tatneft Company.

Social programs on the territory of production activities of PJSC TATNEFT continue to develop actively, they have been and will be in the sphere of the Company's responsibility.

COLLECTIVE AGREEMENT

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 2016, the Company made amendments and changed size of payments for the following:

- Financial aid for employees having parental leave and caring for children aged 1.5-3.
- Financial aid at child birth or adoption of a child under 14;
- Financial aid for young employers in connection with the first marriage;
- Financial aid for employees and pensioners in connection with their jubilee;
- One-time payment in connection with annual leave;
- Financial aid for retiring employees;
- Financial aid for families of late employees (pensioners) to cover funeral-related expenditures;
- Financial aid for an employee having dependent disabled children under 18.

SOCIAL BENEFITS UNDER THE COLLECTIVE AGREEMENT

Main 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;
- 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 was employed in PJSC TATNEFT;

Main 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.

OUTREACH OF YOUNG PEOPLE

The youth policy of PJSC TATNEFT covers research and production, creative, social, cultural, popular, information, sports and other spheres.

The total number of young employees of the Tatneft Group is more than 28,000, including 7,340 employees of structural divisions, and 20,660 young employees of subsidiaries and oil services.

In 2016, the Corporate Youth Organization implemented a number of new projects aimed at increasing the effectiveness of organizing work with young people, reducing inefficient costs, increasing the involvement of young people in scientific creative and rationalization work.

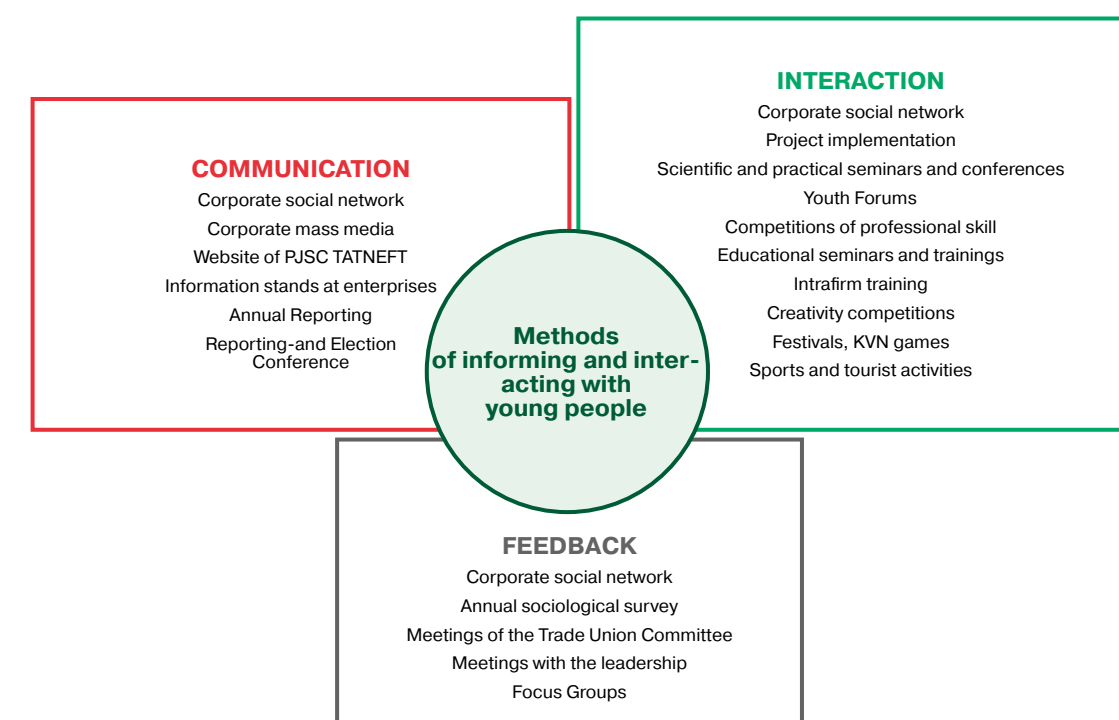
Activities carried out by the Youth Organization that contribute to the process of youth adaptation in the workplace, and the disclosure of their talents: School of Youth Leader, School of Production Management, scientific and practical conferences and seminars, trainings from leading Russian business trainers, intellectual games, youth sports days, games of the corporate League of KVN, charity events and much more.

Great attention shall be paid to cooperation with the student community. In 2016, the Company Tatneft acted as the organizer of the championship in solving engineering cases Case-in at the All-Russian level in the oil and gas field. Students of 14 oil and gas higher education institutions – Gubkin Russian State University of Oil and Gas, Almeteyevsk State Oil Institute, Kazan (Privolzhsky) Federal University, Russian State Geological Prospecting University named after Sergo Ordzhonikidze have participated in the championship. In general, taking into account a selection stage about 350 students have participated in our intellectual competitions.

In November, 2016 the team of young specialists of PJSC TATNEFT has taken part in Youth day of the V International Forum on Energy Efficiency and Development of Power ENES 2016.

In total during 2016 young employers have submitted 17 000 innovation proposals, 80 patents were taken out. The company relies on young talents, creating conditions for professional and career growth. In 2016, 1,300 young workers raised their category and over 900 were promoted.

In December 2016, the Strategy for the Development of the Youth Organization of PJSC TATNEFT for 2017-2021 was approved, according to which the development of young leaders and young talents becomes the main vectors of work with young people.



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 2016, the number of the PJSC TATNEFT, employees that joined the non-governmental pension provision program amounted to 8 600 people.

The number of pensioners of PJSC TATNEFT receiving a non-governmental pension is 9 833 pensioners.

In the reporting year, Company allocated RUB 147,608 for the non-governmental pension provision. In 2016, the non-governmental pension payments for PJSC TATNEFT's pensioners through the National Non-governmental Pension Fund were amounted to RUB 212,383.

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. Annually each employee of the Company receives the notice on a condition of a personalized pension account. The main partner of PJSC TATNEFT for the implementation of the corporate pension program is the National Non-Governmental Pension Fund (NNPF) - one of the largest interindustry non-state pension fund of our country (it is included in the top ten of more than 150 Russian non-state pension funds).

HIGH-TECH MEDICAL CARE

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 Almet'yevsk for delivering of the 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.

Annually since 2008 for the Medical Unit there are allocated state quotas for high-tech operations to residents of 10 districts of the southeast of the Republic of Tatarstan in the areas of Cardiovascular Surgery, Orthopaedics & Traumatology and Neurosurgery.

In 2016 for the implementation of the state order, financial resources were allocated for the implementation of the High-Tech Medical Care for residents of the southeast of the Republic of Tatarstan in the amount of 207.6 million Rubles. Additionally PJSC TATNEFT allocated 29.5 million Rubles for the implementation of 160 coronary angiography and 160 operations of stenting of the coronary arteries in acute myocardial infarction.

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 2016, the total number of insured employees made up 21 618 people, RUB 236,7 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 SANATORIUM AND RESORT VACATION OF EMPLOYERS

The balance of structural divisions and subsidiaries of PJSC TATNEFT contains 11 Health and Recreation Resorts. During 2016, 3,618 employees of the Company rested and strengthened their health in medical institutions. And 339 employees visited Health and Recreation Resorts of the Republic of Tatarstan and the Russian Federation.

In a number of resorts of the Company, a preferential category of Russian citizens, children and citizens are treated, which, according to the doctors, need rehabilitation treatment.

Within the contract on voluntary health insurance employees of the structural divisions of PJSC TATNEFT occupied at works with harmful and (or) dangerous production factors will undergo sanatorium improvement in Health and Recreation Resorts of PJSC TATNEFT.

PJSC TATNEFT took part in the XVI All-Russian forum «Health resort-2016» (Kazan). In the competition held within the framework of the forum, the Company's social facilities were awarded with medals and diplomas.



HOUSING POLICY

PJSC TATNEFT is an active participant and the main payer of the housing construction program on the social mortgages in the Republic of Tatarstan. In 2016, 6 residential buildings were put into operation. This is 802 apartments with total area of 54,1 thousand m² amounted to RUB 1.5 billion.

In 2016 the initial contribution amounted to RUB 102.6 million was paid instead of employers of structure units. 30% of the apartments are allocated to young families. The number of persons interested to furnish apartments has made 32 persons. 10 million Rubles are directed to these families to acquisition of furniture. Under the "Rental Housing" program, two houses (228 apartments with a total area of 11.5 thousand m²) were put into operation in the cities of Almetyevsk and Nizhnekamsk for temporary residence of employers with low incomes. Apartments are fully equipped with furniture, household appliances and accessories.

In 2017 the construction of houses will be continued under the social mortgage program. It is planned to put into operation 9 multi-apartment houses (1,033 apartments) in 2017 according to the housing construction program.

Construction of 40 individual houses was initiated in urban-type settlement Karabash (with total area of 74.4 thousand m² amounted to RUB 2.3 billion).



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 2 736 beds. All recreation camps offer cozy and modern blocks, gyms, playgrounds, swimming pools, proper equipment and assistance of well-trained staff.

In accordance with the decision of the General Director of PJSC TATNEFT, N.U. Maganov, in 2016, similarly to the last year, the program for military-patriotic education of children was organized in children's recreation camps of the Tatneft Company. Activities carried out by mobile groups of the Center of assistance and development of patriotic and sports education of youth "Sons of the Fatherland", Moscow.

For the purpose of early vocational guidance of schoolchildren, children's camps together with the youth committees of the enterprises of the Tatneft Group are developing thematic exhibitions, including activities in the recreation program that tell about the work of oilmen, and other working professions. Excursions on production objects of the Company will be organized.

In the program of rest of children's camps are included also sports actions with delivery of GTO norms. Ecological classes, lectures of medical workers, classes on traffic rules and many other things are conducted.

Over the past three years, the number of children covered by summer holidays has increased by 2,500 children due to the annual construction of additional sleeping buildings for children's camps, as well as major repairs of existing buildings.

In 2016, in accordance with the program for the improvement of children in the children's health camps of the Company, 11,709 children rested for four shifts.

INVOLVEMENT OF EMPLOYEES IN SPORTS AND HEALTHY LIFESTYLE

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 and 91 teenage hockey clubs were taken under control by efforts of the Company Funds for purchase of hockey kits for the teenage clubs' teams and remuneration for coaches and staff maintaining the hockey rinks are allocated annually. In general, more than 5.0 thousand adolescents involved in teenage clubs and hockey sections at the place of residence. Tournaments are held between courtyard hockey teams for the prizes of the Joint-Stock Company Tatneft, as well as prizes of the "Oil and Life" magazine. Since 2011, hockey competitions have been held among amateur teams of PJSC TATNEFT.

Sport centers are provided for sports activities, within the national idea of promotion of a healthy lifestyle, for workers of oil country in the cities of the southeast of Tatarstan.

In 2016, the ski complex of PJSC TATNEFT was visited by more than 36 thousand people.

In summertime, the Company gives to employees an opportunity to enjoy active recreation together with the families on the recreation facilities located on banks of the Kama River and Karabash Reservoir. In 2016, about 13 thousand employees and their families rested on summer camps.

In 2016, the XXIX Corporate Sports Games of PJSC TATNEFT took place, in which more than 10 thousand employees took part. Competitions were held in 12 kinds of sports. RUB 8.03 million was allocated for the arrangement of the Spartakiada in 2016.

DEVELOPMENT OF EQUESTRIAN SPORT

At present, Tatneft is implementing the program "Development of Equestrian Sport and Horse Breeding in the Southeast of the Republic of Tatarstan for 2016-2020".

In the fourth quarter of 2016 competitions were held on equestrian sports (competitions, dressage) at the Equestrian Sports School Centaur of the oil and gas production department Prikamneft, the Equestrian sports school of the Aznakayevskneft oil and gas production department and the municipal autonomous supplementary education institution "Children's Youth Sports School for Equestrian Sports" of Almetyevsk municipal district. In 2016, the cosmetic repair was carried out, as well as allocated funds for the organization and prize fund of the competitions were allocated for the above schools with the purpose of organizing and conducting equestrian competitions. In the future, regular competitions will be held in these schools.

One of the tasks of 2017 is the construction and organization of a complex of mini stables for keeping ponies in each children's health camp of PJSC TATNEFT, in order to attract resting children to communicate with horses, instilling love for horses and equestrian sports. 26 heads of Scottish breed ponies have already been acquired for these purposes.

One of the directions is the breeding of horses of purebred riding English breed in the Republic of Tatarstan. This direction is being developed by the Tatneft company on the basis of the Nurlatsky stud farm. Currently, there are more than 50 horses of this elite breed. This is a horse race that has a tendency in recent years in our country, first of all, thanks to the established and annually played prizes of the President of the Russian Federation. Thus, the Company relies on the development of horse breeding in the territory of our republic.

ACTIVITY OF THE TRADE UNION ORGANIZATION

The conscientious work of the collective of PJSC TATNEFT, the consistent implementation of measures to preserve the financial and economic sustainability of the company, allowed the fulfillment of the obligations of the PJSC TATNEFT Collective Agreement during 2016.

At the same time, the achieved level of social protection of employees, including youth, and non-working pensioners of the Company is ensured, including voluntary medical insurance, housing construction under the mortgage lending program, organization of summer recreation for children of employees, pensions, so on.

The Trade Union Committee of PJSC TATNEFT, its primary trade union organizations on the basis of the Federal Law “On Trade Unions, Their Rights and Guarantees of Activities”, the Labor Code of the Russian Federation, the Collective Agreement provide:

- Representation and protection of social and labor rights
- and interests of trade union members;
- Control over compliance with labor legislation of the Russian Federation;
- Organization of sports and health and cultural-mass work in labor collectives.

The administration and the Trade Union Committee of PJSC TATNEFT organized and conducted:

- the conference of the labor collective of PJSC TATNEFT, where the Collective Agreement of the Company for 2016 was signed;
- a meeting of the permanent labor safety commissions of PJSC TATNEFT and the Industrial Engineering Complex, its structural divisions and subsidiaries following the results of work in 2016.

The interregional Trade Union Organization of PJSC TATNEFT has 142,894 members of the trade union, consists of 92,466 employed, 44,831 unemployed pensioners, 5,597 students of AGNI, APT, LNT and BMT, and 31,550 young workers. Primary associations, primary trade union organizations in the number of 167 entities operate in structural divisions, service management companies and subsidiaries located in Tatarstan and beyond, and 4 entities are students of AGNI, APT, LNT and BMT.

The qualitative composition of the active Trade Unionists, numbering 13,861 people, includes: 171 heads of primary Trade Unions, 636 chairmen of Trade Union Committees, 2,747 Trade Union groups, 1,417 members of Trade Union Committees, 2,544 members of all Trade Union Committees and 440 members of the revision commissions of primary Trade Unions, 3,161 members of Trade Union Committees and 2,745 labor protection commissioners.

Admission to the Trade Union is carried out on a voluntary basis, on the basis of a personal application of the employee. For newly-admitted employees, explanatory work is carried out, the Trade Union Committee informs about the activities of the Trade Union, sections of the collective agreement, and shall be revealed the employee's inclination to social activities, sports and other interests.

The work of the Trade Union Committee of PJSC TATNEFT, consisting of 51 members of the Trade Union, was conducted according to the approved annual plan in full accordance with the Trade Union's Charter, the requirements of higher Trade Union bodies, the Federal Law “On Trade Unions, their Rights and Guarantees of Activities” and the Labor Code of the Russian Federation.

9 commissions were created for goal-oriented control over fulfillment of the liabilities stipulated in the Collective Agreement:

- commission on social and economic protection of trade union members;
- legal protection commission;
- workplace protection commission;
- mass organization commission;
- housing and public services commission;
- public catering control commission;
- culture, sports and health commission;
- young people's affairs commission;
- commission for labor and the Great Patriotic War veterans.

In order to control the fulfillment of obligations of collective agreements, the chairman of the trade union committee of PJSC “Tatneft” G.K. Yarullin and his deputies, the chairpersons of the Trade Union Committees of the enterprises regularly visited workplaces, got acquainted with the working and living conditions, met with the collectives of the shops and brigades.

Information on cooperation of the administration and the Trade Union Organization of PJSC TATNEFT for implementation of the Collective Agreement in due time was led up to workers and the public during visits of jobs through corporate and republican media, the NGSP inform all-Russian magazine, the monthly newsletter of trade-union committee of PJSC TATNEFT “Tribune”, the electronic portal – corporate social network.

During the year, the Trade Union Committee of PJSC TATNEFT from the primary Trade Unions consolidated proposals on improving the provisions of the Collective Agreement for discussion at the Conciliation Commission.

The Trade Union Committee organizes cultural-mass and sports-recreational activities during the winter races for the two-day recreation centers of PJSC TATNEFT.

The Trade Union Committees organize “Health Days”, concert programs for employees and their families from May to September in the city park named after the 60th anniversary of Tatarstan's oil.

Trade Union Committees organizes rest for employees of the enterprises in Health and Recreation Resorts of PJSC TATNEFT and beyond. They carry out Christmas parties for the children of employees of enterprises. They organize a visit to lectures and concerts for members of the Trade Union.

Representatives of the Trade Union of PJSC TATNEFT took an active part in the meetings of the Russian Council Presidium and Plenums of the Neftegazstroyprofsoyuz, seminars and meetings of the International Trade Union Confederation, meetings of the Federation of Trade Unions of the Republic of Tatarstan and meetings at the enterprises of the Tatneft Production Group.

Trade Union employees are routinely involved in conducting of preventive measures for labor protection and summarizing the results of competitions:

- “For Maintenance of an Esthetic Condition of the Equipped Springs and Improvement of Water Quality”;
- “Best Recreation Camp of Structural Divisions and Subsidiaries”.

The meetings of the conciliation commission for the development of the Collective Agreement of PJSC TATNEFT for 2017 were organized and held, where the proposals of the company's employees were announced for the purpose of entering into a Collective Agreement for their financial evaluation.

MPO PJSC TATNEFT on the principles of social partnership takes an active part in the formation of the social strategy of PJSC TATNEFT.

In July 2016, the administration and the Trade Union Committee of PJSC TATNEFT organized a festival of children's health camps at a high organizational level, attended by more than 1,000 children from all 13 children's health camps of the Tatneft Company.

In 2016, in the review competition of children's health camps of the Neftegazstroyprofsoyuz of Russia, the Yunost children's health camps of NGDU Almeteyevneft, Landysh children's health camps and Yubileyny children's health camps of NGDU Leninogorskneft, Vishnevaya Polyana children's health camps of NGDU Nurlatneft were recognized as winners and awarded with Diplomas of Presidium of the Russian Trade Union Council.

LEGAL PROTECTION OF TRADE UNION MEMBERS

In 2016 legal work was continued, aimed at protecting rights, legal assistance and protection of union members.

Based on the Regulations on the Legal Commission for the Protection of Trade Union Members, a commission of four persons is working. In the reporting year, the Commission conducted scheduled inspections in terms of compliance with the working hours schedule, the provision of annual paid holidays, payment for overtime work, on weekends, non-working holidays in the oil and gas production department of Elkhovneft, Tatneftegazpererabotka, OOO “UK Sistema-Service”(in July); in JSC “Ta- togolgaz”, OOO “UPTZh for PPD”, FKU “2 OFPS of the GPS for RT” (in September). Nine inspections were carried out according to addresses of members of labor union at the Bugulma mechanical plant, in OOO Aznakayevsk Department of Technological Transport, OOO UK Tatneft Neftekhim, OOO Ta-gras-Neftegazstroy, TatNIPIneft institute, NGDU “Aznakayevskneft”, the Aznakayevsk enterprise of drilling operations, OOO UK Tatburneft, management of Tatneftegazpererabotk. According to the annual schedule”the exit legal reception” works, in 2016 92 persons are accepted: in Yyelabuga (NGDU “Prkamneft”, OOO P-D Tatneft-Alabuga Steklovolokno, OOO Tatneft-Presskompozit), in Bugulma (OOO TNG Group, Institute TatNIPIneft, OOO Tatneftedor). Issues that the members of the Trade Union addressed were related to improving working conditions, indexation of the salary, payment of utilities and others.

Work with letters and addresses of members of labor union was continued except activity of a legal reception. The joint work with PJSC “Tatneft” on appeals of employees to the “hot line” was continued. During the reporting period Trust line also continued to work. 265 complaints and other appeals were considered, 217 complaints were found to be justified and satisfied.

Legal assistance was provided in the development of collective agreements. An examination of Collective Agreements and local normative acts was carried out. Trade Union Members receive free legal advice not only on labor, but also on family, housing issues. The constant practical help was provided to primary Trade Union Organizations in the solution of legal questions.

WORK WITH YOUNG MEMBERS OF THE TRADE UNION

Trade Union Committees of primary Trade Union Organizations pay special attention to working with young members of the Trade Union. The commission on work with youth works effectively.

The Trade Union Committee of PJSC TATNEFT sends funds from the employer to organize cultural, sports, health and other collective activities with young workers.

A section dedicated to the young employees of the company is highlighted in the Collective. All youth leaders are members of Trade Union Committees of enterprises. Representatives of the youth organizations of enterprises take part in the development of the Collective Agreement.

Young trade unionists actively and successfully participate in all competitive and educational events of the Federation of Trade Unions of the Republic of Tatarstan and the Neftegazstroyprofsoyuz of Russia. In September, 2016 in Alushta, the Republic of Crimea youth leaders of PJSC TATNEFT have participated in the traditional youth meeting organized by NGSP of Russia.

Much attention is paid to military patriotic education. So with assistance of Trade Union Committee in 2016 “A Courage Track” activity was held for the first time. Competitions have taken place dynamically, in fascinating fight and have allowed all participants to check themselves and the team.

Thanks to joint support of Administration and Trade Union Organization finalists of “Tatneft” KVN League KVN could play on one stage with Champions of the Highest KVN League the SOYUZ team.

Young trade unionists actively and successfully participate in all competitive and educational events of the Federation of Trade Unions of the Republic of Tatarstan. In 2016, creative youth of the Company’s enterprises took part in the IV Republican TV Festival of Creativity of Working Youth “Our Time - Beznen Zaman”, according to which young members of the trade union won a number of prizes in various nominations.

In December, 2016 “The development strategy of the Youth organization for 2017-2021” was considered and approved at the 17th conference of young employees of the company

PROTECTION OF THE TRADE UNION MEMBERS RIGHTS FOR THE SAFE WORK

One of the main directions in the work of the Trade Union Organization of PJSC TATNEFT is the protection of workers’ rights to work in conditions that meet the requirements of safety and hygiene; as well as public control over compliance with labor protection legislation.

This joint work is carried out on the basis of collective agreements, on the principles of social partnership between the administrations of PJSC TATNEFT and its subsidiaries and other enterprises on the one hand and representatives of employees - the Trade Union Committees of PJSC TATNEFT and the enterprises of the Tatneft Group, the technical labor inspectorate and the authorized Trade Union for labor protection on the other hand.

At conferences and meetings of labor collectives, on the basis of the results of work for 2016, the implementation of collective bargaining agreements, including the obligations of labor protection agreements, was accepted by the administrator and the Trade Union Committee. To finance the activities to improve the conditions and safety of labor, the employer sent:

	Total, thousand Rubles.	per one employee, thousand Rubles
PJSC TATNEFT	612,789	29.3
Subsidiaries	568,131	27.2

The positive solution of issues on safety of work in reporting year was promoted by systematic work of the Committee on labor protection which is a component of a control system of labor protection of the Company.

In the reporting year, 39 inspections of the conditions and safety of enterprises, compliance with labor protection legislation, implementation of collective agreements and labor protection agreements were conducted.

In accordance with the Labor Code of the Russian Federation, Trade Union control in the field of labor protection on a voluntary basis is carried out by 2,713 authorized persons.

The obligatory participation of authorized persons of the Trade Union for labor protection in administrative and public multistage control is reflected in the Regulation on the Industrial Safety and Labor Protection Management System in PJSC TATNEFT.



CHARITABLE ACTIVITIES

«ODARENNYE DETI» (“GIFTED CHILDREN”) FOUNDATION

In 2016 the charitable foundation funds were sent to support participants in various scientific forums: conferences, subject and inter-subject Olympiads, master classes in academic subjects. The Foundation provided support to 14 participants of the International Test-Rating Olympiad for Schoolchildren in Physics and Mathematics - 3 team and 8 personal prizes, 10 participants of the Summer Academy of Young Geologists under the “Step into the Future” program – 4 awards, 47 participants of the Republican Conference of the Lobachevsky KFU - 12 prizes. Four times team of young geologists from Almetьевsk and Nizhnekamsk traveled to the Olympiads and conferences on Geology, as a result they took the 2nd and the 1st places respectively in the Republican Geological Field Olympiad in August 2016.

The fund winners were held in the city of Bavly, 180 schoolchildren and their mentors took part. The XIII regional scientific and practical conference “Schoolchildren for the science of the 21st century” was held with the participation of 300 scientific and research works, of which 104 experts were admitted to the report in 11 sections, 38 reports were noted and 43 students were awarded.

The winter school for the preparation of candidates for national teams for the national round of the All-Russian Subject Olympiad of schoolchildren in mathematics and physics covered 40 pupils.

The scholarship was paid to 5 gifted schoolchildren from low-income families.

More than 200 students and 150 mentors were encouraged on rallies of the prize-winners of the All-Russian subject Olympiad of schoolchildren in the municipal districts covered by the fund.

“MILOSERDIE” (“MERCY”) CHARITY FOUNDATION

“Mercy” Charity Foundation was created in 1999. The objectives of the fund: support for education, education, science, culture, health, sports, social support for low-income segments of the population.

The Fund carries out its activities in all regions of the Republic of Tatarstan and abroad. The appearance of the settlements and cities of the Republic is changing with the support of the Foundation. The great help is rendered by the fund for the development of sport, especially children’s hockey, the construction of new hockey grounds in all areas of the southeast of the republic.

The “Mercy” Charity Foundation supports work of “Rukhiyat” and “Gifted Children” Foundations. The Foundation constantly provides assistance to children from low-income families, identifies gifted children and directs them to various Republican, Russian and International competitions and olympiads, where children adequately represent the Republic of Tatarstan.

Much attention is paid to preservation and support of religious institutions. Recipients of the charitable help of fund are various public organizations and outside the Republic of Tatarstan. The “Mercy” Charity Foundation renders all-round assistance to the Ministry of Internal Affairs of the Republic of Tatarstan. The Foundation pays special attention to labor veterans of PJSC TATNEFT.

The “Mercy” Charity Foundation allocates significant funds for the economic support of people who gave their strength and youth to the formation of the oil industry of the republic. This is a purposeful and thoughtful policy of the company, aimed at improving the living standards of veteran - oilmen. “Mercy” together with the Trade Union of TATNEFT takes part in the organization of rest and treatment of veterans of labor in sanatoriums, where for them here, apart from high-quality leisure, there are performances of professional and amateur artists and creative teams. There are other types of material assistance to veterans.

FOUNDATION FOR SPIRITUAL REVIVAL “RUKHIYAT” («SPIRITUALITY»)

The Foundation for Spiritual Revival “Rukhiyat” was established by PJSC TATNEFT in 1997 with the aim of activating of the spiritual revival and cultural life of the oil region of the Republic of Tatarstan; identification and support of talented children of the oil region of the Republic of Tatarstan, organization of cultural and educational work, etc.

One of the projects of the Foundation is the Children’s Creativity Festival “Land of the Singing Nightingale”, which has been held since 1998. About 50 thousand children from 21 settlements of the oil region of the Republic of Tatarstan took part in it. The festival provides for about 20 nominations, annually the foundation organizes a contest program in 7-9 nominations, alternating and conducting some of them once in 2-3 years. When forming the jury members, the foundation cooperates with the Kazan State Conservatory named after N. Zhiganov, the Kazan State Institute of Culture and Arts, the Union of Writers, Artists and Composers of the Republic of Tatarstan, the Creative School “Master Class” of the Banking Group “Zenith” (Moscow), the musical colleges of Almetьевsk and Nizhnekamsk, the Almetьевsk Picture Gallery named after G. Stefanovsky. Gala concerts are organized in Almetьевsk and Kazan. The number of participants is from 350 to 500 people.

The scholarship for the graduates of the festival “Land of the Singing Nightingale” is awarded from 2011 to encourage the winners of the festival, who decided to continue their studies in higher or secondary educational institutions of the artistic and aesthetic direction. The size of the scholarship is 12 thousand rubles.

To encourage the members of the Writers’ Union of the Republic of Tatarstan who gained recognition in the field of literary creativity, the Tatneft Company established a literary prize named after the well-known Tatar poetess Sazhida Suleymanova within the framework of the Foundation’s activities. Annually it is awarded to 6 writers and poets. Ten students engaged in literary creativity traditionally become scholars of this award.

To support writers and artists of the oil region of the Republic of Tatarstan, the Foundation also holds competitions, such as “Literary debut” among novice writers, which resulted in the publication of the collection “Yash Dulkyn - A New Literary Wave”, a competition of fine artists, together with the Union of Artists of the Republic of Tatarstan, Almetьевsk Picture Gallery and the Creative School “Master Class” of the Banking Group “Zenith”. As a result, an album-catalog was released.

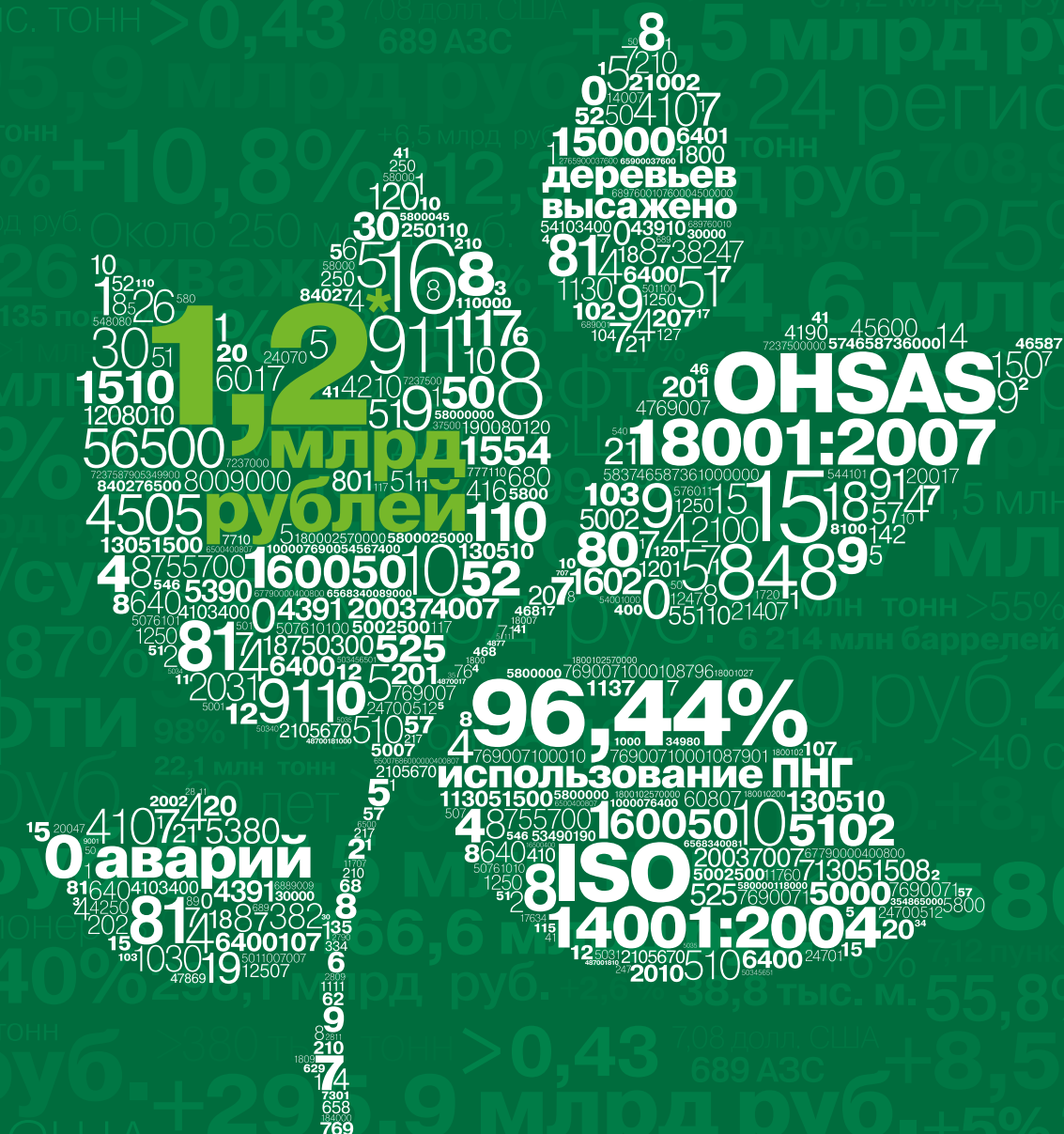
For 20 years, the foundation is very active in publishing activities. About 200 books with a total circulation of about 350 thousand copies were issued. Among them - scientific bibliographic publications, works of recognized Tatar poets and writers, works by young authors, etc. The books published by the Foundation are donated to the republican libraries, educational institutions, museums, orphanages, nursing homes, as well as to the regions of Russia to places of compact residence of Tatars.

Annually there are presentations of books with the participation of authors and editors of books, the Union of Writers of the Republic of Tatarstan, creative clerisy, university students.

In November 2016, together with the Vladimir Spivakov International Charity Foundation, a cultural and educational project was implemented, “The Academy of the Vladimir Spivakov Foundation, Children for the Children. Tatarstan”. Within the framework of the project, there were “master classes” of famous Russian and foreign musicians, choreographers and artists for children and teachers of small towns in the oil region of Tatarstan, as well as concerts with the participation of scholarship holders of the funds and the best children’s creative teams in the oil region of the Republic of Tatarstan. The charity project, master classes were organized at the expense of the Grant of the President of the Russian Federation and PJSC TATNEFT.

The Foundation actively cooperates with Ministries of Culture and Education of Tatarstan, the Union of Writers, Artists, Composers and representatives of the creative clerisy of the Republic of Tatarstan, the Russian Federation and others.

INDUSTRIAL SAFETY AND ENVIRONMENTAL POLICY



HEALTH, SAFETY AND ENVIRONMENT POLICY OF THE COMPANY

The Company carries out the environmental safety activities in compliance with the federal laws and environmental rules and regulations, taking into account the requirements of the international instruments and according to the Health, Safety and Environment Policy of the Company.

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.

Realization of the health, safety and environment goals provides for the Company to accomplish the following objectives:

- ensuring safe working conditions, protecting health of workers and people living in the areas of the Company’s operations;
- compliance with the established permissible environmental impact standards
- improving industrial and environmental safety of hazardous production facilities;
- mitigating manmade impact on the ecosystem in the area of its operations by implementing new technologies, equipment, materials, upgrading process control automation level rational use of natural resources
- and minimization of oil and gas losses
- increasing industrial and environmental safety of hazardous production facilities.
- Eliminating unjustified wastes generated in technological processes of oil production and related operations with environmentally safe handling of wastes and their maximum use as a secondary raw material;

The Company makes the following commitments:

- 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 results;
- maintain and continuously improve the Integrated Health, Safety And Environment Management System;
- 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.

PRODUCTION SAFETY SYSTEM

The Company provides the measures for industrial safety, occupational health and prevention of industrial injuries and occupational diseases in compliance with its internal documents: “Production Safety System”, “Industrial Safety Management System Regulations” and “Regulations on industrial control over compliance with the industrial safety requirements of industrial at hazardous industrial facilities”, which establish a unified procedure for the implementation of management of industrial, fire, electric power, radiation safety, occupational health and production control in all structural divisions and subsidiaries of PJSC TATNEFT.

There are standing commissions operating on an ongoing basis such as the occupational health and safety commission, the production control commission, the fire and technical commission and the internal audit team of the integrated management system. The working schedules of standing commissions and the schedule of individual industrial safety and occupational health inspections at the Company’s facilities are fulfilled.

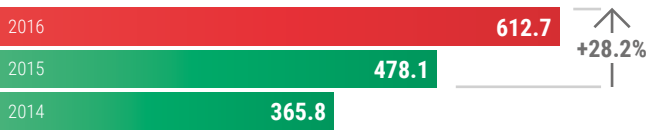
In order to comply with the requirements of the international standard OHSAS 18001 the Company developed the Health, Safety and Environment Program to prevent injuries, reduce risks and accidents, and contingent losses for 2016 through 2018. In 2016, 4.98 billion rubles were spent to realize the Program.

In 2016, 121 mln rubles were assigned to implement fire safety measures. Over the period of 2014 through 2016 no fire had been registered in the PJSC TATNEFT’s structural divisions.

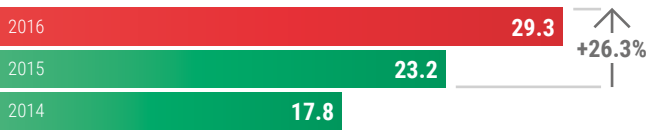
More than 600 million rubles were spent to carry out the measures provided for by occupational health agreements in the structural divisions of PJSC TATNEFT. The average cost per employee amounted to 29 321 rubles.

In 2016, no manmade accident was allowed to happen that might cause any environmental damage within the operating area of the Company.

DYNAMICS OF OCCUPATIONAL HEALTH EXPENDITURE, MLN RUBLES



DYNAMICS OF OCCUPATIONAL HEALTH EXPENDITURE PER WORKER, THOUS RUBLES.



DYNAMICS OF INDUSTRIAL INJURIES FOR 2014 TO 2016



Year	Number of accidents	Incl. fatal accidents	Fr. rate*
2014	2	0	0.1
2015	6	0	0.3
2016	3	0	0.14

* Fr. Rate (frequency rate – number of injured per 1000 employees)

ENVIRONMENTAL MANAGEMENT SYSTEM

- Ecological strategy of the Company up to 2020 and the fourth in succession the comprehensive and large scale Environmental Program for the period of 2016 through 2020 were approved in 2016.
- Certified in 2006, the PJSC TATNEFT Integrated Health, Safety and Environment Management System (IHSE MS) successfully passed in 2016 through the re-certification audit for compliance with the international standards ISO 14001:2004 and OHSAS 18001:2007. The audit was performed by 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.

INDUSTRIAL ENVIRONMENTAL MONITORING

The PJSC TATNEFT industrial environmental monitoring (IEM) 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.

ENVIRONMENTAL SECURITY MEASURES

In 2016, the Company continued its dedicated work on a consistent basis to improve environmental safety of oil production processes. The Company 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.

ATMOSPHERIC AIR PROTECTION AND MONITORING

The gas pipeline corrosion control works were performed such as introduction of 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.

For the purpose of sustainable use of associated petroleum gas (APG), compliance with the established standards of maximum permissible emissions (MPE) of pollutants into the air, further reduction of pollutant emissions into the atmosphere and reduction of greenhouse gas emissions in 2016:

- major repairs were accomplished for 16.34 km of gas pipelines with 122 807 thous. rubles of the total costs;
- reconstruction (replacement) of flare facilities of NGDU Almeteyevneft, NGDU Bavlyneft, NGDU Jalilneft was completed which will provide soot-free combustion. The investments totaled more than 12 635 thous. rubles in 2016; oil heating furnaces with waste-heat exchangers were commissioned at the Kama-Ismagilovsky Sour Crude Oil Treatment Facility of NGDU Leninogorskneft. The investments had totaled more than 65 607 thous. Rubles since the project beginning in 2013.
- Construction of the gas gathering system of Tatneftegazpererabotka Division (UTNGP) from NGDU Yamashneft and NGDU Elkhovneft continued. Since the project beginning in 2015 the investments totaled more than 28 676 thous. rubles, including more than 4 231 thous. rubles in 2016
- And other works.

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” continued at NGDU Nurlatneft in 2016. Since the project beginning in 2015 the investments totaled 119 732 thous. rubles including 104 876 thous. rubles in 2016.

Thanks to the focused efforts made out to reduce the associated petroleum gas (APG) flaring at the flare facilities, in 2016 the APG utilization efficiency was 96.44% across PJSC TATNEFT. This made it possible to reduce harmful emissions of pollutants and greenhouse gases from APG combustion and dispersion. The total costs for implementation of APG utilization projects for the period from 2008 to 2016 amounted to more than 4.6 bln rubles.

Application of light hydrocarbon fraction capture technology (vapour recovery units) helped reduce 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.

As a result of the air protection measures implemented in the Company for the period from 1990 to 2016 the total emissions of pollutants into the air from stationary sources became three times less.

In 2016, PJSC TATNEFT produced 978 471 thous m3 of APG (2015 – 946 941 thous m3), gathered and utilized 941 242 thous m3 (2015 - 899 538 thous m3), flared 37 229 thous m3, including 2 357 thous m3 due to the UTNGP’s lifting and hoisting equipment scheduled preventive maintenance (2015 – 47 403 thous m3, incl. 1 651 thous m3 due to the UTNGP’s lifting and hoisting equipment scheduled preventive maintenance).

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 416 monitoring points. During the activities, 6 396 measurements of physical factors were taken and 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.

GROSS HARMFUL EMISSIONS, THOUS TONNES



SPECIFIC EMISSIONS PER TONNE OF OIL PRODUCTION, KG



WATER CONSERVATION AND SUSTAINABLE USE, SUBSURFACE PROTECTION.

In 2016, 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.

The following water resources conservation and their rational management activities were going on:

- Reconstruction of the circulating water supply system 7/8 of the Tatneftegaspererabotka (UTNGP) plant. The investments since the beginning of the project in 2015 totaled to more than 28 279 thous rubles including more than 26 979 thous rubles in 2016;
- construction of modular sewage treatment units for the circulation water supply system of the UTNGP's gas processing facilities. Since the project start in 2006, the investments totaled 178 709 thous rubles, incl. more than 34 994 thous rubles in 2016;
- Overhaul of hydraulic engineering works and special foundations of NGDU Prikamneft. The total costs since the beginning of the project in 2013 were more than 696 780 thous rubles, including. 175 948 thous rubles in 2016.

In 2016, to ensure stable and smooth operation of the production facilities while improving their industrial and environmental safety the Company manufactured 785 km of corrosion-resistant pipes (MPT, TPC). Cathodic protection was applied to 582 well casings; 21 662.5 km of pipelines were furnished with electrochemical protection. The diagnostic tests amounted to 2 546.6 km of pipelines. In order to protect the oilfield equipment and pipelines against corrosion the Company tested and adapted dozens of chemical reagent brands. Currently, only high efficient and technological-sound corrosion inhibitors are used based on the recent unification results. The high-efficient corrosion inhibitors in the quantity of 5 380 tonnes were used in 2016.

The inner surfaces of 57 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. 50 vertical steel tanks were repaired. Diagnostic tests were run in 545 bullet tanks and 60 vertical steel tanks.

In order to protect the land, surface and underground waters 162.2 km of oil pipelines for the oil gathering and treatment system and 110.9 km of water lines for the reservoir pressure maintenance system were overhauled using corrosion-resistant pipes.

In order to ensure conservation of subsoil and fresh groundwater resources the Company continued installation of highly reliable packers and corrosion-resistant tubings. In 2016, packers of various designs were run and set in 7149 injection wells which accounted for 72.8% of the active injecting well stock. The corrosion-resistant tubings were run in 267 injectors. Totally, since the beginning of installation the corrosion-resistant tubings were run in 7 143 wastewater and formation water injecting wells which accounted for 90.1% of this well stock, respectively.

PJSC TATNEFT ensures water management in compliance with the Water Code of the Russian Federation and the Federal Law "On Subsoil". In 2016, the use of surface water bodies was carried out on the basis of 121 water use agreements concluded with the Ministry of Ecology and Natural Resources of the Republic of Tatarstan (including 61 agreements made in 2016) 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 44 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 2016 had decreased by 10.7 mln m³ (1.3 times). Moreover, 100% produced water during oil production and oil treatment operations was injected back into reservoir.

The volume of water utilized in 2016 for PJSC TATNEFT's own needs amounted to 36.875 mln m³, including fresh water in quantity of 36.357 mln m³. In 2016, the specific amount of fresh water consumption per tonne of crude oil production amounted to 1.283 m³ (2013 – 1.077 m³, 2014 – 1.078 m³, 2015 – 1.061).

The higher water consumption is explained by the increased well drilling and completion, increased oil production and treatment, incl. increased sour crude oil treatment (UPVSN NGDU Yamashneft), increased product outputs (BMZ), commissioning of social facilities (NGDU Bavlyneft).

In 2016, the specific amount of polluted waste water discharged into surface water bodies per tonne of oil production amounted to less than 0.0037 m³ (2013 – less than 0.005 m³, 2014 – less than 0.004 m³, 2015 – 0.0035 m³).

There is a network of local observation points to monitor water bodies in place within PJSC TATNEFT license areas. In 2016, the observation system consisted of 1 975 sampling points including 495 observation points to monitor surface water bodies and 1 480 observation points for underground water bodies.

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 2016, the Company carried out 110 thousand analyses of natural water, including 10 672 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 the water quality in major rivers within the area of the Company's operations was stable in 2016. 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 2016, for twenty-first consecutive time since 1995 PJSC TATNEFT had organized and held annual contest "maintaining beauty of landscaped spring sites and improving water quality".

CONSERVATION AND SUSTAINABLE USE OF LAND AND FOREST RESOURCES

PJCS TATNEFT addresses the issues regarding sustainable use of land resources and soil pollution prevention with the utmost care.

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.

In 2016, 1 606 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. TATNEFT's personnel had planted over 472 thousand seedlings of trees and shrubs including 15 023 seedlings in 2016.

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.

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.

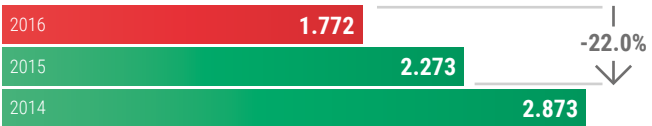
The Company established a complex system to collect and recycle production and consumption wastes. Moreover, the wastes are used as a raw material for producing marketable products.

In 2016, 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).

TOTAL GENERATED PRODUCTION AND
CONSUMPTION WASTES, THOUS TONNES



SPECIFIC GENERATED WASTE VOLUME PER
TONNE OF CRUDE OIL PRODUCTION



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. The plans include the calculations of the number of workforces and facilities required to eliminate an oil spill. The contents of the Plans meet the requirements of the regulatory legal documents.

The irreducible material stocks were secured including for elimination of oil spills in water bodies, there were available 900 meters of booms, 15 skimmers and 10 tonnes of sorbent.

The contracts were concluded with professional rescue teams of the Chief Directorate of the MES of Russia for the Republic of Tatarstan and FSI ERT “Northeast militarized well control unit.” for the purpose of prevention and elimination of emergency situations related to oil spills. The training classes and drill exercises were conducted with regard to elimination of possible oil petroleum products spills.

Good working conditions are maintained for 526 stationary oil recovery facilities, booms and bio-pond to prevent oil pollution of surface water bodies (rivers) and water basins (reservoirs).

ENVIRONMENTAL CULTURE PROMOTION
AND ENVIRONMENTALISTS TRAINING
AND DEVELOPMENT

In 2016, eighty four (84) employees of PJSC TATNEFT’s divisions 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. Seventy-two (72) employees of the Company were trained in 72-hour program “Ensuring environmental safety by managers and specialists of general business management systems”. Two (2) employees completed to the training program “Ensuring environmental safety by managers and specialists of environmental services and environmental control systems”. In addition, 53 managers and leading specialists of the health, safety and environmental services of the PJSC TATNEFT’s divisions were trained in the program “Internal Auditor of the integrated health, safety and environment management system. Standard ISO 14001: 2015”. Altogether, 1 413 000 rubles were spent to the training programs.

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. Environmental initiatives of the enterprises 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.

The technological processes, the nature protection round tables, seminars of chief engineers, environmental actions, articles on audit and certification of the integrated HSE management system are covered in an easy-to-understand form in mass media along with the performance assessments of the experts dealing with the environmental risks in the Company.

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 2016 amounted to 7 269. 149 mln. rubles including the investments assigned for environmental protection and rational use of natural resources in the amount of 1 196.477 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 (2011– 208 rubles, 2012 – 230 rubles, 2013 – 246 rubles, 2014 – 238 rubles). The results of large-scale environmental measures showed that in 2016 in the area of PJSC TATNEFT’s operations the level of man-induced impact on the environment did not exceed the self-regeneration potential of the ecosystems. That was evidenced by lower concentration of pollutants in the air and underground and surface water sources.

PUBLIC RECOGNITION

In 2016, 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-2016” for outstanding contribution to the environment improvement and environmental education” as well as commemorative prize “Green Spring-2016”.
- Based on the results of the sanitary and ecological two month’s urban area cleaning campaign in the Republic of Tatarstan, PJSC TATNEFT was awarded by the Ministry of Ecology and Natural Resources of the Republic of Tatarstan with the Diploma Of Honor of the “EKOVESNA 2016” competition winner in the nomination “ECOCOMPANY” of the Almetьевsk municipal district;
- For the 13th time in a row, PJSC TATNEFT was recognized as the absolute “ECOleader” in the Republic of Tatarstan.

PJSC TATNEFT ENVIRONMENTAL, SAFETY AND SUSTAINABLE NATURE MANAGEMENT
PERFORMANCE FOR 2015-2016

No.	Performance Indicators	Unit	Report	
			2014	2015
1	2	3	4	5
1	Production output			
	Hydrocarbon production – crude oil	tonnes	26926971	28332674
2	Gross harmful emissions, total	tonnes	83868.674	81274.716
	including:			
	solid substances	tonnes	1246.623	866.381
	of which:			
	furnace bottom ash	tonnes		
	gases and liquids	tonnes	82622.051	80408.335
	of which:			
	sulphur dioxide	tonnes	9474.642	7831.484
	carbon oxide	tonnes	12749.562	9641.82
	nitrogen oxide (on conversion to NO2)	tonnes	1407.619	1389.957
	hydrocarbons (without volatile organic compounds)	tonnes	10258.428	11166.128
	volatile organic compounds	tonnes	48349.728	49947.481
	benz(a)pyrene	tonnes	0.003	0.005
3	Harmful substance captured and neutralized, total	tonnes	157.378	144.082
	including:			
	solid substances	tonnes	157.378	144.082
	of which:			
	furnace bottom ash	tonnes	0	0
	gases and liquids	tonnes	0	0
	of which:			
	sulphur dioxide	tonnes	0	0
	carbon oxide	tonnes	0	0
	nitrogen oxide (on conversion to NO2)	tonnes	0	0
	hydrocarbons (without volatile organic compounds)	tonnes	0	0
	volatile organic compounds	tonnes	0	0
	benz(a)pyrene	tonnes	0	0
4	Associated petroleum gas production	mln m³	946.941	978.471
5	Associated petroleum gas use (utilization)	mln m³	899.538	941.242
6	Associated petroleum gas utilization rate*	%	95.17	96.44
7	Associated petroleum gas flared	mln m³	47.403	37.229
	Including due to scheduled maintenance of lifting equipment	mln m³	1.651	2.357
8	withdrawal and production of clean water for company’s own needs, total	thous m³	28565.03	36357.06
	including:			
	surface sources	thous m³	1541.1	1795.02
	subsurface sources	thous m³	974.71	973.11
	other sources	thous m³	26058.87	33588.93
9	Waste water received from third parties	thous m³	515.6	517.81
10	Clean water consumption, total	thous m³	28565.03	36357.06
	including for:			
	household and drinking needs	thous m³	881.58	844.68
	production needs	thous m³	7867.95	14270.24
	other (injection for reservoir pressure maintenance)	thous m³	19815.5	21242.14

*as per the Russian Federation Government Resolution No. 1148 of 08.11.2012

1	2	3	4	5
11	Waste water used for reservoir pressure maintenance	thous m³	515.6	517.81
12	Water disposal in surface water bodies, total	thous m³	94.6	106.08
	including:			
	contaminated (without treatment)	thous m³		
	contaminated (insufficiently treated)	thous m³	94.6	106.08
	regulatory clean water (without treatment)	thous m³		
	treated to standard quality:			
	- on biological treatment plants	thous m³	42,14	41,35
	- on physical-and-chemical treatment plant	thous m³	52.46	64.73
	- on mechanical treatment plants	thous m³		
13	Water disposal into underground horizons, tota;	thous m³	164524.96	178345.1
	including for reservoir pressure maintenance	thous m³	164524.96	178345.1
14	Recycled water volume	thous m³	91180.28	91185.39
15	Sequentially reused water volume	thous m³	143491.33	156585.15
16	Existing wastes			
	at year beginning, total	tonnes	0.8	0.8
	including oil sludges (III class of hazard)	tonnes	0	0
	at year end, total	tonnes	0.8	168.9
	including oil sludges (III class of hazard)	tonnes	0	168.9
17	Wastes generated during year	tonnes	61205.8	50211.0
	including oil sludges (III class of hazard)	tonnes	35274.8	21278.0
18	Wastes used, total	tonnes	6176.4	8045.7
	including oil sludges (III class of hazard)	tonnes	2607.8	116.4
19	Waste detoxified on enterprise site, total	tonnes	148.5	0.0
	including oil sludges (III class of hazard)	tonnes	146.1	0.0
20	Wastes given to third parties, total	tonnes	78505.7	79014.0
	including oil sludges (III class of hazard)	tonnes	34488.9	20992.7
21	Disturbed land area:			
	at year beginning	ha	261	325
	at year end	ha	325	439
22	Contaminated land area:			
	at year beginning	ha	0.0	0.0
	at year end	ha	0.0	0.0
23	Remediated land area during year	ha	1498	1606
24	Number of accidents, total	ea	0	0
	including with environmental implications	ea	0	0
25	Area contaminated as a result of accidents:			
	lands	ha	0	0
	water body surfaces	thous m²	0	0
26	Accidental loss quantity:			
	oil, petroleum products	tonnes	0	0
	natural gas	m³	0	0
27	Process loss of hydrocarbons:			
	oil	tonnes	9603.9	4240.0
	natural gas	m3	0	0
28	Environmental damage from accidents	thous rub.	0	0
29	Commissioning of facilities for trapping and neutralizing harmful substances from waste gases	ths m³/h	0	0.25
		thous rub.	0	189 697.5
30	Commissioning of waste water treatment facilities	ths m³/h	0	0
		thous rub.	0	0

1	2	3	4	5
31	Commissioning of recycling water systems	ths m³/h	0	0
		thous rub.	0	0
32	Commissioning of waste neutralization and utilization	tonnes/year	0	0
		thous rub.	0	0
33	Equipping water intake facilities with meters to measure water volumes discharged into natural (water) bodies (total existing devices)	pcs.	62	60
	incl. purchased and put into operation for year under report	pcs.	5	2
		thous rub.	11,2	10
34	Equipping water treatment facilities with meters to measure water volumes discharged into natural (water) bodies (total existing devices)	pcs.	6	3
	incl. purchased and put into operation for year under report	pcs.	0	0
		thous rub.	0	0
35	Maintenance of associated petroleum gas (APG) metering units	pcs.	460	481
		thous rub.	12 595.6	5 375.9
36	Charges for negative impact on	тыс. руб.	198 235	34222
	including:	thous rub.		
	pollutant emissions:	thous rub.	102 929	5822
	normative	thous rub.	4 752	5675
	excess	thous rub.	98 177	147
	pollutant discharges into water bodies:	thous rub.	86 381	22128
	normative	thous rub.	86 370	22128
	excess	thous rub.	11	0
	waste disposal:	thous rub.	8 925	6272
	normative	thous rub.	8 920	6271
	excess	thous rub.	5	1
37	Charges for use of water bodies (water use charge) based on water use contracts	thous rub.	517.045	740.292
38	Fixed capital expenditures committed to environment protection and sustainable natural resources management:	thous rub.		
	planned	thous rub.	937 945.9	1 232 214.4
	actual, total	thous rub.	937 945.9	1 196 477.0
	including:			
	water bodies conservation	thous rub.	34 811.6	63 498.5
	air protection	thous rub.	828 305.9	1 016 702.0
	protection of lands from production and consumption wastes	thous rub.	0.0	0.0
	land reclamation	thous rub.	74 828.5	116 276.5
39	Current (operating) expenditures for environment conservation and expenditures for major repairs of fixed production assets related to environment conservation, total:	thous rub.	5 703 779	6 072 672
	including:			
	air protection and climate change control	thous rub.	370 168	371 289
	waste water collection and treatment	thous rub.	133 486	130 901
	waste handling	thous rub.	157 045	137 085
	conservation and remediation of lands, surface and subsurface waters	thous rub.	4 937 652	5 317 435
	environment protection from noise, vibration and other types of physical effects	thous rub.	0	0
	biodiversity preservation and natural areas conservation	thous rub.	27 924	497
	environmental radiation protection	thous rub.	1 143	1 704
	research and development activities to mitigate human impact on the environment	thous rub.	74 516	112 532
	other environmental activities	thous rub.	1 845	1 229
40	beautification (planting of trees and shrubbery)	pcs.	15 194	15 023
		thous rub.	31 916	27 824

THE CORPORATE ENVIRONMENTAL POLICY IS FOCUSED ON PREVENTING AND MITIGATING THE NEGATIVE IMPACT OF THE PRODUCTION PROCESSES ON THE ENVIRONMENT AS WELL AS ON RESTORING NATURAL ECOLOGICAL SYSTEMS, SAVING ENERGY RESOURCES, LOWERING EMISSIONS AND ENSURING ENVIRONMENTALLY SAFE WASTE HANDLING AND MANAGEMENT.

THE COMPANY GIVES A HIGH PRIORITY TO DEVELOPMENT AND IMPLEMENTATION OF ENVIRONMENTALLY EFFICIENT TECHNOLOGIES ENSURING REPLACEMENT AND SUSTAINABLE USE OF NATURAL RESOURCES.

The achievements of the Company in nature conservation and ecological security at production facilities were recognized at the “ECOLEADER” Competition in the Republic of Tatarstan Republic in 2016.

- PJSC TATNEFT once again was designated as the Absolute Winner.
- The TANECO Complex won the first place in the “Oil Producing and Petrochemical Industry” nomination category.

LIST OF ACRONYMS

The Public Joint Stock Company TATNEFT named after V.D. Shashin throughout the text of the Report is referred to as PJSC TATNEFT, TATNEFT, Company, and Society.

BIA	Business Idea Auction
AGFS (AGZS)	Autogas Fueling Station
ASPI (AGNI)	Almetyevsk State Petroleum Institute
AB	Anode bed
FFS (AZS)	Fuel Filling Station
AIS	Automated information System
JSC	Joint Stock Company
BWMB	Basin Water Management Board
BMZ	Bugulma Mechanical Plant (PJSC TATNEFT's Business Unit)
VOIR	All-Russian Society of Inventors and Innovators
GMPS (GZNU)	Group Metering Pump Station
GMS (GZU)	Group Metering Station
STSI (GIBDD)	State Traffic Safety Inspectorate
SCNS	State Complex Nature Sanctuary
HS	Horizontal Settler
GOST	National State Standard
Frac	Formation Hydraulic Fracturing
F&L	Fuels and Lubricants
HEI	Hydraulic Engineering Installations
BPS	Booster Pumping Station
CHC	Children's Holiday Camp
EU	European Union
UNECE	United Nations Economic Commission for Europe
RCT	Reinforced concrete tank
ZAO	Private Joint Stock Company
IS	Information System
CIS	Corporate Information System
PPD	Pad Pumping Station
KFU	Kazan (Volga region) Federal University
CSR	Corporate Social Responsibility
MGPP	Minnibaevo Gas Processing Plant
Moscow Interbank Currency Exchange; MICEX	Moscow Interbank Currency Exchange
MPP	Metal-Plastic Pipes
(MTBR)	Mean Time Between Repair
EOR	Enhanced Oil Recovery
MPP	Multiphase Pump
MES	Ministry for Emergency Situations
NGDU	Oil and Gas Field Operating Division (PJSC TATNEFT's Business Unit)
MRRT	Mineral Resource Recovery Tax
VAT	Value Added Tax
NASTP	Nizhnekamsk All Steel Tires Plant
R&D	Research and Development
Tubing	Oil Well Tubing
ITA	Intangible assets

OR & PP	Oil Refining and Petrochemical Plants
Refinery	Oil Refinery
OPU	Oil Processing Unit
STC	Science and Technology Centre
PCC	Petrochemical Complex
OOO	Limited Liability Company
NCA	Nature Conservation Area
PO	Pilot Operations
PDC	Production Dual Completion
P&I DC	Production and Injection Dual Completion
IDC	Injection Dual Completion
DC	Dual Completion
SEZ	Special Economic Zone
MPC	Maximum Permissible Concentration
APG	Associated Petroleum Gas
RPM	Reservoir Pressure Maintenance
PCP	Polymer Coated Pipes
PS	Power Substation
CD	Chain Drive
VSST	Vertical Stainless Steel Tank
RIA	Result of Intellectual Activity
RUSO	Regional Youth Social organization
RT	Republic of Tatarstan
RF	Russian Federation,
SVO	Super Viscous Oil
CPS	Cathodic Protection Station
CGS	Corporate Governance Standard
EDMS	Electronic Document Management System
TD	Trading House
TTD	Trade Technical House
TU	Technical Specifications
FEC	Fuel and Energy Complex
TPP	Thermal Power Plant
DCU	Delayed Coker Unit
MC	Management Company
LHVR	Light Hydrocarbon Vapour Recovery
HSOTF	High Sulfur Oil Treatment Facility
OTF	Oil Treatment Facility
IWSU	Initial Water Separation Unit
OOO UPTZH dlya PPD	Process Fluid Treatment Facility for Reservoir Pressure Maintenance
(PJSC TATNEFT's Subsidiary)	Установка сероочистки
SRU	Sulphur Recovery Unit
UTNGP	TATNEFTGAZPERERABOTKA Division (PJSC TATNEFT's Business Unit)
AS-tires	All-Steel Tires
PTC	Personnel Training Centre
NGL	Natural Gas Liquids
EIC	Electrical Insulating Connection
ECU	Electronic Corporate University
NPV	Net Present Value
DPI	Discounted Profitability Index

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